

THE FUTURE OF EUROPE
A VIEW FROM THE DANUBE REGION

István Tarrósy – Susan Milford (eds.)

Pécs, Hungary
2007

The Future of Europe – A View from the Danube Region
Proceedings of the 3rd DRC Summer School, Dubrovnik 2006

Published by IDResearch Ltd. and the Institute for the Danube Region and Central Europe (IDM) under the intellectual sponsorship of the Danube Rectors' Conference (DRC).



NATIONAL SZÉCHENYI LIBRARY OF HUNGARY, BUDAPEST

EDITORS:

István Tarrósy, managing director, IDResearch Ltd. (Hungary)

Susan Milford, Institut für den Donauraum und Mitteleuropa (Austria)

Assistants: Ágnes Nyilas, Daniella Mussnig (Summer School), Zoltán Grünhut (IDResearch Ltd.)

Proof-reading: Éva Oláh-Szentessy

Cover, Design and Layout: Viktor Glied, IDResearch Ltd.

Printed by: Corvina Nyomda, Kaposvár

ISBN 978-963-06-3867-8

2007 © IDM
www.idm.at

2007 © IDResearch Ltd.
www.idresearch.hu

publikon
books

TABLE OF CONTENTS

Preface of the editors	7
------------------------	---

CHAPTER 1

ENLARGEMENT: ISSUES OF TRANSITION AND SECURITY

1 Péter Balogh	11
EU Enlargement Eastwards: A Threat to European Security?	
2 Sergii Glebov	29
Global and Regional Subjectivity of the EU and the Case of Ukraine in Relations with the NATO, the USA and Russia	
3 Armağan Gözkaman	41
The EU as a Military Crisis Manager: Assets and Obstacles	
4 Gejsi Plaku	55
‘Kosovo in Light of Status Negotiations’ Political Development and Status Negotiations	
5 Ujbien Shehu	65
Romania in Light of EU Accession 2007—The Delayed Transition	

CHAPTER 2

REGIONAL, SOCIAL AND FINANCIAL ASPECTS OF CO-OPERATION

6 Marko Trnski	77
Regional Policy of the EU as an Instrument of Social Solidarity	
7 Gabriela Cretu	87
The Impact of Europeanisation on Institution-Building: European Regional Policy Implementation in Greece	
8 Zoltán Gál	97
Ruptures in the Danube Region: Territorial Co-operation as a Playground of European Integration	
9 Ruxandra Pupazescu	113
The European Social Policy Area—Between Divergence and Convergence	

10	Borce Bejkovski	127
	The Social Dimension of Europe and Social Policy in Macedonia— Solidarity, Mutuality and the Pursuit of Social Justice—Guiding Principles for a New Social Agenda in Europe	
11	Valeriu Frunzaru	143
	The European Union’s Employment Policy in the Context of the Pension Reform. Romania as a New Member State	
12	Vassilis Petsinis	155
	Cross-border Co-operation in Southeast Europe as a Prelude to European Integration: The Case of Serbia	
13	Svetla Boneva	165
	The Council and the European Commission on Budgetary Discipline and Improvement of the Budgetary Procedure for 2007-2013	
14	Zsolt Péter	179
	Foreign Direct Investments and the Countries of the European Union	

CHAPTER 3

DEMOCRACY, VALUES AND DECISION-MAKING IN EUROPE

15	Ioana Cristina Iliescu	191
	Decision-making in the European Union: the Convention on the Future of Europe	
16	Luana Dinu	205
	A Minimal Definition of Democracy—The EU’s Role as Democracy Promoter in the Arab World	
17	Ágnes Borgulya	219
	Diversity in Value Orientation in Europe: Interaction Conflicts	
18	Brigitte Krech	233
	Job Opportunities in Brussels—Some Ideas on a Strategy for Young Graduates from the Danube Region	
19	Amarilla Lukács	241
	Competition versus Co-operation	

CHAPTER 4

PROGRAMME – SPONSORS – AUTHORS

Programme of the 3 rd DRC Summer School	255
Institute for the Danube Region and Central Europe (IDM)	258
IDResearch Ltd.	260
Partners and Supporters	262
List of Authors	263

PREFACE

It always includes efforts and difficulties to make any dream come true. You need to work hard on making your ideas, plans about co-operation with various different partners from different parts of the world real; this requires—among many things—empathy, openness and focussed minds to keep to schedules and workplans. In the case of the DRC Summer School series we are certainly lucky as we could set up and maintain partnerships and collaboration with numerous institutions and stakeholders for the sake of improving our framework and developing our ideas. The co-operation of Vienna and Pécs, and that of IDM and IDRResearch in particular—including the respective higher education institutions from the two cities—has proven to be highly successful since 2004. The present proceedings volume is another step forward in terms of academic and scientific co-operation, as it surely contributes with the help of young social scientists from the Dabube Region and beyond to understanding more about current issues of EU enlargement, security, regional development, social and economic issues of a new Europe, in light of where the EU stands in the global political arena. We are glad that since the launch of the summer school the Danube Rectors' Conference has continuously offered an ongoing intellectual sponsorship under which it has been possible for us to plan ahead.

This third proceedings volume is a collection of 19 papers that were presented at the 3rd Summer School hosted by the Centre for Advanced Academic Studies of the University of Zagreb in Dubrovnik, Croatia (August 2006). After the first two summer meetings in 2004 (Pécs) and 2005 (Eisenstadt) it became evident that there was a need in the young academic communities of Central and Eastern Europe, in countries along the river Danube, to enhance their knowledge, develop professional links with fellow intellectuals and, most important of all, to engage in a thorough discussion focussing on current issues in various domains of the social sciences. It is inevitably a sign of success that increasing attention follows the work we have launched, both among young scientists who have already taken part in and those who intend to join our network, as well as leading professionals, university leaders, companies and scientific institutions. The DRC Summer Schools are therefore not just events but an opportunity for networking. They offer the ground for establishing relations and collaborations that will affect our future.

The programme of the Third Summer School could not have been made possible without our generous supporters whom in this way we would like to thank, too. The school was supported by the DRC Presidency, the Central European Initiative (CEI), the Austrian provinces of Lower Austria, Upper Austria and Styria, the Working Community of Danubian Regions, the Hanns Seidel Foundation, and Erste Bank.

The 19 contributions of the current proceedings volume are organised into 3 major chapters. Chapter 1 covers topics connected with the enlargement process of the EU, especially as regards problems of transition and security. Balogh offers an overview of potential security threats in light of eastward enlargement. Glebov discusses the case of Ukraine in relations with the NATO, the USA and Russia. Gözkaman talks about how the EU can solve military crises. Plaku presents a case study of Kosovo in terms of political developments and status negotiations, and Shehu takes a look at Romania's accession to the EU. Chapter 2 is centred around regional, social and financial aspects of co-operation. While Trnski analyses the EU's regional policy as an instrument of solidarity, Cretu flashes up the case of Greece in terms of regional policy implementation. Gál critically uncovers various aspects of territorial co-operation connected with integration. Pupazescu and Frunzaru address social problems such as divergence, convergence and pension reforms. Bejčkovski tackles the case of Macedonia and the country's social policy in the pursuit of social justice. Petsinis brings the case of Serbia for cross-border co-operation which can contribute to an accelerated integration to European structures. Boneva and Péter deal with budgetary and investment questions concerning the countries of the EU. In Chapter 3 Iliescu begins with decision-making procedures with an eye on the Convention of Europe and its future implications for the continent. Dinu turns the spotlight upon the EU's role in promoting democracy in the Arab World. Borgulya offers an insight into values and value orientations while talking about interaction conflicts. In her pragmatic approach Krech shares her view on job opportunities in Brussels, and as a concluding piece Lukács compares competitive and co-operative approaches in the EU.

István Tarrósy, M.Sc.
tarrosy@idresearch.hu

Dr. Susan Milford
s.milford@idm.at

CHAPTER 1

ENLARGEMENT: ISSUES OF TRANSITION AND SECURITY

EU ENLARGEMENT EASTWARDS: A THREAT TO EUROPEAN SECURITY?

PÉTER BALOGH

'if all borders in Europe become obsolete one day, some borders might become obsolete much more slowly than others.'

S. A. Andreev (2003:8)

INTRODUCTION

On May 16 2006, the EU once again postponed setting the final date for Romania's and Bulgaria's accession to the Union. Probably for the first time in EU-history the entry of candidate states remained uncertain until about three months before the date originally set. As a Christian Democratic Member of European Parliament put it, the EU will need to 'put on the brakes' in its enlargement project.¹ In the case of the above two countries EU officials referred to their failure in speeding up reforms and fighting crime and corruption.² However, the irony is that by postponing the enlargement the EU might actually make these tasks even more difficult to achieve, while the future of European security depends to a large extent on the successful integration of Eastern Europe into the Union.

The main goal of this paper is to extend the line of thought presented in my summary of Heather Grabbe's article 'The sharp edges of Europe: Security implications of extending EU border policies eastwards' (2000). More specifically, it is an attempt to investigate why the European Union's external security policies clash with the internal ones to a significant extent and consequently undermine them to some degree.

SECURITY

During the Cold War period, security was generally understood in military terms. The term was largely equal to the survival and security of states and the use of force. This approach was, on the one hand, the result of the strongly bi-polarised nature of

¹ http://www.diepresse.at/textversion_article.aspx?id=545650, visited 2006-03-18.

² <http://www.isn.ethz.ch/news/sw/details.cfm?id=15780>, visited 2006-05-13.

the international arena, in which most of the world's states were siding or more or less forced to side with one of the two superpowers, either the USA or the USSR. On the other hand, the focus on state-centrism was also related to the fact that during this period states were the primary and in many cases the exclusive securitising actors as well as referent objects in the field of international security. In addition, the vast majority of international disputes took the form of inter-state conflicts. Under these conditions, it was less surprising that securing the survival and maintenance of the state was the primary objective of decision-makers prioritised over everything else.

The post-Cold War period was the time for transition from a bi-polarised international arena towards a multi-polarised or uni-polarised one (depending on whose standpoint one is taking), as well as a stark decline of traditional inter-state conflicts. This did not mean that the world had become a safer place as some scholars, mainly Liberalists in IR-theory, believed (e.g. Fukuyama: 1993). Instead, the number of intra-state conflicts and even civil wars rose dramatically. At the same time, the globalisation of the world-economy brought new opportunities not only for legal businesses but also for the black economy; focus in the field of security shifted, *inter alia*, towards illegal migration and organised crime.

Under such circumstances, it is understandable that the debate became increasingly pronounced between those who argued for a widened view of security and those who maintained that a broader interpretation of the term could undermine its essential meaning and should, therefore, be reserved for military or external political issues. This debate about the 'wide' versus 'narrow' interpretation of security has its origins in the rise of the economic and environmental agendas in international relations during the 1970s and 1980s and later in the rise of concerns with identity issues and trans-national crime during the 1990s.³

The 'wide' approach' has also been associated with the constructivist approach in social sciences. In simplistic terms, this perspective holds that security is what actors make of it. This implies that since it is a social construction, its meaning may evolve over time and its content is subject to change. This explains to some extent why the term can become more or less inclusive, depending on whether its content widened or narrowed.

³ Buzan, Waever & de Wilde (1998) p. 2.

In their book *Security: A new framework for analysis* the authors set out a comprehensive new framework for security studies.⁴ Taking on the constructivist approach, they suggest a new, sectoral approach to the analysis of security.

Five sectors are distinguished. The military sector is about the relationships of coercion and the political one is about relationships of authority, governing status, and recognition. The economic sector is concerned with relationships of trade, production, and finance, while the societal one with relationships of collective identity. Finally, the environmental sector is about relationships between human activity and the planetary biosphere.

These categories, of course, rarely exist independently. They are distinguished in order to make the identification of specific types of interaction easier, but they certainly remain inseparable entities of complex wholes. The main advantage of these sectors is that they allow the authors to confine the scope of inquiry to more manageable proportions because the number of variables in play is reduced in this way.⁵

Moving on to the levels of analysis, Buzan, Waeber, and de Bilde identify the five most frequently used levels known from IR-theory. They consider levels as objects for analysis that are defined by spatial scales ranging from small to large; they are locations where both outcomes and sources of explanation can be located. It is important to note that nothing is intrinsic to the levels themselves that suggests any particular pattern or priority of relations among them.

Today the international system is equivalent to the global level, while international subsystems are groups of units within the former that can be distinguished from the entire system by the particular nature or intensity of their interactions with or interdependence on each other (e.g. the EU). Units in turn are made up of actors composed of various subgroups, organisations, communities, or other entities that are sufficiently cohesive and independent to be differentiated from others and to have standing at the higher levels (e.g. states, nations). Subunits can be organised groups of individuals within units that (try to) affect the unit's behaviour (e.g. bureaucracies, lobbies), while the bottom line of analysis is the individual.⁶

⁴ *ibid*, p. 1.

⁵ *ibid*, pp 7-8.

⁶ *ibid*, pp 5-6.

Finally, it is important to mention in this context how the same authors think about the regional dimension of security. In their view, international relations will take a more regionalised character in the post-Cold War world, because the collapse of bipolarity has removed the principal organising force at the global level.⁷

BORDERS AND PERIPHERIES

The boundary is one of the main pillars of the state, since the state has exclusive right to define judicial relations on its territory surrounded by borders.⁸ The dualistic nature of the boundary means that it divides political institutions while it can connect various societies and communities. Thereby it can function both as a barrier and a bridge depending on which of the above mentioned functions is pronounced.

In this perspective one can talk of (a) dividing, (b) filtering and (c) open boundaries.⁹

A dividing or 'closed' boundary is known for reinforcing the peripheral processes in the region at stake, such as emigration and the decay of labour market, which, in turn, provoke the decline of the economy and the emigration of the population to regions where higher living standards prevail, quite often to the centre.

The establishment of a filtering boundary is often a defensive reflex. It is usually in the defensive state's interests to take action against immigration caused by the different pricing systems, tax rules and living standards, in other words economic differences between the two sides of the borderline. One example could be the EU's Schengen Agreement. However, it is usually the activities flourishing on the other side of the boundary that the defensive state tries to filter: the black economy emerges and the smuggling of various products or persons may take off, for example. The political map has—in many cases—provided opportunities not only for entrepreneurs but also for smugglers in search of profits.¹⁰

The main feature of an open boundary is that capital, labour, economic goods and even the population can cross it freely. Therefore, the previously restricted economic field can expand. According to Lundén, an open boundary usually implies that the number of crossing points is large, and its permeability is high.¹¹

⁷ *ibid.*, p. 9.

⁸ Lundén (2002) p. 17.

⁹ Hardi (2000) pp 598-601.

¹⁰ Taylor & Flint (2000) p. 161.

¹¹ Lundén (1973) p. 193.

Naturally, the above described categories only exist in a theoretical construction. In reality, these qualities exist in a rather mixed manner. Each borderline has its own unique history and characteristics. Still, the categories constitute a relevant reference point for the investigation of boundaries.

The word periphery has a geographical connotation but it can also be related to the economy, for instance. In most cases, periphery refers to a region that is lagging behind the other areas in one way or another.¹² The problem is that border regions, already peripheral geographically within the states, are often peripheries from an economic viewpoint as well. This is especially true when they are located near closed or filtering boundaries.

EUROPEAN SECURITY THREATS

Traditionally, the EU has been a 'civilian power' concerned with welfare generation and economic regulation. However, as an international actor, the EU is ambiguous. The EU has always, and inescapably, been a foreign policy project,¹³ and as such, it has realised over the decades the need to develop a Common Foreign and Security Policy (CFSP).

According to Winn, EU enlargements will, more than any other event, have the greatest long-term impact on European foreign policy and the European security order more generally.¹⁴

As it has been noted earlier, interpretations of the term have undergone a great transformation in the past decades; and the widening of the concept has been crucial. As Grabbe observes, the fear of tanks and missiles arriving from behind the Iron Curtain has been supplanted by a fear of uncontrolled immigration and cross-border crime.¹⁵

Indeed, once focused on traditional war-related issues and regional instability, security priorities have recently shifted to include increased attention to terrorism and organised crime, both of which have become politically linked with immigration. In Europe, these issues are now especially controversial within the framework of the European Union's enlargement process, which itself has heightened sensitivity to security concerns. In fact, some of the central issues in enlargement debates

¹² Éger (1997) p. 237.

¹³ Winn (2003) p. 149.

¹⁴ *ibid.*, p. 158.

¹⁵ Grabbe (2000) p. 2.

have been illegal migration, the smuggling of humans and human trafficking. To some extent, immigration in general has been framed as a security problem due to domestic political pressures, such as increased media attention to sensationalised tragedies related to illegal migration, and also due to the rise of the radical right, which has forced parties of both the centre-right and centre-left to take more nationalist stances on the immigration issue. Moreover, fears about insecurity are natural when states cede sovereignty to supranational organisations such as the EU, especially when they feel that other Member States will contribute to insecurity with their important economic inequalities and structural inadequacies.¹⁶

International migration has become one of the newly identified non-traditional security threats since the traditional military thinking about international security issues has increasingly been abandoned. This trend is certainly related to the unprecedented scale of the phenomenon.

The statistical-methodological difficulties of measuring the scale of migration that is taking place look quite small compared to the difficulties of even estimating the dimensions of illegal migration coming from its clandestine nature. To get an idea of how little is known for sure about the extent of this phenomenon, let us compare the following figures. In a report issued in 2003 by the International Organization for Migration, the scale of illegal migration in the old EU 15 is estimated to exceed three million people.¹⁷ At the same time, in Jonas Widgren's study from 1994, the accepted estimates of the number of clandestine migrants in the EU range from 300,000 to 700,000. According to Koff, this is considered the most accurate data available today by migration experts and monitoring groups such as the IOM, even though it was collected ten years ago.¹⁸ What the various studies share is the observation that human trafficking and human smuggling have significantly increased in recent years.

Independently from the exact number that is at stake, the scale of clandestine migration flows is considered important and the European Commission has declared that 'the reduction of illegal migration flows is a political priority at both national and EU level'.

¹⁶ Koff (2005) p. 398.

¹⁷ Kicinger (2004) p. 4.

¹⁸ Koff (2005) p. 405.

EU RESPONSES TO INTERNATIONAL MIGRATION

As Kicinger put it, having recognised clandestine migration as a serious security threat, the Union has taken a comprehensive, multi-level approach to the phenomenon. In her working paper *International migration as a non-traditional security threat and the EU responses to this phenomenon*, Kicinger outlines the main tools the organisation has chosen to fight it.

The list begins with preventive measures. One way of fighting the causes of clandestine migration is to establish co-operation with countries that are potential sources of illegal immigrants. This includes agreements combining migration policy with trade and development programmes; a co-operation programme that provides financial and technical assistance to such countries; and awareness-raising campaigns on the risks related to irregular migration in these countries.¹⁹

In fighting clandestine migration proper gathering and exchange of information is crucial for the success of these projects. The EU has also emphasised this from the beginning of its engagement in the issue. A more recent measure it has taken in this context was to establish the immigration liaison officers' network, the main task of which is to collect the necessary data in non-EU countries and to improve the exchange of this information among Member States.

The Union takes increased efforts to restrict the admission of clandestine migrants onto its territory. Its main tool for doing so is to impose visa requirements on all nationals arriving from states representing a high risk of irregular migration. The EU has 'a black list' of countries, the citizens of which will be asked to show up valid documents; and this list is occasionally updated. When it comes to travel documents it should also be mentioned that their security standards are constantly raised. One example here is the Schengen visa sticker, regarded as a successful co-operation in this field. More recently, a Visa Information System was planned with a view of enabling national authorities to enter and update visa data as well as to consult them electronically.²⁰

Member States also closely co-operate in external border management. This area is sometimes referred to as 'the European Union's first line of defence' and enjoys high priority when it comes to combating illegal migration. Last year, the European Agency for the Management of Operational Co-operation was established²¹ in

¹⁹ Kicinger (2004) pp 4-5.

²⁰ *ibid.*, pp 5-6.

²¹ *ibid.*, p. 6.

Warsaw. In addition, a common body of European border guards was also proposed. Even though it did not receive enough political support from several Member States, the suggestion is a good example for the EU's intention to strengthen its external boundary, and discuss the workload-sharing mechanisms with the Member States.

Another measure for combating clandestine migration is the fight against black labour, in various ways because it is assumed that working opportunities represent an important motivating factor underlying illegal migration. In this respect, however, the EU's competence is rather limited since the Member States bear sole responsibility for enforcing the guidelines set up by the Union. The final, and perhaps most controversial measure introduced in 2002 is the transportation of illegal migrants back to their countries of departure.²²

EU RESPONSES TO HUMAN TRAFFICKING AND HUMAN SMUGGLING

Human smuggling and human trafficking are related but separate phenomena. Human smuggling involves assisting irregular migrants without valid visas or entry papers to enter a national territory clandestinely. Many claim that it is a 'victimless crime' because smugglers merely provide a service to would-be migrants and their would-be native employers waiting to exploit cheap labour. Human trafficking, however, describes entry assistance provided to illegal migrants for the purpose of gaining economic profit from illicit activities, such as forced prostitution, forced labour, or participation in illegal markets for human organs. This distinction is important because trafficking is profitable beyond the act of smuggling.²³ However, the Council applies a similar level of punishment for both crimes, namely eight years of imprisonment.

PROBLEMS WITH EU RESPONSES

According to Kicinger, if the Union had an ambition to develop and implement migration policy at the Community level, it would have to take into account the multidimensional character of this phenomenon, including its security aspect, and respond to it. In fact the process of creating a common European migration policy is still going on. Whereas some areas have already been covered by Community legislation (visa policy, external border control, and—to a considerable extent—the asylum system), others like labour immigration or integration policy are still referred to the competence of the individual states.²⁴

²² *ibid.*, p. 6-7.

²³ Koff (2005) p. 406.

²⁴ Kicinger (2004) p. 3.

EU immigration policies have traditionally emphasised issues related to border control and illegal migration.²⁵ Government responses to immigration into the EU have narrowly focussed on security questions and border controls.²⁶ The problem with this system is that migration flows have not stopped despite technological advancements in border control (such as the use of infrared glasses for 'night vision', or improved coast guard vessels). Since the end of the Cold War, migration has been forced underground and this has led to the expansion of human trafficking and human smuggling. The paradox which needs to be recognised in the advanced industrial world is that the more migration agendas focus solely on security issues, the more the phenomenon becomes uncontrolled, insecure and unregulated.²⁷

Even though the European Parliament has attempted to pay increased attention to anti-discrimination and human rights agendas, the imbalanced distribution of power within the EU's decision-making structure has permitted the Council to firmly establish immigration as a security concern.²⁸ There is still no comprehensive recognition that human rights should be considered as being of major importance in the CFSP. According to some scholars like Winn, human rights and democracy clauses should be included in all agreements with third countries so as to contribute to the defence of democracy and basic freedoms throughout the world.²⁹

EU Member States have increasingly closed their borders to labour migration since 1994, creating a sort of 'Fortress Europe'. Despite these measures, non-European Union immigrants have continued to enter the EU. Studies have shown that human trafficking and human smuggling have increased significantly in recent years, and illegal migrants are estimated to represent one third of the foreign-born population that permanently resides on the continent. Moreover, organised criminal cartels have combined these practices with the smuggling of arms, drugs, stolen automobiles and illegal cigarettes. Within this context, the complex challenge of enlargement has contributed to an increase in uncertainty, given the difficulties that the old EU15 encountered in implementing effective border controls.³⁰

The ways in which the EU and its Member States responded to perceptions of different threats were inconsistent in the 1990s. This is partly because EU border

²⁵ Koff (2005) p. 398.

²⁶ *ibid.*, p. 402.

²⁷ Koff (2004) p. 409.

²⁸ *ibid.*, p. 398.

²⁹ Winn (2003) p. 152.

³⁰ Koff (2005) p. 398.

policies are themselves fragmented and patchily developed, following a chequered history of European integration in justice and home affairs. EU accession conditions contain a large number of security-related tasks for the eastern applicants, but these are dispersed in a range of documents and agencies. Inconsistencies between the different tasks are emerging, but are little debated in the EU owing to the technocratic nature of EU accession policy-making. Since the early 1990s, concerns to stabilise CEE have led the EU to stress peaceful resolution of bilateral disputes, fostering regional economic integration and sub-regional co-operation initiatives, as well as the integration of ethnic minority groups. However, EU policies for dealing with external borders have restrictive effects on the movement of both goods and people that are at odds with this emphasis on regional integration as a means of ensuring long-term stability and security.³¹

Migration cannot be stopped simply at the border because organised crime has developed technological and organisational solutions to bypass state controls.³² Historically, migrants have been known for their flexibility, as they move in and out of economic sectors when opportunities appear. Because migration flows must circumvent the obstacles which the EU has placed before them, migrants often turn to criminal associations that guarantee passage into the Union. Once competitors, these groups have begun to collaborate, forming multinational smuggling corporations. Thus, by focusing migration policies on security issues and border controls, receiving states that are relatively ineffective in restricting migration have driven the phenomenon underground. In doing so, they have made immigration a greater threat to both public and human security.³³

In addition, the EU's focus on migration controls has isolated regional and local officials who have not received support for integration strategies. In Koff's view, the EU has to date failed to adequately address this issue in the area of border regions³⁴, for example.

Worst of all, Kicinger sees no signs of the Union's approach to the migration-security nexus changing radically in the foreseeable future.³⁵ The fight against all forms of irregular migration through various measures will remain the core of EU

³¹ Grabbe (2000) p. iii.

³² Koff (2005) p. 399.

³³ *ibid*, pp 404-405.

³⁴ *ibid*, pp 410-411.

³⁵ Kicinger (2004) p. 8.

engagement. The vital question is not in which direction but rather how fast and how far this co-operation will develop.

A DIFFERENT APPROACH TO SECURITY

For Koff, migration is a market-based rather than a security-based issue. Immigration should not be perceived narrowly as a hard security issue but instead as an economic question best addressed in terms of markets.³⁶

The impression that enlargement will somehow weaken the Union's migration regime, and that Eastern Europeans are going to 'invade' Europe, is unfounded according to most studies.

In addition, facilitators of illegal migration, namely criminal organisations, are not significantly active in the new Member States. These are transit countries for traffickers rather than sending countries. For this reason, one cannot expect an increase in trafficking as a result of enlargement since the characteristics of the trafficking system will not radically change. Trafficking networks will continue to originate, for instance, in various Asian states, Turkey, Moldova, Georgia, and the Balkans, and will pass through Eastern Europe in the future as well.³⁷

One should keep in mind that the quality of life will improve in the accession states after enlargement, and they can be expected to become receiving states (a development which is already beginning), and this may actually, in the long run, alleviate pressure on Western Europe, as markets open up and illegal migrants find opportunity structures that are more favourable in the new member countries. Political debates surrounding migration and enlargement usually overlook the fact that, before the enlargement process began, most of the new EU member states were sending countries with significant smuggling and trafficking networks operating in them. Collective socio-economic improvements and institutional development have led to a decline in emigration flows, especially those of an illegal nature, most notably in Southern Europe.

Chances are that the EU's security-based approach will create a lot of difficulties for the new Member States in their struggle to control their borders. The extension of the external borders of the EU will create economic and identity-related problems in border areas that were integrated during the Cold War when all of these states

³⁶ Koff (2005) p. 410.

³⁷ *ibid.*, p. 411.

had Communist regimes. Many scholars have noted that border extension will probably have a negative impact on the local economies that have developed in border regions, such as those found between Poland and the Ukraine, or between Romania and Hungary: enlargement will block the relatively free movement of labour and trade which has developed in these areas. Similarly, ethnic minorities concentrated on separate sides of borders will be divided. There will be political and physical barriers between ethnic Hungarians living in Hungary and those residing in Romania, for instance. Since the fall of Communist regimes in the area, this border has been easily penetrated by members of the Hungarian minority in both directions. These developments will surely contribute to human smuggling and human trafficking because migration for economic and family reasons will be driven underground, like in Western Europe.³⁸ Grabbe notes that the disruption of bilateral relationships and regional economic integration has important implications for security in the region. It is especially the imposition of EU-driven border policies and visa regimes that inhibits the ability of local and regional actors to co-operate on a range of sensitive issues, including minority relations, migration, local economic infrastructure, and institution-building. Therefore, she calls for a more inclusive accession policy; an end to discrimination between applicants in EU visa policies; supplementary financial aid and political support to the countries farthest from accession; more support to bottom-up sub-regional co-operation across CEE; the involvement of applicants in external policies concerning their neighbours; and an overall EU strategy for the region that unites macro- and micro-security concerns.³⁹

Few scholars argue that borders should be fully opened or that migration should be deregulated, for such a proposition would be dangerous and politically unfeasible. What they do argue is that the EU and its Member States should introduce some flexibility and foresight into migration strategies, as they do in their economic policies. If this can be done, enlargement will not pose as much of a threat to the migration regime of the old EU 15, instead, it will increase opportunities to manage migration and reduce human smuggling and trafficking.

³⁸ *ibid.*, p. 412.

³⁹ Grabbe (2000) p. iii.

IMPLICATIONS FOR THE BORDER REGIONS OF HUNGARY, ROMANIA, UKRAINE AND MOLDOVA

The EU's immigration strategies focus on protecting the sovereignty of the Member States from transnational labour markets. Koff has argued that this approach does not adequately address market forces that drive migration, either legal or clandestine. Instead, the EU should link its migration policies to regional sub-national and trans-national development. Organised crime has already responded to the fundamental structural changes in labour markets that now extend beyond borders. Regulation policies should respond to these shifts as well in order to manage the flows of workers successfully.⁴⁰

The EU's regional policies have always recognised the internal differences that exist in the national economic markets. It seems counterintuitive that this logic is not utilised in migration strategies. Regional differences obviously create diverging needs for labour. In some EU-countries, most notably in Italy, regional governors have a voice in the compilation of the yearly migration quotas based on local economic requisites. Blanket border controls ignore these local needs, thus creating a market for illegal migration. In the new Member States migration pressures are especially sensitive. These states face a need for inexpensive labour in expanding economic markets, administrative and economic difficulties regarding border controls, and significant black market economies.⁴¹ As it has been mentioned earlier, trans-national economies have developed in many East European border regions where market and ethnic links predominate over national security interests.

The point is that if the EU were to address the migration issue more in terms of economic development and less in terms of security, enlargement could offer the Union the opportunity to manage migration in areas closer to the sending states. Instead of addressing the 'immigration problem', the EU should focus more of its efforts on building infrastructures in the new Member States, fighting organised crime and regulating the large black market economies. By concentrating on these issues, the Union's member states could provide a greater pool of legal jobs in Central and Eastern Europe, similar to those created in Southern Europe during the economic miracle of the 1960s and the boom of the 1980s.⁴² Moreover, by combating black market employment and deterring owners from hiring illegal

⁴⁰ Koff (2005) p. 412.

⁴¹ *ibid.*, p. 413.

⁴² *Ibid.*

migrants by invoking measures such as fines, Member States could diminish the opportunities open to this latter group and reduce contact between migrants active in the irregular labour force and recruiters for criminal economic markets.

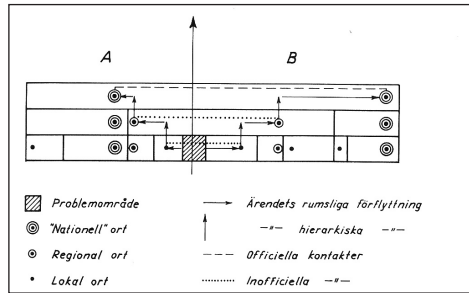
Turning back to security and boundaries, we should mention an important observation made by Buzan, Waever and de Wilde:

'In Eastern Europe, an entire set of new or newly independent states are grouping toward a pattern of security relations for which no historical precedent exists. As the dust of the Soviet collapse settles, we could be looking at the formation of several new security complexes. Crucial to this process will be how well or how badly the EU handles the tensions of its integrative-disintegrative dynamics. Also crucial will be whether Russia succeeds in reasserting itself as the hegemonic player within the CIS and whether the EU and the CIS conduct their relationship so as to create one integrated security region or two separate ones.'

As noted earlier, the new Member States in East Europe are particularly sensitive to migration pressures. This is probably even more so in the border regions for the following reasons.

The nature of boundaries is filtering at best. Therefore, they perform several of the activities described in the chapter on borders. Because of their location, the regions around them are more directly influenced by clandestine migration and organised crime, especially since these phenomena are taking place on their territories. This in itself makes them less attractive for the vast majority of the population to reside there. Lundén's sketch helps to explain the structural problem that border regions encounter.

Figure 1. A local but trans-national matter's path in the administrative system



Source: Lundén (1973) p. 189

We can assume that a boundary has negative effects on a border region's development since a problem shared across the border should usually be tackled first by regional and then by national authorities. This is because the nation-state's boundary divides two hierarchical systems of decision-making territories.⁴³ There is often the risk that information becomes distorted or de-prioritized.

In addition, peripheral regions already tend to be less developed than more central areas within the nation-states, especially in Eastern Europe. This is partly due to the centralised nature of power and administration, and more generally, because it is in a state's interest to integrate itself inwards, towards the centre. In principle, economic development takes place upwards in the hierarchy, which brings with it an increased significance of contacts, information and management on higher hierarchical levels, while links between states or regions on lower levels lose in importance.⁴⁴ As a result, infrastructure between states is still weak; exemplified by the remarkably low number of border crossing points in the area. This is particularly unfortunate in a region that will probably once again become increasingly divided through the strengthening of borders, this time in the form of the EU's external boundary, i.e. the border of the Schengen-zone. The number of crossing points should be increased immediately as well as co-operation with the Ukraine and Moldova, in ways that do not conflict with CIS-interests. To begin with, the dialogue between EU- and CIS-representatives has to be improved considerably.

Finally, as scholars like Koff and Kicingger have pointed out, sub-national or interregional co-operation is almost non-existent in security matters. Given

⁴³ Lundén (1973) p. 189.

⁴⁴ *ibid*

the relative successes of transnational organisations established within the EU-framework such as Euroregions and communautés de travail (ARGEs) in economic and cultural fields, for example, it is surprising how little competence has been delegated to local and regional levels. The current situation shows the extent to which security is still reserved for the level of units (states) and limited for subsystems (international organisations) and subunits (the sub-national level). The subunit level needs to become more powerful in tackling security issues as well, because it is strongly and directly influenced by them. Only thus can the negative consequences for Europe's border regions be mitigated and future Eastern enlargements turned into a more successful and more 'secure' project.

BIBLIOGRAPHY

- Andreev, S. A. (2003). *Legitimacy problems of borders and states in SEE on the eve of the EU fifth enlargement*. Centre for Study of Democracy/University of Westminster, London.
- Buzan, B. – Waeber, O. – de Wilde, J. (1998). *Security: A New Framework for Analysis*. Boulder, CO, Lynne Rienner.
- Éger, Gy. (1997). Regionalizmus, határok és kisebbségek Kelet-Közép Európában (Regionalism, borders and minorities in Central and Eastern Europe) In: Varga, Cs. & Tibori, T. *A mai világ és a jövő forgatókönyvei. (Our world today and scenarios for the future)* Kapu: Budapest.
- Grabbe, H. (2000). *The sharp edges of Europe: Security implications of extending EU border policies eastwards*. The Institute for Security Studies Western European Union, Paris.
- Hardi, T. (2000). Államhatárok és regionális együttműködések (State borders and regional co-operations) In: Varga, Horváth & Rechnitzer (ed.): *Magyarország területi szerkezete és folyamatai az ezredfordulón. (The spatial structure and processes of Hungary at the turn of the millennium)* MTA RKK: Pécs.
- Kicinger, A. (2004). International migration as a non-traditional security threat and the EU responses to this phenomenon. CEFMR Working paper 2/2004.
- Koff, H. (2005). Security, markets and power: The relationship between EU enlargement and immigration. *European Integration*, Vol. 27, No. 4, 397-415, December 2005.

Lundén, T. (1973). *Individens rumsliga beteende i ett gränsområde*. (Doctoral dissertation, No. B 26, Dept. of Human Geography, Stockholm University) S-byrån Sundt, Stockholm.

Lundén, T. (2002). *Över gränsen*. Studentlitteratur, Lund.

Taylor, P. J. – Flint, C. (2000). *Political geography. World-economy, nation-state and locality*. Pearson, Singapore.

Winn, N. (2003). CFSP, ESDP, and the future of European security: Whither NATO? *The Brown Journal of World Affairs*, Winter/Spring 2003, Vol. IX, Issue 2.

ONLINE NEWSPAPERS

'EU to delay Bulgaria, Romania entry decision' (2006) ISN Security Watch, May 10th.

Hausensteiner, H. (2006) 'EU: Parlament drückt auf die Bremse'. Die Presse, March 16th.

GLOBAL AND REGIONAL SUBJECTIVITY OF THE EU AND THE CASE OF UKRAINE IN RELATIONS WITH THE NATO, THE USA AND RUSSIA

SERGI GLEBOV

The EU, with four G8 members out of eight and two constant UN Security Council members out of five, is the largest integrative community in the world with a perspective of federalization. It is doomed to play a super-active role in the process of constructing a multi-polar world by being one of its leaders. In this respect the EU tends to be a global player in order to fulfil such a mission successfully. At the same time, it is not accidental, that the question 'are Europeans ready for global tasks?' is still more than acute for the European community of political experts nowadays. The EU's global subjectivity has been put to test by the EU-USA, the EU-NATO, and the EU-Russia relations. At the same time, with its Neighbourhood Policy and Common Foreign and Security Policy the European Union itself has made a huge impact on the pan-European and Euro-Atlantic relations especially after the last enlargement. In a capacity of undisputed center of power at least in Europe, the EU appears to be an even more dramatic contributor to the international situation in Central and Eastern Europe, including the Danube region, than, let us say, the NATO. For example, it is the EU and not the NATO, that drew the new borders in Eastern Europe in the course of the May 1, 2004 enlargement, closing the borders between the new EU members and the new EU neighbours, including the Ukraine.

Either within the context of EU Neighbourhood policy or outside it the Ukraine can be a test for the EU on its way to the global activity. As a result of the recent EU enlargement with its territorial restrictions due to the uncertain roots of the European and Euro-Atlantic integration, the Ukraine has appeared in the middle of a 'gray zone' arising on the East of the European Union. Such 'gray zones' are products of the dissolution of the previous centers of power where 'vacuum of power' appeared and made them objects of the unfinished competition of the old and new global powers for the geopolitical domination over such zones.

For the EU, the NATO and Russia the issue of the 'gray' neighborhood in Europe is not just a simple term. The international space between the enlarged EU

and NATO, on the one hand, and Russia, on the other, attracts serious interest, concern and involvement on the part of the USA as well, even when geographically the US seems to be far away from Central and Eastern Europe. Of course, there is not only the issue of common borders, but a larger scope of problems which are currently under consideration in Kiev, Brussels, Moscow and Washington, especially when the geographical factor plays almost no role for the White House, but political motivation and global national interests are all the more important. Each of the actors has its own vision of the future developments in countries like Belarus, Moldova, the Ukraine, Georgia, Armenia and Azerbaijan.

In this respect, the EU is able to intervene as an equal global and regional player into the practical discourse and geopolitical tensions over Western NIS and especially the Ukraine. Such tensions, when the EU prefers to remain in the shadow, develop primarily between the NATO and the USA on the one hand, and Russia, on the other. At the same time, some more active geopolitical efforts on the part of the EU could give opportunity for more dialogue, rather than just a passive support in the form of the great powers' unilateral monologues about such 'gray zone'. On the one hand, the EU, despite all its recent criticism towards the US, is interested in continuing strategic partnership with America and relies on it within the NATO (especially when there is no serious alternative for NATO in Europe and the transformation of the Euro-Atlantic collective security architecture into just a European one is far from the reality). On the other hand, the EU is also interested to have the goodwill of and stable political and economic relations with Russia, especially in the face of the acute energy situation at the EU market. (Energy Charter). When the geopolitical future of Ukraine is concerned the EU—caught up between the USA, the NATO and Russia—shows almost no geopolitical ambitions that might contradict the policy of the NATO.

Of course, we find big differences in the concrete mechanisms related to geopolitical ambitions of any single country and international unit, like the EU or the NATO. Contrarily to the USA and Russia, the EU and the NATO do have a potential ability and capacity to integrate new territories and states in them and by doing this, to fill the 'vacuum of power.' The Ukraine can be—at least in theory—part of the EU and the NATO as an independent and sovereign state, but can not be part of the USA or Russia. At this point we should emphasise another important issue: the Western allies have more chances for successfully in integrating the

Ukraine, because here we have the EU and NATO on the same side, while Russia is only trying to propose its mechanism of re-integration into a kind of ‘mini’-CIS: a Single Economic Space. Meanwhile, it is more or less evident, that NATO, as one of the integrative mechanisms of the West, shows considerably more geopolitical ambitions and appetite, than the EU.

The EU and NATO appeared to be in the vanguard of the international processes, which are shaping the future of Europe. At the same time, tactical approaches to the EU’s and NATO’s Eastern borders and towards the Ukraine have a slightly different meaning in both Brussels’ headquarters. The NATO and the EU are generally accepted in the Ukraine, and not only as a homogenous West, that is true from the conceptual point of view (even if the NATO has mainly military and the EU economic priorities). At the same time, there is a key difference between the NATO and the EU relations with the Ukraine: the NATO, focusing on military and geopolitical issues is more pro-Ukrainian because of the global US position on the one hand, and the Russian factor on the other. There is no USA in the EU, so the EU is more selfish and less pro-Ukrainian because of its own high-standard economic interests and Russian dependence on energy and common military neighborhood. What is more, the issue of the Ukraine in relations between the USA and the EU itself have become part of a contradictory never-ending story on European Eurocentrism and European Atlantism (though, it also resembles the case of Turkey in the relations between NATO, the USA and the EEC/EU).

Anyway, with this difference in mind and from a tactical point of view, we can say that it is easier for the Ukraine to get a full NATO membership than to join the EU. At the same time NATO membership may be seen as a key step for the Ukraine on the way to the EU and may facilitate the process. European integration is sometimes seen as a continuation and integral part of Euro-Atlantic integration. It is both true and not true at the same time. It is ‘Yes’ for some Central and Eastern European countries, which became NATO members first and then members of the EU and ‘No’ for Turkey, which became a NATO member a number of decades ago and has desperately been waiting for EU membership for almost the same period of time. Of course, there were different international situations—‘Cold War’ and ‘Post-Cold War’ periods—when the decisions on the NATO and EU enlargements were taken. But still, the two organizations are so close to each other and basically co-operate as a single instrument, so for the outsiders there is almost no conceptual

difference between tactical membership in the EU and membership in the NATO on the way to the strategic aim—to be part of the democratic and stable Europe.

Of course, there is an institutional difference for those European countries that are members of NATO, but not members of the EU, and *visa versa*, but no actual difference for those who are outside both organizations. Even for the neutral Austria or Sweden, for example, there is no urgent need to be part of NATO: NATO will remain ignorant of any military threat to these countries. They already are inside NATO's zone of responsibility. For the Ukraine this could also be the solution: to remain neutral, but to continue its way to the EU by building Europe within its frontiers. But today, when it is much more realistic to aspire to join the NATO within the next 4 or 5 years than to join the EU even within the next 15-20 years, it is important for the Ukraine to take this crucial step into the democratic European space by means of NATO membership which also requires not only military, but also political obligations to develop democracy and market economy.

This is why the question of the Ukraine's NATO membership can be negotiated and realized much than the Ukraine's EU membership. This is also the reason why the issue of Ukraine's NATO membership is so painful for Russia from several points of view, but the most painful fact is, that the Ukraine may join the NATO and get out of the Russian zone of influence. Russia is more flexible and relaxed when talking about Ukraine and the EU, because there is no reason to panic. The EU does not open itself up for Ukraine institutionally either now, or in the foreseeable future. It would also be interesting to see Russian foreign policy towards the Ukraine the moment, when the issue of its membership in the EU is seriously brought up.

Of course, the EU is more complicated as a single unit than the NATO. Here is another important aspect of the comparison between the integrative abilities of the EU and the NATO: What is it actually that makes the NATO objectively more flexible in its strategy of enlargement? Talking about the NATO enlargement, we stress basically the 'widening' of the Alliance. At the same time, the issue of the EU enlargement touches upon the painful issue of not only 'widening', but also 'deepening' the integration. As far as we know, the EU faces more acute problems in this respect than the NATO. This is why the question of potential new members, or even the preparatory stage of negotiations and work poses so many problems to the EU members. The EU's internal problems and its complicated decision-making mechanism manifested themselves in the failed story of the EU Constitution.

Current problems inside the EU, which go well beyond the discourse on the Constitution, show that the future membership of the Ukraine in the EU is a big question not only for political reasons or a geopolitical choice of ‘widening’, but because of the specific parameters of ‘deepening’: i.e. economic, financial, market, labour, social and foreign policy complications. The perspective of the next round of EU enlargement with some Balkan states and Turkey is also far from being solved. At the same time it is also clear, that covering more European space by future rounds of enlargement implemented at any price is obviously not a top priority for the EU.

The opposite approach has been applied by NATO since the middle of the 20th century, when the idea to cover as much geopolitical space as possible at any price prevailed over the necessary criteria of membership. The case of an unstable South Caucasus and Georgia is more than instructive, because NATO is not in favour of new members, which have unsolved national or international military and territorial disputes. At the same time, the reason for including Georgia in the NATO—what the US is pushing almost on the edge of hysteria now—seems to be the same as it was in the case of Turkey and Greece back in 1952: the level of democracy and military instability on the territory of the potential candidate is nothing compared to the geopolitical aim. In theory it was the communist threat to Turkey and Greece that made the US protect the democracies neighboring the USSR by including them into the NATO in the early 1950s. The situation changed to Russian threat to Georgian independence in early 2000. In practice, the US achieved the same objective both in the middle of the 20th century and in the beginning of the 21st century: to push Russia out of the Wider Black Sea region by stretching the NATO zone of responsibility as far as the Caspian Sea. In this sense, the NATO does not fear the dangerous challenge presented by the unstable region. It was in these conditions that Russia’s Chief of Staff Yuriy Balyevskiy openly proclaimed in October 2006, that NATO is the cause of the worsening relations between Russia and Georgia, explaining the source of the bilateral crisis, which put both sides on the edge of the war in autumn 2006. The EU showed a different approach to the issue of enlargement during the period of EEC. Turkey is still outside the EU and Greece was admitted as a member only when the political situation was ready for democracy in this Balkan country in the early 1980s.

Of course, once again we must to point out, that NATO is basically a military block, while the EU is more economy oriented, and the interests of a military organization, may not necessarily coincide with the interests of an economic union. Anyway, we are coming to the key question: Is it possible to be a global power without clear geopolitical ambitions? The answer is probably 'yes', taking into consideration, that the EU may play a leading role in Europe without the need to immediately integrate such European countries as the Ukraine, into this organization, especially, when European integration as a process is much wider than just EU membership. In this respect, the EU still has a lot of potential and capacity to extend stability and democracy across Europe, including Russia, the Ukraine and other New Independent States. The key issues in this context are civil society building, establishing rule of law and strengthening market economy in a wider European zone. By developing its neighbourhood policy, the EU is interested in sharing with its non-EU neighbours agendas that could also be considered as an expression of the EU's geopolitical interest and even ambition in the Eastern European dimension. The same is true for the interest the EU has in making the visa requirements easier and more flexible for the Ukraine in the near future, and in establishing a free trade zone there, what will become possible when the Ukraine obtains WTO membership. The suggestion that the EU's neighbourhood policy could be treated as a geopolitical ambition of the EU seems to be confirmed by the fact, that it meets some obstacles and opposition from another EU neighbour—the Russian Federation. In the centre of the EU's geopolitical ambition we find concentration of will, wish, decisions, challenges and risks, which meet nearly the same level of opposition from the other side.

The EU–Russia relations with the Western NIS in between of them are characterised by certain geopolitical tensions between the United Europe and Russia, even though they are less dramatic than the relations between Russia and the NATO. The European integration, which is in the core of the process, has no global political aims, but to spread European values in Europe. The strength of European values oriented on democracy is to be introduced also in the Ukraine, now that the Ukraine has constitutionally proclaimed itself a democratic country. The issue of democratic values is painful for the Russian Federation, which is subject of criticism coming from the European Commission and the European parliament. When the issue of democracy is high on the agenda of the EU–Russian dialogue

about the so-called Russian 'near abroad', the hottest and most controversial topic is the evaluation of the Presidential or Parliamentary elections in Western NIS. As far as common democratic values are concerned, the EU is interested in incorporating the post-Soviet space into a democratic European chain, but refuses to act more aggressively and propose institutional membership so as not to worsen relations with Russia. In this situation the EU faces some geopolitical restrictions when trying to deal with the Russian sphere of influence.

At the same time, the EU has recently extended its borders as far as the Black Sea by the institutional membership of Bulgaria and Romania in January 2007. Both countries shook off the political influence of Russia in 1990s, which restricted the chances of co-operation between the EU and Russia. In the field of regional security the EU and Russia have developed similar approaches: both centers of power are interested in keeping the Baltic-Black Sea region in a state of stability, especially now that the EU has a common border with Russia in the Baltic region and strong energy dependence. The future Novorossiisk-Burgas-Aleksandropolis oil route and the Northern Baltic gas pipeline between Russia and Germany will only strengthen this connection.

The most evident regional problem and source of conflict is the situation in Moldova and Transnistria. The EU and Russia have different approaches to the issue of Transnistria. At the same time, both Brussels and Moscow are interested in a peaceful resolution of the conflict between Chisinau and Tiraspol, though Brussels is basically concerned with the protection of its boundaries in South-Eastern Europe, while Russia is playing a long-term geopolitical game in the post-Soviet space. Concerning this issue the foreign policy of Romania towards Moldova may be crucial in defining future EU-Russian relations in the Wider Black Sea and neighboring regions. Anyway, the geopolitical appearance of the EU on the Black Sea shores makes the EU as a new regional player with a mission to stabilise and this should be received positively in the interest of security conditions in the region.

In this respect the EU may play a new stabilizing role in the region in order to escape tensions between the center-powers, i.e. the USA and Russia and keep the local conflicts within the Wider Black Sea region, or at least in 'frozen' conditions. Here Russia may play on the EU-US contradictions, including the NATO dilemmas, dependency of the EU on Russian energy and the more than cautious attitude of the EU towards inviting the Black Sea Newly Independent States in the Russian sphere

of influence into the United Europe. Russia may use the passive Black Sea dimension of the EU policy in regional deterrence by banning American penetration into the Wider Black Sea region.

At the same time, the rapprochement of the EU and Russia has another factor in the background. The interdependence of Russia and the EU based on Russian oil and gas and the EU's financial possibilities to buy Russian energy makes the two sides important partners for a long-term. The Ukraine plays a key role in connecting Russian gas with the European market. The gas transit crisis between Russia and the Ukraine late 2005-early 2006 was looked upon as a serious threat for the energy security in Europe. The EU was shocked by the temporal instability in the gas supply and showed deep concern about its energy security. The idea of possible diversification of energy dependence on Russia does not seem a feasible, especially when it is quite hard to find alternative sources in a situation, when energy consumption is expected to be constantly increasing in the future. In this case the EU is interested in having a stable transit of Russian gas via the territory of Ukraine in the future. Obviously, the EU intends to negotiate pragmatically with Russia directly, taking non-economic interests on the back stage of relations with Russia and other NIS. The lack of geopolitical ambitions on the front of economic pragmatism may lead to a most unpleasant scenario for the Ukraine namely, that the EU promises Russia not to give the Ukraine membership perspectives, not to intervene into Russian-Ukrainian relations and to 'close eyes' to the deficiencies of democracy in the Ukraine. In its turn, Russia can guarantee the stability of the Russian gas transit via the territory of Ukraine. A weakening of the EU's 'democratic pressure' to push democratic reforms in the Ukraine, may create the perfect external conditions for strengthening the non-democratic elements of any Ukrainian regime, which, under this scenario, become untouchable for the EU and Russia inside the Ukraine; Ukraine should side with Russian international interests. In this scheme the EU will strengthen its energy security and will not be bothered by Ukrainian claims for membership any more. Russia will keep the Ukraine in its sphere of influence going as far as sharing and privatizing Ukrainian gas and oil transport systems, non-democratic Ukrainian regimes will do its business under cover on a pragmatic basis both with the EU and Russia. Such a scenario is not very favourable for the democratically oriented Ukrainian society and Ukrainian Euro-optimists, who are not interested in having a Ukraine that is just a passive object of

pragmatic negotiations between the EU and Russia ready to sacrifice freedom and democracy for the material stability of post-Soviet oligarchs and the energy security of the EU at any price. At the same time, such a scenario has a strong potential to become more realistic in near future.

The relationship between Russia and the EU in the field of energy security on a broad scale will also test the EU's ability to act as a global player, because the issue of Russian gas and oil touches upon a lot more than energy itself. The need to create a stable European energy security architecture in Europe including Russia and other NIS will have an increasing influence on the political, economic and military equilibrium of the whole Trans-Atlantic area. The process of 'enlarging' and especially 'deepening' of the EU in the forthcoming years, the dividing line between 'old' and 'new' Europe as well as the future role of the USA and Russia in Europe is highly dependent on the common approach of the EU to the issue of ensuring European energy security. In this sense, more attention should be paid to the risk that the EU has to face for not being able to maintain the common approach to the future of energy security. Energy ambitions of some EU leaders, namely Germany, may create complications in identifying the EU's common foreign and security policy towards the outsiders: Russia, the Ukraine and the USA. This is why the European Commission published a Green Paper on 8th March 2006 on developing a common, coherent European Energy Policy, which aims at developing a common approach for all EU members. The unresolved instability of the European energy market may weaken the EU's regional and global positions, because it is quite problematic to pursue the balance of power with Russia and the USA on the one hand, and defend European positions on regional and global levels, on the other hand. When Russia (as well as USA) is acting as a single player with the adopted strategy and tactics, the EU—which 'is not one, it is many'—is far from having homogeneity in decision making, especially in foreign policy. The famous EU democratic collegiality towards any acute international agenda may not work in a situation, when there are clashes of interests within the EU between particular EU members as a result of specific national interests in the energy sector. At this stage, EU members prefer to depart from the EU level of collegiality with its restrictions on egoistic (in a positive, natural meaning) national interests to the bilateral level to conclude deals, especially with non-EU members. Consequently, the common power of the EU decreases on the international level, and sometimes crises occur

in the internal relations while the positions of a concrete EU country may be strengthened separately both inside and outside EU.

The recently developed energy relations between Russia and Germany are an excellent example for the above-mentioned case. The close 'energy' relations between Germany and Russia on the issue of creating a new, direct gas pipeline in the Baltic region obviously without Ukrainian involvement, worries Poland, three Baltic states and Sweden as well. The further rapprochement of Russia and Germany (which has been quite steady in the last 6-7 years) in the frame of the Shtokman deposit and the strengthened energy tandem of Germany and France established in October 2006, may deepen dissatisfaction within the EU with the line 'Old Europe'-'New Europe', which became evident some time ago in the course of the disputes on the role of the US in Europe and in the world as a whole. As a result, the close relations between Germany, France and Russia, especially in the energy field, will provoke the US and its 'New' European supporters to destabilize the rapprochement of the three.

The 'New Europe' which is in favour for the American political and military presence on the European continent will be interested in supporting all American initiatives to counter-balance the 'Old Europe'-Russian initiatives. The Ukraine will also be interested in developing its relations with the USA in order to strengthen its chances to join NATO, especially when the political situation in the country will be in favor of NATO membership and when the EU, basically led by Germany and France, will prefer to sacrifice the Ukrainian anticipations to become an EU member in favour of stable energy relations with Russia thus guaranteeing that the Ukraine remains in the Russian sphere of influence. Turkey will also be interested in having the USA as deeply involved in the Black Sea region as possible to counter-balance Russia and the EU, especially after the anti-Turkish manifestations of France, directed against a potential EU and current NATO member.

Anyway, the EU has taken the challenge in order to strengthen its positions as a global power some time ago and by means of enlargement and wider integration has asserted itself as a powerful attracting pole for the international community. The lack of a global strategy is a natural factor for the international organization, which consists of 25 strategies. At the same time, it is not a problem, but rather an opportunity for the EU to be one of the leaders of the world, which is full of clashes. It may be against principles of the common foreign and security policy

of the EU, but it is involved into a global and regional competition together with other global powers. The Ukraine may be seen as a kind of a geopolitical puzzle by the EU, because—by being in between Russia, on the one side, the NATO and the US, on the other—strongly contributes to the geopolitical subjectivity of the EU. By concentrating on the Ukraine, the EU may intervene in the global competition between the USA and Russia. Paradoxically, the EU is already involved regardless of whether it is active in the integrative initiatives in the Ukraine or remains passive, refraining from any constructive political step in relations with Kiev. In the first case, the EU supports the Western dimension of Ukrainian foreign policy by opening the perspective of EU membership to the country, helps the US push the NATO agenda for the Ukraine and assists the country's breakaway from the political orbit of Moscow. In the second case, the EU silently ignores the Western aspirations of the Ukraine and strengthens the ties between Kiev and Moscow on a bilateral level. The global agenda is also in hands of Brussels, which is responsible for the scenario the EU chooses.

REFERENCES

- Butrin, D. (2006). *Economic Charter Above All. Germany and France want Russia to keep to Europe's energy rules.* http://www.kommersant.com /p712858/r_1/ Russia_European_Energy_Charter/. October 13 2006.
- The Cicero Foundation Seminar (2006). *'Global NATO, The Riga Summit and European Security. Are Europeans Ready for Global Tasks?'* Paris. <http://www.cicerofoundation.org/ 16-17 November 2006>.
- Energy Charter Treaty. <http://www.encharter.org>
- Балуевский (2006). *НАТО – причина обострения отношений Грузии и РФ (Balyevskiy: NATO – the cause of the sharpened relations between Georgia and Russian Federation).* <http://www.rambler.ru/news/politics/russiageorgia/8910063.html>
- Green Paper Energy. http://www.ec.europa.eu/energy/green-paper-energy/index_en.htm
- Денисов А. – Шпаков Ю. (2006). *В ловушке энергобезопасности (Denisov, A. and Shpakov, Y.) In a trap of energy security.* <http://www.vremya.ru/2006/189/8/163281.html>

THE EU AS A MILITARY CRISIS MANAGER: ASSETS AND OBSTACLES

ARMAĞAN GÖZKAMAN

In early 1990s, with the establishment of the 'European Union' by the Treaty of Maastricht, the twelve member countries pledged to have a Common Foreign and Security Policy (CFSP). Two main reasons led them to replace the EPC with the latter. The first one is related to the wish of incorporating security and defence issues into the community architecture. Conceived and implemented outside the community treaties, the EPC had achieved some success and become an important instrument for European integration over the years. Yet, maintaining the coordination between foreign policy and community acts was increasingly posing problems. CFSP was conceived to establish links between the supranational entity and the foreign policy practices of the member states.

The changes in European security architecture represented the second reason for the passage from EPC to CFSP. Two strategic implications should to be highlighted in this context. Firstly, the monolithic, massive and potentially immediate threat disappeared with the collapse of the communist bloc. The dissolution of the Warsaw Treaty Organisation and the disintegration of the USSR in 1991 put an end to the antagonism between the free world and the iron curtain countries. Secondly, a security vacuum appeared. Within this new environment, conflicts of a different nature broke out that the security organisations were not ready to deal with.

The first implication could have provoked a divergence of views among Europeans. As Nicole Gnesotto put it, the post-Cold-War-era crises did not affect the vital interests of western democracies. Therefore, *immediate solidarity and convergence of views* related to the Soviet threat were not almost *automatic anymore*.¹ Philip Gordon asserted a parallel view arguing that the end of the Cold War 'eliminated one of the strongest reasons for feeling the need of a collective security in Europe'.² In the absence of a common enemy and the simplicity of the cold War's bipolar system, *'security interests were potentially more differentiated'*.³

¹ Nicole Gnesotto, 'Défense Européenne et Partenariat Atlantique' in Françoise de la Serre & Christian Lequesne (Ed.), *Quelle Union pour Quelle Europe. L'Après-Traité d'Amsterdam*, Complexes, 1998, p: 75.

² Philip H. Gordon, 'Europe's Uncommon Foreign Policy', *International Security*, Vol: 22, No: 3, p: 98.

³ Ibid.

On the other hand, the new international context could be conceived as more favourable for the expression of a 'European dimension' of security. In fact, the new crises entailed serious concerns for the EU member states. Security and defence matters were subject of profoundly renewed discussions in the new era. It was thus the 'hour of Europe' when a period of nearly half a century which had made all attempts to build an autonomous European security architecture inopportune was over. The new politico-strategic environment was characterized by the end of a bipolar dissuasive system and this made the emancipation of the various groups possible.

Within this context, the EU had to undertake a new re-organisation. The substitution of the '*European Security and Defence Identity*' with a '*European Security and Defence Policy*' (ESDP) was a sign that the transformation would have practical aspects, and thus go beyond the conceptual discussions.⁴ However, in the words of Hans-Georg Ehrhart, it is not entirely unproblematic to speak of the Union as a crisis manager.⁵ It is true that the EU has made some serious achievements in the security and defence field (Chapter I). On the other hand, it has to confront some serious difficulties (Chapter II).

PROGRESS OF THE ESDP

Since the 'Helsinki Objective' of 1999, the EU has realized considerable developments in the field of crisis management. Related to military structures (*a*) and conceptual underpinnings (*b*), they are concretised in military and civilian operations (*c*).

a. Military structures

The Helsinki Summit agreed to set up a Political and Security Committee (PSC) to deal with all aspects of the CFSP. The Committee helps define the EU's political guidelines. Charged with the preparation of the EU's response to international crises, the PSC is the mainspring of the ESDP. In times of crisis, it provides 'political control and strategic direction' for EU operations. Moreover, it maintains a privileged link with the Secretary-General/High Representative.

Under the auspices of the Council, the PSC takes responsibility for the political direction of the development of military capabilities. It works in close connection with the Military Committee and the Committee for Civilian Aspects of Crisis

⁴ Esra Çayhan, 'Avrupa Güvenlik ve Savunma Politikası ve Türkiye', *Akdeniz İİBF Dergisi*, 3, 2002, p: 49.

⁵ Hans-Georg Ehrhart, 'The EU as a Civil-Military Crisis Manager', *International Journal*, vol. 61, no. 2, Spring 2006, p: 433.

Management (CIVCOM). Heads of crisis management operations, such as military commanders or EU special representatives, may attend its sessions.

The European Union Military Committee (EUMC), the highest military body established within the Council, is composed of the member states' chiefs of defence who are represented at the weekly meetings by their military representatives. The EUMC gives military advice and makes recommendations to the PSC. Monitoring the progress of military operations and evaluating the strategic options also belong among the Committee's responsibilities. There is also a working group (EUMCWG) performing the preparation of its work.

The European Union Military Staff (EUMS) is the source of military expertise for the ESDP. The EUMS is to carry out early warning, situation assessment and strategic planning for Petersberg missions. This task includes the identification of the European forces, either national or multinational, as well as the implementation of policies and decisions as directed by the EUMC. At this point, it is worth pointing out that the EUMS ensures the link between the EUMC and the military resources available to the EU. It also *'contributes to the process of elaboration, assessment and review of the capability goals'*.⁶

In addition to the above-mentioned bodies of the Council, the contribution of some agencies to the EU's crisis management efforts is also worth mentioning. Based in Torrejon (Spain), the Satellite Centre is the successor of the WEU Satellite Centre meant to strengthen the EU's early warning and crisis management functions.⁷ The PSC has been operational since January 1, 2002 and is responsible for the political supervision of the centre's activities related to information and analysis based on satellite imagery. Having its own legal personality in order to fulfil its mission, the centre also conducts research and development projects.

The EU Institute for Security Studies (EU ISS) is another agency that was initially set up within the WEU structure. Established by the same Council Joint Action as the SATCEN, it aims to *'help create a common European security culture, enrich the strategic debate, and systematically promote the interests of the Union'*.⁸ As an autonomous agency, the EUISS performs three functions: research and debate on the major security and defence issues that are of relevance to the EU; forward-

⁶ Council Decision 2001/80/CFSP of 22 January 2001.

⁷ Council Joint Action 2001/55/CFSP of 20 July 2001.

⁸ www.eu-iss.org

looking analysis for the Union's Council and High Representative; development of a transatlantic dialogue on all security issues with the countries of Europe, Canada and the United States.

The Council established a European Security and Defence College in July 2005 in line with the decision taken at the Thessaloniki Summit of June 2003. Operational since 2006, it aims to develop a common security and defence culture among the EU member states. The ESDC is organised as a network of national academies, colleges and institutes in the EU that are concerned with the above fields. Within this structure, the EU ISS will have an important role to play.

The European Defence Agency was created in 2004 to help EU member states improve their defence capabilities for crisis management operations under the ESDP. There are two main pillars to assist the Agency achieve its objectives. The first one is based on the encouragement of EU governments to increase defence expenditures in order to meet tomorrow's challenges. The second is related to *'helping them identify common needs'* and to *'promoting collaboration to provide common solutions'*.⁹ The Agency performs four functions covering the development of defence capabilities; co-operation in armament; the European defence, technological and industrial base and market of defence equipment; research and technology.

b. Conceptual underpinnings

In Thessaloniki the European Council adopted the paper entitled 'A Secure Europe in a Better World. European Security Strategy' prepared by the Secretary General / High Representative Javier Solana. This document is meant as an antidote for criticisms on the lack of a doctrine underpinning the EU's foreign and security policy.

The strategy paper devotes its first chapter to global challenges and key threats to European security. It then puts forth the three objectives that the EU should achieve in order to defend its security and promote its values: extend the zone of security around Europe; strengthen international order by building effective multilateralism; counter the threats by combining military and non-military instruments.

In the last chapter, J. Solana affirms that EU members should be more active, more coherent and more capable in order to make a contribution to world peace that will match their potential. He goes on by emphasising the necessity to co-operate

⁹ <http://www.eda.europa.eu>

with partners, not without mentioning the irreplaceability of the transatlantic relationship. Before concluding on its contribution, he underlines the necessity for the EU to improve its capacity to work with other key actors and to extend the network of partnership.

By adopting the ESS, the EU declared the responsibilities it intends to take in the international arena. In line with this development, the member states pledged themselves to become capable of responding to crisis management operations, by 2010, in a rapid and decisive way. Interoperability of the forces, their deployability and sustainability are the focal points of the document called Headline Goal 2010.

The framework of Headline Goal 2010 incorporates the missions envisioned in the ESS (joint disarmament operations, the support of third countries in combating terrorism and security sector reform) and, thus it goes beyond the Petersberg missions. The document also points out the necessity for the EU to be capable of conducting *'several operations simultaneously at different levels of engagement'*.¹⁰

A high readiness of force deployment is also envisaged. The units may be of a stand-alone type or parts of a larger operation enabling follow on phases. In what concerns the rapidity of decision-making, the aspiration of the EU is to be able to decide on the launch of an operation *'within 5 days after the approval of the Crisis Management Concept by the Council'*. Concerning the deployment of units, the goal is to make it possible *'no later than 10 days after the EU decision to launch the operation'*.

The concept of battlegroups was announced in Headline Goal 2010, but other forums have also put it on their agenda. During the Le Touquet summit of February 4, 2003 France and the United Kingdom affirmed their conviction of the necessity to improve, in order to meet the needs of immediate reaction forces, additional European capabilities *'in planning and deploying forces at short notice, including initial deployment of land, sea and air forces within 5-10 days'*.¹¹ The discussions on establishing joint tactical groups composed of around 1,500 soldiers were renewed after the *Artemis* operation.

Such a mechanism would allow the EU to improve its rapid reaction capability, to contribute to the initial phase of large operations, to carry out autonomous missions and to support United Nations operations. EU battle groups are to conduct two operations nearly simultaneously by 2007. They will be sustainable for 30 days; but

¹⁰ Headline Goal 2010 as approved by General Affairs and External Relations Council on 17 May 2004 endorsed by the European Council of 17 and 18 June 2004.

this timeframe can be extended to 120 days by rotation. The distance of deployment may reach out as far as 6,000 kilometers from Europe. The establishment of these groups is based on the principle of multi-nationality. A 'framework nation' may prevail in its formulation. It is not surprising that the key criteria are the concept of 'interoperability' and 'military effectiveness'.

The European Capability Action Plan was another significant step for the EU. In November 2001, EU defence ministers agreed to meet the capability gaps. This decision conforms to the declarations made since the Helsinki summit. The main objective of the plan is to improve the capability of dealing with international crises. The importance of rationalizing the member states' defence efforts and increasing the synergy between their projects for enhancing European military capability is highlighted in the plan.

ECAP is based on three principles. The first one is related to enhancing effectiveness and efficiency of European military capability efforts. The second is the bottom-up approach to European defence co-operation—which refers mainly to the voluntary basis of the member states' commitments. The last principle is related to the coordination between EU member states and co-operation with NATO—the latter is meant, in a broad sense, to avoid wasteful duplication.

c. Military operations within the ESDP framework

After the disagreement on the Berlin plus agreement was solved, the EU could launch military operations. The first one is known as FYRM/Concordia.¹² On 27 January 2003 the European Council adopted a joint action to take over from NATO the military operation known as Allied Harmony in the Former Yugoslav Republic of Macedonia (FYRM).¹³ The decision was taken in conformity with the demand coming from the Macedonian government. Following the Macedonian government's request, the mission was prolonged until 15 December 2003.¹⁴ The mandate was not subject to change.

¹¹ Franco-British Summit Declaration on Strengthening European Co-operation in Security and Defense, Le Touquet, 4 February 2003.

¹² Concordia is the first military crisis management operation launched by the EU but it is the second in the ESDP framework.

¹³ Council Joint Action 2003/92/CFSP of 27 January 2003.

¹⁴ Council conclusions on Operation Concordia in the Former Yugoslav Republic of Macedonia. Bulletin EU 7/8-2003 (<http://europa.eu/bulletin/en/200307/p106097.htm>).

According to a Council document the mission had two main objectives.¹⁵ The first was to guarantee security and stability in the region and to allow the implementation of the framework-agreement signed in Ohrid in 2001. The second was to stabilise Macedonia to the extent that no international presence should be needed on its soil any more.

Concordia had a modest size of 400-strong force, including a staff of 80 civilians. It was also the first concretization of the strategic partnership between NATO and the EU in this field. Within the ESDP framework, the EU then continued to contribute to stability in the region with the EUPOL Proxima police operation as will be shown below.

Artemis is the second military operation implemented by the EU. On 30. May 2003, the United Nations Security Council adopted unanimously Resolution 1484 on the deployment of an interim multinational force in Bunia (Democratic Republic of Congo). As a reply to the call made by Kofi Annan on all UN member states to provide for a temporary force, the Council of the EU adopted a joint action in order to intervene in the region.¹⁶ The aim was to improve security conditions and the humanitarian situation in Bunia.

The mission in Congo, albeit accomplished in three months, is an important step for the EU towards becoming a global actor. It was the EU's most rapid response ever given to an international crisis. Europeans worked in co-ordination with the United Nations Mission in Congo, without recourse to NATO assets.¹⁷ This was the first out-of-Europe mission which combined civil and military dimensions of crisis management.¹⁸

EUFOR-Althea is the biggest operation conducted by the EU, comprising around 7.000 troops seconded by 33 countries. Launched in late 2004¹⁹ as a follow-on to NATO's Stabilization Force in Bosnia and Herzegovina (BiH), the mission is still continuing. It is carried out with recourse to the transatlantic organisation's assets. EUFOR aims to '*contribute to a safe and secure environment*' in the region, and support it to achieve its long-term political objectives.²⁰

¹⁵ EU-Led Operations in Former Yugoslav Republic of Macedonia – Master Messages, Council of the European Union, 6916/03, Brussels, 28/02/2003 (<http://register.consilium.europa.eu/pdf/en/03/sto6/sto6916en03.pdf>).

¹⁶ 'Council Joint Action 2003/423/CFSP of 5 June 2003.

¹⁷ Michèle Bacot-Déciaud, 'La PESD: Montée en Puissance et Perfectibilité' in Patrice Buffotot (Ed.), *La Défense en Europe. Avancées et Limites*, La Documentation Française, Paris, 2005, p:197.

¹⁸ Alessia Brava, *L'Union Européenne, Acteur Global? Potentialité et Limites de la PESD et de la PESD*, Institut Européen de l'Université de Genève, 2005, p:92.

¹⁹ The operation is based on the Joint Action 2004/570/CFSP adopted in 12/06/2004 by the Council.

²⁰ European Union Force in Bosnia and Herzegovina (<http://www.euforbih.org/sheets/fs050103a.htm>).

To date the latest military operation of the European Union—within the framework of the ESDP—was launched in support of the UN mission in the Democratic Republic of the Congo (MONUC) during the election process.²¹ The operation is known as EUFOR RD Congo. The Council decision was taken two days after the UNSC Resolution 1671 authorizing the EU to deploy forces in the region. More than 130 people were seconded from 20 EU member countries and Turkey.

WEAKNESSES OF THE ESDP

There are some serious weaknesses that stand against the EU's capacity to deal with international crises: the lack of political will (*a*), difficulties relating to the reconciliation of national and community interests (*b*), financial problems (*c*) and transatlantic ambiguities (*d*).

a. The absence of a common will and a common strategy

One of the major problems of ESDP is the reluctance of member states to give up their political decision-making monopoly within a supranational entity. At present, risk evaluation in foreign policy remains a nation-state priority in which specific perceptions dictated by geographic, historic and political considerations play an important role. Policy makers can hardly overcome the priorities of national interest in favour of the Union's interests.

The rule of 'political Europe' remains the preservation of the principle of 'national'. As a corollary, the European treaties on which governmental representatives agree reflect a complex architecture. In fact, the majority of governments accept that the CFSP must be provided with the necessary means to build a powerful Union. However, member states can agree neither on the institutional structure to be adopted nor the operational capabilities to be set up—not to mention the speed or the range of the reforms to be introduced.

The former British Foreign Minister Malcolm Rifkind was right in saying that the Union does not have a vision of world that is coherent and shared by all its members. His argument that this vision is not bolstered by instincts that are profoundly infused within a nation-state, being thus—at the origin of foreign policy making—also pertinent.²²

²¹ Council Joint Action 2006/319/CFSP of 27 April 2006.

²² Quoted in Peter Van Ham, 'La Construction d'Une Europe Politique: La Politique Etrangère et de Sécurité Commune' in Anne-Marie Le Gloannec (Ed.), *Entre Union et Nations. L'Etat en Europe*, Presses de Sciences Po, Paris, 1998, p:230.

Foreign and security policies of the member states continue to rely mainly upon 'national reflexes'. Political visions and cultures differ from one country to another—a fact that obstructs the definition of a unique and coherent CFSP.²³

The reason why substantial progress was not made in terms of security and defence policy during treaty revisions is the lack of agreement among member states. Some prefer a pragmatic approach with reluctance to let community method extend to intergovernmental procedures. Others opt for a closer connection between European integration and the political domain. Even the countries that have closer views may not agree on how far to deepen the Union.

Because of their differing diplomatic traditions, the member states adopt different attitudes in a crisis situation. Making an exhaustive list goes beyond the aim of this paper, but pointing out some cleavages seems to be a pertinent effort. For instance, although all of the EU member states agree upon the legitimacy of an independent Palestinian state, some of them are more pro-Israeli than others. An autonomous European defence structure is not the best option for all member states, the transatlantic links being more fervently defended by some of them. There is no agreement among EU capitals on the regions of the world that require priority treatment either. One can also argue that permanent member status in the UN Security Council puts two member states on a distinct platform in international relations.

b. Difficulties of reconciling community and national interests

The sophisticated structure of the European Union is one reason for the inefficiencies observed in the field of ESDP at the institutional level. This is due to the peculiarity of the EU, which is a *sui generis* polity where national interests are to be reconciled with supranational (community) ones. As a result, the configuration of the CFSP/ESDP includes competing institutions. The Council has competence over the entire three-pillar-structure while the Commission's initiative prerogative is limited to the first community pillar although it is involved in the CFSP process.

The Treaty on the European Union states that the Union shall '*ensure the consistency of its external activities as a whole in the context of its external relations, security, economic and development policies.*' The Treaty provides that co-operation between the Council and the Commission is necessary for such consistency. Each

²³ Ibid.

of these institutions, *'in accordance with [their] respective powers'*, will ensure the implementation of these policies.

However, the implementation of the above-mentioned article poses some problems.

Pascal Gauthier points to the differences in the interpretation of the two institutions:

*'[T]he Community approach advocated by the Commission, based on the mutually reinforcing nature of the CFSP with the first pillar, argued for a strengthening of its role in the CFSP; on the contrary, the Council's intergovernmental approach held the CFSP to cover all aspects of foreign policy and security, and favoured adopting general positions to define strategies without going into specific details for their implementation. The Council of the EU thus deemed it possible to determine measures falling under the first pillar at the outset, while clearly imposing CFSP decisions on the Commission.'*²⁴

He also underscores that, in addition to this divergence of interpretations, there is also a competition between the administrative structures, exacerbated by the development of the ESDP.²⁵ It is hard to refute his assertion. That institutional rivalries go against the will of the TEU in what concerns the harmonious functioning of the CFSP is a matter of fact.²⁶

c. Financial questions

Article 28 of the TEU, distinguishes between administrative and operational expenditures of crisis management operations. The Treaty stipulates that *'administrative expenditure, which the provisions relating to the areas referred to [the area of Common Foreign and Security Policy] entail for the institutions, shall be charged to the budget of the European Communities'*. The same financing procedure goes for the operational expenditures, unless they arise from *'operations having military or defence implications and cases where the Council acting unanimously decides otherwise'*.

If, in a given case, the expenditure is not undertaken by the budget of the European Communities, it will be *'charged to the Member States in accordance with the gross national product scale, unless the Council acting unanimously decides*

²⁴ Pascal Gauthier, 'Horizontal Coherence and the External Competences of the EU', *European Law Journal*, Vol. 10, no. 1, January 2004, pp: 27-28.

²⁵ *ibid.*, p: 28.

²⁶ Jean-Michel Dumond & Philippe SETTON, *La Politique Etrangère et de Sécurité Commune (PESC)*, Collection Réflexe Europe, La Documentation Française, Paris, 1999, p. 22.

otherwise'. The TEU provides for the possibility to opt out from operations having military or defence implications. If member states resort to such a 'constructive abstention',²⁷ they will not be obliged to contribute to the financing of the decision taken by the Council.

Obviously, the TEU sets up a clear demarcation between administrative and operational expenditures. Yet, setting a common budget is of crucial importance for the efficiency and success of the rapid deployment of forces. For this reason, the Council has made some efforts in this field. On 18, June 2002, it published a report on military operations, which mentions three different schemes for military expenditures. The first one can be summarised as 'costs are paid where they are incurred': the operations with military or defence implications will be financed by national budgets. The second shows some intervention by the Community on a case-by-case basis. The last one is related to common costs.

Another initiative of the Council came out in 2004, with the 'Athena' mechanism.²⁸ It administers the early financing of the EU Military Rapid Response operations. The payment system functions in two ways. Member states can pay contributions to Athena in advance. Or, they can pay their contributions to the common costs of the operation decided by the Council, within five days following the call—unless the Council decides otherwise. A special committee has also been set up to guarantee the proper functioning of the system.

The significance of Althea lies in its capability to translate political solidarity into financial one. But it illustrates how hard it is to overcome the financial problem which slows down progress in the security/defence sphere. One can legitimately argue that the financial contributions of the member states do not match the ambitions that are declared.

d. Transatlantic ambiguities

The North Atlantic Treaty Organization has been of crucial importance for the Old Continent's security ever since its establishment. After the end of the Cold War, its *raison d'être* was questioned in various circles. But, contrarily to some gloomy expectations, NATO has not ceased to exist. Instead, it has been involved in a

²⁷ Article 23 TEU.

²⁸ Council Decision 2004/197/CFSP of 23 February 2004.

process of reorganisation and incorporated new members from the former enemy bloc, leaving its doors open to new enlargements.

However, Europeans and Americans do not agree upon all aspects of European security. The degree of 'Europeanness' of the latter constitutes one of the discords. Although successive US governments have encouraged the EU members' efforts to share financial burdens, they have strong reservations on what Madeleine Albright called the three 'D's: duplication (of NATO assets), decoupling (from NATO) and discrimination (of NATO members that are not in the EU). Unlike defenders of a more 'Europeanist' approach, some EU member states are also unwilling to lead the EU in that direction.

Besides, transatlantic partners face ruptures on several international issues. The National Security Strategy promulgated by the Bush administration in September 2002 is an important example for this problem. The document relates the US strategy to the 'Islamic Arc', which has major implications for transatlantic links. The latter may cause problems due to the disparity between the interests and policy perspectives of the European and American allies, and the role attributed to NATO, again in the centre of the discord.²⁹

In fact, as argued by Anne Deighton, the EU has '*neither the military capacity nor the political will to create a security or defence profile that is independent from NATO in the short term*'³⁰. For more than half a century, Europeans have relied on the security guaranteed by the United States. Giving up on this comfort is very unlikely for most European states. This reality is intensified by limitations both in financial and military terms.

Nonetheless, the uncertainty raised about Europe's future engagement in NATO could be a source of rivalry between the two organisations.³¹ Both Europeans and Americans have some question marks concerning each other's position.³² How can the US make the EU's foreign action remain within the framework of a structure over which the Union has a limited control? On the other side, the EU has doubts about the US sincerity in the light of NATO's strategic reorientation towards out-of-area and not-strictly-military missions.

²⁹ Ted Galen Carpenter, 'The Bush Administration's Security Strategy: Implications For Transatlantic Relations', *Cambridge Review of International Affairs*, Vol. 16, Issue 3, Oct 2003, pp: 515-520.

³⁰ Anne Deighton, 'European Security and Defence Policy', *Journal of Common Market Studies*, Vol. 40, No. 4.

³¹ Christian Houdet, Colomban Lebas, Gérard Dréville, *Une Défense Plus Globale «Par et Pour» Une Europe Plus Prospère*, Collection des Chercheurs Militaires, Les Editions de Riaux - CEREMS, Paris, 2005, p:81.

³² *Ibid.*

CONCLUDING REMARKS

The fact that the ESDP has been subject to significant progress is undeniable. It provides the EU with the opportunity to play a key role on the international platform and to contribute to world peace outside its territories. As a legitimate objective, the ESDP may build on concrete achievements in its future development.

However, any contemplation on the future of the EU as a crisis management actor must take into consideration two important facts. The first is that, at present, the ESDP is in an embryonic stage. All the achievements that have been accomplished within the EU's framework required long-term efforts. The same holds for a qualified progress of the ESDP, which will be slow and arduous.

The second fact, which is closely related to the previous one, is the need for considerable determination on the part of the EU member states. The EU is certainly capable of establishing a framework to develop a common defence. Yet, the biggest challenge the Union has to face in the development of its crisis management capabilities is the divergence of its member states' foreign policy preferences. In the absence of a common strategy, the aforementioned framework cannot be of use.

‘KOSOVO IN LIGHT OF STATUS NEGOTIATIONS’

POLITICAL DEVELOPMENT AND STATUS NEGOTIATIONS

GEJSI PLAKU

INTRODUCTION

The outcome of the negotiations on Kosovo’s final status is closely linked to the stabilisation and democratisation not only of this country, but also of the whole region particularly Serbia, Republic of Macedonia and Bosnia-Herzegovina. Moreover, a clear political future and perspective is a crucial factor regarding the indispensable integration of the crisis-ridden country into European structures, values and norms. Seven years after the establishment of the International Community in Kosovo in 1999, the Kosovan society is in a drastic flux and is experiencing a comprehensive democratisation and transformation process. Considering the fact that Kosovo is not only a post-conflict society, but also a country in transition, its approach to the European Union is a complex endeavour. The path towards stability and democracy is fraught with obstacles and difficulties. The development process in Kosovo is also hindered by the still undetermined status of the country. Therefore the field of responsibility of the International Community, embodied by the UNMIK (United Nation Mission in Kosovo), had to be expanded from pacification and democratisation to nation and state-building. The events of 1998/99 illustrate quite clearly that other riots in the Balkans would have immediate security-political consequences for Europe. In view of this fact the successful approach to European structures including the prospect of EU-accession, which is associated with enduring stabilisation and democratisation is a key factor regarding the sustained stability of the region.

OBJECT OF RESEARCH AND STRUCTURE

This paper deals with the development of Kosovo towards stabilisation and European integration and with the approach it has made so far to European structures in the light of the negotiations on its future status. The paper will be

structured as follows: at the beginning Resolution 1244—which forms the basis of the UNMIK (United Nations Mission in Kosovo)—and the Constitutional Framework will be illustrated. Subsequently the elections, including parliamentary and local elections, will be outlined as essential components of democracy. This will be followed by the analysis of the Provisional Institutions of Self-Government (PISG) and their performance. Subsequently different aspects, implications and inconsistencies of the final status of Kosovo will be examined and—last but not least—the current process of the status negotiations will be presented.

Resolution 1244 and the UN-Mission in Kosovo (UNMIK)

Referring to chapter VII of the charter of the United Nations Organisation, on the 10th June 1999 the UN Security Council adopted Resolution 1244 as a legal basis for the mission in Kosovo and for the future status of the country. By emphasising the basic respect for the 'sovereignty and territorial integrity of the Republic of Yugoslavia' Resolution 1244 establishes a comprehensive self-government in Kosovo within the framework of a 'substantial autonomy'¹.

In order to guarantee this form of autonomy the Resolution contains a provision for the establishment of an international provisional administration consisting of a civil and a military presence, which co-operate closely with each other.² The quintessence of Resolution 1244 is 'the definition of the objectives of the civil UN-Mission and of the international protection troops KFOR as well as their field of responsibility'.³

Constitutional framework

In order to foster the gradual transfer of competences to the local institutions and to implement elections throughout Kosovo, a team consisting of international and Kosovan experts set to work on the compilation of a political and judicial framework for Kosovo. Despite some discrepancies between the Kosovo-Albanians and the Kosovo-Serbs as well as between the Internationals and the Kosovans, a compromise could be agreed⁴: on the 15th May, 2001 the 'Constitutional Framework for the Provisional Self-Government' of Kosovo was adopted. This framework—

¹ See p. 10 of Resolution 1244: <http://www.un.int/usa/sres1244.htm>

² C. S/1999/779 Report of the Secretary-General on the UNMIK, <http://www.un.org/Docs/sc/reports/1999/sgrep99.htm>, Nr. 24 -26.

³ C. Hajrullahu/Salamun, (2004) 103.

⁴ Petritsch/Pichler, (2004) 305.

based on Resolution 1244—is the foundation for the establishment of the provisional self-government and is therefore „the most important document of the UN-transit administration in Kosovo’.⁵ The preamble defines the form of governance as a parliamentary democracy and the economic system as a free market economy.

Elections

The parliamentary elections held on 17th of November 2001 meant a step toward self-governance and the transfer of responsibilities to the local actors. The election of the members of the provisional parliament made it possible for the first time for democratically elected representatives to occupy the new Provisional Institutions of Self-Government.⁶ This election was quite successful, also because there was a relatively high participation on the part of the Kosovo-Serbs, who were represented by a single list of candidates: ‘Coalition Return’ (‘Koalicija Povratak’).

On 26th October 2002 elections on the community level were held for the second time in Kosovo, but they did not bring about any changes regarding the allocation of power. The LDK (Democratic League of Kosovo) led by Ibrahim Rugova who deceased in the meantime could keep the majority of votes. The League attained approx. 45%, whereas the PDK (Democratic Party of Kosovo) and the AAK (Alliance for the Future of Kosovo), both under the leadership of the former UCK-representatives Hashim Thaci and Ramush Haradinaj, could attain almost 30% and 8, 8% of the votes respectively. This time merely 20% of the Serbian population of Kosovo participated in the ballot.⁷

The second parliamentary elections which took place on 23rd October 2004⁸ were of great importance, as a new parliament and a new government were to be elected which had to participate in the negotiations regarding the future status. These elections were characterised by the significant involvement of the independent local organ CEC (Central Election Commission) in the preparation of the elections for the first time. The fact that the parliamentary elections of October 2004 were boycotted by the Kosovo-Serbs is unquestionably a negative aspect. On the whole, all elections were considered to be fair and free, without any complications worth mentioning.

⁵ ebd.

⁶ Kramer/Dzihic, (2005) 64.

⁷ Parliamentary elections 2004: <http://www.kosovo.undp.org/publications/ews8/ewr8eng.pdf> p. 1 and from p. 11.

⁸ Petritsch/Pichler, (2004) 307.

However, a certain political apathy could be observed: participation in the elections decreased more and more.

Provisional Institutions of Self-Government (PISG)

The Provisional Institutions of Self-Government are the following:

- the parliamentary assembly,
- the government,
- the president,
- the courts and
- the independent organs and institutions.

The constitutional framework defines the principles which serve as a basis for the PISG. The most important rules are the following: the PISG ‘should perform their official functions only in accordance with Resolution 1244 and the regulations of the constitutional framework. Secondly they should fully respect the rule of law, human rights, the democratic principles and the aim of reconciliation between the ethnic groups as well as the separation of powers.’⁹

Chapter 9 of the constitutional framework provides that the parliamentary assembly¹⁰ is the highest representative and legislative organ of self-government. The immunity of the deputies is limited only as regards activities or statements which may evoke inter-ethnic violence. Minorities do not possess the right of veto; however, there is the possibility of an appraisal of all parliamentary decisions. The SRSG has the authority to revoke all decisions of the parliament in case they are not in accord with Resolution 1244 or if they have discriminatory features.

The president of Kosovo shall represent the unity of the nation and shall guarantee the democratic functioning of the Provisional Institutions of Self-Government. The responsibilities of the president are restricted to representative and ceremonial activities.¹¹

The government consists of the prime minister and the ministers. ‘The Government shall exercise the executive authority and shall implement Assembly laws and other laws within the scope of responsibilities of the Provisional Institutions of Self-Government established within this Constitutional Framework.

⁹ Comprehensive information on the assembly: <http://www.assembly-kosova.org>

¹⁰ S. Chapter 9.2 of the Constitutional Framework.

¹¹ S. Chapter 9.3.1/2 of the Constitutional Framework.

The Government may propose bills to the Assembly at its own initiative and shall do so at the request of the Assembly.¹²

The most important components of the judiciary are the district courts, the Supreme Court, the municipal courts and courts for minor delicts. A specially set up Chamber of the Supreme Court on Constitutional Framework Matters can examine 'the compatibility of laws with the constitutional framework, settle disputes between the PISG' and decide whether an institution of self-government has interfered unlawfully with the independent organs.¹³

According to the Constitutional Framework, independent organs and institutions, such as the Central Election Commission, the Kosovan Commission of the Judiciary and Public Prosecutor's Department, the Office of the General Auditor, the Agency of Monetary Transactions, the independent Media Commission and the Committee of Public Broadcasting, shall perform their activities independently from the PISG.

The Provisional Institutions of Self-Government do not dispose of absolute powers and their competences and capacity to act are still limited in certain significant areas, such as foreign affairs and defence. However, during the last years more and more responsibilities have been transferred from the UNMIK to the local authorities in Kosovo. Irrespective of their restricted competencies, the performance of the PISG can so far be assessed as rather unsatisfactory because of the historic conditions and thus the lack of experience with consensus democracy and the lack of democratic political tradition. Nonetheless some progress has been made: *'inter-party communication among the Kosovar Albanians and their understanding of parliamentary practice and rules of procedure has increased. Another positive point is that within some committees there is good co-operation between the Kosovar Albanians and Kosovar Serbs'*.¹⁴

¹² Petritsch/Pichler, (2004) 315f.

¹³ Kosovo Research and Documentation Institute (KODI): *Kosovar Assembly: For the People or for the Party?* (2003) Report Nr. 3, Pristina, 4.

¹⁴ The unclear status and the unclear political future is for many, especially Serbians, displaced persons and refugees a reason for not to return in Kosovo. S. SRSG Jessen-Petersen: 'People want to know the outcome of the discussions (negotiations on the status) to know the kind of Kosovo they would be returning to.' Soren Jessen-Petersen, (2005) Status overshadows standards, in. B92

THE ISSUE OF THE FINAL STATUS

In view of the violent riots in March 2004 which, for the first time, were addressed also against the International Administration (increasingly perceived as occupant), the International Community in Kosovo realised that the policy of the suspension of the status and the clarification of the status issue could no longer be ignored.

The unclear status has negative effects on the political, economic and social development of Kosovo: it torpedoes political and economic progress, hampers the return of the refugees, causes legal uncertainty, enforces the ethnic conflict¹⁵ and paralyses the stability and democratisation process.

The problem of the still open status was first brought up in April 2002 by the German SRSG Michael Steiner, who introduced the doctrine of 'Standards before Status'. The so-called standards refer to eight criteria, such as the functioning of the democratic institutions, the rule of law, the return of displaced persons and refugees and the reconstruction of the economy, which are to be met before negotiations on the final status can be launched. This strategy proved to be inefficient, as it was blocked by the open, undetermined status: 'The issue of standards as a priority is a problem because the most important standards are clearly linked to the final status'.¹⁶

In face of this realisation the doctrine 'Standards and Status' was adopted. According to this formula the solution of the status shall be approached parallel to the implementation of the standards. In this context the Security Council of the United Nations authorised its Special Representative Kai Eide to assess thoroughly and in a comprehensive way the situation in Kosovo from June to September 2005. The decision on launching or postponing the negotiations on the status should be based on the findings of Eide's investigation.¹⁷

Despite the list of deficiencies, the Special Representative recommended the start of the status negotiations: *'There will not be any good moment for addressing Kosovo's future status. It will continue to be a highly sensitive political issue. Nevertheless, an overall assessment leads to the conclusion that the time has come to commence this process'*.¹⁸

¹⁵ Soren Jessen-Petersen, (2005) Status Overshadows Standards, in. B92.

¹⁶ In August 2005 Eide expressed his disappointment about the 'insufficient progress' in Kosovo and criticised the government in Pristina as well as in Belgrade for its lack of co-operation with the PISG. Neue Zürcher Zeitung: (24.8.2005) 'Little Progress in Kosovo'.

¹⁷ Eide-Report, 'A comprehensive review of the situation in Kosovo', October 2005.

¹⁸ Preface of Secretary General of UN Kofi Annan in: Eide-Report, October 2005.

Referring to Eide's recommendation the UN Secretary General Kofi Annan sent a letter to the president of the Security Council on 7th October 2005, saying that in spite of the 'irregular' implementation of the standards the time has come to initiate 'the next phase of the political process'. Annan emphasised the need to continue implementing the standards 'with greater commitment and results'.¹⁹ Thus, in February 2006 the complex process of the status negotiations was launch.

For the Albanians living in Kosovo the return of the control of Serbia in Kosovo is unimaginable after the incidents suffered since the abolition of autonomy in 1989. In view of the repression under Slobodan Milosevic, the mass expulsion and the considerable number of victims particularly during 1997-1999, the years of war Kosovo-Albanians are of the opinion that Serbia has lost its claim to Kosovo and deny Serbia the legitimacy of regaining control over Kosovo.²⁰

In contrast with the political realities which have taken shape since the establishment of the International Community in Kosovo in 1999, Serbia is characterised by the prevalence of perplexity²¹ and ambiguity regarding the further course of action.²² The slogan used by the Serbian government in reference to Kosovo: 'More than autonomy, less than independence' means an extensive autonomy but leaves open the way in which this kind of autonomy could be realised in practice.²³ In the case of Kosovo's reintegration into Serbia 20% of the total population in Serbia would be Albanian who would make up 30% of the military forces and Albanian political parties would have to be involved in the government²⁴ which is hardly imaginable for either side.

The solution to the final status of Kosovo is a precarious challenge with violence potential requiring a high degree of political maturity from both the Kosovo-Albanian and the Serbian delegations. The International Community has the complex task of working out a compromise between two parties with 'diametrically opposed' positions.²⁵

¹⁹ S. Bota Sot: 'Belgrade shall not interfere with the internal affairs of Kosovo', 1.8.2005.

²⁰ C. Soren Jessen-Petersen, (15.9.2005) in: B92: 'Kosovo Albanians have a clear position on what they want for the future of the province, while Belgrade has only the vague policy of 'more than autonomy, less than independence.'

²¹ Jurekovic Predrag, (Juli 2005) „The Serbian policy in light of the unsolved status issue“: www.europaesche-sicherheit.de/Rel/2005_07/03%20Kosovo/2005,07,03,01.html, download: 2.9.2006.

²² Petritsch/Pichler, (2004), S.342.

²³ Dusan Reljic: (May 2006) Kosovo – a touch-stone for the EU, SWP – Stiftung Wissenschaft und Politik Berlin: http://www.swp-berlin.org/de/common/get_document.php?id=1630, download. 8.10.2006.

²⁴ Der Standard, (3.11.2005) „Positions of Belgrade and Pristina diametrically opposed.

²⁵ Deutsche Welle: 'Rigid fronts at the Kosovo negotiations', <http://www.dw-world.de/dw/article/0,2144,2128815,00.html>, download: 3.10.2006.

STATUS NEGOTIATIONS

Based on the recommendations that the Special Representative of the UN-Secretary General Kai Eide made in his report: 'Comprehensive Review of the Situation in Kosovo', the Security Council of the United Nations Organisation decided to start negotiations meant to determine the future status of Kosovo between the Kosovo-Albanians and the government in Belgrade along with representatives of the Serbs in Kosovo. The former Finnish president Martti Ahtisaari was charged with the task of the UN Special Envoy, whereas the Austrian diplomat Albert Rohan was assigned as his representative. The negotiation team UN Office of the Special Envoy of the Secretary General for the Future Status Process for Kosovo (UNOSEK) began the negotiations on 21st February 2006 in Vienna, the venue chosen for the purpose.

In the first instance certain key issues, such as the problem of decentralisation and the protection of the religious and historical sites was discussed. Decentralisation in Kosovo means the reorganisation of the structure of administration to provide the Kosovo-Serbs with the right of self-government without violating the territorial integrity of the country. Whereas the Serbian delegation demands the formation of twelve Serbian communities and a connection to Belgrade as strong as possible, the Kosovo-Albanian party fears the development of 'a kind of autonomy' and the creation of a 'parallel government system'.²⁶ As expected, the first negotiations did not produce any satisfactory results.

The definition of the Serbian population in Kosovo has been another controversial subject between the Kosovo-Albanian and Serbian negotiators. The Serbs reject the term 'minority' for the Kosovo-Serbs, because, as they stated, they 'cannot be minority in their own country' and boycotted the talks on 7th and 8th August about the protection of the ethnic minorities in Kosovo. This is the reason why the international partners now prefer to use the term 'national communities' instead of 'minorities'.

On the whole it can be stated that the previous negotiations have confirmed the apprehensions of the UNOSEK and have not been really successful. As it has already been mentioned the positions of Pristina and Belgrade diverge extremely and seem to be practically incompatible. Above 95% of the Albanians in Kosovo approve absolute independence for Kosovo and regard full sovereignty as the solely possible way towards a better future and stabilisation. The strong presence of the

²⁶ Dusan, (2006) 6.

radical and nationalist parties in Serbia strengthens this opinion. On the other side, the Serbian government and leadership reject the idea of an independent Kosovo vehemently, arguing that Kosovo is an integral part of Serbia, which cannot accept the separation of a part of its territory and argument for autonomy. Many Serbs in Serbia and Kosovo regard Kosovo as the 'cradle of Serbianism' incited by a 'national-romantic transfiguration'²⁷ and 'historical, cultural and last but not least also political reasons'.²⁸

As far as the final status is concerned, three possibilities are explicitly excluded: the partition of Kosovo, its unification with Albania and a return to the status before 1999. Instead, evidence suggests that a 'conditional independence' with limited power will be an alternative for the solution of the final status of Kosovo.

CONCLUSION

'The key issue in the current final status process is the creation of a Kosovo that will have the greatest chance for lasting stability and development'.²⁹ Whatever the future status may look like, it is certain that 'entering the future status process does not mean entering the last stage, but the next stage of international presence'.³⁰ After the end of the negotiations the European Union will replace the UNMIK and will, therefore, have a decisive role in the development and democratisation of Kosovo. The transfer of know-how and capacity building will also be essential for the development of the country. The integration not only of Kosovo but of all the Western Balkan countries is a very significant factor. The decision of the European Commission to involve Kosovo in the stabilisation and association process (SAP) in the Western Balkans and to develop a mechanism which accelerates the approach of the country to the EU is a significant step toward the stabilisation of the crisis-ridden region.

²⁷ Kramer/Dzihic, (2005) 175

²⁸ ICG: Kosovo – the challenge of transition (2006) <http://www.crisisgroup.org/home/index.cfm?id=3955&1=1> download: 8.10.2006.

²⁹ Eide-Report, (2005).

ROMANIA IN LIGHT OF EU ACCESSION 2007

THE DELAYED TRANSITION

UJBIEN SHEHU

More than 15 years after the collapse of the communist system of Nicolae Ceausescu, which was seen as one of the cruellest dictatorships in Eastern Europe, Romania currently faces accession to the European Union.

Regarding economic growth Romania has made some progress in the last few years. However, its backwardness compared to the European Union member states is considerable. Statistically Romania would need approximately 45 years to reach the current GDP-average of the EU-member countries, supposing that the current growth rate remains constant.¹ While standard of living parity does not represent a criterion for entry into the European Union, the fulfilment of the Copenhagen criteria is considered the most important condition for the EU integration of the country. According to the last report of the European Commission, Romania has fulfilled both the political and economic criteria of accession into the European Union² and successfully completed negotiations with the European Union on December 2004. On 25th April 2005 the treaty of accession was signed in Luxembourg.

Widespread corruption in numerous institutions of the country is a special challenge from the viewpoint of its integration into the European Union.³ The Romanian government has ambitiously been trying to implement reforms in the fields of judiciary and police, in order to avoid a delay in the EU-accession. The results still are not satisfying and it is not realistic to suppose that the problem of corruption can be solved in a foreseeable time. The reasons can be traced back particularly to the communist past not yet fully clarified and to difficulties in the development of an emancipated civil society. These are usually mentality-related⁴ and belong to the legacy of the authoritarian system in the Ceausescu era.

¹ Schlesak, D. (40/2004) Hammer, sickle and mercedes star, Die Zeit.

² Progress Report of the European Commission on Romania, (May 2006).

³ Franziska Annerl und Wolfgang Böhm: Romania/Bulgaria: Difficult Enlargement, Die Presse, (25.01.2005); See also: Corrupt state with old cadre, MDR-Manuscript, (27.06.2004)

⁴ Annual progress report on Romania's EU-integration process, COM 2004, 657 final, 22.

In contrast with the former communist states of Eastern Europe the change of regime in Romania took place violently, via a revolution, which was initiated, controlled and led not by the citizens, but by the political elite of the old Communist-camp.⁵ The partly puzzling events that took place around the fall and execution of the Ceausescus and the unclear role of Securitate, the Romanian secret service still rest heavily over Romania. Neither the political elite nor the main parties have been able to find a consensus about the evaluation of the upheaval in the year 1989. The fact that coming to terms with the past is still to come and that the change of elite has taken place only quite recently is a serious obstacle to the consolidation of democracy in Romania.

Referring to Wolfgang Merkel's⁶ concept of transition research, this paper deals with the changes in the political system of Romania after the 'revolution' of 1989 and with the country's integration into the European Union. According to Merkel the consolidation of democracy in a transition country depends on a complex cause, which leads to the fall of an autocratic regime and is followed by an institutionalisation and democratisation phase. In this context special attention should be paid to the question whether the execution of dictator Ceausescu has led to the democratisation of the country. Additionally, the role of the political elite in the transformation process should also be highlighted before the analysis of the present consolidation and the basic conditions for EU-accession.

THE UPHEAVAL OF 1989

In the late 1980s Romania was seized by a serious economic crisis.⁷ Nicolae Ceausescu, who followed the deceased Georghe Gheorgiu Dej in 1964 as head of the government, built a Stalinist-type empire during his 'reign', similar to the one established by Enver Hoxhas in Albania.⁸

Minorities were systematically discriminated against, national feelings were mobilised, dissidents were persecuted and eliminated. Securitate⁹, the Romanian secret service which comprised around 40.000 officials and several hundred

⁵ Konrad Adenauer Stiftung: Special case Romania – Corruption, shortfalls of the party system, authoritarianism, Link: www.kas.de, download 28.08.2006, 12.

⁶ Merkel names three main phases of system-transformation: End of the autocrat regime, institutionalization of democracy and consolidation of democracy. See: Merkel, Wolfgang: System transformation – An introduction to the theory and empiricism of the transformation sciences, Opladen, (1999), 136.

⁷ Rados, A. (1990), The complot of Securitate – Romania's betrayed revolution, Hamburg, 53.

⁸ Ibid. 44.

⁹ Official name: Securitatea statului; English: safety of the state.

thousand unofficial members, served as the most important means for the persecution of the so called 'betrayers of the socialist model'. Ceausescu also used Securitate against potential competitors within the party in order to strengthen his influence and power.

The development of an extreme clientelism led to a situation when fewer and fewer people believed in the national institutions and to mistrust of many communist and military functionaries towards the Ceausescu clique. The fall of the of Berlin wall, the collapse of communism in Prague, the increasing resentment of the population because of extreme poverty, prompted Ceausescu to further strengthen his power, in order to prevent a possible internal coup.

Meanwhile, a network consisting of dissatisfied and disappointed CP-functionaries and Securitate-members was formed and eagerly worked on a revolution plan in the background. This network, whose membership also included the CP-member Ion Iliescu and Securitate-member Virgil Măgureanu, intensified its activities striving to take over power.

At the end of December 1989, more and more young people, students and opponents of the regime gathered outside the palace and demanded the resignation of Ceausescu and an end to the dictatorship. In the course of the demonstration about a hundred civilians were killed and hundreds of people were injured. While the crowd tried to attack the palace-building of the Central Committee, Stănculescu, the minister of defence managed to convince Nicolae Ceausescu and his wife to escape in a military helicopter, by assuring them that the flight was necessary for their security.

Meanwhile, the conspirators within the CP and the Securitate tried to monopolise power. Iliescu, who was significantly involved in the downfall, distinguished himself as a 'leader of the revolution'. With the participation of several generals and other high-ranking persons, such as Virgil Măgureanu and Victor Stănculescu, he tried to establish a provisional committee excluding dissidents and conservative groups.

After consultations on 22nd December 1989 Iliescu announced on the state television that the recently founded 'Front for the National Rescue' would soon organise free elections and that the claim to leadership of a single political party is hereby finished. In the two following days chaos prevailed in Bucharest. While people continued to protest, as they did not trust the new leadership, Securitate

members spread the message that armed Arab groups of terrorists¹⁰ and Ceausescu supporters would try to take over the power. The following two days were characterised by demonstrations and shootings—the number of victims amounted to over one thousand.¹¹

At Christmas 1989 the Ceausescus were sentenced to death after a fast procedure. Victor Stănculescu and Virgil Măgureanu (who was appointed head of the SRI¹², successor of the Securitate) were present at the trial. When the execution of the Ceausescus was disclosed in the media and the state-controlled television showed some shots of the ‘trial’, the first reaction was enthusiasm, whereas those, who were critical of the manner of the trial, considered his execution as a lost chance to clarify important aspects of the uprising.¹³

The procuree against Ceausescu and the seizure of power by the FSN, which could win the parliamentary elections in May 2000, did not lead to the displacement of the old regime for Romania, but rather to a continuity¹⁴ of the political elite, which won its ‘democratic legitimacy’ by the execution of the Ceausescus.¹⁵

In the first few years the new ruling powers governed with similar authoritarian methods as Ceausescu and proceeded with brutality against their political competitors.¹⁶ The state and security apparatus continued to be controlled by them. In contrast with most former communist countries in Central and Eastern Europe, the uprising in Romania was led and controlled by the elite of the old regime.

The re-election of the post-communists in 1991 and 1992 was considered by a minority of intellectuals as a lost chance and an unfinished revolution.

¹⁰ Ibid, 163; See also: Heinen, A., (2003) The dictator’s death and the presence of the past: Romania 1989-2003, in: Leviathan. Magazine for social sciences, book 2, 174.

¹¹ Heinen, A., (2003) The dictator’s death and the presence of the past: Romania 1989-2003, in: Leviathan. Magazine for social sciences, book 2; see also: Details in Timisoara Homepage: www.timisoara.com, in: Seitenblicke 3 (2004), Nr. 1, Abs. 16; or: enigmatic revolution, DPA, 22.12.2004; or Romania: delayed and violent revolution, bpb, from politics and contemporary history B 41-42/2004.

¹² SRI: Serviciul Român de Informație – engl. Romanian information service.

¹³ Heinen, A., (2003) The dictator’s death and the presence of the past: Romania 1989-2003, in: Leviathan. Magazine for social sciences, book 2, 174.

¹⁴ Lißke, M., (2001) Shortfalls of the civil society and political education in Romania, in BpB – Bundeszentrale der politischen Bildung, Veranstaltungsdokumentation, 10.2001, 2; See also: Heinen, A. (2001): The dictator’s death and the presence of the past: Romania 1989-2003, in: Leviathan. Magazine for social sciences, book 2177.

¹⁵ Merkel, W. (1999): System transformation – An introduction to the theory and empiricism of the transformation sciences, Opladen.

¹⁶ Ibid. 407.

The negative consequences caused by the failure to replace the old political elite¹⁷ and the so-called 'stolen'¹⁸ or 'unfinished'¹⁹ revolution had its impact on Romania's development and democratisation process for a very long time.

CONSOLIDATION OF DEMOCRACY

With the fall of the dictator and the adoption of a new constitution establishing Romania as a semi-presidential system, the democratisation phase was far from completed. Both the first phase of the systemic transformation (replacement of the old regime) and the phase of institutionalisation were characterised by deficiencies and therefore failed to create favourable conditions for the consolidation phase.

The new and, at the same time, old ruling powers promised the population efficient reforms leading to a free market in order to improve the disastrous economic situation. Nevertheless, the socio-economic situation worsened increasingly. As a consequence of a dispute between Petre Roman and Ion Iliescu in 1992, new parliamentary elections were held. Iliescu could assert himself and won the elections again. The urgently needed replacement of the political elite failed to materialise again. Despite the introduction of some radical free market reforms the ex-communists did not succeed in reducing poverty and modernising the country.

The state apparatus and the media continued to be controlled by the CP-successors and had a negative impact on the development of a critical civil society. Clientelism and nepotism were still on the agenda. The strongly fragmented party system in Romania led to a polarization of the political debates and, at the same time, to a lasting political instability²⁰: There were three cabinet reshuffles within one legislative period leading to the replacement of not only the Ministers but the Prime Minister as well. At the parliamentary elections of 2000 the post-communists (PDSR – later PSD) under the leadership of Ion Iliescu came off as winners. Adrian Nastase, PDSR politician, whose government was tolerated by the Liberals (PNL) and the 'Hungarian Party' (UDMR), became prime minister. The new parliament was dominated by parties, with a 'dubious character'²¹ as far as democracy was concerned.

¹⁷ Lißke, M., 3.

¹⁸ Heinen, A., 168; See also. Lißke, M., 3.

¹⁹ Romania – The delayed and violent revolution, bpb, from: Politik und Zeitgeschichte B 41-42/2004

²⁰ Lißke, M., 6.

²¹ Merkel, W. (1999): System transformation – An introduction to the theory and empiricism of the transformation sciences, Opladen.

With regard to foreign affairs the Nastase-government could achieve some successes. The EU-integration process of the country deepened between 2000 to 2004.²²

Domestically the balance of this government was not necessarily favourable.²³ Although the macro-economic indicators showed a constant economic growth in Romania, the country was not able to benefit from the foreign portfolio investments.²⁴ In this connection wide-spread corruption, red tape and the still common culture of clientelism²⁵ are considerable obstacles. Many attempts at clarifying the role of Securitate in the upheaval of 1989 and clarifying the past failed.²⁶

The network of the members of the former Securitate, which torpedoed the political, social and economic development of Romania for a long period of time,²⁷ was a considerable obstacle to the establishment and consolidation of democracy and of a constitutional state. At the presidential elections in November 2004 Traian Basescu, head of the Democratic Party succeeded in coming off as winner.

Although the leftist alliance between PSD and PUR (Humanistic Party of Romania) had the majority of the votes, the new president entrusted the liberal Calin Popescu-Triceanu and not the Socialists, with forming the government. The new government aims at combating corruption effectively and at launching programs against poverty. Additionally, it has successfully striven for the EU-accession of Romania in 2007.

CONCLUSION

With the return of the democratic forces in the government, Romania was given the opportunity to combat corruption and organised crime as well as to tackle the political past. The main challenges the country has to face are the break-up of the crusted mafia structures and the creation of a critical civil society with a culture of constructive scepticism and criticism.²⁸

²² Konrad Adenauer Stiftung: Special case Romania – Corruption, shortfalls of the party system, authoritarianism, Link: www.kas.de, Download (28.08.2006), 2.

²³ Romania: difficult search for a new government in Bucharest, Die Presse, (30.11.2004).

²⁴ Konrad Adenauer Stiftung: Special case Romania – Corruption, shortfalls of the party system, authoritarianism, Link: www.kas.de, Download (28.08.2006), 3.

²⁵ Lißke, M., 9.

²⁶ Forty kilometres state-security dossiers waiting to be opened in Romania, Siebenbürgische Zeitung (02.10.2000).

²⁷ Corrupt state with old cadre, MDR-Manuscript, (27.06.2004); see also: Konrad Adenauer Stiftung: 12-13.

²⁸ Konrad Adenauer Stiftung, 11.

Only a determined commitment against the old, corrupt nomenclature, which has established a kind of 'autocracy'²⁹ during the 15 years of the transformation process in Romania, could enhance a positive development in the democratic consolidation of the country.

Furthermore, there is a need for a reform in the structure of the political parties because currently they are oriented towards individual persons and ideology rather than towards concrete social and economic programs and plans. As Merkel correctly states, the consolidation of a civil society is a long process, which 'can take decades and can be sealed through a change of generation'.³⁰ As a result of the 'lost revolution' and the ensuing years of 'defective democracy'³¹ Romania has lost several years in the consolidation process.

However, the prospect of the EU-entry has proved to be beneficial particularly for the institutionalisation of democracy in the country. During the last years a basically critical media has emerged, which—despite a certain lack of professionalism—is an important instrument of controlling the political leadership and has a positive impact on the formation of the civil society.

On 26th September 2006 the European Commission (EC) recommended to the European Parliament and to the European Council the accession of the two candidate countries Romania and Bulgaria in the year 2007. Since certain deficiencies in the field of judiciary and administration have not been dispelled, the EC recommends the inclusion of provisional clauses particularly as regards the internal market and the joint domestic and legislation policy. In its report the EC criticises that '*... a fully consistent interpretation and application of the law in all courts has not yet been ensured; some elected CSM members continue to face potential conflicts of interest in inspection matters and individual ethical issues that affect the CSM's reputation*'.³²

Romania has attested further progress in the combat against corruption, especially through efficient, neutral ascertainment against high-ranking office holders. Nonetheless '*...there needs to be a clear political will to demonstrate the sustainability and irreversibility of the recent positive progress in fighting corruption*'.³³

²⁹ Schlesak, D., (40/2004): Hammer, sickle and Mercedes star, Die Zeit.

³⁰ Lißke, M., 10.

³¹ Merkel, W. (1999): System transformation – An introduction to the theory and empiricism of the transformation sciences, Opladen, 408.

³² EU-Homepage, http://ec.europa.eu/enlargement/pdf/key_documents/2006/sept/report_bg_ro_2006_en.pdf, Download (07.10.2006).

³³ Ibid, 7.

Neither EU-politicians nor Romanian politicians or experts³⁴ assume that the EU accession of Romania would solve all problems, such as corruption, organised crime and clientelism, which are rooted mainly in the Ceausescu-era,³⁵ overnight. The transformation process will not be finished automatically, whereby the chance of success and the duration of the process will depend on the speed of reforms and the will of the Romanian government to introduce reforms. The main challenges for the government are, on one hand, the reduction of poverty and, on the other, the efficient and determined fight against corruption, which paralyses the development of the country.

Dealing with the communist past and condemning all individuals, who have proved to be corrupt or to have had abused their authority, as well as bringing about a positive change in the political elite are important steps toward the consolidation of democracy and a successful integration into the European Union.

REFERENCES:

- Heinen, A. (2003). The Dictator's Death and the Presence of the Past: Romania 1989-2003, In: Leviathan. *Magazine for Social Sciences*, 31, book 2.
- Konrad Adenauer Stiftung: *Special Case Romania – Corruption, Shortfalls of the Party System*, Authoritarianism, Link: www.kas.de, Download (28.08.2005).
- Lißke, M. (2001). *Shortfalls of the Civil Society and the Political Education in Romania*, in BpB – Bundeszentrale der politischen Bildung, Veranstaltungsdokumentation.
- Merkel, W. (1999). *System Transformation – An Introduction to the Theory and Empiricism of the Transformation Sciences*, Opladen.
- Osteuropa Zentrum Berlin: *Country Capers* (2003). *Romania – On the Way to the European Union?*
- Rados, A. (1990). *The Complot of Securitate – Romania's Betrayed Revolution*, Hamburg.

³⁴ Romania could not change over night: Interview with the foreign minister of Romania: Mihai Razvan Ungureanu, ZEIT.de, 25.04.2006; see also: Schlesak, D. (40/2004): Hammer, sickle and and mercedes star, Die Zeit.

³⁵ Ibid 2; see also: Konrad Adenauer Stiftung: *Special case Romania – Corruption, shortfalls of the party system, authoritarianism*, Link: www.kas.de, Download (28.08.2006), 8.

OTHER SOURCES

Deutsche Welle Online

Die Presse

Die Zeit

DPA

MDR

Neue Züricher Zeitung

Siebenbürgische Zeitung

Homepage of the European Union

Transparency International

CHAPTER 2

REGIONAL, SOCIAL AND FINANCIAL ASPECTS OF CO-OPERATION

REGIONAL POLICY OF THE EU AS AN INSTRUMENT OF SOCIAL SOLIDARITY

MARKO TRNSKI

INTRODUCTION

In 2006 the European Union's cohesion policy entered into its seventeenth year of existence. Since its inception in 1989, the policy has covered a significant part of the European Union (EU) member states' territory and population. What distinguishes the EU's cohesion policy from regional development policies undertaken by national governments in Europe and the regional policy implemented by the Community before 1989 is that it represents a revolutionary change in the way development policies are conceived and carried out. While previous regional policy concentrated extensively on the role of the national administrative system or specialized development agencies in the implementation of projects, the present approach is characterized by an extensive involvement of different administrative levels and socio-economic groups in the formulation and implementation of the policy. The other elements that distinguish EU cohesion policy are the planning and implementation components that have been part of the policy from the very beginning, such as, quantified objectives (reducing regional disparities, restructuring regional economies, creating jobs, and stimulating private investment), a legal European framework, a specific policy structure (multi-annual planning documents and operational programmes), multi-annual budgets, five specific financial instruments (four Structural Funds and the Cohesion Fund) and a multi-level and multi-subject form of interaction in the formulation of decisions and implementation of programmes and projects.

With the introduction of the cohesion policy in 1989 the Commission was empowered to formulate the rules and regulations for the implementation of the policy on the part of member states and regions. The treaty basis for the cohesion policy is provided by the 1986 Single European Act (SEA) as part of the measures for the creation of the European Single Market in 1993. The goal of cohesion policy as enunciated in Article 130a of the SEA was to 'reduce disparities between

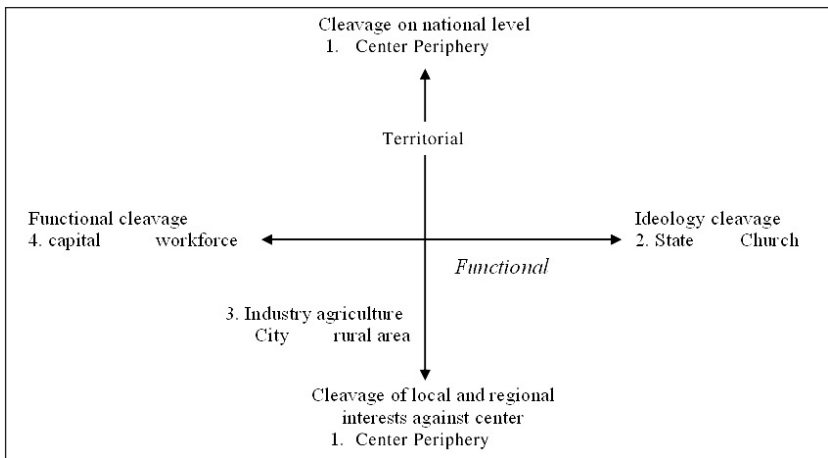
the various regions and the backwardness of the least-favoured regions' or the most recent phrasing of this commitment in the EU treaties is expressed as '...the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands'. The significance of the wording of Article 130a in the Single European Act was that the Community placed emphasis on the regional dimension and abandoned the exclusive emphasis on the national level. In emphasising the regional level the EU had to devise a system for classifying territorial units if it wanted to avoid a nation-by-nation approach. It resolved the problem by adopting the definition of territorial units developed by Eurostat at the beginning of the 1980s to differentiate the European territory into five levels of geographic aggregations: from sections of a country (NUTS 1) to villages and towns (NUTS 5). Aside from very small states, in most countries the five classifications defined territorial units at the sub-national level. The regional level was defined as NUTS 2, and this level became the basis for the definition of the focus of the EU's territorialized cohesion policy interventions.

The concept of cohesion provides a response to the question of 'what' is the objective of the policy. The thesis of this volume is that cohesion ultimately represents a political goal tied to the pursuit of a more egalitarian and just society capable of creating opportunities for all EU citizens, no matter where they live. This goal has served to change since 1986 the course of European integration by expanding its objectives and making it possible to define political union as the ultimate goal of the integration process. In a parallel manner, cohesion has also helped to change the significance of the concept of economic convergence. Convergence is no longer only an economic process. It is instead the process by which a greater form of equity is achieved in European society. If the first concept (cohesion) represents the political objective, the second concept (convergence) is the means by which the political objective is achieved. Convergence provides the answer to the question of 'how' cohesion is achieved, and it becomes manifest as the socio-economic differences between countries and regions belonging to the European Union decline over time. If socio-economic convergence does not take place, then the political objective of cohesion cannot be realized. In other words, cohesion is the overall outcome of the process of convergence.

DIMENSIONS OF CONTESTATION

The literature on dimensions of contestation goes back at least to Lipset and Rokkan's pioneering work *Party systems and voter alignments* (1967) on cleavage structures. Lipset and Rokkan argue that political cleavages arose in response to major junctures in European political development that generated basic ideological conflicts. In their view, dimensions of contestation that arose from the class cleavage, the religious cleavage, and the center-periphery cleavage are enduring because they are rooted in social structure and political organisation. From their standpoint in the mid-1960s, Lipset and Rokkan believed that the resulting pattern of cleavages was frozen into place.

Figure 1: Lipset-Rokkan cleavage



Source: Zakošek, 2002: 71

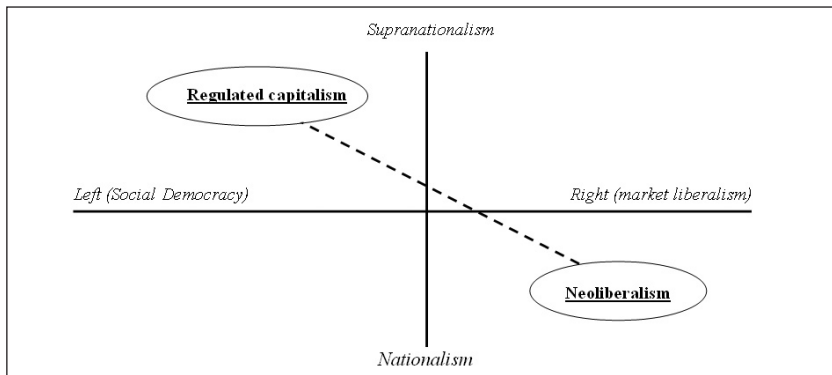
To what extent is contestation over European integration related to the cleavages that structure domestic conflict in Western Europe and, in particular, to the ubiquitous Left/Right dimension? Interest in this question has intensified as the boundary between European and national politics has weakened during the past decade. Although Ernst Haas paid close attention to the domestic sources of opposition and support for European integration in his classic study, *The Uniting of Europe*, written in 1958, most scholars continued to view European integration as the result of foreign policies conducted by government elites acting on a 'permissive consensus' (Lindberg and Scheingold, 1970). European integration was seen to have

little connection with the ideological moorings of domestic politics. European integration was thought to take place among, but not within, countries.

This view has become untenable during the past decade as the EU has become a more openly contested arena for political parties, interest groups, and social movements (Hooghe and Marks, 1999; Marks, Hooghe and Blank, 1996). After the Single European Act and the Maastricht Treaty, international relations scholars responded by adapting models of pressure politics to provide a domestic dimension to national decision making. The alternative approach, one adopted by comparativists, is to explore European integration as an extension of domestic politics. Instead of inquiring whether European integration is the outcome of geopolitics or domestic politics—the question that has long motivated the neorealist/liberal intergovernmentalist debate—these scholars take domestic politics as their point of departure and inquire into how domestic politics influences, and is influenced by, European integration.

The application of comparative politics models to European integration in recent years has heightened interest in whether and how existing patterns of domestic contestation structure orientations on European integration. An important building block is Lipset and Rokkan's (1967) argument that political actors have an incentive to interpret new issues in light of existing cleavages such as the Left/Right ideological dimension.

Figure 2: Cleavage about the EU



Source: Hooghe/Marks 1999: 77.

Liesbet Hooghe and Gary Marks (1999, 2002) identify a Left/Right dimension ranging from *social democracy* to *market liberalism* and a European integration dimension ranging from *nationalism* to *supranationalism*. In their view, these dimensions are neither fused together nor orthogonal to each other. Rather, Hooghe and Marks claim that certain aspects of European integration are likely to be absorbed into the Left/Right dimension. To the extent that this is the case, pro-EU and anti-EU and Left and Right become indistinguishable. However, not all aspects of integration are easily incorporated into the Left-Right dimension, and to the extent that they cannot be, a distinct prointegration/anti-integration dimension emerges.

Hooghe and Marks (1999) hypothesize that the Center-Left is likely to become more pro-European as the debate about European integration focuses on market regulation rather than market making. The Center-Left, including particularly social democrats, supports regulated capitalism, a project to build environmental, social, infrastructural, and redistributive policy at the European level. As regulatory issues are taken up at the European level, social democrats become more favourably disposed to further integration. Those on the political Right, in contrast, become more opposed to European integration. They wish to combine European-wide markets with minimal European regulation, and once economic and monetary integration is in place, they become sceptical of the benefits of further European integration.

Contestation in the EU policy space is therefore structured in two camps. Thus, Hooghe and Marks (1999) propose a two-dimensional model of the EU political space where the Left/Right dimension and the national sovereignty dimension structure actors' policy positions in the EU political space.

As one would expect, when national actors step into the European arena they bring with them ideological convictions from their respective national arenas. This is evident in the horizontal axis of Figure 1 which represents a key dimension of contestation—concerning economic equality and the role of the state—imported into the EU from national polities. Alongside this left vs. right dimension, there is a distinctively European dimension of contestation: nationalism vs. supranationalism, which depicts the conflict about the role of national state as the supreme arbiter of political, economic, and cultural life. At one extreme are those who wish to preserve or strengthen the national state; at the other extreme are those who wish to press for ever closer European Union and believe that national identities can co-exist with an overarching supranational (European) identity.

For actors with a neoliberal outlook, market liberalization was a necessary step in limiting European integration to an economic enterprise dominated by insulated government elites. Neoliberals were strongest in the British conservative government, led by Margaret Thatcher, and within international capital.

But there were other, very different, conceptions of the market program. Some actors conceived of the SEA as a jump-off point for regulating capital at the European level. This view was put forward most strongly by Jacques Delors, then president of the European Commission. Goal was to create ‘organised space’ at the European level, regulating European capitalism in line with European social-democratic and Christian-democratic traditions. In short, the market program was the beginning, rather than the conclusion, of debate about the institutional configuration of the European polity.

It is important to realize that the institutional terrain is not entirely unfavourable to proponents of regulated capitalism. In the first place, unanimity, which is the decision rule in the Council of Ministers for major institutional change and for major policy initiatives, is double edged. Neoliberals have had to accept reforms involving positive regulation and redistribution in exchange for the assent of all national governments to liberalization. One of the products has been cohesion policy, a centerpiece of European regulated capitalism (Hooghe, 1996; Marks, 1993, 1996).

REGULATED CAPITALISM

A variety of groups view market integration as merely the first step in a more ambitious project: regulated capitalism. Their goal is to create a European liberal democracy capable of regulating markets, redistributing resources, and shaping partnership among public and private actors. The most influential advocate of this project was Jacques Delors, who served as President of the European Commission during the critical decade from the beginning of 1985 to the end of 1994.

- 1) *Positive regulation.* A defining feature of the project is its friendliness to markets and its opposition to state control or ownership. When they speak of market reform, supporters of regulated capitalism argue for market-enhancing or market-supporting—rather than market-replacing or even market-correcting—policies.
- 2) *Partnership.* Proponents of regulated capitalism have campaigned for voluntary co-operation among groups that are affected by, or who contribute to, a particular policy. With varying degrees of success, they have proposed a ‘social

dialogue' among representatives of labor and capital in social policy; 'social partnership' among affected interests, particularly consumers and producers, in environmental policy; and 'partnership' among the Commission, national ministries, and regional authorities in cohesion policy. Like positive regulation, the policy is justified on pragmatic grounds. An inclusive strategy is likely to generate less social conflict than an exclusive strategy and should be easier to implement.

- 3) *Social solidarity*. Proponents of regulated capitalism stress policies that empower those who are less well off to compete more effectively in the market.

Support

Following social democracy, regulated capitalism involves class compromise; following Christian democracy, it involves subsidiarity. Most center-left parties in Europe have come to support the project.

THE NEOLIBERAL PROJECT

Neoliberals have been on the offensive since the mid-1980s, though they were unable to block EU cohesion expansion in 1988, 1993 and 1999. By the late 1990s, they had successfully put in practice elements of their project in most Member States as well as at the European level, including privatization, business-friendly taxation and labour market flexibility (Hooghe and Marks, 1999).

For neoliberals, cohesion policy distorts market competition. The impact of neoliberalism on partnership is subtler. It induces cohesion policy-makers to frame policy in terms of competitiveness rather than social goals such as equality or solidarity and to restrict access to partnerships to economically productive actors. Neoliberals conceive the internal market reform as a means to insulate markets from political interference by combining a European-wide market under supranational surveillance with intergovernmental decision making vested in sovereign national governments. By placing market competition under supranational surveillance, neoliberals wish to constrain national barriers to trade. By resisting the creation of a supranational Euro-polity, neoliberals minimize the capacity for European-wide regulation of economic activity. The competition that neoliberals have in mind is not simply among firms or workers, but among governments. Finally, the neoliberal project limits the ability of social groups, such as labor unions and environmental movements, to pressure

governments into regulation. The idea is to shift policy making from domestic arenas, where it is influenced by historically entrenched social groups and popularly elected legislatures, to international area dominated by national governments.

Support

The neoliberal project is a minority project. The first and most forceful champion of neoliberalism has been the British Conservative party, particularly under the leadership of Prime Minister Thatcher in the 1980s and continuing with Prime Minister John Major. However, neoliberalism has broad roots among strategically placed political and economic elites. These include leaders of British and European multinational companies, industrial associations (including a majority of members of UNICE, the major umbrella association for European industry), financial interests (e.g. within central banks and international finance), pressure groups (including the Bruges group), think tanks, pro-business strands in the German CDU-CSU and FDP, and other liberal and conservative parties on the Continent, opinion leaders (e.g. *The Economist*).

Neoliberal ideas have also gained ground in the Commission. Under the presidency of Jacques Delors, the Commission was deeply riven by ideological conflict between its president and right-wingers, led by Sir Leon Brittan, originally commissioner for competition and then for external trade.

REFERENCES

- Hooghe, L. (1996). Introduction: Reconciling EU wide policy and national diversity. In. Hooghe, L. (ed.) *Cohesion policy and European integration: building multilevel governance*, Oxford University Press, Oxford: 1-27.
- Hooghe, L. (1999). Images of Europe: orientations to European integration among Senior Officials of the Commission. *British journal of political science* 29, 345-267.
- Hooghe, L. – Marks, G. (1999). The making of polity; the struggle over European integration. In. Kitschelt, H. – Lange, P. – Marks, G. – Stephens, J. (Eds.) *Continuity and change in contemporary capitalism*, Cambridge University Press, Cambridge: 70-97.
- Hooghe, L. – Marks, G. – Wilson, C. (2002). Does left/right structure party position on European integration. *Comparative political studies* 8, 965-989.

- Lindbreg, L. – Scheingold, S. (Eds.) (1971). *Regional integration-theory and research*, Harvard University Press, Cambridge, Massachusetts.
- Marks, G. (1993). Structural policy and multilevel governance in the EC. In. Cafruny, A. and Rosenthal, G. (Eds.) *State of European community vol.2*, Lynne Rienner, Boulder Colorado and Logman, London: 391-410.
- Marks, G. (1996). Exploring and explaining variation in EU cohesion policy. In. Hooghe, L. (ed.), *Cohesion policy and European integration: building multilevel governance*, Oxford, Oxford University Press. 367-387.
- Marks, G. – Hooghe, L. – Blank, K. (1996). European integration since the 1980s: state-centric vs. multi-level governance. *Journal of common market studies* 3, 341-378.
- Zakošek, N. (2002). *Politički sustav Hrvatske*, Fakultet političkih znanosti, Zagreb.

THE IMPACT OF EUROPEANISATION ON INSTITUTION-BUILDING: EUROPEAN REGIONAL POLICY IMPLEMENTATION IN GREECE

GABRIELA CRETU

The paper points out the role of European integration in promoting the institutional changes in Greece, in the last two decades. As mediating mechanisms between supranational and national governance structures and, consequently, as an important variable in the study of the multi-level system of governance in European public policy, the domestic institutions are becoming main actors in the Europeanisation process. Considering the European Regional Policy as a rich laboratory for examining the impact of EU implementation arrangements on institutional framework, the argumentation aims to emphasise the relevance of the structural modernization of the Greek institutions in implementing the reforms of regional policy.

Political and institutional traditionalism and centralism are deeply rooted in the Greek political development, Greek culture and the structure of the Greek political system, dating back to the establishment of the Modern Greek state in the 1830s. One of the striking features of the state morphology at the time of Greece's accession was the gigantic size of the state apparatus and the over-centralised nature of the state and political system in general. The state occupied a hegemonic position in practically every aspect of Greek society. Greek social formation in that particular period consisted in: the existence of an inefficient bureaucracy, the prevalence of state intervention at all levels of economic and societal life and the mediation of this intervention through non-transparent and clientelistic political relationships.

In this context modernisation determined by the European integration emerged as a possible solution for fighting over-centralism and inefficiency. Despite this, success depended on the rather limited capacity of change manifested and promoted among the Greek political and social actors.

EUROPEANISATION AND INSTITUTIONAL CHANGE

‘Europeanisation’ is used here to describe the ‘emergence and the development of distinct structures of governance, that is, of political, legal and social institutions associated with political problem-solving that formalises interactions among the actors and of policy networks specialising in the creation of authoritative rules’.¹ It is the independent variable that impacts upon domestic processes, policies, polities and institutions.

In theoretical terms, the issues of concern are the ways and the extent to which the supranational level and its institutions have affected the institutional reform in Greece and the impact on efficiency of the integrated institutional framework. The topics of institutional evolution and allocative and adaptative efficiency within the emerging institutional framework are in this way readdressed. Europeanisation can be seen as intrinsic to the process leading towards closer integration and used to refer to ‘the impact of EU-led changes upon at least two distinct aspects of Member States’ activities—policy and machinery’.² Europeanisation, however, is not necessarily a one-way causality but rather an ‘iterative and interactive’ process, which involves what Blumer and Burch call ‘reception’, that is, national institutional adaptation, but also ‘projection’, that is the ability to participate in integration so as best to be able to ‘project’ national governmental concerns into the EU decision-making process.³ Nevertheless, the extent to which member states project their national concern and receive direction and/or pressure for national institutional adaptation depends on the specific policy area. Reception will be the strongest in specific policy areas where competencies have been transferred to a significant extent to Brussels, such as agriculture, trade and European regional policy and where the supranational institutions and the Commission in particular,⁴ are heavily involved, *de jure* and/or *de facto*, in the policy process. The extent of reception also depends on the stage of the policy cycle: the supranational level may—under the principle of subsidiarity, for example—have a significant input in determining the goals of policy but not in

¹ Risse, T., Cowles, M.G. Caporaso (2000:2).

² Bulmer, S., Burch, M. (1998:602).

³ Bulmer, S., Burch, M. (2000).

⁴ As Edwards and Spence point out the Commission’s main roles may be summed up under five main headings: the initiative role (initiating legislation), the administrative role (in areas such as agriculture, which have been delegated to the Commission by the member states), a normative role, both as guardian of the Treaties and the *acquis communautaire*, a mediative role between the institutions and the member states, representative role—diplomatic representation in third countries. See Edwards, G., Spence, D. (eds.) (1994: 4).

implementing it. In other words, the balance between ‘reception’ and ‘projection’ will depend on policy area, the competencies and specific institutions involved in, and the stage of policy process. Moreover, reception will be dominant if the ability of a member state to influence the course of events at European level is limited. This is also the case of Greece, where Europeanisation tends to be portrayed as ‘modernisation’ or ‘catch-up’.⁵

DOMESTIC POLITICS, POWER DISTRIBUTION AND INEFFICIENCY

The Greek government faced serious problems in dealing with regional policy. Firstly, the ‘gatekeeper’ i.e. the Ministry of National Economy, which was responsible for the preparation of the Regional Development Plan and the central co-ordination of the Community Support Framework, lacked the human resources and the appropriate horizontal units to produce detailed proposals (there was only one directorate and a staff of 30 people responsible for the job). The allocation of competences was also limited: firstly, decision-making was kept closely within the political offices residing at the top of the administration, secondly, the input of sub-national actors, which lacked the knowledge necessary to perform the tasks of regional policy’s implementation, was of a limited scope. The lack of appropriate services at the regional level meant that the regional councils—headed by centrally appointed Regional Secretaries—discussed proposals arising from the more established prefecture level (nomos).

Only a handful of these proposals were found to be compatible with the ‘overall development strategy’—if such strategy existed—and was included in the final Regional Development Plan.⁶ Besides, the Regional Development Plan was submitted under the political leadership of the Pan-Hellenic Socialist Movement government, in March 1989, but it took one year for Community Support Framework 1989-1993 to be adopted. This was largely because of the political turmoil in Greece at the time. Between the time of submission of the Regional Development Plan and the adoption of the Community Support Framework, in March 1990, two national elections took place, but no majority government could be formed. These developments would not have been very important if the Greek administration had been competent and ‘autonomous’ or free from political and societal pressures.

⁵ Pagoulatos, G. (2000).

⁶ Ioakimidis, P.C. (2001:355).

Similar was the state of affairs for the second Community Support Framework, 1994-1999. The Regional Development Plan was submitted hurriedly on September 10, 1993, by the New Democracy government in view of the national elections of October 1993, which were held early due to an internal conflict within the governing party. New Democracy lost the elections to the Pan-Hellenic Socialist Movement and there can be little doubt that European funding had played its role. Following the loss of the elections by New Democracy, the new Pan-Hellenic Socialist Movement government submitted a proposal on December 17, 1993 to modify the initial Regional Development Plan. A new version of the Regional Development Plan was finally resubmitted to the Commission in March 1994, but only with minor alterations. This may seem surprising given the political significance of managing European funds. One would have expected the new government to submit a new Regional Development Plan to suit its own distribution of funds to the various national and sub-national authorities. However, due to time constraints, the national authorities chose to go along with the Plan submitted by the previous government in the expectation that the contract would be changed in due course.

In the early 1990s, the implementation of regional policy was left almost entirely to the devices of the Greek system of programme implementation where and when that existed. This meant, however, that funds were fuelling the existing institutional framework, which was filled with 'black holes': the 'anarchic' nature of the state machinery meant that the division of responsibility was difficult, while the levels of accountability and transparency were very low. High absorption rates of the cohesion funds were sought through the inclusion of a larger number of projects than effective implementation would have allowed. For the European Commission, however, institutional malpractice was a far more important issue than the rates of absorption because it resulted in the inefficient allocation and use of resources. A large number of projects resulted from an effort to distribute funds so as to satisfy as many centres of power as possible within the central and the sub-national authorities. Ensuring that the funds were being used for the purposes for which they were intended in the first place, and assuring the quality of the actions, remained the overriding point of friction between national, regional and Commission authorities.

It is likely that little would have changed in Greece had the Commission not intervened to alter the institutional arrangements regarding the implementation of

regional policy. The reasons for this can be explained in terms of the path-dependent nature of institutional failure. Once the Greek state had reached a point where its structures were found to be the cause of the inefficient use of European funds, the process of institutional reform had to be undertaken externally. The centres of decision-making that could have initiated this process domestically were unable to do so; they were caught up in the vicious circle of institutional failure. The process of reform initiated by the Commission began, in essence, on the eve of the first Community Support Framework. The Commission's officials tried to change the Greek administration but it proved 'semi-catastrophic' and they had to create a new and separate administrative structure to deal particularly with European Union projects. It was helped by several factors in the first half of the 1990s. First, there was the continuation and strengthening of, the 1988 Reform of Structural Funds through the 1993 Regulation amendments.⁷ Secondly, the experience and results of the first Community Support Framework had exposed clearly the shortcomings of the domestic institutional framework pertaining to regional policy. Thirdly, the new programming period (1994-1999) gave the Commission the opportunity to include its much more soundly based proposals in the Community Support Framework as binding commitments. Fourthly, the possibility of implementing the reforms by the mid-1990s was helped by the fact that the political will to comply with the demands, which came directly—or indirectly through the Ministry of National Economy—from Brussels was at times in unison.

ORGANISING THE MANAGEMENT OF REGIONAL POLICY: REFORM AND INNOVATION?

The path chosen by the Commission for improving the institutional framework was to push for the creation of structures for regional policy implementation process as independent as possible of the state-controlled sector, or at least structures endowed, as far as possible, with clear procedures and a high quality of human capital. In order to ensure the successful implementation of Community Support Framework 1994-1999, a special Management Organization Unit for the Community Support Framework was set up under the instructions and control of the Ministry of National Economy but which was independent from the administrative structure

⁷ Council Regulation 2081/1993, amending Council Regulation 2052/1988; Council Regulation 2082/1993 amending Council Regulation 4253/1988.

of the ministry. The path towards the creation of Management Organization Unit was a tortuous one with the Commission constantly pressuring the national authorities. The law establishing the Management Organization Unit of the second Community Support Framework was finally passed by the Parliament, in December 1995.⁸ On the day the vote was to take place, there was a strike at the Ministry of National Economy and the banners protesting against the law were hanging over its entrance. The bureaucratic establishment saw the creation of the new body as a threat to its powers of decision-making and its role in the implementation of the policy and was opposed to the concept of an independent structure over which it did not have any control; a structure, however, with clearly defined aims, flexibility and integrity. It took another two years for the company to come into full operation, after many difficulties, 'storms', hurdles, which spring from the culture and institutions of the Greek society.

The Management Organization Unit is a state-owned enterprise operating under private law with a Managing Director and a Board of Directors. The main role of the Management Organization Unit was stated as 'the establishment of a 'rationalistic' spirit in programming, implementation and monitoring of development projects'.⁹ By mid-1998, the Management Organization Unit had formed ten teams. Six had effectively taken over the monitoring of the Regional Operational Programmes and the other four had been attached to National Operational Programmes. The Management Organization Unit had to be invited by the relevant authorities to support their programmes. Invitations largely depended on the personal judgement of an Operational Programme's political principal, which was generally biased against the employment of the organization since it was perceived as a threat to his/her decision-making powers. Thus, invitations to the Management Organization Unit, from the ministries in particular, were the exception rather than the rule. The regional authorities were not always keen to accept the services of Management Organization Unit either. Some regions were forced by the Ministry of National Economy to accept them and it was decided that before the end of second Community Support Framework and certainly for the third Community Support Framework 2000-2006, the Management Organization Unit would be monitoring all the Regional Operational Programmes.

⁸ The original time schedule as presented by the Greek authorities to the Commission envisaged the voting of the law setting up MOU for August 31, 1995 and the operation of the first teams by October 31, 1995. Law 2372/1996 was voted on 13/12/1995 and took effect on 28/02/1996.

⁹ See the website of the company at www.mou.gr.

It is noteworthy that the Commission was involved even in the selection of the Managing Director of the Management Organization Unit. Such environment arguably infringed upon the principle of subsidiarity. It was accepted by the national authorities in the case of the Management Organization Unit after the Commission put considerable pressure on them during the negotiations preceding the set-up of the Management Organization Unit. In general, the main means through which the Commission persuaded the national authorities of the need of transparency and precision was the use of its veto powers over the financial allocation of resources. In other cases, when then Commission did not pay attention to such 'details' in the setting up of the mechanisms, 'the carcinogenic system' appeared to erode the reforms almost immediately. Due to the apprehension of the political leadership of the Ministry of National Economy itself, the delays in establishing the Management Organization Unit were not so much related to the organization itself, but mainly to the efforts the Ministry of National Economy made to avoid political friction and the political cost that would have been incurred by getting into open conflict with the syndicated interests of the administration, among others.

One of the main dilemmas facing the Commission with regard to the implementation of the Regional Operational Programmes was one concerning the increased involvement of the regional actors in the implementation process at the potential cost of hurting the effectiveness of such a progress. Ideally, the involvement of these actors would increase implementation effectiveness but the problem was that the Greek sub-national level remained atrophic and was unable to perform the basic tasks arising during the implementation of European regional policy, despite the continuous calls for decentralization within the country. Although the regionalisation process in Greece was not an overriding goal for the Commission, it nevertheless pushed for the process and was willing to pay a certain price to maintain its momentum. Implementation Committees, proposed by the Commission at regional level, met less resistance than at the centre. The regional authorities, instead of complaining about the intervention of the newly created bodies often complained *a)* about their inability to perform the necessary tasks and *b)* the lack of co-operation from the central authorities in achieving the objectives of the Regional Operational Programmes. In fact, the implementation process of the second Community Support Framework at the regional level was virtually conducted within the new structures instigated by the Commission.

FINAL REMARKS

The most important aspect of institutional reform in Greece was the role played by the European Commission in creating new administrative structures to deal with the implementation of the regional policy. Although the interaction of sub-national, national and supranational levels of governance did contribute to the Europeanisation of national regional policy in Greece, its impact on the performance of the public sector (central and regional) was rather marginal. At the same time, the multiplication of communication channels between sub-national and supranational actors and the mobilization of local interests in the view of new funding opportunities¹⁰ contributed to the creation of various multi-level policy networks that, however, remain entangled in the national political game.¹¹

Nevertheless, building the new framework was a slow process and often created considerable friction between the national and supranational levels of governance. The reforms reduced the Greek government's control over resources and affected the clientelistic relationship within the state apparatus. There is no doubt that the formal institutional framework that gradually developed in the 1990s improved the implementation of European Regional Policy, by creating crutches of relative efficiency in the operation of the Greek institutions. Since these crutches were constructed for the sole purpose of administering European structural funding and because of their independence from the public administration, they could not directly ameliorate the massive inefficiency of the Greek public administration. Nor did European integration as a whole imply the elimination of the considerable institutional failure in the wider operation of the Greek state. However, institutional reform in Greece had to take place even if political costs were high. Political leaders were likely to be constrained by these costs, which were inherent in the institutional framework of Greek society. Although, generally speaking, the impact of Europeanisation has been positive by providing an impetus for domestic institutional reform, counterproductive institutional inertness still remains a major challenge for Greek society.

¹⁰ Most notably, the implementation of the Community initiatives has encouraged some Greek local authorities to assume a more pro-active role by taking the initiative themselves to formulate projects and apply for funding (Koutalakis, C., 1997:30).

¹¹ Interpersonal relations, position in the party hierarchy and party identity, future political orientations of local leaders, personal profile, pre-electoral commitments, political parties and government strategies and the sponsoring of certain local politicians due to political considerations related to party competition, are crucial determinants of the abilities of sub-national politicians to mobilize local interest groups.

REFERENCES

- Börzel, T. A. – Risse, T. (2000). When Europe Hits Home: Europeanisation and Domestic Change. European University Institute. 2000; Bulmer, S. (1993). The Governance of the European Union: A New Institutional Approach. *Journal of Public Policy* 13, (4), 351-380.
- Bulmer, S. – Burch, M. (1998). Organizing for Europe: Whitehall, the British State and European Union. *Public Administration* 76, (4), 601-628.
- Bulmer, S. – Burch, M. (2000). The ‘Europeanisation’ of Central Government: The UK and Germany in Historical Institutional Perspective in Rhodes, R.A.W. (Ed). *Transforming British Government – Changing Institutions*, London, Macmillan, 46-62.
- Commission of the European Communities (1994). *Greece: Community Support Framework, 1994-99*, Brussels.
- Commission of the European Communities (1989). *Guide to the Reform of the Community’s Structural Funds*. Office for Official Publications of the European Communities.
- Diamandouros, N. (1997). Greek Politics and Society in the 1990s. In. Allison, G. T. and Nikolaidis, K. (Eds). *The Greek Paradox. Promise vs. Performance*. The MIT Press, Cambridge.
- Edwards, G. – Spence, D. (Eds). (1994). *The European Commission*. Longman Current Affaires, Harlow.
- Hanf, K. and Søetendorp, B. (Eds). (1998). *Adapting to European Integration: Small States and the European Union*. Longman, London.
- Héritier, A. (2000). Differential Europe: National Administrative Responses to Community Policy. In. Cowles, M. G. – Caporaso, J. A. – Risse, T. *Transforming Europe. Europeanisation and Domestic Change*. Cornell University Press, Ithaca, New York.
- Hooghe, L. (Ed.) (1996). *Cohesion Policy and European integration: Building Multi-level Governance*. Clarendon Press, Oxford.
- Hooghe, L. (1996). Reconciling EU – Wide Policy and National Diversity. In. Hooghe, L. (Ed). *Cohesion Policy and European Integration: Building Multi-Level Governance*. Clarendon Press, Oxford.
- Ioakimidis, P. C. (2001). *The Europeanisation of Greece: An Overall Assessment*. http://www.ekem.gr/europeanization_en.html
- Koutalakis, C. (1997). Local Development Strategies in the EU: An Evaluation of their Impact on the Greek System of Local Governance. Paper presented at the final workshops on the *European Policy Process*, organized by the Human Capital and Mobility Network, Dublin.

- Marks, G. – Hooghe, L. – Blank, K. (1996). European Integration from the 1980s: State Centric v. Multi-level Governance. *Journal of Common Market Studies* 34, (3), 341-378.
- McAleavy, P. (1995). Policy Implementation as Incomplete Contracting: The European Regional Development Fund. *Unpublished Ph.D dissertation*, European University Institute, Florence.
- Pagoulatos, G. (2000). Economic Adjustment and Financial Reform: Greece's Europeanisation and the Emergence of a Stabilization State. *South European Society and Politics* 5, (2), 191-214.
- Pierson, P. (1996). The Path to European Integration. A Historical Institutional Analysis. *Comparative Political Studies* 29, (2), 123-163.
- Plaskovitis, I. (1994). EC Regional Policy in Greece: Ten Years of Structural Funds Intervention. In: Kazakos, P. and Ioakimidis, P. C. (Eds). *Greece and EC Membership Evaluated*. Pinter, London.
- Risse, T. (2000). A European Identity? Europeanisation and the Evolution of Nation-State Identities. In: Cowles, M. G. *Transforming Europe. Europeanisation and Domestic Political Change*. Cornell University Press, New York.
- Risse, T. – Cowles, M. G. – Caporaso, J. A. (2000). Europeanisation and Domestic Change: Introduction. In: Cowles, M. G. – Caporaso, J. A. – Risse, T. (Eds). *Transforming Europe. Europeanisation and Domestic Political Change*. Cornell University Press, New York.
- www.mou.gr – Management Organisation Unit, Greece.

RUPTURES IN THE DANUBE REGION: TERRITORIAL CO-OPERATION AS A PLAYGROUND OF EUROPEAN INTEGRATION

ZOLTÁN GÁL

THE TRANSFORMATION OF POLITICAL SPATIAL STRUCTURES IN THE DANUBE STATES AT THE TURN OF THE MILLENNIUM

Europe is facing one of its biggest challenges at the turn of the millennium. *Competition generated by globalisation, the establishment of the frameworks and the internal regional structures of European integration, the challenges of the eastern enlargement of the EU*, the competitions with the economic power centres of the Americas and Asia make the old continent gather its energies on a large scale. It is not only the expansion of the external borders of the EU and the preparation of a prognosis on its new geopolitical changes that require hard preparatory work.

All these changes may have serious impacts on the small states of East Central-Europe which are unprepared for integration. Not only because their economies and democratic institutional systems need serious further efforts to meet EU requirements but also because the establishment of the inner regional structures requiring the decentralisation of the state may meet serious problems in these countries. *The revival of nation states after the change of regime was very often accompanied by strong centralisation efforts which resulted in a total absence or a weakness of the decentralised institutional system and autonomies in countries of the region.* At the same time, this very region may be the largest beneficiary of macro-regional co-operations as during the 20th century the borders of small states—very frequently established irrationally—are politically the most disputable since they do not match the ethnic borders and strongly limit the economic, cultural and residential interrelationships of lands historically bound together (Illés, 2002).

In the 1990s the fundamental changes in macro-regional relations created new historical situations, challenges and risks for the often conflicting regional transformation processes. While West-European regional co-operation is

actually an integral part of a comprehensive process and the macro-regional co-operation systems are parts of the integration process in the member countries, the East Central European macro-regional co-operations with their internal decentralisation processes and strengthening interregional co-operations may be regarded as the 'test areas' of European accession.

THE INTEGRATING AND DISINTEGRATING ROLE OF THE RIVER DANUBE IN THE CENTRAL AND EASTERN EUROPEAN REGION FROM A HISTORICAL PERSPECTIVE

Besides the future development programmes the study of *the changing historical role of the river Danube* in the formation of life, natural economy, the settlement network and the transport structure of the Danube countries also seems to be an issue of equal weight.

The river Danube is the second longest river in Europe (2850 kilometres) connecting ten countries in Central East Europe and the Balkans (Germany, Austria, Slovakia, Hungary, Croatia, Serbia, Romania, Bulgaria, the Ukraine and Moldavia). It is the only major river that flows eastward from Western Europe and connects very heterogeneous territories of the continent. The river Danube *is not only a geographical notion but also a transport corridor and has been in the focus of several ecological, political and economic conflicts*. Its economic importance, its role in waterway transport has always changed in the course of time but the river itself has always had a minor role in the international division of labour.

The River Danube has served several times as a natural border between civilisations, political systems and governments. The river Danube was already an important frontier zone separating the barbarian and civilised worlds in Romans times and later as well marking the borders of several empires. Important military roads also crossed the river and its zone (Avarian, Frank, Byzantine, Bulgarian empires). From the early Middle Ages the commercial activity of the Danube nations increased but natural obstacles (water falls), the Black Sea's peripheral location and the fragmentation of feudal powers all hindered the use of Danube for long-distance commercial purposes. For several centuries the Central Danube Basin was a frontier zone between Christian Civilisation and the Ottoman Empire. For several centuries the river Sava and the line of the Lower Danube served as a kind of European frontier separating the civilised world from the Balkans which should be

regarded in terms of civilisation as a gateway to the East¹. The Iron Curtain set up following World War II also ran along the Danube region separating the Eastern and Western world. During the 20th century the river's role as a natural state border was questioned several times, which further emphasised the river's separating functions (Gál, 2003a). (Table 1)

Table 1. *The Danube as a border river*

Country	Length of the Danube in a given country (km)	The Danube as a international border (km)	The Danube as a regional border (km)	The Danube as a internal river (km)
Germany	647	cca 25	cca 4	cca 618
Austria	350	cca 35	cca 35	cca 280
Slovakia	172	cca 150	0	cca 22
Hungary	410	140	cca 230	cca 40
Croatia	188	188	0	0
Yugoslavia	588	cca 408	cca 90	cca 90
Bulgaria	470	470	0	0
Romania	1075	cca 853	cca 60	cca 62
Ukraine	163	163	0	0

Source: Illés (2002)

From a geographical aspect the Danube region is considered a land-locked continental area, although even in the early Middle Ages very important trading routes were set up in an east-west direction along the region. For centuries these routes served as important innovation channels and were considered to be the *axis of Western civilisation*. The Rhine-Danube axis running in an east-west direction had key functions as the continent's land-based and waterway transportation routes reached the Levant area along the river Danube. After the 16th century the role of the Danube axis in transportation was re-evaluated. Until the mid-1900s the Danube states served as suppliers of agricultural products for the industrialised West European countries as part of the European spatial division of labour. The key role

¹ The marking of the geographical borders of the Balkan Peninsula and the Danube region (Danube space, Danube landscape) is hindered by the fact that both space categories identify a changing political, cultural and value content not only in a geographical but also in a historical sense. The geographical borders of the Balkan Peninsula are marked by the rivers Sava and the Lower Danube but in the political sense the northern border of the Balkan cannot be exactly located. Some experts mark the Balkan Peninsula as the areas remaining from the 18th century, while others identify the Balkans with the territory of the Balkan states including the new states formed after 1918 (Romania and Yugoslavia) (Jelavich 1996). The frequent changes in the geopolitical relations between the Balkan states and the countries of Central Europe further complicate the marking of the border between the Balkan and Central Europe. This is based on the fact that the 'Huntington' civilisation (religious, cultural) frontiers not only separate but in several cases also divide the Danube region—the common terrain—in a mosaic like pattern.

within this system was first played by the waterway route of the river Danube and later by the railway lines following the Danube axis (Gál, 2002).

From geopolitical and economic aspects the eastbound flow of the river Danube from West Europe to the European peripheries is a disadvantage for the countries of the Danube region because it may strongly work against the river's integrating force and role. *Access to the Black Sea via the river Danube was hindered by several factors.* On the natural side Porțile de Fier (Iron Gate) used to be the major obstacle because, until the regulation of the river at the turn of the 19th and 20th centuries, and until the 1960s it hindered both navigation of the river and access to the Black Sea (Stephen G., 1964). On the economic side it was a problem that unlike several other smaller rivers in its neighbourhood which were, however, more important for navigation the river Danube avoided the Adriatic space and flew into the Black Sea across an economically more disadvantaged, locked-up and peripheral area situated outside the major routes of international marine transportation. Apart from the lower Romanian section, important for the export of cereal goods, the river's shipping traffic was very low (in 1913 the whole length of the river produced a lower traffic volume than the lower section of the river Rhine) (East, 1935). The volume of shipped goods decreased after World War I. The common customs area of Austria and Hungary was broken up and the successor states of the Austro-Hungarian Monarchy introduced high customs duties in 7 new independent customs areas. The first peak period in the history of Danube shipping was the expansion of Nazi Germany's military economy to Southeast Europe, which—at the same time—put an end to the freedom of navigation. Imported food, Romanian crude oil and raw materials for military use were mostly transported on the Danube into Germany and the turn of 1939-40 was the top year considering the volume of shipped cargo (Ránki, 1983).

In a geopolitical sense the *landlocked* character of the *Danube Basin* was emphasised by the fact that it was surrounded by political (imperial) borders and the river's area turned into a site the rivalry for the great empires. Granting the right of free shipping was a fundamental pre-condition for the navigation on the river Danube. This was granted by international treaties signed by the representatives of the Danube region's great empires and by the Danube states. The Paris Treaty of 1856 and the Versailles Treaty of 1919 declared the river Danube an international waterway and set up the Danube Committee authorised with administrative

competences related to Danube navigation. With the election of the Danube Committee an international organisation was created to guarantee free rights for shipping on the river Danube.

THE ROLE OF THE RIVER DANUBE IN THE FORMATION OF POLITICAL SPACE IN THE 19TH AND 20TH CENTURIES

The historical-political dimension of *the Danube region and political tension in the area increased in the 19th century*, which turned into several bloody conflicts during the 20th century. The spatial possibilities of creating nation states showed totally different perspectives from that of in Western Europe. While in Western Europe nation states resulted from the integration of smaller regions into a homogenous state, in the ethnically most mixed 'Danube' region of Europe multinational 'nation states' were formed at a later stage, only after the disintegration of the *supranational* (Hapsburg, Russian, Turkish, Soviet) empires (Breu, 1971). Unfortunately the establishment of the area's nation states in the 19th century coincided with the increasing influence of superpowers and this led to a situation where decisions on the borders of the newly formed Balkan states depended mainly on those superpowers most capable of articulating their interests in the Danube region (Macartney, 1944). In the Danube region homogenous political structures have always been created by the pushing force of an external power or by economic pressure. During the 20th century the Danube Valley was a place where the interests of four superpowers conflicted the most (Germany, the Hapsburg Empire, Turkey and Russia/The Soviet Union). The political structures of the Danube space enabled the Hapsburg Empire to maintain an economically sustainable integration for 400 years. The confederal efforts of the past two centuries emphasizing the need for the co-operation of the Danube nations against the external superpowers were also associated with the river Danube and considered it as a symbol linking the confederation of small nations (Hanák, 1990). Although *the voluntary integration of the Danube Valley nations had no feasible alternatives*, all its ideas and concepts remained mere plans. In the Danube region only superpowers were in a position to make decisions, *consequently only superpowers contacted with the area's peripheral zone could maintain integration systems quite often endangering each other's power ambitions* (Gál, 2003b).

After the collapse of the Soviet Union and the failure of empire integrations, the Danube region still missed the preconditions for a conflict free integration. The EU's initiative for a 'Common Europe' can be the only real alternative for the countries of the Danube region.

POSSIBILITIES FOR TERRITORIAL CO-OPERATION IN THE DANUBE REGION AT THE TURN OF THE MILLENNIUM

The River Danube is not only a transport corridor, a constant conflicting point of ecological and political issues but it is also an important spatial organisational power that may serve as a framework for interregional co-operations as well. At the turn of the 1980s/90s with the disintegration of the last great empire the Danube space is again disintegrating into nation states and this process is more intensive than it was after the First World War. With the collapse of the three socialist pseudo-federations: the Soviet Union, Czechoslovakia and Yugoslavia (the disintegration of the latter leading to a bloody war) the Danube region continued its way towards 'cantonisation' (today the region has 22 states).

Parallel to the region's fragmentation the other side of Europe is undergoing a regional self-organisation and integration process within the supranational framework of the European Union. *In the 1990s three alternatives seemed to be open to the countries of the Danube region reviving their old conflicts: (1) The confederal integration of the region's small states (a new renaissance of the Central European idea), which was deemed to failure from the beginning. (2) The redistribution of the territory among superpowers which may be compensated for by the collective defence guarantees of the NATO's eastern expansion and by the weakening powers of Russia. (3) EU accession could be an alternative for certain countries in the area but this would also create breakpoints among the nations of the Danube space (Illés, 2002).*

The problem of integrating the Danube countries into a broader European space can be solved only by accession which could also terminate unreal expectations and worries. Being aware of the different scenarios we can now see that macro-regional co-operations covering the area of Central and Eastern Europe may have a special role in integration, in the intensification of internal decentralisation and in terminating mutual distrusts and worries.

There is an increasing and a widening trend in the co-operations crossing the borders of the former iron curtain states and the enlarged EU. The site and the

role of the Danube Basin co-operation should be examined from this aspect too. The Visegrád countries' initiative for a Central European Free Trade Association (CEFTA) in 1991, the Central European Initiative proposed by Italy in 1988 for the replacement of Pentagone and the co-operation of Danube regions in the institutional form of the Danube Region Working Community since 1992 may all be regarded as precedents of macro-regional co-operation of the Danube states.

Real macro-regional co-operations should meet two criteria: more than two countries should participate in it and it is not necessary for the full territory of all participating countries to be involved in it. Macro-regional co-operations are initiated not by the EU but rather by the participating regions or by a third party. Macro-regional co-operations may operate in the following forms: twin-city co-operation, interregional co-operation (Danube regions) cross-border co-operation, macro-regional co-operation (CADSES), environment, water management and tourism oriented professional co-operations (Illés, 2002).

The increasing importance of cross-border regional co-operation in Europe is a very significant development of the last decade. Two reasons are worth mentioning of those that have led to this situation. The first comes from the very nature of economic and environmental issues. Environmental problems do not stop at the borders—their efficient management requires cross-border co-operation. Economic issues cross the borders because a more efficient division of labour requires a better utilisation of competitive advantages. However, this presupposes roads, railway and infrastructure which also require co-operation on an international level. In East Central Europe the political motivation for such co-operations is even higher. Regionalism has democratic functions too, which may counterbalance the predominance of state power in the centralised state systems of East Central Europe.

The importance of macro-regional co-operation in East Central Europe should be greater than in other parts of Europe. The countries of Central and Southeast Europe are small continental states with long land-based and non-natural borders in the majority of cases. While 80% of the borders of EU-15 member states are sea borders, this is true only for 10% of Central and Southeast European countries. This explains why these countries are in need of international regional co-operation. And last but not least the present state borders of Central and Eastern European countries were formed quite recently. Until the mid-1990s these countries had lived in an empire without borders to separate them in the majority of cases. The intensive

division of labour followed this pattern but today's new state borders separate areas that used to be integrated in the past. None of the 19 nations in the Danube space with the exception of the Czech Republic no nations are living in full number within the borders of their state. There are 10 ethnic groups in the region with more than one million members living outside the borders of their own state. In this context there is no need to further emphasise the importance of cross-border co-operations.

The European Union has been supporting macro-regional co-operation in East Central Europe since the mid-1990s only. It was initiated in the middle of the 1990s that besides the support limited to local cross-border co-operations only, a comprehensive strategy should be prepared for larger regional structures. This co-operation strategy involves the following targets:

- The intensification of macro-regional integration processes within the region, the increase of the region's internal cohesion through the promotion of decentralisation processes;
- The organisation of 'actions' and institutions to facilitate catching up and prepare the region for EU integration;
- The testing and involvement of the peripheral areas outside the EU as potential partners. This can be interpreted as an incentive for integration or as an initiative for creating a federal and influence zone as an external impetus for non-EU states for integration.

The Community Initiative INTERREG was prompted by the rapidly growing awareness of two essential truths: (1) the growing interdependencies of the various components of the European territory and (2) the considerable impact of many Community policies on territorial development and planning. Realising these challenges, the Commission of the European Communities—at its meeting on 15th June 1994—decided to establish a Community Initiative for cross-border co-operation (INTERREG II A) and selected energy networks (INTERREG II B). Almost two years later, at its meeting of 8th May, 1996, the Commission decided to include a third programme (INTERREG II C) for 'trans-national co-operation in spatial planning'.

The main objectives of INTERREG II C were to contribute to a balanced spatial development in the EU, by reducing inequalities in development and improving the spatial impact of Community policies with regard to spatial development; In the next programming period (2000–2006) trans-national spatial planning co-

operation programmes were continued. On 28th April 2000 the Commission of the European Communities decided to establish a Community initiative concerning trans-European co-operation (INTERREG III B) for this period. In the previous period INTERREG II C allowed participants to gain some experience regarding co-operation in 7 larger trans-national territories (Northwest European Metropolitan Area, Baltic Sea, Southwest European Space, North Sea, West Mediterranean and South Alps, Atlantic Area, CADSES), involving national, regional and local authorities, with a view of achieving a higher degree of territorial integration of these areas. The main challenge for INTERREG III therefore was to build on the positive experiences and progressively developing structures for such co-operations across the Community and with neighbouring countries. Due attention was to be given to

- the external borders of the Community, taking into account enlargement in particular;
- co-operation with the outermost regions of the Community;
- co-operation for the further stabilisation and association process in the western Balkans; and
- co-operation concerning insular regions.

Among the current macro-regional initiatives the Danube region is involved in CADSES (abbreviation for Central-European, Adriatic, Danubian and Southeast-European Space) programme. The delineation of the CADSES area was one of the most hotly debated issues of trans-national co-operation, the reasons for which are manifold. The original definition of the CADSES area was not based on geographical criteria (Figure 1).

Figure 1 CADSES: Central European, Adriatic, Danubian and Southern European Space



Source: ESDP

The CADSES area is one of the largest co-operation areas of all the INTERREG III B areas, with its 18 co-operating countries (also the largest number among all co-operating countries) covering a total area of 1.814 million km² with a population of 209.6 million (46.5% and 45.8% of the EU₂₅, respectively). The primary and basic reason for defining and delineating the CADSES area in 1996 was that it comprised the member states (Germany, Austria, Italy and Greece) neighbouring the eastern enlargement area and other neighbours beyond the external EU border. The fundamental goal was to establish spatial co-operation across the external border (former Iron Curtain) of the EU with larger spaces than the narrow border area. A special goal was for Greece to develop co-operation links with EU partners in the North. The CADSES programme was by no means meant to homogenise these countries but to draw the attention of the EU to countries excluded from it in the first period and involve them to some extent into the integration processes (Illés, 2002). In the second programming period (1997-99) the CADSES co-operation basically

fulfilled this task². Various kinds of co-operation networks were established, despite the fact that there was no or very modest EU funding for non-EU partners. In 1999, at the end of the programming period, the European Commission proposed to split the space into two co-operation areas, arguing that it was too large (including 18 countries) and hardly manageable efficiently. However, the historic moment was not suitable for implementing this change and the Commission changed their minds on that issue. At present 79% of the area covered by the CADSES programme is outside the EU15 territory and 63% of the population lives in these areas. Obviously, these non-EU15 regions have some common challenges with the regions of the EU15, but they also have a lot of challenges and tasks specific to these countries and regions. The large number of partners and the high degree of heterogeneity significantly increase the difficulties of CADSES programme management for several reasons:

- a. Though the number of countries incorporated into the CADSES area was very high (18), the number of EU member states among them, fully eligible for ERDF financing was only four. There is no other co-operation area with so many eligible countries (the second largest is the Baltic Space with 8). The number of eligible NUTS2 regions is 110 (the next highest number is 96 in Northwest Europe). It is certainly a very large managerial and administrative burden for the institutions involved.
- b. Embracing old and new member countries in one and the same co-operation area is justifiable and even desirable. Nevertheless, the experiences of two programming periods have demonstrated and proved that the spatial planning problems and the priorities of the old and new member states are, in many respects, totally different. What is a serious and fundamental problem in the new member states (agricultural overpopulation, dramatic lack and weakness of SMEs, high number and ratio of the Roma population, large and deteriorating urban housing estates, lack and weaknesses of regional administrative and management structures, consequences of recent mass privatisation and so on) are not problems in the old member states. Similarly, problems of the old member states (large immigration, guest workers, displacement of workplaces

² Macro-regional initiatives are bound to the geopolitical considerations of the EU-15 member countries selecting the regions they wish to establish a closer connection with for the enhancement of their (market and investment) relations. In CADSES the four participating member states are located in different regions thus they have different interest areas (Greece – Southeast Balkans, Italy – Adriatic Space, Austria South-Eastern Europe, the Bayern Danube axis).

to cheap labour areas and so on) are not (yet) problems in the new member states. Even in issues of common concern (environment, accessibility, natural and cultural heritage) the dimensions and priorities are different in the two groups of countries and regions. Therefore, to find common priorities for these mixed co-operation areas is not a simple task.

The fact that CADSES has a rigid management mechanism and the tendering system is appropriate only in the EU-15 member states also originates from the region's heterogeneity. The macro-regional co-operation of Danube countries is hindered by the fact that *the development potentials and the economic structures of the Danube Valley* influencing 14 countries of Europe *show significant spatial differences* in the utilisation of the river and there are further differences in the state of the natural environment in the participating countries.

The delineation of the Danube region as a *geographical unit* is not an easy task either as the river's water catchment area (817,000 km²) is strongly fragmented, lacking a homogenous geographical space. It is a region of extreme differences in economic development since both Baden-Württemberg and Bavaria, Europe's and Germany's richest regions are located in the Danube Valley and Europe's poorest regions can also be found here. The difference between the GDP of Upper-Bavaria and Teleonnán, a county in Romania, is twentyfold. Planning co-operation is an extremely hard task in such circumstances.

The introduction of more intensive forms of co-operation is hindered by several factors. The *low utilisation of the river Danube as an international waterway* is not only the outcome of the Yugoslavian crisis because the low values of shipped cargo volume started to appear in the 1980s (between 1980-1994 the volume of cargo shipping dropped to ¼ of the initial value) and besides the deteriorating infrastructure the opening of the Danube-Main-Rhine Canal further decreased the volume of shipped goods on the river Danube (Erdősi, 2002).

The shortage of bridges is another hindering factor of cross-border co-operation between the river's two banks. The river Danube is a natural border between countries on nearly 1,000 kilometres (996 kilometres precisely) which is 36% of its total length. This means that in these sections co-operation across the river Danube is at the same time a bi- or (trilateral) cross-border co-operation. This 1000-kilometre section of the river is crossed by 8 bridges only. This means

one bridge on the average for every 125 kilometre. In these circumstances the river Danube as a border river has a separating rather than a connecting role. It is also striking that the 470 km section between Romania and Bulgaria is crossed by one bridge only. This situation is unique in Europe (even if there are five ferry crossings along this section). The river Danube is crossed by 149 public road bridges. 99 of them are located in Germany, 20 are in Austria and the remaining 30 are scattered along the further sections of the river.

The coordination of environmental and water management tasks is also a problem to be solved. Although the river Danube is not among the most polluted rivers of the European continent (thanks to its self cleaning ability), in the vicinity of large cities and at the meeting point of some of its side rivers carrying pollutants 'lethal' for the river's ecosystem (cyanide and tin) the values of pollution exceed by far the environmental limits. Environmental and water management problems can be tackled only in the framework of international co-operation as 96% of Hungary's, 87% of Moldavia's, 83% of Romania's and 79% of Yugoslavia's surface waters originate from other countries. There are some issues which should be solved by the involvement of not only the Danube countries but of the whole catchment area of the river. Such issues are water management and the protection against floods. The CADSES area as a whole, but within it especially the Danube area is seriously exposed to flood hazards. Probably due to human activities (deforestation in the Carpathians, reduction of the natural vegetation cover etc.) the level of floods and their frequency increases year by year.

Border areas and border regions should enjoy specific attention not only in cross-border, but in trans-national co-operations as well. The reason is that half of the length of European land borders (16,000 km) is found in the CADSES area. The countries in the area are small states (7 of them land-locked) with long continental borders. Sixty-five percent of the territory can be regarded as border region and the same percentage of the population is living there (the respective percentage in the EU15 is only 17 percent). Crossing these borders is still a problem in many places, because of the poor infrastructure and the control or administrative procedures.

Considering the development of the area, the conditions of entrepreneurship and sustainable growth should be among the priority topics in co-operation. Support for and strengthening of SMEs is a specific problem here, considering that 15 years ago SMEs did not exist in these countries. Rural areas and their common

problems have special importance in this space. The share of agricultural and rural population is still much higher than in the countries of Western Europe. In some countries, 20 to 30 percent of the active population is still engaged in agriculture. In centrally planned economies the method of solving the employment problems in small and medium size cities was to establish there a single large industrial plant. In the period of transition a large number of these plants proved to be non-competitive and were closed down, consequently several of these cities remained totally without an economic base. This is a typical problem in the Eastern half of the CADSES area; therefore a common analysis of best practices would be very useful.

While East-West transport and telecommunication corridors have developed dynamically, the development of North-South corridors is lagging behind for the time being, although they are of equal importance for the development and integration of the area.

Since the establishment of the CADSES area, circumstances have changed substantially. The original motivation was to group member and non-member states along the Eastern external border of the EU into one common co-operation area. In the meantime, however, the EU's external borders have moved several hundred kilometres eastward and they will move even farther at the beginning of 2007. Germany, Austria and Italy are not the Eastern border states of the EU any more. There are additional reasons for co-operation, first of all in order to enhance integration between the core area and the peripheries. However, this would require a new configuration and delineation of co-operation areas. The original definition of the CADSES area was not based on geographical criteria because the main factor defining the space was the external border of the EU. Consequently, the application of geographical criteria would mean substantial changes in the present constitution of the area. It belongs now to the catchment area of four European seas (the Mediterranean, the Black Sea, the Baltic Sea and the North Sea). If geographical and hydrological criteria were applied it should be divided into four parts. A comprehensive spatial planning perspective should be prepared not only for the co-operating areas as a whole, but also for their important and distinctive sub-areas, like the Danube Basin, the Adriatic Basin, and the Carpathians.

CONCLUSION

The Danube region's sharp economic and social inequalities, the intensive conflicts, the low degree of decentralisation and the absence of a comprehensive integration process may restrict the possibilities of co-operation in the short term. The differences in the development and socio-economic structure of the Danube territories do not exclude the possibility of a broader territorial co-operation but surely raise difficulties in its implementation. By all means, cross-border and twin-city co-operations on a smaller scale are indispensable on the one hand as complementary programmes to macro-regional co-operation on the other hand for the benefit of the territories and cities involved. These co-operations will enable the participants to break out of the deadlock situation caused by the river's state or the regional border character. The management of these territories within the framework of macro-regional co-operation requires different development techniques, similar to the EU's community support programmes for the development of cross-border co-operations.

In summary we can conclude that the integration and the coalition of the Danube countries have not provided well adaptable examples yet. The Danube as a cultural and transport axis raises positive associations with the meanings of openness, the exchange of goods, ideas and the common fate of the Danube nations. During the past two centuries we could witness—instead of integration efforts—mainly differentiation processes and political powers overstressing national interests, acting even against the interests of integration.

In its Europe 2000+ Report the European Union refers to the Danube Valley as a potential axis which might turn into a new power line for the development of the East Central European region and a territorial basis for the new division of CADSES macro-region. The river's water catchment area can be a new direction for the enhancement of the integration process. Some common geographical, social and cultural features and the river Danube as an integrative line may bring a chance for the continuation of macro-regional co-operations and their complementary interregional co-operations.

REFERENCES

- Breu, J. (1971). *Grossmachtbildungen im Donaauraum*. In: Geoforum, 1971/6. pp. 7-20.
- East, G. (1935). The Danube Route-Way. In: *An Historical Geography of Europe*. Methuen & Co. Ltd., London.
- Erdősi, F. (2002). A Duna, mint történetileg változó tengely, ill. folyosó [The Danube as a historically changing axis or corridor], In: Glatz Ferenc (szerk.) *A magyarországi Duna-völgy területfejlesztési kérdései (Regional Development Issues of the Hungarian Danube Valley Area)*, In: *Magyarország az ezredfordulón (Területfejlesztés)*, MTA, Budapest, 31-55.
- Gál, Z. (2002). A politikai térstruktúrák átalakulása a Duna menti országokban (The transformation of geopolitical structures in the Danube countries), In: Glatz Ferenc (szerk.), *A magyarországi Duna-völgy területfejlesztési kérdései (Regional Development Issues of the Hungarian Danube Valley Area)* In: *Magyarország az ezredfordulón (Területfejlesztés)*, MTA, Budapest, 55-70.
- Gál, Z. (2003a). *Encyclopedia of Economic History, Danube* (Gál, Z), NY, 2003.
- Gál, Z. (2003b). Bruchlinien in der Region Donautal: die Rolle der Donau in der ittelstösteuropaischen historischen und Raumenwicklung. In: *2000 Jahre entlang der Donau. Aus der gemeinsamen Vergangenheit in die gemeinsame EU-Zukunft. Srifliche Fassung der Studien Vortrage der internationalen wissenschaftlichen Konferenz 'Ausschnitte aus der Gesichte entlang der Donau'* Pécs/Fünfkirchen, 16-19. Mai 2002., Pécs, 295-325
- Illés I. (2002). *Közép- és Délkelet-Európa az ezredfordulón : Átalakulás, integráció, régiók, (Central and South-Eastern-Europe at the Turn of the Millennium: Transformation, Integration, Regions)*, Dialog-Campus, Pécs-Budapest,
- Macartney, C. A. (1944). *Problems of the Danube Basin*. Cambridge University Press: Cambridge.
- Murphy Lyons, I. (1997). *The Danube: a river basin in transition*. Kluwer Academic Publishers: Dordrecht.
- Hanák, P. (1990). A Duna a magyarság történeti múltjában és nemzeti tudatában (The Danube in the historical past and national awareness of Hungarians), In: *Századvég, 1990./1.* 232.
- Ránki, Gy. (1983). *Economic and Foreign Policy: the Struggle of the Great Powers for Hegemony in the Danube Valley, 1919-39*. Columbia University Press: New York.
- Stephen, G. (1964). *Law and politics of the Danube: an interdisciplinary study*. The Hague, Nijhoff.

THE EUROPEAN SOCIAL POLICY AREA BETWEEN DIVERGENCE AND CONVERGENCE

RUXANDRA PUPAZESCU

The European Social Area is one of the elements of the European integration process which—for some time now—has been left behind. Its evolution has been marked by numerous institutional and political difficulties and it is only since the middle of the 1990s that special attention has been given to social issues at this supranational level.

Due to the character and the institutional pattern which have been set since the Maastricht and Amsterdam Treaties for the social policy area, one can observe that the European Union still does not influence these particular decision-making mechanisms to a great extent. As the essay will show, this is partly due to the soft-law character of the governance process in what regards social issues and partly to the resistance of the national states and the practical inability of the Union to deal with problems which could be better covered by the Member States. Another important element which should be taken into consideration is connected with the character of the European Union, which means that it assures the normative, legislative aspects of integration, instead of playing a role in the redistribution of resources. Thus, thanks to the existence of the subsidiarity principle, the Member States are still holding the power over the Union in social policy matters. As it will be presented later, there are several factors which play a significant part in allowing or inhibiting opportunities for further supranational actions in this sphere, the national political context being one of the most important among them.

On the other hand, the national welfare states had to face pressures coming from both inside and outside their 'borders'. To name only a few, these include the burden of increasing unemployment rates, demographic growth and the fiscal pressures imposed by the Union as a result of the implementation of the EMU (European Monetary Union). The national welfare states were thus left with two options. Some authors consider that we can already talk about a retrenchment of the European welfare states whilst others (Kleinman, 2002) argue that the welfare state model has actually survived and managed to adjust itself to the situation.

Bearing these ideas in mind, the present paper focuses on unraveling the mechanisms which have led to the development of what is currently known as the European Social Model. The main hypothesis of the study rests on the assumption that in analyzing the European social policy area one must pay attention to two intertwined processes. The first one is connected with the institutional development of the Union as such and therefore the role which social policy plays in the wider integration picture; while the second deals with changes in the structure and character of the national welfare states. I believe that one can better understand what is meant by the European Social Model and more precisely what its future can be only by looking at the links which can be established between these two levels of governance.

In order to be able to prove the above-mentioned hypothesis, I will attempt to develop an explanatory model of the problem under examination here. As a result, the study is structured as follows: The first part deals with the historical development of the European Social Policy Area. Its main goals are: to underline the increasing importance which has been attributed to the social dimension since the early beginnings of the Union, as well as to present its main institutions and their functions. The second part deals with the problems that the national welfare states have to face and tries to make assumptions about their future. The third and last part is dedicated to conclusions.

THE EUROPEAN SOCIAL POLICY AREA (EVOLUTION IN TIME AND THE IDENTIFICATION OF THE MAIN EUROPEAN ACTORS)

The evolution of the European Social Policy Area can be described as having been rather slow since the beginning of the Union. The most important reason for this was connected with the desire of the participant member states to focus primarily on the economic and later on political integration.

Economic integration was the purpose of the first type of collective decisions taken at the supranational level in Europe, namely the European Economic Community (EEC). This was created in 1957 with the major objective of developing an economic unity which would be achieved through the free movement of goods, capital, services and labour. At the same time, the Treaty of Rome (signed in 1957) emphasised the main structure which the community was bound to have from then on. This led to establishment of the European Commission conceived to represent the general interests of the Community as such and practice 'the legislative

initiative and control over its implementation' (European Navigator Site, 2006). It shared responsibilities with the European Council formed at that time by six representatives of the Member States. Its institutional function was to take decisions and 'coordinate the actions of the Member States and the Community' (European Navigator Site, 2006).

The initial function of the Parliamentary Assembly was to represent the interests of the members of the community. It had limited legislative and budgetary powers.

At the time when the Treaty of Rome was signed the question of integrating the social dimension into the development of the Union was of marginal importance. It would not be right to say that the social consequences of the integration were not mentioned at all; however, they were strictly connected with economic development (Kleinman, 2002). One of the provisions clearly referring to social rights was Article 119 which specified that women have the right to equal pay with men within the Member States of the Union (O'Connor, 2005).¹

However, this was not the only objective connected with the social sphere. M. Kleinman (2002) presents three others which can be considered to have an indirect impact on the evolution of social policy at the European level. These deal with setting the criteria for working conditions and the living standards of the active population, 'a closer co-operation in the social field' (Kleinman, 2002: 84) as well as the establishment of the European Social Fund.

As J. O'Connor (2005) emphasises, a series of measures connected mainly with poverty were adopted between 1975 and 1994 'with a break between 1980 and 1984' (O'Connor, 2005: 348). The significance of these actions was mainly political since their impact on reducing poverty was limited.

Another significant moment which marked the evolution of the European Social Policy area is connected with the ratification of the Social Action Programme in 1974 by the Council of Ministers. This document emphasises the importance of achieving the following goals: 'full and better employment, an improvement in living and working conditions [and] greater involvement of management and labour' (Kleinman, 2002: 85). It is quite obvious that the provisions in this paper represent a further step towards the integration of the social dimension in the European process.

¹ Kleinman (2002) underlines the fact that 'the dominant philosophy of the Treaty [of Rome] was that welfare followed from economic growth, not from regulatory or redistributive public policy' (Fallener, 1998 in M. Kleinman, 2002: 84).

In the early 1980s, following the election of Francois Mitterrand as president of France and Jacques Delors as President of the European Commission, a new boost was given to the processes connected with the social area. The ideological platform which the two French politicians proposed differed significantly from what had been previously established at the European level. This was the moment when, for the first time, the idea of a 'European social space' was mentioned. M. Kleinman (2002) identifies as main elements of the policy proposed by the two statesmen the importance which they attached to employment problems, 'the need to develop social dialogue [...] co-operation and consultation over social protection' (Hantrais, 2000; Wise and Gibb, 1993 in Kleinman, 2002: 86).

This particular political context helped the Union to come out of the deadlock prevailing between the late 1970s and the early 1980s. That was a period when not much was done for the social welfare of the citizens from a European point of view. The direction established by the Treaty of Rome was followed and thus the Commission limited its actions only to areas connected with health and safety at work and equal payment (Kleinman, 2002).

The middle of the 1980s as well as the beginning of the 1990s were beneficial for the evolution of the social policy area. Thus, the Single European Act (1985) and the Maastricht Treaty (1992) included more responsibilities the Union should take in relation to social issues. As it was previously emphasised, the concept of subsidiarity was embraced and thus—through the stipulations of the Maastricht agreement—the European Council was empowered to take decisions regarding social policy measures, but only in relation to those problems which did not fall into the competency of or could not be solved at the national level. As Kleinman (M. Kleinman, 2002) notes the process through which decisions in this area were to be taken consisted of '...directives, minimum requirements for gradual implementation, having regard to the conditions and technical rules obtained in each of the Member States' (Kleinman, 2002: 90). It can be thus concluded that apart from subsidiarity, the European Union was not ready to enforce decision-making patterns within the social sphere through hard, compulsory law (as it was the case with the monetary union, for example). Even though further steps were taken to accommodate a wider area of social topics within the agenda-setting of the Union, the decision-making process for which the Member States opted was of a soft-law character respecting the subsidiarity principle.

Mention should be made here of the next important European document, namely the White Paper on European Social Policy adopted in 1994 by the European Commission. This document pointed out several important elements which from that moment on were going to become the core of the debates concerning the social aspects of the Union. One of the significant achievements was that the Paper clearly spelled out the role which the European Social Policy should play within the integration process. Additionally, it defined and established as its main objective the development of a European Social Model. This is supposed to be based not on the commonalities which exist between the national welfare states, but rather on the 'shared core values' (O'Connor, 2005: 352). They were identified as '... democracy and individual rights, free collective bargaining, the market economy, equality of opportunity for all and social welfare and solidarity' (Kleinman, 2002: 95).

In addition to the previously established instruments the White Paper complemented the decision-making process with several dimensions. Thus, besides the legislative and collective agreements which had already been established, the financial aspects were also taken into consideration as well as 'mobilization and co-operation and [the importance of] information and analysis' (Kleinman, 2002: 95).

From this point of view, the European Commission became the key institutional player on the social scene. Starting from its initial legislative power it became also an important actor in the processes of disseminating information and 'commissioning research' (ibid, 2002: 95). Another important advancement which the Paper brought was a widening of the social areas in which the European Union could intervene. These included 'jobs, skills and working conditions, labour mobility, equal opportunities, social protection and social inclusion and public health' (Kleinman, 2002: 95-96). Despite these achievements the priority areas still remained those highly connected with the labour market and economic integration. Much less was realised, for instance, in the fields of social protection, social inclusion or public health.

As it can be observed so far, the Treaties which dealt with social elements were much more preoccupied with questions such as: On which areas could the European Union have a significant influence and what should its character be? They took a diminished interest in how the decision-making process should look like. However, this was the element which subsequent Treaties started to take into consideration. For example, the Treaty of Amsterdam (1997) set the objective of achieving high levels

of employment in the Union. This particular goal meant that the institutions should take more concrete actions in this direction and the document even mentioned the need for more co-ordinated action on the part of the Member States (O'Connor, 2005). The Treaty led to the establishment of an Employment Committee and it was followed by two important councils in Essen and Florence. These focused only on the labour market conditions and job creation processes.²

By this time it was already clear that the decision-making mechanism in social policy was headed towards the Open Method of Co-ordination. However, it was only with the Luxembourg Process in 1998 that this line of development became visible. The summit brought more clarity in the employment area. It proposed the realization of National Employment Action Plans which meant the establishment of employment guidelines and the adoption of specific targets (O'Connor, 2005).

This was followed by the Lisbon Council in 2000 which established a similar decision-making pattern but involved also the field of social exclusion. At the same time, the Lisbon Council clearly stated for that—for the first time—the economic and social goals were finally given equal priority. This is the reason why the central idea developed around the modernisation of the European Social Model.

The historical presentation of the evolution of the Social Policy Area had the purpose to emphasise two important elements. The first is connected with how the priorities of the European Union have changed over the years in order to incorporate more socially related areas, whereas the second focuses on the institutions which have achieved the highest degree of power over the decisions in the social sphere. As previously discussed, these are the European Commission, the social partners and the European Parliament, the latter playing only a secondary role. However, according to Liebfried and Pierson (1997) one should not neglect the growing importance of the European Court of Justice. Its role has been facilitated by the soft-law character of the social policy decision processes which do not require the member states to comply with all the social policy goals and objectives established in the Union's treaties.

² As D. Meulders and R. Plasman (1997) present the European Council of Essen established the following priorities: 'Improve job opportunities for the working population by promoting investments in educational training; particularly the acquisition of qualifications by young people; increase the intensity of the work content of economic growth; reduce unsalaried labour costs, particularly for non-qualified workers; improve the efficiency of employment policies by active ones; improve measures concerning assistance to groups that have been most affected by unemployment: young people, long-term unemployed workers, women, and older employees' (D. Meulders and R. Plasman in W. Beck et al, 1997: 34).

DEVELOPMENTS AT THE NATIONAL LEVEL: WHAT IS THE FUTURE OF THE WELFARE STATE?

The first part of the present essay had the purpose to identify the main evolutionary elements of the European Social Policy Area. We had a look at the processes which have guided the formation of the social dimension from the very beginning of the integration process up until the present time. Nevertheless this is only one side of the story and—as it was presented in the introduction—the main hypothesis of the present paper rests on the assumption that any debate about the European Social Area has to take into consideration two dimensions: one connected with the European development as such and the other with the evolution of the national welfare states. This part deals with the latter of these two dimensions.

Researchers (Gough in Beck et al, 1997; Kleinman, 2002; Esping-Andersen, 1999, etc) have emphasised to various extents the diversity and the ensuing problems which the current welfare states are confronted with. Any discussion about the European Social Model has to stop and take these factors into consideration.

As it has already been underlined in the first part of the paper, the aim of the European Union through its Open Method of Co-ordination is to establish a better governing mechanism for the social area. This would be based on peer review and the development of National Action Plans as a result of the consultations between the Member States. This method would prove to be less coercive than the one used in the case of the Monetary Union and would allow a certain degree of independence for the states. There is, however, a question that should be answered in this context: To what extent can we talk about the harmonisation of the national welfare systems if there are fundamental differences between them as we are soon going to see?

In general, welfare development theories mention the existence of a wide variety of welfare states. The problem of the diversity of welfare provision throughout Europe (and not only) is thus considered to be one of the main factors which hinder a faster development of social provision at the European level. There are various types of interpretations and classifications of the European welfare states, but for the purposes of the current paper I will focus only on two such divisions.

The first and one of the most prominent in welfare literature is the perspective articulated by G. Esping-Andersen (1990). The author considers that any attempt at classifying the welfare state should start from two dimensions: the social structure and rights and de-commodification. The first element refers to the idea according

to which the welfare state is a system of stratification itself. The redistributive social mechanisms are not only based on a given social structure (trying to reduce the existent inequalities), but, at the same time, they strengthen or even create a system of stratification. In what regards rights and de-commodification, the author refers mainly to the choice which every citizen should have to opt out of the labor market without suffering severe financial losses.

Starting from these two dimensions, Esping-Andersen (1990) goes further and defines three main categories of welfare states, namely: the liberal welfare state, the corporatist one and the social-democratic one. In what regards the liberal welfare state its main features can be synthesized as follows. It is characterized by means-tested benefits (assistance) and low levels of universal transfers. The main target group of the social redistribution plans is constituted by those people who are at the bottom of the social scale, partially or completely dependent on the state. The state encourages the development of the market either through passive or active types of policies.

From the point of view of de-commodification rights this type of regime minimizes its effects. This type of welfare state creates a social structure dualism between those equal in poverty and those in the majority who rely on the provisions of the market (Esping-Andersen, 1990).

The second type of welfare model is the corporatist one. This is much more wide-spread in continental Europe in countries like Germany, France or Italy. Its main feature consists in preserving the social structure and thus maintaining the differences between various types of social status. As a result, the sets of rights and benefits are ascribed to class and status (ibid, 1990). As Kleinman (2002) points out, the main goal of the state is not necessarily redistribution. In fact, this model presupposes the existence of a strong, powerful state which manages the public sphere so as to incorporate the wide variety of social groups. At the same time, a heavy emphasis is placed on the important role which the family, the church and the larger community play in ensuring the social protection of the individuals.

The last model which Esping-Andersen identifies is the social democratic one. This is associated with the Nordic part of the European continent and is considered to be the model which is closest to the ideal type of universal benefits and equality. One of its main characteristics is that 'equality [is achieved] by guaranteeing workers full participation in the quality of rights enjoyed by the better-off' (Esping-Andersen, 1990: 27). From this perspective, de-commodification is present to a

higher degree than in the previous social models and the political ideology of this regime creates ‘...an essential universal solidarity in favour of the welfare state’ (Esping-Andersen, 1990: 28).

However comprehensive this division of the welfare provision may be, the models proposed are considered to be ideal types. In reality the situation is much more complex and elements of each of these clusters can be found in the others as well. At the same time, if the theoretical lines of division are modified, other types of welfare regimes can appear. This is the case with Abrahamson in Kleinman (M. Kleinman, 2002). This author is of the opinion that there is another model which could be easily added to the types already described and that is the Latin model. It is typically found in the south of Europe and is characterized by a high degree of fragmentation and internal polarization. It places a heavy accent on the duties and responsibilities of the family. These states are considered to be ‘closed, particularistic [...] with [a] relatively weak state apparatus’ (Kleinman, 2002:50).

S. Liebfried (Liebfried, 1993) considers that the countries of the ‘Latin Rim’ are only partially developed as welfare states. They present elements which are common to the liberal model like residualism combined with a stronger traditional emphasis coming from the influence of the Catholic Church. At the same time, an important element of these states is the lack of a full employment tradition, especially in what regards women. In addition, family is known to play an important role in social protection.

As it can be concluded from the two theoretical models presented above, Europe is quite fragmented as far as welfare development is considered. The models which have been reviewed show very few commonalities and many differences and variations from country to country. As regards their common points these are mainly connected with the universal ideological commitments of these states. As A. Hemerijck (Hemerijck, 2002) points out, one of the most important points of convergence is the commitment to preserve social justice. This goal is shared by the members of all states and constitutes a solidarist way of sustaining those who fall through the safety nets of the systems. This ideology is deeply embedded into the recognition that social justice can contribute to economic development. To these elements Hemerijck (Hemerijck, 2002) adds the institutional functioning of the welfare states. By this he understands the various types of bargaining mechanisms between the organizations of the market, the state and the social partners. This tri-dimensional bargaining procedure lies at the core of the development of the national social policies.

Nevertheless, despite these convergence points the differences between the national welfare states are still prominent. Starting from the theoretical conceptions of Esping-Andersen and Kleinman we can say that the points of divergence can be analyzed according to the following dimensions: the development of specific, model and even country related mechanisms of redistribution and social justice; the evolution of a particular type of institutional setting (one in which unequal accents are placed on the state, the church, family or the market) and last, but not least, an element which is not taken into consideration by these two authors, the value related dimension. This last aspect refers to the different types of value loaded attitudes which result from political ideology and the configuration of these welfare regimes. Just to give an illustration of this dimension, let us mention the various attitudes regarding work or the importance of equality on the labour market between men and women (bearing in mind that in the Southern European model women are not encouraged to work).

Having presented the convergent as well as the divergent aspects which characterise the European welfare states we should now focus on the issue of how these states have been able to cope with the regional and global economic, social and political challenges. The structure of this part of the paper follows the main convergence/divergence dimensions mentioned above.

Various authors highlight different types of social processes which could lead to modifications and even future commonalities between the welfare states. On the one hand, S. Kuhnle and M. Alestalo (Kuhnle and Alestalo, 2000) stress the importance of increasing female occupation rates in the development of the welfare states. Of course, female employment has been dealt with in different manners depending on the institutional, economic and value attached mechanisms dominant in the individual countries. Nevertheless, the authors point out to the increasing similarities in female employment patterns between the European countries.

Another important element which is stressed not only by S. Kuhnle and M. Alestalo (Kuhnle and Alestalo, 2000), but also by M. Kleinman (Kleinman, 2002) is the rapid decline in fertility rates. As S. Kuhnle emphasised this phenomenon has affected Southern Europe to a higher extent, but the trend is also present in its northern parts.

As regards the institutional dimension, S. Kuhnle and M. Alestalo (Kuhnle and Alestalo, 2000) think that even though the necessity to reduce welfare costs

is a common problem which the welfare states have to tackle, the responses to this particular issue differ according to the various types of institutional settings and the importance which is attached in each welfare model to its main welfare providers: the market, the state (both national and local), the family and the civil society.

From an economic point of view, G. Esping-Andersen (Esping-Andersen, 1996) mentions the effect of high unemployment levels in Europe. In his opinion the main problem for the welfare states in adapting to higher social security demands lies in the discrepancy between the programmes which are already set in place and the current needs of the present societies. He underlines the fact that from a historical point of view the welfare states were built on the existence of a rather homogeneous working class present in the industrial period. Facing the multiple problems of post-industrialization, citizens need more diversified social programmes aimed at social protection. At the same time, more attention should be paid to the loosening of social bonds and the modification of the one-breadwinner family model which have implications for the way in which the institutional structure of the welfare system is designed and functions.

In conclusion and bearing in mind the ideas presented in this part of the paper we can state that despite the common problems which the European welfare states have been confronted with and despite some commonalities which can be approached from ideological, social or institutional points of view, the pressures for adaptation coming from both inside and outside the national borders are bound to be filtered through the specific sets of institutional agreements.

Summing up the ideas presented in this paper we can conclude that it is difficult to foresee the direction in which the European Social Policy is going to be headed in the future. Consistent progress has been achieved at the supranational level in order to bring the social issues more into the center of debates. However, as it was shown in the first part of the study only certain social dimensions have been stressed—mainly those connected with economic welfare. The others have been referred to the national states in accordance with the principle of subsidiarity.

At the same time, the option for a soft method of governance at the European level leaves the national actors a significant space for maneuver. Nevertheless, the Member States are themselves not ‘immune’ to the politics developed at the supranational level. They are affected mainly by the strict fiscal regulations which are the result of the European Monetary Union and which impose the maintenance

of the national budgets within strictly controlled limits. This has an indirect although no less significant effect upon the development of the welfare state.

Under these conditions how can the future of the European Social Model be perceived? From one, obvious point of view, at present this model lies somewhere between convergence (i.e close to being achieved in areas such as employment) and divergence (as regards social exclusion, poverty, health care, family policy and so on).

On the other hand, Begg and Berghman (Begg – Berghman, 2002) consider that under the current decision-making process it would be normal to have ‘the basic policy options discussed and the major policy decisions taken at the European level’ (Begg – Berghman, 2002: 190) with the implementation left in the hands of the lower entities. The achievement of this particular objective requires the existence of two prerequisites. The first is connected with the manifestation of a societal need for the regulation of social policy at the European level. From this is derived the necessary legitimacy which should be associated with the process. The authors underline that the European Union does not hold a clear-cut position on either of these accounts. Even though Begg and Berghman (Begg – Berghman, 2002) envisage a pessimistic scenario for the social policy area which would continue to be managed as it was before, they do agree that the latest developments which followed the Lisbon Council in 2000 could constitute a basis for a higher degree of convergence between the member states. This is made easier by the use of the Open Method of Co-ordination which currently allows for intergovernmental talks in what regards the social dimension of the integration process.

REFERENCES

- Beck, W. – Van der Maesen, L. – Walker, A. (1997). *The social quality of Europe*. The Policy Press, UK.
- Begg, I. – Berghman, J. (2002). Introduction: EU social (exclusion) policy revisited? In *Journal of European Social Policy*, Vol. 12, No. 3, p. 179-194.
- Bouget, D. (1997). The Maastricht Treaty and social quality: a divorce? In: Beck, W. et al., (1997) *The social quality of Europe*, p. 41-51, The Policy Press, UK.
- Conant, L. (2006). Individuals, Courts and the Development of European Social Rights In. *Comparative Political Studies*, Vol. 39, No.1, p.76-100.

- Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism*, Polity Press, Cambridge.
- Esping-Andersen, G. (1996). *Welfare States in Transition (National Adaptations to Global Economies)*, Sage Publications, London.
- Esping-Andersen, G. (1999). *Social Foundations of Post-industrial Economies*. Oxford University Press, USA.
- Gough, I. (1997). Social aspects of the European model and its economic consequences. In: Beck, W. et al (1997). *The Social Quality of Europe*, Policy Press, Bristol, UK.
- Hemerijck, A. (2002). *The self-transformation of the European Social Models*. In.: Gallie, D., Esping-Andersen, G., Hemerijck, A., Myers, Jh. Why we need a new welfare state (2002) Oxford University Press, USA.
- Kuhnle, S. (ed.) (2000). *Survival of the European Welfare State*, Routledge, London.
- Kuhnle, S. – Alestalo, M. (2000). Introduction: growth, adjustment and the survival of European welfare states. In: Kuhnle, S. Ed (2000). *Survival of the European Welfare State*, Routledge, London.
- Leibfried, S. (1993). *Towards a European welfare state?* In.: C. Jones ed. (1993) *New Perspectives on the Welfare State in Europe*, Routledge, London.
- Leibfried, S. – Pierson, P. (1996). Social Policy In: Wallace and Wallace (1996). *Policy-Making in the European Union*, Oxford Univ. Press, Oxford, UK.
- Kaiser, R. – Prange, H. (2002). *A new concept of deepening European integration? The European Research Area and the emerging role of policy coordination in a multi-level governance system*. Source the Internet: <http://eiop.or.at/eiop/texte/2002-018a.htm> visited on 20. 04. 2005.
- Kleinman, M. (2002). *A European Welfare State? European Union Social Policy. In. Context, Palgrave*, New York.
- Nagel, S. G. (1997). Developments in social security systems: reflections on the work of the Council of Europe in this field. In. *International Review of Administrative Science*, Vol. 63, p. 225-243.
- O' Connor, J. (2005). Measuring Progress in the European Social Model: Policy Coordination, Social Indicators and the Social Policy Agenda in the European Union. In. *Journal of European Social Policy*, Vol.15, No.4, p. 345-361.
- Schafer, A. (2004). *Beyond the Community Method: Why the Open Method of Coordination was introduced to EU Policy-making*. Source the Internet: <http://eiop.or.at/eiop/texte/2004-013a.htm> visited on 20. 04. 2005.

Wallace and Wallace (1996). *Policy-Making in the European Union*. Oxford Univ. Press, Oxford, UK.

Wendler, F. (2004). *The paradoxical effects of institutional change for the legitimacy of the European governance: the case of the EU Social Policy*. Source the Internet: <http://eiop.or.at/eiop/texte/2004-007a.htm> visited on 20. 04. 2005.

MCE European Navigator internet site: www.ena.lu/mce.cfm visited on 10.03.2006.

THE SOCIAL DIMENSION OF EUROPE AND SOCIAL POLICY IN MACEDONIA SOLIDARITY, MUTUALITY AND THE PURSUIT OF SOCIAL JUSTICE—GUIDING PRINCIPLES FOR A NEW SOCIAL AGENDA IN EUROPE

BORCE BEJKOVSKI

The European Union has a key role as a catalyst in change i.e. identifying the challenges and promoting solutions. We have much to learn from each other and Europe should provide more opportunities to share experiences, identify and share good practices, agree strategic targets and review progress.

There is no single European Social Model because each Member State has its own, specific traditions, institutions and practices. The ‘European Social Model’ should be strengthened, not weakened in the face of globalisation and the ageing of population. A European Social Model that has 20 million unemployed is not one which we should defend, but we must modernise our social models in a way that enables them to cope with today’s challenges and promotes our common values in a manner that is open, not closed to the outside world. However, the differences are underpinned by shared values—solidarity, mutuality and the pursuit of social justice—which are distinctive features of European civilization.

At the heart of these shared values lies the ambition to allow everyone to develop their true potential. High levels of employment and rewarding jobs are central factors in the realisation of this ambition. Jobs allow people to fulfil their potential while full employment allows everyone to share in rising prosperity.

A dynamic and competitive economy based on open markets, ensuring a high level of employment is the best form of social protection. The European Union must combine the economic strength of the Member States in a single open European market for the benefit of all. The Single Market allows us to trade freely with each other but should also secure a strong competitive position for European businesses in the rest of the world as well.

Economic and social objectives should mutually reinforce one another. The welfare state must enable people to make the transition from one job to another or from one stage of their career to another.

There are two major and urgent challenges the Europe has to face in the 21st century:

- Globalisation
- Demographic revolution

Firstly, let us see globalisation: Over the coming decades Europe will face increasing competition from the rapidly growing economies of China and Asia. The volume of world trade in goods gets doubled every decade with China's trade doubling every three years. Twenty years ago a mere 10 per cent of manufactured goods came from developing and emerging countries. By 2020 that figure will be 50 per cent. India's biotechnology sector will increase fivefold in just the next five years and China has trebled its spending on research and development in the last five. With 4 million graduates a year from Chinese and Indian universities—global competition means high skills and, value added goods too. 'By 2015, China is likely to have become the third largest economy in the world—contributing nearly one fifth of global output. In order to maintain and improve its growth, Europe will need to manage the resulting structural changes effectively, allowing workers to move to more productive and profitable sectors'.¹ China's current growth rate is 9.5% and India's is 7.3% as opposed to the EU's growth rate of 2.1%.

These global competitive pressures will accelerate many of the changes that have taken place in the economy and employment over recent decades, namely:

- Changes in the structure of industries and occupations;
- Changes in the nature of work, with an aging workforce and more people working flexible hours;
- Faster rates of job change for many people;
- More movement of people between jobs, industries and nations.

¹ John Hutton (14 February 2006), Minister's speeches reviving the European economic reform agenda.

Secondly, let us have a look at demographic revolution: Over the next 25 years working age population of the EU will fall by 7% while the population aged 65 and over will increase by 51%. This means that:

- the demands on the welfare state (particularly pensions and health care) will be greater than ever before and
- simultaneously, the number of people of working age who are able to provide the economic growth necessary to sustain the welfare state will be declining.

High levels of unemployment and inactivity already represent a direct threat to the sustainability of Europe's welfare state. Achieving a higher employment rate should therefore be the overriding priority.

There is a lot of ground to be made up. The EU employment rate is 63,3% compared with 71.2% in the USA and 68.7% in Japan. It has increased by only 0,5% since the Lisbon employment target of 70% was agreed 6 years ago.

The decline in the working age population means that Europe must rely increasingly on the skills of young people entering employment for the first time and on retaining the skills and experience of older workers. Several million more jobs could be generated within the EU through coordinated intelligent public investments, for example in human capital, and R & D, between Member States. However, the Union must accept that young people are becoming a rare and yet undervalued resource.

The fact is that young people are finding it hard to get integrated in the economy:

- The unemployment rate for under 25 was 17,9% in December 2004, compared to 7,7% for those aged 25 or over.
- Young people are sometimes exposed to discrimination on grounds of their age and lack of occupational experience, accentuated by other factors such as gender, social origin or race, all of which make it more difficult for them to integrate into economic life and society.
- The skills learnt at school are not always in line with the requirements of the knowledge society and the level of school failure is still a source of concern. In 2002, some 16,5% of the 18–24 year-olds left school with no qualifications. There are many reasons for this. Measures to support families and their school-age children associated with the modernisation of the teaching systems should reduce school failure rates.

The education system will have to face a significant challenge: it needs both to raise the level of initial training and to offer more flexible pathways in which, for example, young people would be more likely to alternate education at college, work and work-linked training, in order to meet the needs of the economy. They should also have greater access to the opportunities provided by distance learning.

Demographic ageing does not necessarily mean an automatic solution to the problems of unemployment and integration. The social partners, the school system, the public authorities and local actors will all have to reflect on how best to improve integration pathways and combat discrimination against young people.

European objectives have been laid down for the prevention of long-term youth unemployment, combating school drop-out and raising the level of initial training. The structural funds help to attain them at grass roots level.

Again, Europe is not starting from a strong position. The employment rate for older workers (those aged 55-64) is 41% in the EU compared with 59.9% in the USA and 63% in Japan. The unemployment rate for people under 25 is 17.9% in the EU compared with 11.8% in the USA and 9.5% in Japan.

More than ever, raising employment levels should be a priority. Having a job is the best route out of poverty and dependency. The welfare state should focus more on encouraging and enabling people to move from inactivity to employment, from social welfare to independence, while continuing to support those who cannot work. The aim should be full employment with adaptable and inclusive labour markets.

The quality of jobs and the working environment also make a significant contribution to keeping people at work by reducing the risk of occupational accidents and improving workers' health, in particular the health of the oldest workers. Anticipating these changes will help us manage the working life cycle a lot better. It will also be necessary to develop incentives to change people's behaviour with older workers and to combat discrimination.

In order to cope with the demographic changes Europe should pursue three essential priorities:

- return to demographic growth;
- ensure a balance between the generations;
- find new bridges between the stages of life.

We should foster not only full employment—but also quality employment. This means not only better health and safety conditions, worker consultation and employment rights across the EU, but also investing in research and innovation in order to facilitate job creation at the high end of the labour market. Our European social models should also address the ways in which social justice is delivered in today's changing society. Universality is at the centre of our approach, and for this reason, we must modernise social protection in order to provide it in today's world. The emergence of new disadvantaged groups in our societies—like single parent families and immigrants, including second and third generation immigrants—highlights the need to rethink our approach to social justice and assist these groups at labour market and also in societal integration. Public policies—in social protection, employment and education—should also be modernised in order to address new societal issues, for example, to ensure a smooth transition for divorcing families, a period in which many women and children fall into poverty, and to start integrating migrants as soon as they arrive in our countries (including the right to language training).

FOCUS ON MORE AND BETTER JOBS

Economic growth on its own does not increase employment. The right mix of employment and active labour market policies is crucial in increasing employment rates. Active labour policies are about getting people back in the labour force—they include policies such as lifelong learning, investing in skills and training and personal career coaching.

Member States which have invested in active labour policies see shorter periods of unemployment, vacancies are filled more rapidly, have higher and better targeted expenditure on training, and salaries are more responsive to market conditions. They have also seen an increase in more flexible working arrangements, such as part-time or fixed-term employment. Some 92 million people are inactive and 19 million unemployed in the EU. These inactive people, aged between 15 and 64 are neither working nor registered as unemployed. They are out of the labour market due to problems with education or training, not seeking work, family responsibilities or disabilities. Many of them simply cannot find jobs—inactivity rates are highest in areas with few jobs—and the EU average inactivity rate is 30% of the working age population.

'Jobs and growth must be Europe's top priority. It is a human tragedy and a terrible waste that 20 million Europeans are unemployed, which is the main cause of poverty in Europe'.²

If they are to work effectively markets, including labour markets, need to be able to respond to demand and competitive pressures allowing the necessary transfer of resources across firms, sectors and regions.

Sometimes this will be uncomfortable. Global competition means that some jobs—particularly in labour intensive, low value added sectors—are being lost as companies get restructured. The answer lies not in protecting those sectors and jobs but in encouraging and enabling businesses to improve their productivity and performance—i.e. to move up the value chain—and in providing support mechanisms that enable those affected by change to move on to new opportunities. Europe should be acting as a catalyst for change both by promoting R&D and innovation; by providing mechanisms of identifying and sharing good practice and by helping Member States to develop approaches that can assist the process of transition.

A vital element of improving European performance is to help businesses maximise the potential of their employees by encouraging a workplace culture that engages employee participation and commitment, encourages innovation and makes better use of the supply of skilled workers. This will undoubtedly lead to improved productivity and performance. Ways of working such as flatter structures, family friendly work practices, and better information sharing will help create more agile organisations with greater innovative capacity. These are goals best pursued by management working in partnership with employees and their representatives.

BALANCING EMPLOYMENT AND PROTECTION

As business and work have changed, the model of 'a full-time job for life' no longer applies. Protecting jobs through rigid employment regulation has been shown to be detrimental to employment. Europe should not focus on measures or systems that seek to protect individual jobs (or sectors) or erect barriers to competition. What we need to do is promote employability and create a business friendly investment climate that fosters job creation.

² David Blunkett, The work and pensions secretary, agenda for UK's presidency of EU with call for workplace reform.

Better regulation

Changes of this kind can and should be brought about intelligently through 'better regulation' so as not to stifle employment opportunities or workers' choice. Protection needs to be designed so as to minimise the risk that the security of those who are employed should be achieved at the expense of those who are unemployed, economically inactive and socially excluded. Legislation is not always the answer. At the European level, attempts to legislate across the different labour market traditions and structures of the Member States carry the greater risk of inflexibility.

Bringing more people into the workplace

We also need to break down barriers to work. A diverse, highly skilled and adaptable workforce is essential for a successful labour market and Europe's changing demographic profile needs more people of working age in employment over a longer working life.

Equality of opportunity is an essential principle of a modern Europe; unfair discrimination is not an option. Work must pay if we are to bring people into the workforce. Jobs must provide a better income and better long-term prospects than benefits. A modern economy should also offer flexibility and choice in ways of working so that people can successfully combine work and family life. Workers may want to work longer or shorter hours depending on their circumstances at different times in their lives; to take career breaks if necessary; to develop their potential and increase their skills; to change jobs; to work on short contracts as well as permanent jobs and to have different patterns of work. While these are not on the agenda of European legislation we can learn from each other before deciding which policies are effective in delivering results.

Mobility should be considered a natural way for workers of acquiring new skills, adapting themselves to an increasingly fluctuating labour market and obtaining better living and working conditions. It is also an important means of creating a genuine European labour market. It makes it possible for regions with specific needs to attract workers while, at the same time, reducing the overload in regions with excess skills, and therefore high levels of unemployment. Legal, administrative, and linguistic obstacles to the free movement of workers in the EU need to be tackled if we are to make mobility of labour an opportunity, not a threat.

If the EU is to promote increased levels of employment, improve the quality and benefits of work, bring more people into employment, and facilitate it for more people to stay on longer, labour market reform should be governed by the following guiding principles. It is imperative

- to promote the creation of more and better jobs in a dynamic and competitive economy with adaptable labour markets regulated according to ‘better regulation’ principles, balancing adaptability and security so as not to destroy jobs;
- to break down barriers to work promoting a diverse and highly skilled workforce underpinned by equality, opportunity and choice;
- to promote a culture of change in the labour market that can lead to an overall improvement for both business and workers—taking care that existing jobs should not be protected at the expense of those who are unemployed, economically inactive and socially excluded.

IMPLICATIONS FOR SKILLS AND LEARNING

Skills lie at the heart of the challenges Europe has to face. An inclusive society demands access to the skills and competences demanded by the modern economy. Together with innovation, enterprise, competition and investment, skills are among the key drivers of productivity and are central to European competitiveness. Higher skills are essential for an overall shift to a modern, knowledge-based and high value added economy. We urgently need to improve skills and increase the demand for skills in order to improve levels of employability and to match business needs. This can only be achieved with more emphasis on lifelong learning and not solely on the acquisition of knowledge at an early age. Europe has an important role in highlighting the impact of different approaches and sharing experiences and best practices so that Member States can develop policies most suited to their needs. Europe’s future agenda for skills and learning should be guided by the following principles:

- learning throughout life must be based on a sound education system open to all—the bedrock for social mobility;
- education and training policies should deliver skills needed by business but must also provide the means for people from all parts of society to fulfil their potential;
- expanding and developing the stock of skills requires more effective investment in people.

PRINCIPLES FOR A NEW CONSENSUS

We believe that by bringing together these key principles of welfare reform, labour market and skills, we can offer a sound basis for building a new European consensus on how to meet the challenges of globalisation and demographic change. The main steps are the following:

- to promote active inclusion, not passive welfare: the national welfare state should be a ladder of opportunity not a safety net;
- to ensure that people are enabled to respond to economic change and to benefit from it;
- to ensure that rights are balanced by responsibilities and that there is solidarity between the generations: The respect of society for the individual must be matched by the respect of the individual for society;
- to promote the creation of more and better jobs through a dynamic and competitive economy with adaptable labour markets regulated according to ‘better regulation’ principles and balancing flexibility and security so as not to destroy jobs;
- to break down barriers to work promoting a diverse and highly skilled workforce underpinned by equality, opportunity and choice.
- to promote a culture of change in the labour market leading to overall improvement for both business and workers—taking care that the existing jobs should not be protected at the expense of the unemployed, the economically inactive and the socially excluded;
- learning throughout life must be based on a sound education system open to all—the bedrock for social mobility.
- education and training policies must deliver skills needed by business but must also provide a means for people from all parts of society to fulfil their potential;
- expanding and developing the stock of skills requires more effective investment in people.

In February 2005, the European Commission proposed to revive the Lisbon Strategy and refocus efforts around two principal tasks:

- to deliver stronger, lasting growth and
- to create more and better jobs.

The redesigning of the Lisbon Strategy aims to give a new impetus to the European economy and pursue wide-ranging social and environmental policy objectives. A key element of the new Lisbon agenda is the complete overhaul of its governance mechanism making a clear distinction between responsibilities and actions at national and Community levels and improving the consistency of tasks and responsibilities. Another focus is now on enhancing the bilateral dialogue between the European Commission and the member states on a binding National Reform Programme. This dialogue is embedded in the existing Treaty-based economic policies and employment guidelines. In June 2005 the European Council adopted the Integrated Guidelines for Growth and Jobs for 2005-2008, which serve as a basis for the member states' National Programmes for Growth and Jobs. The design and implementation of the macroeconomic, micro-economic and employment policies is up to the member states as described in their National Reform Programmes (NRPs).

LABOUR MARKET AND EMPLOYMENT/UNEMPLOYMENT IN MACEDONIA

The changes within the total population, working-age population and active population (labour force) of the Republic of Macedonia have varied both in volume and intensity in the last two decades. The changes have been influenced not only by demographic factors (the natural and migratory movement of the population), but by socio-economic factors as well. The huge disproportion observed in the movements of the working-age and the active contingent whose sizes often mutually correspond signals a decrease in the demographic reproduction of the labour force and also a decrease in the growth of the active population. The changes could be explained with the loss of a part of the labour force induced by intensive migratory movements to go abroad, an increase in the number of retired persons (for different reasons, primarily their premature exclusion from the labour during the transition process), as well as changes in the occupation structure affecting a part of the active persons (primarily moving from agriculture into non-agrarian professions).

Concerning the issues of employment, the Republic of Macedonia is singled out by the very high unemployment rate it has had for several decades now as compared with other countries in South East Europe. The Republic of Macedonia entered the transition period with more than 150 thousand unemployed persons and with

an equal number of over-employed persons because of the administrative, but unproductive employment practiced in the previous period.

In the pre-transition period the Republic of Macedonia had a tendency of continuous growth in the field of employment. The largest number of employed persons was registered in 1989 (about 516,500 persons), and then the tendency of continuous decrease began. Under the influence of the problems inherent in the transition processes, as well as other limiting factors (economic crisis, refugee crises, warlike situations) the second part of the nineties brought accelerated decrease in employment. In 2002 the number of employed persons registered decreased to less than 300 thousand. The administrative data provided by the National Statistical Office do not show the overall situation of employment in the country. For example, according to the Payment Office, the number of persons earning salaries in 2001 amounted to 420 thousand.

At the same time, the informal sector began to spread more intensively, together with the number of employed persons in this sector. The expansion of the 'Grey' economy to unseen proportion served as a 'security valve' in mitigating social tensions. In those circumstances it was a hopeless endeavor to assess the size of the formal and informal sectors. Several attempts were made to assess the size of the informal sector. The results of such research projects were characterized by very large deviations in the approximated numbers of employed persons.

In the new situation the surveys started in 1996 were expected to bring a solution. The Labour Force Survey data, which encompass the informal sector and the economically active population in agriculture, show that between 1996 and 2002 the number of employed persons amounted to 537 and 561 thousand. In 2002, about 133 thousand active peasants were included in the number of employed persons, 65 thousand of whom were non-paid family workers.

The length of unemployment shows unfavourable trends that are manifest in a high absolute and relative increase in the number of persons unemployed for a longer period of time. 'On the basis of data related to registered unemployment in 1997, the share of persons seeking job for less than a year was only 6.0%. The share of persons unemployed between one and three years was 27.8% and those unemployed over three years represented two thirds of all unemployed persons (66.2%). The share of persons seeking job for longer than eight years is terrifying (27.7%). The Labour Force Survey also confirms the longevity of the unemployment'.³ The causes

for long-lasting unemployment and its terrifying volume should be primarily sought in insufficient economic development, the stagnating and even negative economic growth, the discontinued development trends significantly emphasised by the period of transition from one socio-economic system into another. Besides, employment is also influenced by other limiting factors, such as foreign debt, the problems of structural transformation and structural harmonisation, stabilisation etc.

Long-lasting unemployment represents a huge loss for the nation, not only as a waste of human capital, but also as a loss of the most vital part of the population, on whose generic forces, today and in the future, the development of the country should be based. The example of the Republic of Macedonia confirms that 'the enormous loss of the human resources is a sign of large inefficiency of the economic system and is provoking a deep crisis in the social sphere' (OECD, 1994, p. 9.). Unemployment is one of the basic causes of the large poverty increase. According to the latest data, about 25% of the total population in the country is poor. In spite of this, until now there has not been an employment-oriented strategy in the Republic of Macedonia developed with a coordinated and integrated approach that the factors in the institutional and macroeconomic framework could include both in their employment and labour-market policy interventions. Macedonia has also failed to develop a consistent employment policy as a cross-sectoral policy that includes all policy fields affecting directly or indirectly the employment of labour as a factor of production. So far only partial and short-term employment-related measures have been used, restricted to some policy fields.

As far as sectoral policy is concerned, there is no regional, industrial and agricultural policy. The regulative and macro-economic levels of economic policy have included some employment and labour market related measures in the financial policy (taxes, contributions, subsidies), in the monetary policy (maintaining monetary stability) and in the wage policy (using the minimum wage as an instrument of social policy). The experiences gained with reducing employment contributions in the case of new jobs in 1998 can be considered quite positive. It did have positive effects on employment, because quite a large number of unemployed persons could get jobs in this way. As a prerequisite for the economic development of the country, efforts were made to improve foreign-trade policy.

³ Based on those data, in 2001 the share of the persons seeking job for up to one year was 13.1 per cent and those unemployed over three years was 64.8%.

Several free trade agreements were signed, and the Republic of Macedonia became a member of the World Trade Organization in October 2002.

‘There is a promotion policy for small and medium-sized enterprises and a social policy. During the transition period, in the circumstances of growing unemployment, social policy focused on protecting social peace in the country. As far as education/training policy is concerned our government has adopted a strategy for the period up to 2010. It is important to point out that serious reforms have already started at all levels of education. Also, several training and retraining programs are going on, together with the education of older persons. But, the measures that have been undertaken so far in some particular fields of employment policy, have not produced significant results in relieving this very difficult problem because of the lack of a coordinated approach’.⁴

One of the ‘individual’ ways of solving problems related to unemployment and low standards of living is emigration from the country. Macedonia has strong traditions of migration, especially to the USA, Australia, Germany, Switzerland, Italy, etc. Emigration flows were also very strong in the last decade, in spite of unfavourable conditions. Visa requirements represent the biggest obstacle because Macedonian citizens are allowed to enter very few countries in the world without a visa. Unemployed persons face big problems in getting visas even for tourism, but the migration potential is really huge. Brain-drain is one of the biggest problems of the country, linked with loss of investment in human capital and creative work force. Macedonia does not have a migration policy, which would be an essential precondition for economic reforms. Politicians are aware of the brain-drain but without consistent policy and measures the situation cannot be improved.

⁴ For example, when there is no development policy, especially industrial and agricultural policy, also when the output is diminishing, the expected positive influence of the concluded free trade agreements and membership in the World Trade Organization will fail to materialise.

SOCIAL POLICY

Labour market changes, especially the high rate of unemployment provoked changes in the social system meant to provide social security for the citizens. The Republic of Macedonia started to build a new model of social protection in 1990's and the Act on Social Security was passed in 1997. According to the law, there are several types of social assistance:

- Regular financial assistance for persons unable to work, single parents and people over 65 without income;
- Financial assistance for the disabled and handicapped persons;
- One-time financial assistance for people who suffered from some disaster, need medical treatment, etc;
- Health protection according to different social policy criteria;
- Housing according to different social policy criteria;
- Social financial aid for the unemployed (who belong to the pool of active population), people with insufficient income for household, etc.

All of them are financed by the state (4.7% of the budget in 2002), and biggest 'social' burden in the state budget are expenses of social welfare. The number of beneficiaries is constantly increasing. The highest number of beneficiaries are the unemployed (81%) aged between 30 and 40 (37%) or up to thirty (27%), and the low skilled (60%).

The overall situation of the labour market, expressed in the high number of people who have lost their jobs, calls for some kind of a mechanism to alleviate the situation. In 1997, the Act on employment and insurance in case of unemployment was passed. It regulates the rights of both the employed and unemployed persons. According to the law, people who lost their jobs have right to regular financial aid of up to 50% of their salary (average received in the last 12 months) in the first year and 40% from the second year on. Beneficiaries can receive this aid for a period of 3 to 18 months, depending on work experience. Beneficiaries over 55 and with more than 25 years of work experience, can receive assistance till the next employment or retirement. All the beneficiaries also have right on health protection and social & pension insurance. The number of beneficiaries tends to increase.

Table 1. Number of beneficiaries of financial assistance for loss of job

	2000	2001	2002
Number of beneficiaries of financial assistance	34.002	41.375	46.772
Total number of unemployed	366.211	360.340	374.113

Today the Republic of Macedonia is considered a country with a medium developed industry, and continuing growth of industrial production. The most important sectors are agriculture and industry.

The Macedonian economy has recently made a sluggish recovery, though the extent of unemployment, the grey market, corruption and a relatively ineffective legal system hinder growth and cause significant problems. The official unemployment rate is 38% (2005). The active population totals 877,798 people, 318,096 of them unemployed. However, many of the employed go unreported, therefore it is more realistic to estimate unemployment rate around 25 percent.

Regarding the European Union's regulation concerning labour and social relations, the EU document on the basic social rights is of special interest for Macedonia together with about twenty directives. The harmonization of our laws and regulations with other directives of the Europe Union in this area is still to be done.

REFERENCES

- Craig, G. (2003). *Globalisation, migration and social development*. University of Hull, UK.
- Rasmussen, P. N. (2005). *A new Social Europe*. Conference speech.
- Hutton, J. (2006). *Reviving European economic reform agenda*. The Foreign Policy Centre.
- Karlsson, H. (2005). *A secure Europe is a growing Europe*. Minister for Employment of Sweden.
- Monks, J. (2005). *What is the European Social Model and where is it going?* General Secretary of the European Trade Union Confederation (ETUC).
- Mojsovska, S. (2002). *EU Enlargement and its impact on the Social Policy and Labour Markets of accession and non-accession countries*. Euro-Balkan Institute Republic of Macedonia.

THE EUROPEAN UNION'S EMPLOYMENT POLICY IN THE CONTEXT OF THE PENSION REFORM. ROMANIA AS A NEW MEMBER STATE

VALERIU FRUNZARU

In the context of demographical changes and fierce global economic competition, a more integrated European Union (EU) needs systematic and efficient policies that must act synergically in order to make it the most competitive economy in the world. In this article I only focus on two policies: employment policies and pension policies, underlining that without a substantive employment policy meant to ensure a high level of employment the individualisation of the pension systems can only lead to a high level of poverty of elderly people. In the last part of the article, I analyse the Romanian case, pointing out both its strengths and its weaknesses.

THE EUROPEAN EMPLOYMENT POLICY—BETWEEN MUST AND WINE

As must needs time to ferment in order to become wine, the EU policy in the employment field needs time to become mature and substantive. After more than fifty years of EU/EC history concerned with laying down the rules, the rights, the goals and the guidelines for labour within the common market these issues still raise lots of problems and disputes. The must needs some more time to become wine.

From the Treaty establishing the European Coal and Steel Community to the Council Decision 2005/600/EC that set the guidelines for the employment policy of the Member States (MSs) till 2008, employment awareness has been subject to a continuous development. If at the beginning 'the EU' ground was a political project accomplished with economic means' (Andreescu and Severin, 2001: 31), now the 'EU ground' has an economic and social nature. The EU, according to the frequently quoted Lisbon goals, wants to be 'the most competitive and dynamic knowledge-based economy' with 'more and better jobs' and socially included citizens.

Preoccupation with the employment issue in the context of increasing unemployment caused by the oil crises found its expression in the Treaty of European Union (1992) which calls for 'a high level of employment and social

protection' (art. 2). The Maastricht Treaty points to the need for the development of an employment strategy that should create jobs, especially highly qualified jobs, adaptable to a flexible market and encourages co-operation between the MSs regarding employment policy (art. 125-130). After the Maastricht Treaty, the next step towards building a common EU employment policy was taken by the Amsterdam Treaty with its Title VIa, Employment. Regarded as 'a matter of a common concern' (art. 109o), the employment issue can now be tackled at EU level by the European Council, after a proposal from the Commission and consultations with the European Parliament, the Economic and Social Committee, the Committee of the Regions, the Employment Committee, and social partners. The Council has to draw up with qualified majority guidelines that MSs should take into account in the building up and implementation of their employment policies (art. 109q). Even if in reality the Council prefers to work on consensus (Casey, 2004: 332), the change from the unanimous to majority vote is a significant step towards the strengthening of the common EU employment policy. The difference between the way of voting on the employment guidelines, on the one hand, and on the social security and social protection of workers (even if is quite difficult to draw a clear line between them), on the other hand, shows the reluctance of the MSs to give up their national autonomy in the social field.

The guidelines set by the Amsterdam Treaty in 1997 were anticipated by the five employment goals established by the European Council in Essen in December 1994 (Essen Strategy), which sustained the fight against unemployment, especially through investment in training and the encouragement of the economy to produce jobs, particularly for young people, long-term unemployed and women.

The first EU guidelines were drawn up by the extraordinary Luxembourg Job Summit of November 1997, which launched the European Employment Strategy (EES). Four comprehensive goals were set for 1998 as follows: to improve employability, to develop entrepreneurship, to encourage adaptability in businesses and their employees and to strengthen the policies for equal opportunities. Two characteristics of these guidelines have to be stressed. First, the guidelines contain a mixture of the social and economic means in order to tackle the employment issue, because 'there is no real, lasting prospect of expanding employment without a favourable economic environment ...' (European Council, 1997: paragraph 9). Second, the final goal is a high level of employment (as established in the Maastricht

and Amsterdam treaties) and not full employment as set up in EU Social Agenda for 2000-2005 and at the 2000 Lisbon Council meeting.

The Lisbon and Stockholm (European Council in March 2001) targets are part of the guidelines drawn up for the employment policies of the MSs from 2003, and collected under the title: *'A European strategy for full employment and better jobs for all'*. The ten guidelines are comprised in three broad goals which are no longer so strongly linked to economic policy: full employment, improving quality and productivity at work and strengthening the social cohesion and inclusion.

The overarching goals and the benchmarks from the 2003 guidelines can also be found at the beginning and at the end of the 2005 Council decision on guidelines for the establishment of EU employment policy until 2008. But the 2005 guidelines are different from the ones identified in 2003, which gives the decision 2005/600/EC an unorganised and even unclear structure. For 2005-2008 there are 8 guidelines, from 17 to 24. The first guideline, which comprises the three main goals from 2003, can be achieved by focusing on three priorities:

- 1) attract and retain more people in employment, increase the labour supply and modernise the social protection systems;
- 2) improve the adaptability of workers and enterprises;
- 3) increase investment in human capital through better education and skills.

These priorities are the overarching goals for the next 7 guidelines that combine social, economic and educational means. As result of all these efforts a number of benchmarks should be achieved by 2010 regarding employment (an overall employment rate of 70%, a 60% employment rate for women, a 50% employment rate for older workers), education (including training and participation in lifelong learning), the provision of childcare, and the increase by five years of the average effective age when people leave the labour market.

Two questions can be raised in this context. Can the EU cope with the problems of all the social groups which face difficulties integrating in the labour market? To what extent can this policy be made successful at the national level through the guidelines?

We have to point out that the target is to increase the level of employment and not to decrease the level of unemployment, because early retirement could help decrease unemployment but would be counter-productive to the effort of increasing the average effective exit age in the case of retirement. Besides the policy

of keeping older workers in the labour market, the EU policy also tries to control discrimination and to promote access to employment for all the disadvantaged categories: women, young workers, low skilled or disabled people, immigrants and minorities. For older workers, women, and unemployed young people (and not just for the young people) benchmarks have been set for 2010.

Of all these issues, I will focus on the gender equality because, together with unemployment, it is probably the most important issue in the EU employment policy. The issue of gender equality was raised, for the first time, in the Treaty of Rome, where art. 119 advocated equal payment for equal work. Gender equality has not been a charitable problem either at the beginning of the EU or today, but an issue with very concrete political and economic outcomes. If at the beginning, gender inequality had to be eliminated because it created social dumping (Leibfried and Pierson, 1998: 57), now, in the context of demographic change and the individualisation of the pension systems, gender equality is a source of human resources and a way to fight against the feminisation of the poverty (Arber and Attias-Donfut, 2000: 15-16). But, despite the intentions, the policies don't reach the goals and, what is worse, some of them have contrary results. For example, the policy for a more flexible employment through the development of part-time jobs favours the traditional family with the husband as a full-time worker and breadwinner (Guerrina, 2002: 58). According to the Council's Recommendation of 2004 on the implementation of the employment policies by the MSs, the Dutch government is recommended to tackle the reason of the gender pay gap through transition from part-time jobs (involving about 44% of the workforce) to full-time jobs. Thus, instead of strengthening awareness of gender equality, feminists sustain that 'the failure of member states' governments to challenge structural inequalities continues to separate rhetoric from the reality and reaffirms traditional division of labour' (Guerrina, 2002: 63).

The problem that arises in the face of these criticisms is to what extent soft regulations can be expected to have a real impact. If 'those measures [taken by the Council in the field of the employment] shall not include harmonisation of the laws and regulations of the Member States' (Amsterdam Treaty, art. 109r), how can the EU policies have actual effects at the national level? Kerstin Jacobson talks about a 'discursive regulatory mechanism (DRMs), that is a mechanism related to language use and knowledge making and thus fundamentally to meaning making'

(Jacobsson, 2004: 356). This soft and subtle form of determination has more effects today than in the past on the MSs employment policy because of the increased interdependence and the risk of externalities, and because of the fact that 'high regulation is highly politicised and benchmarking and peer-review exercises are at the spring summits lifted to the level of the Member States' (Jacobsson, 2004: 359). The common language, goals, and social indicators, the open method of coordination (OMC) and the pressure on governments for transparency exercised by peer-reviews will lead to the implementation of the EU policy at the national level. We can assume that on the one hand, EU employment guidelines will induce a gradual Europeanization of certain elements in national the employment policies; on the other hand, the NAPs [National Action Plans] will probably encourage national action pacts on employment issues' (Goetschy, 1999: 135).

Even if, compared to OECD, the EU employment policy is more socially orientated (Casey, 2004: 338, Jacobsson, 2004: 360, Watt, 2004: 122), 'at the *substantive* level from the trade union's perspectives, the EES is quite clearly not an encompassing strategy to achieve full employment...' (Watt, 2004: 121).

In spite of the progress achieved in drawing up an employment policy at the EU level, because of the unclear and changeable EESs, the lack of control by the EU over the national employment policies and because of the gap between rhetoric and reality, we can conclude at this point that the EU employment policy still needs time, like wine, to reach maturity.

EU PENSION POLICY—FROM BISMARCK AND BEVERIDGE TO A MULTI-PILLAR SYSTEM

Developed for the first time in Germany by Bismarck, who considered insurance as a way of making workers obey the monarchic authority, too (Esping-Andersen, 1997: 40), social insurance after World War II, should be interpreted as a solidarity instrument to fight against the five 'Giant Evils' of Want, Disease, Ignorance, Squalor and Idleness as stated in lord Beveridge's report (1992). In the context of the economic boost, the high birth rate, the low level of unemployment, and the small number of retired people, the mandatory pay-as-you-go (PAYG) system worked. Today, because of the high rate of dependence (the rate between the number of pensioners and the people between 16 and 65) and the huge pressure on welfare states caused by the globalisation of the economy, the national states should reform

their pension systems through parametric changes (within the PAYG systems) and develop fully funded pension schemes.

In spite of the wide recognition of the need to build a multi-pillar system (European Commission and European Council 2003, World Bank 1994, Gillion et al., 2000), there are arguments that the individual funded schemes are not a panacea for the crisis of the pension system. Nicholas Barr, Joseph Stiglitz and Peter Orszag consider the idea that the pension fund is a solution for demographic pressure to be a myth (Barr, 2001: 96, Stiglitz and Orszag, 1999: 8). What is more, the individual accounts will not ensure a bigger rate of return than the PAYG schemes, will not increase the national savings with great positive effects for the economy, and will not diminish the role of the state (and the corruption) in the new pension system.

Instead of adopting these sceptical attitudes, the EU MSs have implemented the parametric and systemic reforms (European Commission and European Council 2003, Nordheim, 2004, Zaidi et. al, 2006). The EU calls for a multipillar pension system in which the first pillar is a public-earnings related scheme, the second is a private occupational scheme, while the third is an individual retirement provision (European Commission and Council, 2003:6). In accordance with the Lisbon goals, the OMC and the principle of subsidiarity, the European Council launched 11 common objectives under three headings: adequacy, financial sustainability, and modernisation (responding to changing needs) at the Laeken summit, in December 2001.

Analysing the EU's common pension objectives, we can draw at least 3 conclusions:

- 1) The EU does not abandon its social dimension, i.e. sustaining solidarity from the first pillar, but, at the same time, it calls for the development of a fully funded system. The EES ask for a 'right balance between flexibility and security', where active employment policy should not hamper economic competitiveness (European Council, 2003: paragraph 12, European Council, 2005: guideline no. 21).
- 2) Out of the 11 pension policy objectives, 4 are, at same time, employment policy objectives, too. Objective 4, raising employment level, is the main goal set in the employment guidelines. Objective 5, extending working life, corresponds to the EES benchmark of increase by five years the EU effective exit age till 2010. Objective 9, adopting more flexible employment and career patterns, can be found in guideline 21 of the EES for 2005-2008. Objective 10, struggling for greater gender equality, is, as we have seen, an issue addressed in all the EU policy areas, even if there are criticisms for the lack of substantive outcomes.

- 3) Both policies contain references to a common 'language' and a common 'knowledge base' that can create a common 'discursive regulation mechanism' in order to achieve the EU's common goals at the national level.

ROMANIA—LOOKING FOR ITS WAY

Starting with 1st January 2007, Romania will be a Member State of the EU. Three years after the last enlargement wave, when 10 ex-communist countries joined the EU, Bulgaria and Romania will share the same common policies with all the other MSs. Before adopting the EU employment guidelines, Romania, as a MS, should go through a period of transition. For this purpose, the Romanian government drew up a Joint Assessment of Employment Priorities in 2002 and in 2002 and 2004 the National Action Plans for Employment (NAPE) for the periods 2002-2003 and 2004-2005 respectively. In its 2004-2005 NAPE, Romania engaged in taking active measures in order to implement the 10 EU guidelines established in 2003.

In the field of pensions, the Romanian reform is lagging behind hindered by electoral implications. The parametric reform of the PAYG system started only 10 years after the fall of the communism (with the Act on Pensions 18/2000), while pillars two and three are still in the shape of bills.

Table 1. Fulfilment of the EU pensions objectives in Romania (Frunzaru, 2006:210)

Objectives	Fulfilment Yes/No	Observations
Adequacy		
1. prevent social exclusion	Yes	The poverty rate for elderly people is equal or smaller than in other age groups, but, compared to the EU, the poverty rate for elderly people is very high.
2. enable people to maintain living standards	No	There is no second pillar. The replacement rate is under 40%.
3. promote solidarity	Yes	The public pension system promotes inter and intra-generational solidarity.
Financial sustainability		
4. raise employment levels	No	Seemingly, the employment rate is close to the EU average, but, if we figure out the large number of persons working in agriculture, the situation changes dramatically. It would be more relevant to use the number of salaried persons.
5. extend working life	Yes	This was possible because of the new pension law 18/2000. It's on the agenda to equalise the retirement age for women and men.
6. make the pension system sustainable in a context of sound public finances	No	High rate of dependency. The state will continue to support the budget of the public pension system. There is no buffer fund.
7. adjust benefits and contribution in a balanced way	Yes	The burden of the pension system in crisis is shared by all social groups: employees, employers, pensioners, and other citizens.
8. make sure that private pension provision is adequate and financially sound	-	No private pensions exist so far.
Modernity		
9. adapt to more flexible employment and career patterns	Yes	All persons with an income higher than three average salaries per year can get insured. But for the people working in agriculture there are no incentives to pay insurance because they don't share it with an employer (the contribution is about 30% from the insured income).
10. meet the aspiration for greater equality for women and men	Yes	Law encourages equality, more specifically: <ul style="list-style-type: none"> • the unemployment rate is lower for women; • the legal retirement age is lower for women; • the employment rate is higher for men; • the average income is higher for men compared with women.
11. demonstrate the ability of the pension system to meet the challenges	No	The public pension system is not transparent. The only forecast is made by the World Bank.

In Table 1 we can find an evaluation of the Romanian pension system from the EU's perspective. It is very difficult to answer questions regarding the fulfilment of the objectives that don't involve benchmarks and to compare the Romanian figures with the EU average while ignoring EU diversity. As it is almost impossible to answer in a Manichean way with yes or no, the question whether Romania has

fulfilled the EU's pension objectives. I have attached observations to the answers, which should qualify them.

Taking into account the information given in Table 1 we can draw up three conclusions regarding employment, pensions and the poverty risk of future retired persons in Romania:

- 1) Even if, according to the figures provided by the Romanian Ministry of Social Welfare and Family, the overall unemployment rate was 5.1% in June 2006, and only 4.5% for women, Romania faces big challenges in the field of employment. Firstly, about 35.6% of the labour force work in agriculture, compared to less than 5% in the developed countries (Romanian Government, 2004:5). These people increase the rate of employment figures, but they are low skilled and, in general, not insured. Secondly, a huge number of Romanians have emigrated to richer countries (especially to Italy and Spain) in the hope of a higher quality of life. Many of them live and work unofficially, and for this reason it is impossible to give a reliable figure regarding their number (according to unofficial data, about 2 million Romanians work currently abroad). All the Romanians who do undeclared work, outside and inside the country, will face a big poverty risk when they get old. The emigration of mainly younger people is one cause of aging and increases the rate of dependence.
- 2) Romania does not have a multi-pillar system yet and it introduced a parametric reform of the state pension system very late. Even if the PAYG system is now entirely career-related, it remains of a welfare type and depends on state subsidies. The development of the funded schemes will lead to the individualisation of the pension system; the first pillar should ensure only a minimum standard of living.
- 3) Undeclared workers and agricultural workers will face a high poverty risk when they get old. Without any pension or with only a small one, they will be the clients of the future social welfare system. Women, because of the gender pay gap, and the workers with low salaries and/or career breaks will receive smaller pensions.

CONCLUSIONS

The EU has a great ambition to become 'the most competitive and dynamic knowledge-based economy' with socially included citizens, by 2010. To reach this goal, it has to solve at least two problems: the high level of unemployment and the ageing of the population. The MSs' pension reform, even if it does not eliminate solidarity (from the first pillar), will introduce more individualistic schemes. EES tries to increase employment rate and eliminate the gender gap, but until it succeeds, if it ever does, the low and/or interrupted contributions to the pension systems will cause low pension benefits and high risk of poverty.

For Romania, this risk is even higher. The large number of people who work in agriculture and the emigrants who do not contribute to the pension system will need, in their old age, social security benefits. The unfinished transformation of the Romanian pension system will end up with more earning-related pensions. In the current employment context, the new pension system will bring poverty to a high number of old people.

REFERENCES

- Andreescu, G. and Severin, A. (2001). Un concept românesc al Europei Federale. In *Un concept românesc privind viitorul Uniunii Europene*. Polirom, Iași.
- Arber, S. and Attias-Donfut, C. (Eds.) (2000). *The Myth of Generational Conflict. The Family and the State in Ageing Societies*. Routledge, London.
- Barr, N. (2001). *The Welfare State as a Piggy Bank. Information, Risk, Uncertainty, and the Role of the State*. Oxford University Press, Oxford.
- Casey, B. H. (2004). The OCDE Jobs Strategy and the European Employment Strategy: Two Views of the Labour Market and the Welfare State. *European Journal of Industrial Relations* 10(3), 329-352.
- Esping-Andersen, G. (1997). *The Three Worlds of Welfare Capitalism*. Polity Press, Cambridge.
- European Comision and European Council (2003). *Adequate and Sustainable Pension*. Joint report.
- European Council (1997). *Luxemburg Extraordinary European Council Meeting on Employment*. Presidency conclusions.
- European Council (2003). *Guidelines for the Employment Policies of the Member States*. 2003/578/EC.

- European Council (2004). *Recommendation on the Implementation of Member States' Employment Policies*. 2004/741/EC.
- European Council (2005). *Guidelines for the Employment Policies of the Member States*. 2005/600/EC.
- Frunzaru, V. (2006). *Sistemul de pensii românesc. Șanse de reconstrucție sau de prăbușire?* Editura Economică, Bucharest (under publication).
- Gillion, C. – Turner, J. – Bailei, C. and Latulippe, D. (Eds.) (2000), *Social Security Pensions. Development and Reform*. International Labor Organisation, Geneva.
- Goetschy, J. (1999). The European Employment Strategy: Genesis and Development. *European Journal of Industrial Relations* 5(2), 117-137.
- Guerrina, R. (2002). Mothering in Europe. Feminist Critique of European Policies on Motherhood and Employment. *The European Journal of Women's Studies* 9(1), 49-68.
- Leibfried, S. and Pierson, P. (Eds.) (1998). *Politiques sociales européennes. Entre intégration et fragmentation*. L'Harmattan, Paris.
- Nordheim, von F. (2004). *Securing Adequate, Sustainable and Adaptable Pensions in an EU of 25*. Lecture at the conference Social Europe after Enlargement – Convergence, Comparison and Challenges organised by University of Gent, Gent. <http://www.special-network.org/members/provAgenda.jsp#top> (26th September 2006)
- Romanian Government. (2004). *Planul Național de Acțiune pentru Ocuparea Forței de Muncă 2004-2005*. http://www.mmssf.ro/website/ro/munca/PNAO2004_2005.pdf#search=%22Planul%20național%20de%20acțiune%20%22 (26th September 2006).
- Stiglitz, E. J. and Orszag, R. P. (1999). Rethinking Pension Reform: Ten Myths About Social Security System. Lecture at the conference *New Ideas About Old Age Security* organised by World Bank, New York. <http://www.worldbank.org/knowledge/chiefecon/conferen/papers/rethinking.pdf#search=%22Rethinking%20pension%20reform%3A%20Ten%20myths%20about%20social%22> (26th September 2006).
- Watt, A. (2004). Reform of the European Employment Strategy after Five Years: A Change of Course or Merely of Presentation? *European Journal of Industrial Relations* 10(2), 117-137.
- World Bank. (1994). *Averting the Old Age Crisis. Policies to Protect the Old and Promote Growth*. A World Bank policy research report.
- Zaidi, A. – Marin, B. – Fucks, M. (2006). *Pension Policy in EU25 and its Possible Impact on Elderly Poverty*. Second report. http://www.euro.centre.org/data/1159256548_97659.pdf (26th September 2006).

CROSS-BORDER CO-OPERATION IN SOUTHEAST EUROPE AS A PRELUDE TO EUROPEAN INTEGRATION: THE CASE OF SERBIA

VASSILIS PETSINIS

What will be discussed in this paper is Serbia's prospects within the framework of cross-border co-operation in Southeast Europe and European integration. Special attention will be paid to the Serbian autonomous province of Vojvodina and its participation in the 'Danube-Kris-Maros-Tisza' Euro-region. Then the bilateral relations between Serbia and the European institutions will be assessed. It will be demonstrated that the prospects for Serbia's integration into European structures can be facilitated through: *a.* the willingness of regional authorities and entrepreneurs to participate in the cross-border co-operation schemes; *b.* the willingness of the European Union to remove potential impediments to cross-border co-operation (e.g. the Schengen visa regime). But first, a theoretical definition of the term 'Euro-region' should be made.

A Euro-region can be defined as any form of structured co-operation, established between local and regional authorities across national borders with the objective to jointly adopt common goals and pursue them in a co-ordinated and sustained way. The scope of activities undertaken within a Euro-region may range from projects aiming at the development of the regional infrastructure to ethnic reconciliation in those borderlines where national minorities are present. On the whole, there are three types of Euro-region operating throughout Europe: *a.* Euro-regions without a legal status (working communities of interest); *b.* Euro-regions that rely on private law; *c.* Euro-regions that function in accordance with public law.

The concept of Euro-regions is the result of a bottom-up process, initiated and carried out by regional governments and social entrepreneurs (e.g. NGOs). Therefore, the proper functioning of such schemes relies on the decentralization of the state administration and the strengthening of regional and local governments. With special regard to Eastern Europe it can be observed that the whole concept acquires an interesting dimension since it facilitates the application of pre-modern elements, specific to the region, to a post-modern state of affairs. More

specifically, the Habsburg era of multiethnic cohabitation was succeeded by an era of hard, sometimes impenetrable national borders, in the last century. During the interwar era, this was accompanied by internal policies of intense homogenisation in accordance with a standardised model of national identity. In the Cold War era, old nationalist disputes between neighbouring states were often interwoven with an antagonism at the ideological level (e.g. the Transylvanian question, as far as Communist Romania and Communist Hungary were concerned).

The East European Euro-region schemes may help restore communication between borderline populations that prior to the establishment of hard borders were in close interaction with each other. An additional contribution of such schemes might be the encouragement of grass-roots participation in the decision-making process. This might be in itself a notable development bearing in mind that in many parts of the West political apathy has mainly resulted from the deficient participation of citizens in the local decision-making procedures.¹

The Serbian autonomous province of Vojvodina is part of the 'Danube-Kris-Maros-Tisza' Euro-region, established on November 21st 1997, together with four municipalities in the Romanian Banat and four Southern Hungarian counties. Comparing Vojvodina's administrative status to that of its fellow-participants, the DKMT region comprises different levels of authority. According to Article 3 of the Founding Protocol, the project was launched with the aim to intensify co-operation among the participating entities in the fields of economy, education and science.² An additional objective is to secure the adequate protection of minority rights within the bounds of the DKMT, in accordance with international law and the national legislations in question. The DKMT region consists of a presidential forum, a consultant office, a secretariat and a variety of working groups. The projects organised within the bounds of the DKMT are to be financed by: *a.* public financial bodies based in the Euro-region's constituent entities; *b.* European and international organizations (e.g. the Stability Pact for Southeast Europe); *c.* other sources. According to Article 9 the DKMT is not a legal person. Joint projects that have been undertaken so far are include *a.* the cleaning of the Bega-Tisza canals and their preparation for international traffic; *b.* the construction of the Szeged-

¹ For further discussion of this issue see Dimitrijević 1994: 65-107.

² The Founding Protocol of the DKMT Euro-region was agreed upon on November 21st, 1997, in Szeged (Hungary). For a full text-version of the document see: <http://www.dkmt.regionalnet.org>.

Kikinda-Timisoara railway line; c. the construction of the road route E-75, linking Belgrade with Szeged and Szeged with Romania.

There are both strengths and weaknesses with regard to DKMT's prospects. First of all, mention should be made of some positive prospects for the protection of minority rights within the Euro-region. This has been facilitated by the conclusion of agreements on the protection of national minorities by the states whose administrative units participate in the DKMT, for example the agreements concluded between Serbia and Romania (October 30th 2002), Serbia and Hungary (December 27th 2002) and Hungary and Romania (December 22nd 2001). With special regard to Vojvodina, certain provisions of the Serbian law on national minorities (Article 6) facilitate the co-operation between Vojvodinian Hungarian institutions and their counterparts in Hungary in educational and media issues. As a matter of fact, all minority groups within the DKMT are interested in close co-operation with their 'motherlands'.

Positive prospects have also opened up regarding co-operation in educational and cultural matters. The universities based within the DKMT have undertaken quite a few joint projects so far. This has also been the case of co-operation among museums and other cultural institutions. The establishment of a Regional Chancellery for Cultural Co-operation, financed by the Stability Pact for Southeast Europe, is being envisaged as well. Optimistic prospects have opened up also in the field of economic co-operation. These have been generated by the free trade agreements concluded among the states whose administrative units participate in the DKMT. For instance, on December 19th 2002, an agreement was reached between Serbia and Romania, including a list of industrial and agricultural products that would be exchanged at lower customs rates. Some months earlier, on March 8th 2002, a similar agreement between Serbia and Hungary exempted 86 percent of all industrial products and one-third of agricultural produce from customs duty. Hungarian and Serbian officials estimate that this agreement can boost bilateral trade by an average of 20-25 percent within the next two or three years.

Nevertheless, some difficulties have been experienced as well. First of all, in certain parts of the DKMT the economic infrastructure is not very highly developed. The Hungarian Csongrad County, for example, has remained a primarily agricultural area to the present day. Salaries and other income are lower than the Hungarian average and only 4 percent of the gross value of industrial

fixed assets belongs to the county.³ The local industry is poor and obsolete, and the health care system is not well developed either. More important is, however, the considerable damage that was inflicted on Vojvodina's infrastructure by the NATO bombing. The bombing destroyed part of the petrochemical and metal industry plants in Kikinda, Novi Sad and Pančevo. Quite a few bridges were also destroyed. The reconstruction of the total damage has hampered and still hampers the Vojvodinian initiatives within the DKMT. Apart from the bombing, Vojvodinian industry was negatively affected by the UN embargo as well. The technical equipment in many factories has remained outdated, since the import of new machinery was impossible. Furthermore, the chemical industry was seriously affected by the shortage in natural gas supply and other primary sources.⁴

The prospects of the DKMT are equally hampered by the inadequate functioning of the regional and local administration in the participating entities. This has been the case, for example, of the Romanian municipalities within the scheme. As far as Vojvodina is concerned, the provincial and municipal authorities often do not have access to the projects organised within the DKMT since all major decisions are taken in Belgrade. Indeed, Vojvodina's cross-border aspirations are good arguments for the devolution of a certain set of competencies to the province.

Finally, a crucial problem is the fact that the funds made available by the EU and other organizations to the DKMT and other Euro-regions have not been sufficient. This is a crucial problem, considering that the projects under way within the DKMT can only be completed successfully if more funds are invested. In Vojvodina, some local political circles have even accused the EU of 'using' the DKMT for its short-term economic interests (e.g. conducting tax-free trade with Russia via Serbia) without any genuine interest in regional development.⁵

The following steps have been recommended as possible solutions to these problems. First of all, the governments in the region, along with the Stability Pact for Southeast Europe and the regional bodies involved in the DKMT, should jointly seek to engage the European Commission in a policy dialogue towards the harmonization of EU instruments for financial assistance in Southeast Europe

³ Jolan, (1997). 187-89.

⁴ Tomić and Romelić (1997). 169-81.

⁵ Interview with local representative of the Democratic Party of Serbia (Novi Sad, March 15th, 2001).

⁶ For a list of similar proposals see Council of Europe Publishing House 2002: 1-6.

⁷ For a listing of similar recommendations see Batt (2001): 1-8.

(primarily the CARDS and INTERREG programs) so that the availability of funds can be guaranteed. As an interim solution to the shortage of funding, the same agents should jointly engage the national governments in the region to allocate funds within their national CARDS budget to cross-border co-operation. A basic condition is that the Southeast European governments should consult with the regional and local governments involved, when they negotiate the terms of their CARDS assistance. This, of course, is subject to genuine decentralisation in the Southeast European states in question.

Furthermore, it is essential that the EU should move towards a strategy that supports more coherently regional development and cohesion processes within Southeast Europe and between Southeast Europe and the EU. This strategy should rely on the experiences acquired by the EU in the course of the Accession Process, particularly focusing on the experiences with programmes aimed at preparing countries and regions for the absorption of the Structural and Cohesion Funds (e.g. the PHARE, SAPARD and ISPA programmes). The adoption of such an approach is essential in order to convince the local political elites within the DKMT about the genuine interest of the European organizations in regional reconstruction.

Finally, the governments whose units participate in the DKMT and other Euro-regions in Southeast Europe should, together with the European organizations, work towards a solution of visa-related barriers to cross-border co-operation. This may initially take the form of schemes facilitating easy access like long-term visas or border passes for borderline communities. Innovative proposals should be elaborated in consultation with the regional and local authorities.⁶

The more effective operation of cross-border co-operation schemes in Southeast Europe depends on the utilization of 'strengths' as opposed to 'weaknesses'. The term 'strengths' refers to the positive elements that can be found in the society and culture of the regions/municipalities involved, the development of the civil society in the participatory entities and their economic capacities. 'Weaknesses' refer to the inadequate preparation of the local self-governments, poor administrative co-ordination and counterproductive relations between local authorities and central administration. Both strengths and weaknesses are considered inherent in the cross-border co-operation system.

There is also a number of external potentialities and obstacles that have to be exploited and overcome respectively. These potentialities are: *a.* the propensity of

the administrative units to cross-border co-operation; *b.* the co-ordination among the communities and authorities involved in the Euro-region; *c.* the level of co-operation in economic activity. On the other hand, external obstacles are usually of institutional, economic and interethnic character that can be detrimental to trans-frontier co-operation.

With regard to cross-border co-operation between Serbia and Romania in the DKMT, a strategy focusing on the high rate of inner strengths and the existence of equally strong external opportunities should be pursued. On this occasion, the Romanian as well as the Serbian authorities along the borderline have demonstrated their intention to expand their co-operation at all levels. Moreover, no such problems as tensions related to the aspirations of the Romanian and Serbian minorities on either side of the border have been experienced. One problem that has emerged recently, though, is the imposition of a visa-regime to Serbian citizens by Romania and the swift reaction of the Serbian side with regard to Romanian citizens wishing to travel to Serbia.

As regards Hungarian-Serbian co-operation within the DKMT, the strategy to be pursued should focus on the inner strengths and external opportunities and should be strong enough cope with outer threats. In this case both the Hungarian and the Serbian regional elites have demonstrated their willingness to co-operate within the project. Moreover, the free trade between the two states, as well as the joint agreement on national minorities, will contribute to the restriction of external threats that might prove detrimental to the functioning of the Euro-region.

Apart from the DKMT, Vojvodina, or more precisely the Novi Sad municipality also participates in the Danube-Drava-Sava Euro-region. A micro-region, consisting of the municipality of Novi Sad, the Bosnian canton of Tuzla and the Croatian municipality of Osijek, has operated within the bounds of the Euro-region since 2001. The establishment of this micro-region is a positive step for the economic activities of the province, considering that transactions with Croatia and especially Bosnia-Herzegovina have been quite profitable for Vojvodina.

The recommended strategy for cross-border co-operation between Croatia and Serbia should highlight the role of inner strengths and external opportunities in order to reduce the effects of inner weaknesses and external threats which are of disturbing importance. In this light, the free-trade agreement between Serbia and Croatia signed on December 23rd, 2002, is a positive step in this direction.

Nevertheless, the co-ordination between Novi Sad and Osijek within the micro-region has not been sufficient. Also, the visa regime in force between Serbia and Croatia hinders the movement of people and merchandise across the border. The most important issues include the repatriation of the evicted Serbs to Croatia, and the regulation of the Croatian minority's legal status in Vojvodina as obstacles in the path of trans-frontier co-operation between the two states. Indeed, the search of a regulatory formula regarding these issues is vital for the development of inter-state co-operation between Serbia and Croatia.

Regarding Serbia's EU aspirations, the problems of political instability and economic malfunction still represent serious difficulties in the country's European integration. To these we might add the aftermath of the NATO bombing, as well as the friction between Belgrade and the EU over the Hague Tribunal. On the other hand, some positive developments have been witnessed too, over the last few years, in Serbia's integration to the European structures. First of all, since April 3rd, 2003, the state has been a full member of the Council of Europe. Moreover, the country is a beneficiary of the EU's special trade measures and custom tariffs have been abolished for Serbian imports into the EU with minor exceptions.

As far as the EU enlargement is concerned, the whole process has caused a 'collateral damage' to Serbia, which has been suffered particularly by Vojvodina. This has to do with the visa regime between Serbia and Hungary. The imposition of the Schengen regime has caused certain difficulties to Serbian entrepreneurs, especially those operating in Vojvodina, since the Schengen visa is expensive for them. As a matter of fact, Hungary realised considerable profit from its transactions with Serbia in the '90s.

The imposition of the visa requirement has had a relatively negative impact also on the Serbian citizens living along the borderline. A significant degree of economic interdependence had been built up on the Serbian-Hungarian border, mainly based on informal trade and commuting for employment. These activities have been of vital importance for the economic survival of the most peripheral, often impoverished, rural communities of Vojvodina.

At this moment, the following suggestions could be made to the EU and other relevant organisations. First of all, the EU member-states should co-operate with each other in order to set up joint consular facilities or it would be even better to delegate visa-issuing authority to common EU consulates in the borderline

regions. This would save the residents of Vojvodina and other regions on the EU border the trouble of having to travel to the EU member states' embassies in the national capitals. It would also be essential for the EU to advise regional authorities on applying to the Stability Pact and other sources for funding, since people in Vojvodina and other peripheral regions are often uninformed and inexperienced concerning these issues. Finally, the EU should invest in the establishment of additional border-crossing points along the Schengen border.⁷

In conclusion, we believe that it is the positive role of Euro-regions should be emphasized. Flourishing Euro-regions could avert the danger of economic malfunction in the borderlands, together with the ensuing implications of rising criminality and emigration pressures. The introduction of EU monitoring mechanisms might be suggested as an additional measure for the effective control of such phenomena. Finally, the EU should support the current achievements of the East European Euro-regions in ethnic relations and facilitate the materialization of these regions' aspirations to assume the role of 'gateways to Europe' for their less developed hinterlands. This is very much the case of Vojvodina in relation to the rest of Serbia. As regards minority issues on the borderline, the EU should always be careful to consult with the national capitals so that no misunderstandings should occur. In other words, the EU should manage its role so as to be perceived as strictly neutral in the light of any political and national antagonisms in the region.

REFERENCES

- Batt, J. (2001). *The impact of EU Enlargement on Regions on the EU's New Eastern Border*. Paper Presented to Governance, WG6, London, 1-15.
- Council of Europe Publishing House. (2002). *Cross-border Co-operation in Southeast Europe: Obstacles and Opportunities for Euro-regional Co-operation-Report*. International Conference co-organized by the Danube-Drava-Sava Euro-regional Co-operation, the Council of Europe and the East-West Institute, Osijek and Bližovac, Croatia, 1-10.
- Dimitrijević, N. (1994). Region o postsocijalizmu: O cemu mišlimo kad govorimo o demokratiji. In. Beljanski S, – Golubović D. – Jovanov S. – Losonc A. and Molnar A. (Eds). *Regionalizam kao put ka otvorenom društvu*. Visio Mundi Academic Press, Novi Sad, 65-106.

- Jolan, A. (1997). Industry in the Borderline Region. In: University of Novi Sad, West University of Timisoara and Jozsef Attila University Szeged (Eds). *Geographic Monographs of European Regions: Banat*, Novi Sad, 187-89.
- Jolan A. (1997). Infrastructure of the Borderline Area. In. *Ibid*, 212-15.
- Tomić, P. – Romelić, J. (1997). Industry in the Yugoslav Part of the Banat. In. University of Novi Sad, West University of Timisoara, Jozsef Attila University (Eds). *Geographic Monographs of European Regions: Banat*, Novi Sad, 169-81.
- <http://www.dkmt.regionalnet.org> : The website of the 'Danube-Kris-Maros-Tisza' Euro-region.
- http://www.europa.eu.int/comm/external_relations/see/index.htm. The website of the office of European Union for Southeast European affairs.
- <http://www.vojvodina.com>. An informative website about the Serbian autonomous province of Vojvodina.

THE COUNCIL AND THE EUROPEAN COMMISSION ON BUDGETARY DISCIPLINE AND IMPROVEMENT OF THE BUDGETARY PROCEDURE FOR 2007-2013

SVETLA BONEVA

ESSENCE AND SCOPE OF THE IIA

The IIA on budgetary discipline and improvement of the budgetary procedure (COM (2006) 36 final) is a document, reached as a result of the negotiations between the European Parliament, the Council and the European Commission (the Commission). The aim of the IIA is to provide a set of agreed rules concerning the multi-annual FF (Financial Framework) and the sequence of operations in the annual budgetary procedure.

The IIA is a tool to frame the annual budgetary practice within an agreed multi-annual FF. Its renewal updates and simplifies the existing agreements and joint declarations on budgetary matters. The agreement aims at finding the balance between budgetary discipline and efficient resource allocation.

The purposes of the IIA concluded between the European Parliament, the Council and the Commission (the institutions) are:

- to implement budgetary discipline and to improve the functioning of the annual budgetary procedure; and
- to initiate co-operation between the institutions on budgetary matters.

Budgetary discipline covers all expenditure. It is binding on all institutions involved in its implementation for as long as the IIA is in force. The IIA does not alter the budgetary powers of the various institutions, as laid down in the Treaties—the Council will act by a qualified majority and the European Parliament by a majority of its members and three fifths of the votes cast.¹

¹ In compliance with the voting rules laid down in the fifth subparagraph of Article 272(9) of the Treaty establishing the European Community (the 'EC Treaty').

Box 1 Structure and contents of the IIA

IIA on budgetary discipline and improvement of the budgetary procedure

PART I—FF 2007-2013: DEFINITION AND IMPLEMENTING PROVISIONS

- A. Contents and scope of the FF
- B. Annual adjustments of the FF
- C. Review of the FF
- D. Revision of the FF
- E. Consequences of the absence of a joint decision on the adjustment or revision of the FF
- F. Emergency Aid Reserve
- G. EU Solidarity Fund
- H. Instrument of Flexibility
- I. European Globalisation Adjustment Fund
- J. Adjustment of the FF to cater for enlargement
- K. Duration of the FF and consequences of the absence of a FF

PART II—IMPROVEMENT OF INTERINSTITUTIONAL COLLABORATION DURING THE BUDGETARY PROCEDURE

- A. The inter-institutional collaboration procedure
- B. Establishment of the budget
- C. Classification of expenditure
- D. Maximum rate of increase of non-compulsory expenditure in the absence of a FF
- E. Incorporation of financial provisions in legislative acts
- F. Expenditure relating to fisheries agreements
- G. Financing of the common foreign and security policy (CFSP)

ANNEX I : FF 2007-2013

ANNEX II: INTERINSTITUTIONAL COLLABORATION IN THE BUDGETARY SECTOR

ANNEX III: CLASSIFICATION OF EXPENDITURE

ANNEX IV: FINANCING OF EXPENDITURE DERIVING FROM FISHERIES AGREEMENTS

DECLARATION on the adjustment of Structural Funds, Rural Development and the European Fund for Fisheries in the light of the circumstances of their implementation

Any amendment of the IIA requires the consent of the institutions which are party to it. Changes to the multi-annual FF must be made in accordance with the procedures in the IIA. The IIA has two parts and four annexes (Box 1):

- Part I contains a definition and implementing provisions for the multi-annual FF² 2007 to 2013 and applies for the duration of that FF,
- Part II relates to the improvement of inter-institutional collaboration during the budgetary procedure.

The IIA enters into force on 1. January 2007. It replaces with effect from the same date:

- the IIA of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure (OJ C 172, 18.6.1999)³,
- the IIA of 7 November 2002 between the European Parliament, the Council and the Commission on the financing of the EU Solidarity Fund.

The 2007 to 2013 FF (set out in Annex I) is an integral part of the IIA. It is the reference framework for inter-institutional budgetary discipline. The FF ensures that, in the medium term, EU expenditure, broken down by broad categories, develops in the limits of own resources.

Simultaneously with a proposal for a new FF⁴, the Commission will present a report on the application of the IIA, accompanied where necessary by amendments.

² The multi-annual financial framework is also referred to as 'the financial framework (FF)' in the agreement.

³ OJ C 172, 18.6.1999, p. 1. This IIA replaces and declares obsolete the following instruments:

- the Joint Declaration by the European Parliament, the Council and the Commission of 30 June 1982 on various measures to improve the budgetary procedure (OJ C 194, 28.7.1982, p. 1);
- the IIA of 29 October 1993 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure (OJ C 331, 7.12.1993, p. 1);
- the Declaration by the European Parliament, the Council and the Commission of 6 March 1995 on the incorporation of financial provisions into legislative acts (OJ C 102, 4.4.1996, p. 4);
- the Joint Declaration of 12 December 1996 concerning the improvement of information to the budgetary authority on fisheries agreements (OJ C 20, 20.1.1997, p. 109);
- the IIA between the European Parliament, the Council and the European Commission of 16 July 1997 on provisions regarding financing of the common foreign and security policy (OJ C 286, 22.9.1997, p. 80);
- the IIA of 13 October 1998 between the European Parliament, the Council and the Commission on legal bases and implementation of the budget (OJ C 344, 12.11.1998, p. 1).

⁴ presented pursuant to point 31 of the IIA.

HISTORICAL BACKGROUND PRECEDING THE ADOPTION OF THE IIA FOR THE PERIOD 2007-2013

Agenda 2000 and the Inter-institutional agreement of 1999 managed to fulfill its main purposes concerning financial discipline, the gradual growth of expenditure and inter-institutional collaboration in the budgetary procedure. The Budget of the EU has been adopted on time each year, and the two budgetary authorities have jointly adjusted the financial framework 2000-2006 to cater for the enlargement of the Union with ten new members.

On 14 July 2004 the Commission presented a proposal for the renewal of the Inter-institutional Agreement (IIA) on budgetary discipline and improvement of the budgetary procedure for the period 2007-2013 (COM(2004)498).

On 8 June 2005 the European Parliament adopted a resolution on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013 (P6_TA(2005)0224), followed by a resolution on the IIA on budgetary discipline and improvement of the budgetary procedure adopted on 1 December 2005 (P6_PROV(2005)0453).

On 15-16 December 2005, the European Council reached a political agreement on the Financial Perspective 2007-2013 (Document 15915/05, CADREFIN 268). On 18 January 2006 the European parliament adopted a resolution on the European Council's position on the Financial Perspective and the renewal of the IIA 2007-2013 (PE 368.274, B6-0049/2006).

MAIN FEATURES OF THE IIA FOR THE PERIOD 2007-2013

In the IIA for the above period the basic features of the financial framework are left unchanged, namely:

- for each year of the 2007-2013 period expenditure is classified in broad categories called headings;
- maximum amounts (called ceilings) are established in the FF for appropriations for commitments and payments for each heading. Expenditure levels are based on the assumption that Bulgaria and Romania join the EU on 1 January 2007, if their accession takes place later, the expenditure ceilings will be revised accordingly;
- overall annual amounts are expressed both for commitment appropriations and payment appropriations;

Box 2 The EU Solidarity Fund (EUSF)

The EUSF allows rapid financial assistance in the event of major disasters occurring in the EU or a candidate country. There is a ceiling on the annual amount available for the Solidarity Fund of € 1 billion. On 1 October each year, at least one-quarter of the annual amount will remain available in order to cover needs arising until the end of the year. The portion of the annual amount not entered in the budget may not be rolled over in the following years.

In case the financial resources in the Fund in the year of disaster are not sufficient to cover the amount of assistance deemed necessary by the budgetary authority, the Commission may propose to finance the difference from the following year's Fund. The annual amount of the Fund in each year may not exceed € 1 billion under any circumstance.

When the conditions for mobilising the EUSF are met, the Commission shall propose to deploy it. Where there is scope for reallocating appropriations under the heading requiring additional expenditure, the Commission shall take this into account when making the proposal in accordance with the Financial Regulation in force, by the appropriate budgetary instrument. The decision to deploy the Solidarity Instrument is taken jointly by the two budgetary authorities.

The corresponding commitment appropriations shall be entered in the budget over and above the relevant headings in the FF as laid down in Annex I of the IIA.

Parallel with its proposal for a decision to deploy the EUSF, the Commission must initiate a triologue procedure, if necessary in a simplified form, to secure the agreement of the two budget authorities on the need to use the fund and on the amount required.

The IIA of 7.11.2002 on the EUSF is outside the FF for 2000-2006 but has the same features in terms of maximum annual amount (€1 billion), triologue procedure, joint adoption by the budget authority after a Commission proposal, no possibility for carry-overs for non-budgetised portions of the Fund.

- the annual ceiling for payment appropriations must respect the own resources ceiling currently established at 1.24% of the EU gross national income (GNI).

In the perspective of future institutional developments, the present IIA proposes to replace the term 'financial perspective' with 'multi-annual FF' or 'FF'.

It also proposes to insert a new provision in 2008 or 2009 by which the Commission will present to the European Parliament and Council a wide-ranging review on all aspects of EU spending and resources.

The IIA renews the IIA of 6 May 1999, comprising, at the same time, the experience acquired during its implementation. It consolidates all the joint declarations and IIAs concluded on budgetary matters since 1982. It simplifies the financial framework in three aspects wherever justified and possible:

- a) The IIA incorporates the separate supplementary IIA of 7 November 2002 on the creation of the EU Solidarity Fund (EUSF). The fund maintains the current rules for its mobilisation (Box 2) and when it is mobilised, corresponding expenditure is entered in the budget over and above the relevant headings of the FF.

Box 3 The Instrument of Flexibility

The Instrument of Flexibility finances clearly identified expenditure of one-year or multi-annual character, which can not be financed within the limits of ceilings for other headings for a given year and up to the amount indicated. It has an annual ceiling of € 700 million euro.

The Commission makes a proposal for the instrument to be used after it has examined all possibilities for re-allocating appropriations under the heading requiring additional expenditure.

The proposal is presented, for any financial year, during the budgetary procedure. The Commission proposal is included in the preliminary draft budget or accompanied, in accordance with the Financial Regulation, by the appropriate budgetary instrument.

The decision to deploy the instrument of flexibility is taken jointly by the two budgetary authorities. Agreement will be reached by the conciliation procedure according to Part II of the IIA.

So, the existing flexibility instrument is reinstated and the reallocation flexibility removed. The annual amount of the flexibility instrument is increased to € 700 million and its scope broadened to cover also needs extending beyond one year. These changes ensure sufficient flexibility within lower ceilings for commitments.

- b) Simplification of the method for technical adjustment extends the predetermined 2% annual inflation rate used for structural funds and agriculture to the rest of expenditure.
- c) The provisioning of the guarantee fund for loans to third countries is rationalised so that there is no longer need for a 'reserve' to this end. The related (reduced) expenditure becomes part of the instruments available for the EU external policy.

Flexibility of the multi-annual FF is essential for financial discipline. If properly designed, it enhances effective resources allocation while allowing spendings for unforeseen needs or new priorities. Several parameters influence the flexibility of the FF:

- the length of the period covered by the financial perspective;
- the number of expenditure headings and the margins available within each expenditure ceiling;

Box 4 The Emergency Aid reserve

The emergency aid reserve is included in Heading 4 'the EU as a global partner' of the FF. The reserve enters in the general budget of the EU as a provision. The purpose of the reserve is to provide a rapid response to specific aid requirements of non-member countries after unforeseen events take place after the budget is established—mainly for humanitarian operations and civil crisis management. Its annual amount is fixed at € 221 million for the duration of the FF.

When the Commission considers to call on the reserve, it presents the two budget authorities a proposal for a transfer from this reserve to the corresponding budgetary lines. Any Commission proposal for a transfer to draw on the reserve for emergency aid must be preceded by an examination of the scope for reallocating appropriations.

At the same time as it presents its proposal for a transfer, the Commission must initiate a trialogue procedure, if necessary in a simplified form, to secure the agreement of the two budgetary authorities on the need to use the reserve and on the amount required. The transfers are made in accordance with Article 26 of the Financial Regulation (OJ L 248, 16.9.2002, p. 1).

The reserve for guaranteeing loans to non-member countries is deleted in the IIA 2007-13. The emergency aid reserve remains the only reserve, its scope is enlarged to civil crisis management and its amount is adjusted in 2004 prices. If necessary, supplementary needs for this reserve can be covered by transfers from other operational budget lines or by an amending budget to use the available margin.

- the margin below the own resources ceiling; the share of EU spending pre-determined by ‘amounts of reference’ in co-decided legislation;
- pre-allocated multi-annual programs;
- the general attitude towards using the revision procedure.

The degree of flexibility has evolved over time with the changing mix of those parameters. *Agenda 2000* has succeeded to answer unforeseen budget challenges at the price of greater complexity and lower transparency, without necessarily improving effective resource allocation. For instance, the instrument of flexibility and the EUSF had to be created outside the financial perspective to respond to unforeseen needs.

Box 5 The European Globalisation Adjustment Fund

The EGAF is intended to provide additional support for workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Fund can not exceed a maximum annual amount of € 500 million which can be drawn from any margin existing under the global expenditure ceiling of the previous year, and/or from commitment appropriations de-committed during the previous two years.

When conditions exist for mobilising the EGAF, the Commission will propose to deploy it. The decision to deploy the EGAF will be taken jointly by the two budgetary authorities.

At the same time as it presents its proposal for a decision to deploy the Fund, the Commission must initiate a triologue procedure, if necessary in a simplified form, to secure the agreement of the two arms of budgetary authority on the need to use the Fund and the amount required.

The corresponding commitment appropriations shall be entered in the budget under the relevant heading, if necessary over and above the relevant amount as laid down in Annex I.

On 15-16 December 2005, the European Council reached a political agreement on expenditure ceilings that are significantly lower than those proposed by the Commission. Tighter expenditure ceilings entail more rigidity in the FF and risks in the EU ability to address future challenges, they hinder rather than encourage effective resource allocation. This is why the Commission proposed *three measures* to balance between budgetary discipline and efficient resources allocation:

- (1) The revision of the multi-annual FF remains the main instrument of response to significant and permanent changes in the EU policies in a fast developing context.
- (2) Three flexibility instruments can be mobilised in the 2007-2013 FF to facilitate the deployment or redeployment of financial resources within the expenditure ceilings. These are:
 - (a) The Emergency Aid reserve in Heading 4 that will respond to emergency situations in third countries. Its amount and mobilisation procedure remain unchanged.
 - (b) A new European Globalisation Adjustment Fund (EGAF) will provide additional support for workers who suffer the consequences of major structural changes in world trade patterns and will assist them with their reintegration into the labor market.
 - (c) The possibility for the budgetary authority to depart up to 10% from the so-called 'reference amounts' of multi-annual programmes adopted under the co-decision procedure (except for cohesion programmes). This possibility is based on a proposal of the European Commission in the framework of the annual budgetary procedure.
- (3) Two other instruments can be mobilised above the agreed expenditure ceilings within certain limits. They can be used in the framework of the annual budget procedure under the relevant provisions defined in the IIA. These are:
 - (a) the EU Solidarity Fund;
 - (b) the Flexibility Instrument.

The experience with the 2000-2006 financial perspective has shown that there is no longer a need to maintain the agricultural guideline in Council Regulation (EC) No 2040/2000 on budgetary discipline, since agricultural expenditure is already constrained by ceilings agreed till 2013. The other provisions on budget discipline in agriculture are found in the new Regulation (Articles 18-20) on the financing of

the common agricultural policy. The shift from market intervention towards direct payments to farmers and rural development measures makes agriculture expenditure more predictable.

The monetary reserve exists no longer and the Commission has proposed a new mechanism for the provisioning of the fund to guarantee loans to non-Member countries. According to the European Commission Council Regulation (EC) No 2040/2000 should be repealed and it will propose separately the appropriate legal act in due time.

INTER-INSTITUTIONAL COLLABORATION IN THE BUDGETARY PROCEDURE

Provisions included in Part II of the IIA aim at improving the annual budgetary procedure. They result from budgetary practice and previous agreements and declarations. They are related with the new financial regulation (OJ L 248, 16.9.2002). The annexes I to IV form an integral part of the present proposed agreement. There are several steps in inter-institutional collaboration.

Step one

After the technical adjustment of the FF for the forthcoming year, taking into account the Annual Policy Strategy presented by the Commission and prior to its decision on the preliminary draft budget, a dialogue meeting will be convened to discuss the budget priorities for the year. Account will be taken also of the institutions' powers and the needs for the next year and for the following years of the FF. Account will be taken also of the new elements of the FF that are likely to have a significant and lasting financial impact on the budget.

Step two

As regards compulsory expenditure, the Commission, presenting its preliminary draft budget, identifies:

- (a) appropriations connected with new or planned legislation;
- (b) appropriations arising from the application of legislation existing when the previous budget was adopted.

The Commission will make a careful estimate of the financial implications of the Community's obligations. If necessary it will update its estimates in the course

of the budgetary procedure. It will supply the budgetary authority with all the duly justified reasons it may require.

The Commission may update ad hoc the estimate of agricultural expenditure in the preliminary draft budget or correct the amounts and their breakdown between the appropriations for international fisheries agreements and those entered in reserve. For this purpose an ad hoc letter of amendment must be sent to the budgetary authorities before the end of October. If it is presented to the Council less than a month before the European Parliament's first reading, the Council will, as a rule, consider the ad hoc letter of amendment when giving the draft budget its second reading.

As a consequence, before the Council's second reading of the budget, the two budgetary authorities will try to meet the conditions necessary for the letter of amendment to be adopted on a single reading by each of the institutions concerned.

Step three

1. A conciliation procedure is set up for all expenditure.
2. The purpose of the conciliation procedure is to:
 - (a) continue discussions on the general trend of expenditure and, in this framework, on the broad lines of the budget for the coming year in the light of the Commission's preliminary draft budget;
 - (b) secure agreement between the two budgetary authorities on:
 - the appropriations referred to in step 2(a) and (b), including those proposed in the ad hoc letter of amendment referred to in point 2,
 - the amounts to be entered in the budget for noncompulsory expenditure,
 - and, particularly, matters for which reference to this procedure is made in the IIA.
3. The procedure begins with a trialogue meeting convened in time to allow the institutions to seek agreement by not later than the date set by the Council for establishing its draft budget.

There will be conciliation on the results of this trialogue between the Council and a European Parliament delegation, with the Commission also taking part. Unless decided otherwise during the trialogue, the conciliation meeting will be held at the traditional meeting between the same participants on the date set by the Council for establishing the draft budget.

4. If necessary, a new triilogue meeting could be held before the European Parliament's first reading on written proposal by the Commission or written request by either the chairman of the European Parliament's Budgets Committee or the President of the Council (Budgets). The decision whether to hold this triilogue will be agreed between the institutions after the adoption of the Council draft budget and prior to the vote of the amendments on the first reading by the European Parliament Budgets Committee.
5. The institutions continue the conciliation after the first reading of the budget by each budgetary authority to secure agreement on compulsory and noncompulsory expenditure and, in particular, to discuss the ad hoc letter of amendment referred to in point 2.

A triilogue meeting will be held for this purpose after the European Parliament's first reading. The results of the triilogue will be discussed at a second conciliation meeting to be held the day of the Council's second reading. If necessary, the institutions will continue their discussions on non-compulsory expenditure after the Council's second reading.

6. At these triilogue meetings, the institutions' delegations are to be led by the President of the Council (Budgets), the Chairman of the European Parliament's Committee on Budgets and the Member of the Commission with responsibility for the budget.
7. Each arm of the budgetary authority takes steps to ensure that the results secured in the conciliation process are respected throughout the budgetary procedure.

Step four

In order for the Commission to be able to assess in due time the implementability of the amendments envisaged by the budget authority, like creating new Preparatory Actions and Pilot Projects or prolonging existing ones, both arms of the budgetary authority must inform the Commission by mid June of their intentions, so that a first discussion may take place at the conciliation meeting of the Council's first reading. The three institutions agree to limit the total amount of appropriations:

- for pilot schemes to € 38 million in any budget year;
- for new preparatory actions to € 36 million in any budget year;
- actually committed for preparatory actions to € 90 million.

Box 6 Compulsory and non-compulsory expenditure**CLASSIFICATION OF EXPENDITURE****HEADING 1 Sustainable growth**

1A Competitiveness for growth and employment Noncompulsory expenditure (NCE)

1B Cohesion for growth and employment NCE

HEADING 2 Preservation and management of natural resources NCE

Except: Expenditure of the common agricultural policy concerning market measures and direct aids, including market measures for fisheries and fisheries agreements—

Compulsory expenditure (CE) (CE)

HEADING 3 Citizenship, freedom, security and justice NCE

3A Freedom, Security and Justice NCE

3B Citizenship NCE

HEADING 4 The EU as a global partner NCE

Except: Expenditure resulting from international agreements which the EU concluded with third parties CE

Contributions to international organisations or institutions CE

Contributions provisioning the loan guarantee fund CE

HEADING 5 Administration NCE

Except: Pensions and severance grants CE

Allowances and miscellaneous contributions on termination of service CE

Legal expenses CE

Damages CE

HEADING 6 Compensations CE**STRUCTURE AND CLASSIFICATION OF EXPENDITURE**

Annex III of the IIA classifies compulsory and non-compulsory expenditure by heading. The two budget authorities classify the new budget items within the annual conciliation procedure.

FINANCIAL PROVISIONS IN LEGISLATIVE INSTRUMENTS

The principle set out in the Joint Declaration of 6 March 1995 and incorporated in point 33 of the IIA of 6 May 1999, according to which the institutions comply with the reference amounts adopted in the legislative co-decision procedure in the budget procedure, is maintained. The co-decision procedure, however, has

been regularly extended since 1995 and the strict provisions on reference amounts impose increasing constraints for budgetary policy. The Commission proposes that the budgetary authority and the Commission be able to depart from these amounts by a limited margin (10%) in the course of the annual budgetary procedure.

REFERENCES

- COM (2006). 36 final, Commission of the European Communities, Commission Working Document, Revised Proposal for Renewal of the Inter-institutional Agreement on budgetary discipline and improvement of the budgetary procedure, Brussels, 1.2.2006.
- OJ C 172, (1999). Inter-institutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure, p. 1
- OJ C 283, (2002). Inter-institutional Agreement between the European Parliament, the Council and the Commission on the Financing of the EU Solidarity Fund, p. 1.
- COM (2004). 498, Proposal for the renewal of the Inter-institutional Agreement on budgetary discipline and improvement of the budgetary procedure for the period 2007-2013.
- P6_TA (2005). 0224, European Parliament, Resolution on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013.
- P6_TA PROV (2005). 0453, Resolution on the Inter-institutional Agreement on budgetary discipline and improvement of the budgetary procedure.
- European Council, (2005). Agreement on the Financial Perspective 2007-2013, Document 15915/05 CADREFIN 268 of 19/12/2005.
- European Parliament, (2006). Resolution on the European Council's position on the Financial Perspective and the renewal of the Inter-institutional Agreement 2007-2013, PE 368.274, B6-0049/2006.
- OJ L 248, (2002). Financial regulation, p. 1.

FOREIGN DIRECT INVESTMENTS AND THE COUNTRIES OF THE EUROPEAN UNION

ZSOLT PÉTER

INTRODUCTION

Between 1990 and 2000 the inflow of foreign direct investments extended dynamically in the world economy with the exception of a few unfavourable years. In 1997, 1998 and 1999 the average growth varied between 25 and 50 percent. In the year 2000 it reached 1,300 billion dollars, more than six times larger than in 1990. The vast majority of FDI inflows (79% of world inflows in 2000) went to advanced industrialized economies.

In 2001 this spectacular growth stopped and a dramatic fall could be observed in the context of the global FDI inflows especially in the developed countries while a moderate decline was reported in the developing and CEEC countries. There has been a less active presence of the European Union on global FDI markets since 2001. While the EU invested more than 400 billion euros in other countries in 2000, this figure was reduced to less than 150 billion in 2002.

One could reasonably ask if it was a definite crisis but it is more legitimate to say that it was the result of several factors such as correction of the previous growth, an overall economic recession at the time, the downfall of the international enterprise fusion and expansion activity (Kalotay, 2003).

In this paper I would like to get a closer view of FDI inflows and outflows concerning the European Union's countries. First of all I will investigate the composition of the extra-EU FDI outflows and inflows of the European Union's countries since the middle of the nineties. This will be followed by a review of the internal FDI outflow and inflow which will give a picture of the positions of the Central and Eastern European countries.

In spite of the generally stagnating situation experts expect increasing FDI inflows in the next few years because of an estimated higher growth in the developed countries and a more intensive cross-border activity of the multinational companies (Kalotay, 2003).

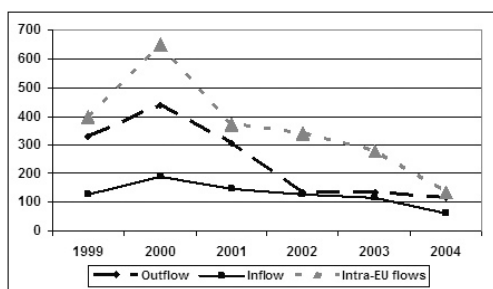
GLOBAL POSITION OF THE EU ON THE FDI MARKET

In 2000 EU FDI outflows reached their maximum with EUR 437 billion but two years later only EUR 133.9 billion was recorded on the global market. It meant a significant, 69% decrease. After a relative stability observed in 2003, outward FDI fell again in 2004, to EUR 115 billion, i.e. 15% less than the year before.

FDI inflows from outside the EU have run on a similar path. A steady decline has been noticed since 2001. Proportionally the drop of 46% in 2004 was more remarkable when the FDI inflows from outside the EU reached the relatively low EUR 62.3 billion.

A massive positive balance could be observed during the whole period regarding the EU FDI activity with the exception of 2002 and 2003 when EU outflows and inflows were almost balanced (EU Foreign Direct Investments).

Figure 1. EU outward and inward FDI flows and intra-EU FDI flows (EUR billion)

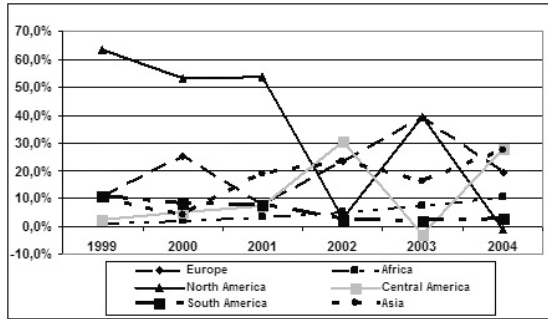


Source: UNCTAD

The reduction of the total amount invested abroad was combined with a modification in the main destinations of EU outward flows.

During the period analysed here the significance of North America fell dramatically while Central America gained a stronger position with its EUR 31.7 billion thanks to the EUR 9.2 billion invested in Mexico. In 2004 the United States suffered a disinvestment while the country was the most important destination (EU Foreign Direct Investments).

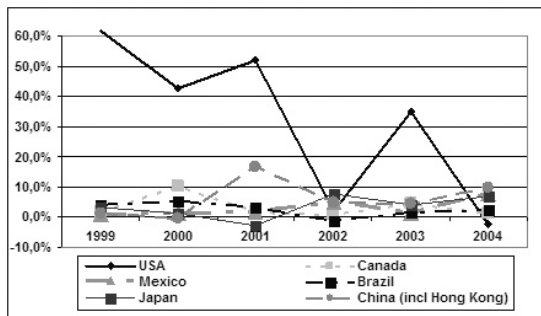
Figure 2. EU outward FDI flows % (Total=100%)



Source: UNCTAD

The relative presence of outward FDI flows from the EU on the Asian market became proportionally stronger. The share of Asian investments reached 27.3% in 2004. In spite of the overall decline in FDI activity in 2001, investments in Asia grew from EUR 17.6 billion to EUR 58.2 billion by 2002, in a period of just one year. The figures make it quite clear that the role of non-EU OECD countries decreased significantly regarding the EU outward FDI flows, while the developing areas maintained their positions. The single developed market which reported improvement was Japan with its EUR 8.1 billion in 2004.

Figure 3. EU outward FDI flows % in selected countries (Total=100%)

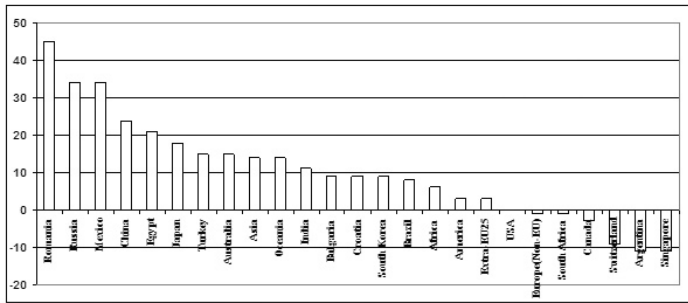


Source: UNCTAD

In 2004 several non-EU countries reached their highest share of EU FDI outward flows during the examined 6 years' period while Switzerland, a former important investment destination recorded a significant disinvestment of EUR 10 billion. Russia, Norway and the candidate countries imported 5.6%, 4.3% and

4.3% respectively of the total extra-EU FDI outward flows, the highest level since 1999. Romania and Bulgaria, the accession countries and the fast growing eastern European economies have also attracted EU investors.

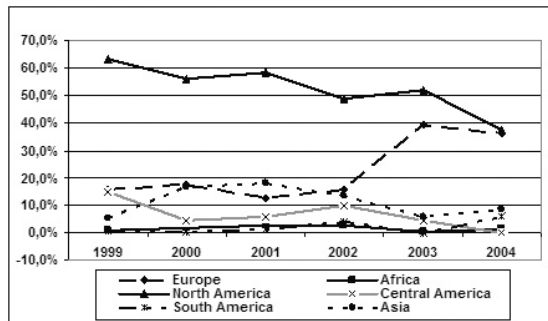
Figure 4. EU FDI rate of growth for outward stocks in 2004/2003 (%)



Source: UNCTAD

The data in Figure 4 show the rate of growth for outward stocks in 2004 as compared to 2003. The growth rate of EU outward stocks was the highest in the case of Romania (45%), followed by Russia, Mexico and China, whereas Argentina and Singapore registered the highest negative rates (-11%).

Figure 5. Inward FDI flows to the EU (%)



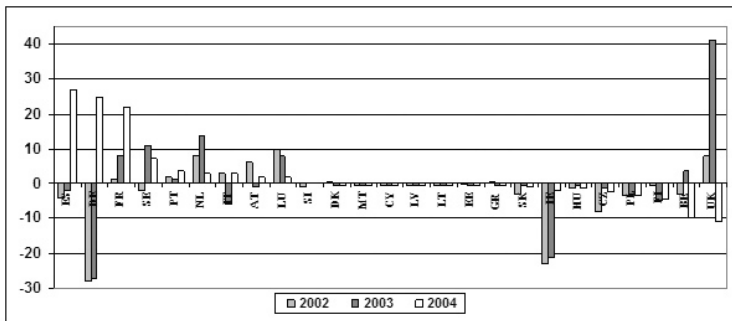
Source: UNCTAD

The FDI inflows from outside the EU amounted to EUR 188.5 billion in 2000 then dropped by 39 billion in 2001. The downfall continued till 2004 when it reached 33% of its 2000 value thanks to EUR 62.3 billion invested. The relative presence of the United States showed a constant decrease during the 6 year period.

While in 1999 an investment of EUR 75.9 billion was reported, in 2004 only EUR 23.4 billion arrived in the EU. FDI inflows from Canada also decreased strongly, from EUR 12.2 billion in 2003 to a disinvestment of EUR—4.1 billion (EU Foreign Direct Investments).

The share of (non-EU) Europe became more significant; the importance of Switzerland was remarkable in 2004 with more than 23% of the total inward FDI flows to the EU arriving from the country. A relative improvement could be observed on the part of a few developing countries such as Brazil and China in terms of their investment activity in the EU. In 2004 China was the third most important investor with its 7.7% share of the total FDI inflow. The overall performance of the (non-EU) OECD dropped dramatically since 2000 and in 2004 only EUR 44.4 billion were reported.

Figure 6. NET FDI outflows by Member State in the rest of the world (EUR billion)

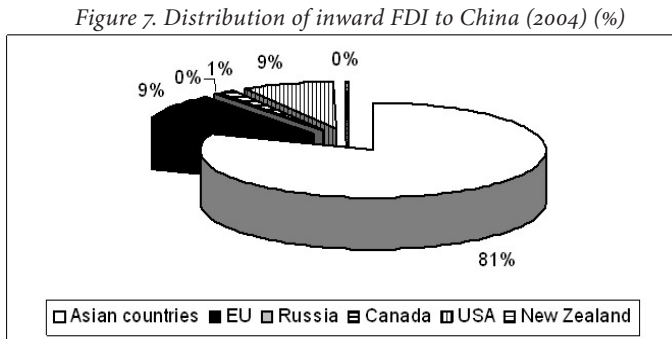


Source: EUROSTAT

When EU achievements on the global FDI market are examined it is done in overall terms but we must not forget that the EU is a heterogeneous composition of 25 different states. The 10 new Member States were net recipients of FDI funds in all the three years. They were very rarely able to invest on the international markets. Figure 6. shows the NET FDI outflows by Member State in the rest of the world. Member States with positive values are net investors in the rest of the world, while a negative value indicates that the Member State is a net recipient of FDI funds. Only France, Portugal, the Netherlands and Luxemburg could show a positive FDI flow balance during this three-year period.

While the United Kingdom, the Netherlands and Sweden were the most significant net investors in 2003, in 2004 Spain became the largest net investor followed by Germany and France. The United Kingdom, the main net investor in 2003, became the largest net recipient of FDI in 2004.

It should be mentioned here that Figure 6. shows absolute values which are influenced by the different sizes of the countries. Extra-EU FDI flows as percentage of GDP are the highest in Luxembourg (Eurostat said the role of Luxembourg in EU FDI is mainly explained by the importance of its financial intermediation activity) with 6% of its GDP compared to 3% for Spain and 1% for Germany while the net inflows of the 10 new Member States were 4.9% in 2002, 1.9% in 2003 and 2.9% in 2004.



Source: <http://www.china.org.cn>

Another interesting point is to examine the presence of the EU in China. In 2004 China was the most significant FDI destination in the world. The inward FDI exceeded 60 billion US dollars while China remained a relatively insignificant FDI exporter on the Global market. In 2004 FDI stocks exceeded 245 billion US dollars which is equivalent to 14.9 percent of the country's GDP.

42% of the investments arrived from or through Hong Kong; the second most important investor was the Republic of Korea with its 13.8%; and the third was Japan with 12.1%. More than 80 percent of the inward FDI to China arrived from Asian countries. The role of the 'western' countries remained minor as compared to their Asian competitors. The EU countries had slightly more than 8.5% of the total FDI invested to China, which is commensurable with the United States' 8.7%. The most active European country was Germany with 2.3%, followed by the United Kingdom

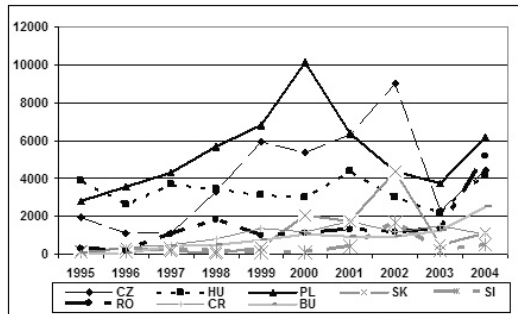
and the Netherlands both having 1.8% and France took the fourth place with 1.5% while Italy had only a 0.6% share.

It is clear that China is one of the most weighty investment destinations for the EU countries (in 2004 9.8% of the EU outward FDI flows arrived in China) and has preserved its importance since the 2001 drop, but comparing it to the performance of the closer Asian countries we have to conclude that a more intensive presence is needed considering that China is one of the most attractive developing markets.

INVESTMENTS IN THE CEEC-8 COUNTRIES

In 2004 10 new member states enlarged the economic space of the EU. After 1990, when an equivalent of EUR 2 billion arrived into all the CEEC-8 countries, investment activity appreciably grew in 2004, when it reached EUR 40 billion (World Investment Report).

Figure 8. Aggregate FDI flow into the CEEC-8 (Euro m)



Source: UNCTAD database

Poland was the most important investment destination during the 10 year period shown in Figure 8, mainly due to its size. Besides Poland, Hungary and the Czech Republic were the main targets of FDI inflows in the second part of the nineties. Considering the per capita values of the FDI indicator Hungary had the first position till 1998. From 1999 to 2004 (except for 2003) the Czech Republic took the leading role. It can also be seen that the positions of Romania and Bulgaria are getting stronger thanks to their EU accession in the near future.

Since 2000 the positions of Slovakia, Slovenia and Croatia have become remarkable; in 2003 Croatia was the first in terms of per capita FDI in the CEEC-8 countries.

The source of FDI flowing into the CEEC-8 countries is an interesting point as well. Apart from Bulgaria more than 50% of FDI inflows arrived from the six selected EU investors; in the Czech Republic this figure was more than 76%. The investment activity of the United States was significant in Croatia, Poland and Bulgaria but in the other CEEC-8 countries it was only around 5% or less than 5% (World Investment Report).

Table 2. shows a surprising fact, namely that the Netherlands has a leading role in the area besides the very strong presence of Austria. Germany, compared to its size in the EU, has only a moderate investment activity. Hungary is the only one where it has a leading investment role.

There is a definitely weaker German and Austrian presence in Bulgaria and Slovakia seems that distance means lower activity. The Netherlands is in a different position. The country does not have common borders with any of the CEEC-8 countries, therefore distance is less important in the investment decision making process. France and Italy have relatively small FDI activity in the area. France has a stronger presence in Poland and Romania while Italy has quite a significant activity in Croatia, Slovakia and Romania. All these facts lead us to conclude that cultural connections and cultural vicinity are the most important factors governing FDI activities of investors.

SUMMARY

2001 was a turning-point in outward and inward FDI flows of global FDI. The EU reported a similar process in the global trends. The EU FDI activity, especially in the non-EU OECD countries, fell dramatically. The decrease was not as significant regarding the developing, the candidate countries and the new member states thanks to their more attractive business environment. The United States (realizing 61.8% of the FDI in 1999) has lost its dominant role since 1999 and the investment activities of developing countries into the EU have become proportionally more and more important (Kalotay, 2003).

In 2004 Spain, Germany and France were the main NET FDI investors and, at the same time, the United Kingdom became NET recipient of FDI. The 10 new

Member States were net recipients of FDI funds in 2002, 2003 and 2004. The EU has an important but not leading role on the global FDI markets. Only 8,5% of the FDI arrived from the EU countries to China in 2004.

The analysis of the investment activities of the EU-15 countries shows that Germany has a leading position, but it is not strong enough compared to the country's economic potential because FDI outflows represent only 1% of the GDP. Surprisingly, the Netherlands has quite a significant role on the global market while big EU countries like Italy, France and Spain have no really significant investment activities in the CEEC-8 countries.

It seems that physical and cultural distances are the main barriers for the EU countries. More intensive presence is needed on the global FDI markets otherwise the EU won't be able to secure strong positions on the developing markets. After the analysis of the performance of the EU countries, our conclusion is that the Netherlands could be set as a model with its relatively strong global and regional positions.

REFERENCES

- Decreased FDI flows for the EU in 2004. (32/2005) *Statistics in focus, Economy and Finance*.
- Distribution of inward FDI to China, (20.07.2006.) <http://www.china.org.cn>
- EU Foreign Direct Investments. (13/2006) *Statistics in focus, Economy and Finance*.
- EU FDI with Extra-EU decreased again in 2002. (36/2003) *Statistics in focus, Economy and Finance*.
- FDI confidence index. (20.09.2006.) <http://www.atkearney.com/ma>
- Kalotay Kálmán, (2003/1) Működőtőke – válságban? (Working capital – in crisis?) In. *Közgazdasági Szemle*, 35-55.
- World Investment Report, (20.07.2006) <http://www.unctad.org/TemplatesPage.asp?intItemID1465>

Table 1. FDI per capita in the CEEC-8 countries (EUR) (1995-2004)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Czech Republic	192	111	111	323					223	
Hungary					307	296	435	298	216	412
Poland	73	93	113	149	179	265	167	114	98	161
Slovakia	37	54	38	12	75	387	329	810	94	209
Slovenia	58	69	146	97	50	74	206	849	80	258
Romania	15	10	49	84	45	52	60	56	64	239
Croatia	20	91	106	187	310	265	393	268		242
Bulgaria	9	11	57	62	99	139	117	123	161	320

Source: UNCTAD database

Table 2. Origin of FDI in the CEEC-8 countries (%) (2003)

	AUT	GER	FR	IT	NL	UK	Total	US
Bulgaria		8,29	2,23	6,33	9,89	5,7	43,39	8,52
Croatia			0,93	8,62	8,37	2,49	64,12	10,79
Czech Republic	11,82		7,92	1,07		4,25	76,55	5,16
Hungary	11,22		4,34	1,85	19,54	0,86	67,01	5,21
Poland	4,02		14,47	3,9		3,66	66,64	9,47
Slovakia	14,01		2,39	8,13		7,48	77,22	4,05
Slovenia			7,45	6,44	5,41	2,76	53,05	1,63
Romania	6,23	7,16		7,77		1,95	52,13	3,36

Source: UNCTAD database

CHAPTER 3

DEMOCRACY, VALUES AND DECISION-MAKING IN EUROPE

DECISION-MAKING IN THE EUROPEAN UNION: THE CONVENTION ON THE FUTURE OF EUROPE

IOANA CRISTINA ILIESCU

The Amsterdam and Nice negotiations provoked a growing dissatisfaction with the intergovernmental conference as a method of treaty reform. The IGC model has come to a dead-end as far as 'big politics' are concerned, not being able to produce valid solutions to the constitutional challenges (Hoffman, 2002). The ratification process, especially in the case of the Nice Treaty, proved that there was a big gap between the political elites' integrationist project and the actual expectations of the EU citizens. Therefore, the Convention on the future of Europe needed to offer a way out of the decision-making crisis, bring the Union closer to its citizens and avoid undesired situations such as the Irish 'No' to Nice.

This paper aims at analysing the Convention on the future of Europe from the perspective of the decision-making process through treaty reform and integrating it in the broader context of this dissertation. It will present factual evidence of the evolution of the Convention and will try to apply the two main theories already introduced, liberal intergovernmentalism and institutionalism. It will evaluate whether the Convention offered a more democratic forum for institutional reform, or it was just a new preparatory method.

Section 1 of this paper will look at the context of the Convention and the reasons for establishing it. Section 2 will examine the Convention process looking at: its composition and the role of the presidium, the Laeken mandate and agenda setting, the role of public opinion, and the temporal context. It will evaluate the innovative aspects brought by the Convention method to the decision-making process at the super-systemic level. Section 3 will assess the outcomes of the Convention and the positions adopted by the current and future member states before the *grande finale* of the 2004 IGC.

WHY DOES THE EU NEED THE CONVENTION ON THE FUTURE OF EUROPE?

'We have to give ourselves a Constitution, which marks the birth of Europe as a political entity' in 'a combination of realism and vision', said Romano Prodi, President of the European Commission, expressing a widespread view that the EU finds itself in the middle of a new phase of constitutional development (Prodi, 2002).

In the wake of the largest enlargement, the reform of the actual institutional arrangements, addressing the well-known democratic deficit and giving the Union a *finalité politique* became inevitable.

In this context, the Convention on the future of Europe marked a turning point in the history of European integration. However, this could hardly be defined as the 'founding moment' because the EC/EU was established more than forty years ago and has already undergone several re-founding phases (Schmitter, 2003).

Even though the Nice Treaty did not produce any leftovers, by adopting the Declaration on the future of Europe the heads of state and government implicitly acknowledged the importance of furthering the constitutional process.

Since its foundation, constitution building in the EU has taken place within the framework of the Intergovernmental Conference. Nice and Amsterdam led to a severe crisis of the classic diplomatic method of the IGC for several reasons: the questions of power distribution and representation addressed were more likely to lead to a deadlock in negotiations; there was a growing inflexibility in the positions that member states adopted; the division between member states increased and even traditional alliances, especially the Franco-German axis, were no longer convincing, and finally, the influence of European institutions was insignificant (Hoffman, 2002).

In order to increase the IGC efficiency, the member states opted for a new preparatory method: establishing a Convention, which would bring together representatives of the member states and the candidate countries as well as the European institutions to debate the future of the European Union. It should be stressed that the member states did not intend to abandon the IGC model. The Convention method does not replace the IGC. Without underestimating its importance we consider it only as a preparatory stage. This method was preferred to other alternatives because of the success achieved by the previous Convention, which drafted the Charter of Fundamental Rights.

THE CONVENTION: A NEW METHOD OF TREATY DRAFTING?

The Convention raised many expectations. It should have solved all the Union's sensitive issues regarding institutional arrangements, legitimacy and democracy issues, as well as the distribution of powers. It should have addressed the topics on the post-Nice agenda, set by the Declaration on the future of Europe (competences, status of the Charter of Fundamental Rights, simplification of the treaties and the role of national parliaments) and enriched by the Laeken Declaration. In this context, its mandate was very broad but not very clear. The Laeken mandate did not provide the Convention with a direct focus on the constitutional question, but offered instead a general analysis of the state of the European integration process and the current challenges. For the first time in the history of the EU, the Laeken Declaration affirmed the possibility of a 'Constitution for European citizens' in the context of the need to simplify and reorganise the treaties. The Laeken Council gave the Convention certain indications in terms of deliberation and decision-making and the freedom to choose between submitting options and making a single recommendation. In his first speech, given at the opening session of the Convention on 28 February 2002, President Giscard d'Estaing set an ambitious objective: the Convention was to draw up a 'constitutional treaty' (d'Estaing, 2002).

The 'sketchy' mandate provided by the Laeken Declaration could be interpreted as an 'opportunity structure' for the Convention, on the one hand, authorising and enabling it, and, on the other, constraining it (Reh and Wessel, 2002).

The analysis of the Amsterdam and Nice agendas showed that decision-making in the EU at the super-systemic level is not at all a deliberate process, but rather determined by past rules or political declarations. The way in which the current Convention's agenda was structured by the complex and substantive heritage of the *acquis* as well as the post-Nice debate comes to confirm the path-dependency development of decision-making. Although the Convention had the unique task to draw up the Union's blueprint, it did not operate 'against the background of a constitutional *tabula rasa* in relation to either the process of constitution building or the substantive constitutional choices, which it is making' (Show, 2003). The previous treaties and the Charter of Fundamental Rights represent sources of constitutional *acquis*, which the Convention had to take into consideration. Constitution-building in the EU has always integrated a set of complex interactions and tensions between the treaty texts and other formal institutional documents, on

the one hand, and their interpretation by key actors, notably the Court of Justice, but also the national courts, and the other non-judicial EU institutions, on the other (Show, 2003).

The Laeken European Council laid down the structure of the Convention: 15 representatives of the governments of the member states, plus 13 of the candidate countries' governments; 30 national parliamentarians plus 26 MPs form the candidate countries; 16 members of the European Parliament; and 2 members of the European Commission. The Convention comprised a total of 105 members and the same number of alternates.

One of the innovations brought by this Convention was the presence of the representatives of the candidate countries as well as the observer status granted to the representatives of the Economic and Social Committee, the Committee of the Regions and the social partners. Given its diversity, the Convention was expected to represent the interests of all those affected by the EU reform.

Not everybody welcomed the presence of the candidate countries though. 'What could be the impact of the presence and the input of these 39 members (please note that this is more than a third!) without any European experience?' (van den Burg, 2002). There was a fear that they would strongly focus on preserving national independence and the competences that most of their countries have only recently acquired, and that they could act as a block (even though they cannot obstruct the consensus).

The Presidium, at the top of this structure, was composed of twelve outstanding political figures: the former French president Giscard d'Estaing as the chairman, and former prime ministers of Italy, Giuliano Amato and Belgium, Jean-Luc Dehaene as vice-chairmen; two Commissioners (Michel Barnier and Vitorino); two representatives of the EP and two of the national parliaments; three government representatives of the member states that hold the presidency during the Convention (Spain, Denmark and Greece). At the beginning, the candidate countries were not represented in the Presidium. Later, in response to the applicants' insistence, Alojz Paterle, a member of the Slovene parliament, was elected to represent the candidate countries in the Presidium but only as an invited guest. The Presidium played a dominant role in the proceedings of the Convention. Based on the working groups' results and the plenary debates, the Presidium drew up the constitutional treaty, acting on its own initiative.

Given its heterogeneous composition, the 'one person-one vote' principle could not be applied in the Convention. Therefore, the President of the Convention should make efforts to reach consensus. The Laeken European Council did not establish the working methods of the Convention. Consequently, the Presidium submitted a draft of the procedures, which provoked dissatisfaction among the members of the Convention because they conferred too powerful a role to the Presidium and especially to its chairman.

The Convention's works proceeded in three phases (Barbier, 2003). The first phase presupposed 'listening' and drawing up a 'questionnaire' on European integration and Europe's future over the next fifty years. The second phase was devoted to seeking answers to the questions raised in the Laeken declaration. Valéry Giscard d'Estaing grouped these into six categories: fundamental questions on Europe's role; the division of competence in the European Union; the simplification of the Union's instruments; how the institutions work and their democratic legitimacy; a single voice for Europe in international affairs and the approach to a Constitution for European citizens. Other questions regarded the election of the President of the European Council; voluntary withdrawal from the Union; the definition of Europe's borders, a spin-off from the question of the EU's relations with its neighbours. Solutions to the issues of how the future treaty should come into force and how to prevent the impasse likely to occur when the time comes to conclude or ratify the future treaty were also envisaged.

In order to answer these questions, eleven thematic working groups were established dealing with: subsidiarity, integration of the Charter of Fundamental Rights, legal personality of the Union, role of national parliaments, complementary competences, economic governance; external action, defence, simplification of legislative procedures and instruments, area of freedom, security and justice and social Europe. The third phase was to formulate proposals for the IGC, either in the form of options or a single recommendation, as the President of the Convention proposed.

Although the Convention was expected to be more open and democratic, in practice the process of deliberation was not entirely transparent and public. The Presidium always deliberated behind closed doors and did not produce minutes of its meetings. The working groups' meetings were not open to the public either. The only public and even broadcasted deliberations were those of the plenary of the Convention.

An important aspect of the current convention is the role played by history making personalities, such as Valéry Giscard d'Estaing. The heads of state and government nominated him as the President of the Convention 'bearing in mind that he was a man known to have a capacity for strong leadership, a reputation for independence, but perhaps most crucially a proven background of support for a view of European integration which preserved a strong role for the states' (Shaw, 2002). Some praised him for being able to simultaneously control and show flexibility in relation to the process of compiling the treaty (Shaw, 2002), while others accused him of imposing his will rather than brokering deals (Watson, 2003). Nevertheless, he was a 'towering influence to the Convention. His arrogance and patronising style infuriated the 104 other members, but they respected his stamina and vision' (Watson, 2003).

While the Convention met in public and was monitored by the civil society, the academia and the media, the question remains whether there was a real public debate on the future of Europe.

Jean-Luc Dehaene, one of the vice-chairmen, was responsible for setting up a Forum in order to ensure that the civil society was heard. Four European networks representing NGOs in the social sector, environmental protection, development co-operation and human rights, as well as the European Trade Union Confederation (ETUC) established a civil society contact group. The topics covered by the civil society were expanded to include democracy, institutions and culture. Academics and 'think tanks' were also invited to take part in the debate. These hearings of the civil society were attended by significant numbers of the members of the Convention, but it is difficult to determine their impact on the Convention's proceedings (Barbier, 2003).

The national parliaments and the governments of the member states organised public debates on the future of Europe at the national level.

There is also a Convention's website hosting an overwhelming quantity of written material. On the one hand, the website provides a lot of information to a visitor familiar with the various aspects of European integration, but, on the other hand, it does not explain to the general user how and why the Convention was in fact working towards a new Constitutional treaty (Shaw, 2002).

The media coverage of this event was very fragmented. In the UK, the press tended to focus on the meaning of the terms 'intergovernmental' and 'federal'.

The German media covered the Convention's work very well, but offered little profound commentary. In France, Finland, Greece, Ireland and Sweden, media interest increased after the publication of the preliminary draft of the constitution in October 2002 (Euobserver, 2003).

In spite of all the official efforts, a survey conducted by 'Eurobarometer Flash' immediately after the Thessaloniki European Council and focusing on the results of the Convention showed that although people's awareness of the Convention had increased, it still remained very blurry: 45% of people in the enlarged EU had at least heard of the Convention, compared with only around 30% in March. However, 55% of people said they had never heard of the Convention, and 52% were unaware of the kind of text the Convention had produced. When questioned on the substance of the proposals, 68% of the respondents said they were in favour of a Constitution as a way of reforming the EU. 43% said they would prefer the Convention text to be at least partially amended by the heads of state and government.

As in the case of the previous treaty revisions, international events had an important impact on the works of the Convention. The Iraq crisis caused a delay in the drafting of the constitutional treaty and also influenced the discussions on the common foreign policy. Some even affirmed that international events, such as the Iraq crisis, could undermine the Convention, which would 'end up like Frankfurt 1848, a gathering of high-minded people intent on writing a constitution for a new nation (Germany), whose efforts were swept aside by history.' (The Economist, 2003) But, in the end, their prophecies were not fulfilled.

After this short review of some of the Convention's processes, we should analyse it in the light of two theories: liberal intergovernmentalism and neo-institutionalism. While there are no new theories to explain the Convention as a method of treaty drafting, the existing ones offer—to a certain extent—interesting 'mental maps' of the process of the Convention (Reh and Wessel, 2002).

There is a minimalist reading of the Convention, which corresponds to the conceptualisation of European integration in the spirit of liberal intergovernmentalism' (Reh and Wessel, 2002). Accordingly, the decision to create the Convention would be seen as an act of rational state behaviour with the member states interested in increasing the efficiency of interstate bargaining. The Convention is merely a preparatory stage of the IGC, meant to draft a set of non-binding options from which the member states will choose during the IGC. This scenario attributes

the main role in the EU's constitutional evolution to the European Council. The Convention would be expected to present the member states with acceptable options for improving the status quo. There is a clear principal-agent dynamic in this scenario, with the governments willing to delegate certain responsibilities to the supra-national institutions while retaining a strict surveillance. The supra-national institutions would have a passive role. In the Convention's internal negotiations, the *modus operandi* would continue to be bargaining rather than problem-solving. The role of the civil society would be kept at a minimum within a Convention, which is seen to be project driven by Euro-conscious elites.

Textual evidence could be found in the Laeken Declaration to support this minimalist perspective. The European Council established the Convention 'in order to pave the way as broadly and openly as possible' and 'the final document will provide a starting point for discussions in the IGC, which will take the ultimate decision'.

An intergovernmental reading of the Convention would interpret its composition, mandate and leadership as 'safety features' attached by the Laeken European Council in order to make sure that the Convention would not deviate from its original purpose, which is to prepare the future IGC (Hoffman, 2002).

First, the Laeken Declaration ensured that the Convention consisted of representatives of a wide range of institutions and that the possible number of alliances was larger than in an IGC. The decision taken in the framework of the Convention would depend on how the alliances would be formed, which force would be the strongest and how much of a compromise the different players were willing to make.

Second, the heads of state and government were very cautious not to lose control over the Convention. Even if the Convention's mandate was relatively broad and open: 'it will be the task of that Convention to consider the key issues arising about the Union's future development and try to identify the various possible responses.' As soon as its work had started, member states came up with ideas and suggestions, like the Franco-British initiative regarding the Presidency of the Council.

Third, Valéry Giscard d'Estaing, the man chosen to lead the Convention, is a former statesman with an intergovernmental approach to the Union.

Another safety feature is the time limit imposed on the Convention: twelve months to draft a document that should answer the questions posed by the Laeken

Declaration. This put a lot of pressure on the conventioners because they had other assignments as well. The only ones with a real advantage were the delegates of the EP: based in Brussels, they had their internal and external networks and resources and were used to working as a group usually together with the Commission and against the Council. They were also able to allocate more time to the Convention than the national parliamentarians and the governments' representatives.

This model of the Convention as a think tank of the IGC is challenged by a perfectionist reading, which would regard the Convention as a full-fledged constitutional assembly (Reh and Wessel, 2002). The actors would use the Laeken mandate as an opportunity to develop a wide vision of Europe's institutional and political future in a draft Constitution, which would be used as a catalyst for European constitution building. This would recall the neo-institutionalist understanding of institutions as developing 'lives and deaths of their own'. The Convention would be seen as a representative of the 'European people' rather than a think-tank of the heads of state and government.

The Convention could be understood as a truly trans-national assembly with a constitutional mission. Its composition would facilitate a dynamic search of consensus. The governments' representatives would be perceived as less important and less dangerous. The heads of state and government would be challenged in their conceptual monopoly of agenda setting by a broad, democratic assembly. Although it recognises the role of the European Council, neo-institutionalism would propose a more normative understanding of the EU's future constitutional evolution (Reh and Wessel, 2002).

The neo-institutionalist interpretation would not regard the institutions as 'passive structures' or 'mere facilitators' controlled in a principal-agent chain. Institutions will develop into independent agencies and have an impact on the values of actors associated with the institutions (Reh and Wessel, 2002).

The perfectionist interpretation would see the Convention as working with an implied mandate from the peoples of the Europe. This would be reflected by a broad public debate on the *finalité politique* of the Union and the ratification referenda.

The final document would contain clear recommendations for the heads of state and government. Its aim would be regarded not only in terms of optimising the efficiency of the Union but it would represent the nucleus of the future blueprint, replacing the current treaties (Reh and Wessel, 2002).

¹ Olsen quoted in Reh and Wessels.

THE DRAFT CONSTITUTIONAL TREATY: AN UNFINISHED AFFAIR

Everybody expected the Convention's outcome to be a panacea to most of the Union's well-known problems: the lack of efficiency, transparency, accountability and public support or the democratic deficit. Has the constitutional draft actually met all these expectations?

On June 13 2003, Valéry Giscard d'Estaing proclaimed a consensus in favour of the draft constitutional treaty without any voting or even using the word. He urged the members of the Convention to ensure that 'our Constitution remains as intact as possible and it would not be deviated from its path by the IGC' (d'Estaing, 2003). According to the draft constitutional treaty, the EU will have a single legal personality, allowing it to sign international treaties. The Charter of Fundamental Rights will be integrated into the Treaty text.

The institutional arrangements envisage that the size of the European Parliament shall not exceed 732 members. Representation of European citizens shall be digressively proportional, with a minimum threshold of four members per member state. The European Council shall elect its president for up to five years (two possible terms of 2.5 years) to chair summits and move forward its work. This will replace the present six-month rotating presidency. Member states shall hold the presidency of Council formations, other than that of Foreign Affairs, on the basis of equal rotation for at least one year. The current composition of the Commission will be maintained until 2014. After that, the Commission shall comprise a number of commissioners corresponding to 2/3 of the number of the Member States. The Commission's president shall appoint non-voting commissioners coming from all other member states. A new minister for foreign affairs shall conduct the Union's common foreign and defence policy, sitting in the Commission with access to its resources but answerable to the member states. The European Council will appoint him/her with approval from the Commission. Member states may create, by unanimous decision, a European public prosecutor to combat cross-border crime and terrorism.

Most decisions will be taken by majority vote. The European Parliament's role in decision-making will be nearly doubled. The national veto will be preserved in a few politically sensitive areas, such as taxation and foreign policy. The QMV—the double majority (55% of the member states and 65% of the Union's total population)—will become the principle in decision-making. Until 2009, the Nice Treaty rules will continue to apply.

Under a new solidarity clause, member states will provide mutual assistance in case of terrorist attack. Member states will be able to subscribe to a mutual defence clause.

The members of the Economic and Monetary Union will be able to set their own economic policy guidelines and enforce Euro-zone rules, without involving non-euro countries. A new exit clause will allow Member States to leave the Union.

In the area of justice and home affairs, EU policy on asylum and refugees and certain aspects of immigration policy will be decided by majority vote. Although the Convention did manage to reach consensus, the battle has not been won yet.

The Treaty establishing a Constitution for Europe was signed by the Heads of State or Government of the 25 Member States and the 3 candidate countries on 29 October 2004 as the result of an IGC. The Treaty can only come into force when it has been ratified by each of the signatory parties in accordance with its own constitutional procedures. So far 15 Member States and the two accession countries have ratified it. France and the Netherlands rejected the text of the Constitution on 29 May and 1 June 2005. A solution is still needed for this ambitious project.

The June 2006 European Council extended the *reflection period*, which should now focus on the delivery of concrete results and implementation of the projects. On the other hand, the Presidency will present a report to the European Council during the first semester of 2007, based on extensive consultations with the Member States. This report should contain an assessment of the state of discussions with regard to the Constitutional Treaty and explore possible future developments. Furthermore, the European Council called for the adoption, on 25 March 2007 in Berlin, of a political declaration by EU leaders, setting out Europe's values and ambitions and confirming their shared commitment to deliver them, commemorating 50 years of the Treaty of Rome.

Some say that the Constitutional Treaty is dead. Others, especially Germany, which will hold the EU Presidency in the first semester of 2007, strongly supports its revival.

CONCLUSION

The aim of this paper was to analyse the Convention on the future of Europe in the context of the decision-making process at the super-systemic level. Based on factual evidence, it tried to give an account of the Convention as a method of treaty reform and as a process of deliberation. Although it aimed to underline the innovations

brought by the Convention, it did not intend to provide a comparison with the IGC method. The IGC is still in place as a model of decision making at the super-systemic level. The Convention is a preparatory stage, more open and democratic indeed, but it does not replace the IGC. At this time in the history of the EU and given the stakes of the European integration, the member states are still not willing to give up inter-governmental bargains.

Table 1 offers a summary of the two theoretical perspectives: liberal inter-governmentalism and neo-institutionalism used to analyse the Convention.

Table 1: Theoretical approaches to the Convention on the Future of Europe²

Indicators	Liberal-intergovernmentalism	Neo-institutionalism
Overall role	Facilitator of the intergovernmental bargaining; 'think tank'; a Reflection Group	Constitutive; resembling the Philadelphia Convention
Working procedures		
• Presidium	'Executive agent'; 'mini IGC'	Limited to formal functions
• National representatives	De facto, veto players with stable preferences	'Parliamentarisation', gradual convergence of opinions
• Heads of state and government	Principals with control strategies	Subordinate role compared with parliamentarians as citizens' representatives
• Civil society Forum	'Distraction', alibi function	Participation and input as prerequisite to mobilise support
Output		
• Drafting powers	Presidium/Secretariat	Working committees, trans-national party groups
• Final Document	'Pick and choose', catalogue of options	Constitution (maximum), coherent, legal text (minimum)
• Relation with the IGC	Preparation	IGC 'locked in' through consensus and public support
Legitimacy		
• Legitimacy basis	Indirect, based on a mandate from heads of state and government	Direct, representation of the European citizens
• Democratic dimension	No broad mobilisation of public support, democracy guaranteed through national governments	'Demos-building' via trans-national democratic practice

Initially, both liberal inter-governmentalism and neo-institutionalism were used to study the IGC and, consequently, it is rather difficult to extrapolate them to the Convention, which, in the end, represents only a part of the complex IGC model. Certain aspects of the Convention would satisfy an intergovernmental approach: the 'safety features' imposed by the member states or the attempts to impose certain institutional arrangements such as proposal on the Presidency of the Council. But

² Adapted after Christine Reh and Wolfgang Wessels – 'Towards an Innovative Mode of Treaty Reform? Three Sets of Expectations for the Convention' – *Collegium*, No. 24, Summer 2002, p. 39-40.

a perfectionist neo-institutionalist interpretation is supported by the fact that the Convention offered a more democratic and open forum for discussions and it did produce a single draft constitutional treaty that could become the nucleolus for the future EU constitution replacing the existing treaties.

REFERENCES

- Barbier, C. (2003). The European Convention: Establishment and Initial Results in the Field of Economic and Social Policy. *Obesrvatoire Social Européen*.
- d'Estaing, V. G. (2002). Introductory Speech to the Convention on the Future of Europe.
- Hoffman, L. The Convention on the Future of Europe – Thoughts on the Convention-Model. *Jean Monnet Working Paper 11/02*, www.jeanmonnetprogram.org
- Prodi, R. (2002). Constituting Europe: The Convention Method', intervention at 'Democracy and European Governance', Arena Conference.
- Reh C. and Wessel W. (2002). Towards an Innovative Mode of Treaty Reform? Three Sets of Expectations for the Convention. *Collegium 24*.
- Schmitter, P. C. (2003). Constitutional Engineering by «Process» not «Product»: Which Europe Will Come out of the Convention? 'Whose Europe? National Models and the Constitution of the European Union' Conference, Oxford University.
- Shaw, J. (2003). What's in a Convention? Process and Substance in the Project of European Constitution-building. Institute for Advanced Studies.
- van den Burg, I. (2003). Constituting Europe: The Convention Method, intervention at 'Democracy and European Governance', *Arena Conference*.
- Watson, R. (2003). Drafting Team Reached Deal when Giscard went for Dinner with Villepin. *The Times*.

A MINIMAL DEFINITION OF DEMOCRACY THE EU'S ROLE AS DEMOCRACY PROMOTER IN THE ARAB WORLD

LUANA DINU

DEMOCRATISATION—A POPULAR SUBJECT

Democracy and democratisation are nowadays popular subjects for politicians, journalists or scholars, but, in spite of the fascination the subject exerts in these various environments, there is no consensus on the most likely ways of explaining democratic expansion or resistance to democratisation. Sometimes, the specific terms at hand in different situations are the same, but they nonetheless refer to different things. Considering the frequency of confusion and the probability of the practical consequences of theoretic ambiguities becoming dramatic, democracy remains a theme of special interest for both decision-makers and researchers in the field of political science.

We start with the observation that the importance of internal governing options has obviously increased at supranational level, becoming one of the main characteristics of contemporary international relations. Although the enthusiasm following the process believed to be an inevitable expansion of democracy in the '90s seems to have diminished, this continues to be seen as the champion regime of the modern world. Considering the positive connotation of the word family, some states tend to proclaim their own institutional functioning and their own set of laws to be 'the most democratic', as opposed to those of their competitors or adversaries, who are accused of having an inferior type of democracy or another regime type (Schmitter, 1998). These, in turn, have different response strategies, from promoting the virtues of dialogue and a minimum set of democratic behaviours to violent rejection reactions. Accepting the idea that there is no ideal model for democracy, either in a universal or in a regional context could actually represent the key to peaceful relations between actors in the international arena.

How could we evaluate the ascending trend of democracy on the 'international ideas market'? How could we explain the opposition to democratic principles and

what are the arguments of democracy promoters? Who are the relevant actors in such an analysis and how could we understand their actions? At the confluence of comparative politics and international relations studies, at the intersection of intellectual trends and developments in global reality, democratisation remains a theme worthy of the attention of political science researchers.

THE THEORY

We start by observing that the multitude of existing academic definitions of democracy and democratisation has a considerable impact beyond the academic debate. According to the way in which democratisation is understood, the assessments on progress made towards democracy can be optimistic or pessimistic, inciting political actors to different forms of behaviour. We shall follow Rustow's (1970) assumption, which opened the conceptual space for separately considering democratic transitions and democracy: 'the factors that keep a democracy stable may not be the ones that brought it into existence; explanations of democracy must distinguish between function and genesis'.

We shall refer to democratisation as a dynamic process, initiated in national unity conditions, where identifiable political actors have an important role in institutional construction; the model deliberately leaves open the likelihood of democracy appearing even at low levels of economic development (Rustow, 1970). This is a movement from less responsible to more responsible government, from less competitive or inexistent elections to freer and fairer elections; from restricted civil and political rights to guaranteed ones; from weak or absent civil society to autonomous and numerous associations (Potter, 1997). The democratisation process supposes (whatever the definition, whatever the political, economic, cultural or social context, without considering the assumed goals and the speed of the process), an adjustment of the relations between the governing and the governed, in the sense of a gradual approach, tending to coincidence.

The outcome is a regime known in theory as polyarchy, a wider concept, which could be approximated as a transposition into practice of the democratic ideal: a bi-dimensional regime, supposing, on the one hand, contestation (allowed opposition and public competition) and, on the other hand, participation (the right to participate in public contestation). Dahl (1970) suggests that a functioning democratic system is defined by the existence of eight institutional guarantees:

liberty of association and organisation, liberty of thinking and expression, right to vote, right of the political leaders to compete for the electoral support, alternative sources of information, possibility to be elected, free and fair elections, institutions that make the government policies depend on the vote. The rule of law must be added to all these instruments. It comprises not only respect for the existing laws, but also the realization of an efficient administration, the existence of an independent magistracy and working system to solve private and public conflicts, the absence of corruption and criminality, the presence of a pluralist system of information.

If we are to proceed to an empirical analysis of democratic transitions and instaurations, it is very important to give a minimum definition of democracy. In this perspective, we shall retain at least the idea that all political regimes with universal suffrage (both male and female), free, fair, competitive and periodic elections, more than one political party and different and alternative sources of information should be considered democratic.

IGNORED EXTERNAL (F)ACTORS

In the last decades, the study of democracy and democratisation has occupied a central place in comparative politics and international relations analysis. Between the late 50's and early 70's (a time when democratic governments were the exception and not the rule) new and exciting arguments appeared, to quote only Lipset (1959), Dahl (1971) or Rustow (1970). Empirical arguments were progressively added to the debate on democratisation, the study of concrete examples reflecting more or less the preceding theoretical thinking. After the mid-seventies, authoritarian regimes began to be replaced by democratic regimes, and by the 90's the waves of democratisation reached even the states without traditions, allowing the prediction of such developments. Research adapted itself to these developments, proposing new explaining frameworks for the phenomenon of 'democracy expansion'. The degree of diversity in these analyses is highly interesting, since they favour certain dimensions or specific factors (economic, political, cultural, security), while failing to synthesize them.

Literature proposes various explanations for the start of the process but the areas of theoretical convergence remain limited and generalizations are geographically and temporally limited. Firstly, democratisation studies consider the significant impact of economic development on the existence of democracy, as well as on its

survival. Secondly, there is a general agreement on the central role played by the elites in the democratisation process. Thirdly, regarding the effects of institutional options on political dynamics, the studies refer to the superiority of parliamentary systems over presidential systems in the consolidation and survival of democratic governing systems.

As to the role of external factors, we should emphasise that this issue occupies only a peripheral place in the studies on the democratisation processes, while interest remains focused on the analysis of internal reform dynamics and state-society relations affecting these dynamics. The global context in which the democratisation process unfolds is ignored in most cases mainly because of the difficulty to quantify the impact of external actors' actions on the consolidation of democracy (for instance, in the case of democracy assistance programs), a complex process which progresses in an irregular manner and unfolds over long periods of time.

Nevertheless, we cannot ignore the fact that the globalization process, the actions of international organisations, especially the financial ones, or the increasing role of non-governmental organisations have diminished the capacity of individual states to act on their own, isolated from the international system. Given the fact that historical evidence suggests a strong impact of external economic, diplomatic or military influences, we believe that in order to construct a comprehensive approach to the topic, we should identify, analyse and explain the role of external factors (at regional or international level) in shaping the actual and potential democratisation processes.

Starting with Dahl's approach (1971), we shall refer to the likelihood of external domination (the only considered form) influencing the chances of polyarchy, through actions affecting the beliefs of the political elites, even reducing the regimes' options, or through direct domination. This perspective can be broadened by considering the relations between equal states with open options on internal politics, who nonetheless shape these options in accordance with the international context. On the other hand, without considering pro-democratisation external pressures as a hegemonic instrument, we shall admit the obvious connection between political principles supported by democratic states and their long and medium term economic and security interests.

Literature developing analytical typologies of external influences on regime change focuses mainly on two central issues: the 'identity' of actors sustaining democratisation and the mechanisms favouring democracy. Instead we shall begin

with a different type of question: what is the motivation of states and organizations for promoting democracy? We believe there are three types of objectives: the satisfaction of normative concerns, the need to improve the security situation and the promotion of economic interests. In order to reach these goals, different actors produce different strategies, using a wide range of instruments. We shall try to evaluate the practical application and the efficiency of these strategies.

THE EUROPEAN UNION AND THE ARAB WORLD—A MULTIFACETED RELATION

If our objective is to understand the phenomenon of democratisation, an attempt to explain the way in which regions with significantly different traditions and approaches to the topic interact can prove to be more than interesting. We shall examine the relations between the European Union and the Arab world for several reasons: firstly, we are dealing with two neighbouring areas, which can be defined as opposed entities as well as interdependent entities; secondly, even though they show block characteristics, each block remains a conglomerate of distinct states with divergent interests, where the common voice in external relations represents more an exception than a rule.

We shall take into account the way in which the two perspectives of democracy are articulated, and look into the recent relations between Arab and European states, trying to find out whether the position of the EU concerning the Arab world corresponds to a real commitment to democracy or is instead a mere reflection of economic and security interests. The role of external impulses in initiating the democratisation process shall not be neglected either, since the democratisation of third regimes seems to have recently become a priority for West-European actors. In our case, the analysis shall focus on the way in which the states pursue their objectives and individual interests in the framework of multilateral formats; we refer to inter-regional institutionalized co-operation, manifest in different areas: politics, economy, culture and security. The relations between the European Union and the Arab world shall not be considered as a classic interventionism/imperial politics scheme; we believe that the proper perspective is to look at these relations as connections between states seeking to attain their own goals and some common objectives, while betting on the co-operation card and hoping that all the players face a win-win situation.

Before the end of the Cold War, the efforts aimed at stabilising allied regimes were mainly focused on the security dimension, and additionally, on the economic dimension; the instruments used were mainly military assistance and some development assistance, initially in the form of US support to the states in the front-line of anti-communist fight (in Western Europe and South-East Asia). In recent years a shift can be observed in the understanding of the political dimension and the (bilateral or multilateral) 'partnerships' of democracies with actors from outside the 'democratic area' seems to be essential.

In their specific relation to democracy, consolidated democracies have a major interest in stabilising the periphery, while the neighbouring states are interested in getting closer to credible partners, in order to enhance their reputation and to identify new ways of ensuring the predictability of internal developments. Although at first glance these positions seem irreconcilable, the existence of convergent interests gradually leads to language alteration and adaptation of action strategies.

On one hand, supporters of democracy tie the development of economic relations to the maintenance of a political dialogue, but sometimes tend to reduce the dialogue on democratisation to a minimum set of elements, thus introducing double standards in critical assessment, applied according to their specific momentary interests. On the other hand, non-democratic states, motivated by the need for legitimacy or the desire to strengthen their position as constant economic partners, can make concessions at the discursive level or turn to adjustments of the internal institutional framework, so that it can be described as democratic. In this way specific institutional dialogue frameworks are constructed, with a view of pursuing jointly assumed objectives, and the dialogue areas are usually extended in a progressive manner (from economic to political an even security dialogue).

In the European case, the development assistance offered to the states of the Arab world set out as a continuation of politics from the colonial age (preferential trade agreements, public investment, and fixed export prices). The promotion of democracy was used more as a pretext for undermining communist dictatorships than as action following the logic of some universally valid rule. After the collapse of communism, the policies of western states changed simultaneously with the start of ambitious reforms in the neighbouring states. The end of the Cold War cut off international support for many of the authoritarian regimes in the developing states, thus offering new opportunities for democratisation. Democracy and market

economy/capitalism began to be presented as a universally applicable solution. Given the interdependence between democracy and prosperity, the transformation of neighbouring regimes into democratic market economies seemed to be the best way of ensuring stability. The post-communist transition countries formed the avantgarde of what was supposed to be a global democratisation process.

What has happened so far? The current state of the European Union's neighbourhood is far from being a perfect testimony of the Union's major success in stability export. None of the instruments used, including trade liberalization, foreign direct investments, financial assistance and political dialogue, has proved to be 100% efficient. Economic incentives seem to work only if the states are already well governed, therefore donors tried to induce reforms recommending to aid recipients the adoption of democratic policies permitting good economic relations, and also appealed to a variety of labels: conditionality, political dialogue and democracy promotion. However, political dialogue has never been a purely technocratic exercise: the choice among the different reform strategies, reflecting different values and interests, affecting the income-wealth distribution, has always been a political problem which can determine the survival of governments and social peace in partner countries. The actions suggested by the donors involve the risk of unpredicted and unintended consequences.

EUROPEAN DEFINITION(S) OF DEMOCRACY

From a juridical outlook, the European Union recognizes the principle of democracy as a fundamental principle for the Union and as a common principle for the Member States (a recent acknowledgement from 1999, when the Amsterdam Treaty came into force). A similar reference can also be found in the Charter of the fundamental rights of the European Union, proclaimed in 2002 in Nice, which reiterates that the Union is based, among others, on the principle of democracy.

As to the external action sphere, the Treaty on the European Union, signed in Maastricht in 1992, included two references to democracy, which have not been amended by the later Treaties. The first is found in the framework of the provisions on a common foreign and security policy: article 11 (1) stipulates that the development and consolidation of democracy is among the objectives of the Union's common foreign and security policy. The second is in the framework of the provisions on the development of co-operation: article 177 (2) of the Treaty

Establishing a European Community (TEC) stipulates that Community policy in the sphere of the development of co-operation should contribute to the general objective of developing and consolidating democracy. The Treaty of Nice contains a new reference to democracy, in the framework of provisions on economic, financial and technical co-operation with third countries. 'Community policy in this area [economic, financial and technical co-operation with third countries] shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to the objective of respecting human rights and fundamental freedoms' (Article 181a(1) TEC).

At a first glimpse, we could conclude that the principle of democracy, as a common value of the Union, should be respected not only within its borders, but also in the Union's external relations, particularly in the common foreign and security policy, in the development and co-operation policy and in the economic, financial and technical co-operation with third countries. The EU's democracy promotion activity seems to have a strong juridical basis. The problems arise only when it comes to identifying the precise meaning of 'democracy' and 'democratic' actions, since these meanings differ as interlocutors differ.

In the case of candidate countries, the 'democratisation through enlargement' strategy proved to be a remarkable success: political conditionality (the Copenhagen criteria) was the major instrument of the EU, progress toward membership being measured in terms of compliance. States in Central and Eastern Europe had to ensure the 'stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities', by implementing the following main political priorities: reform of the judiciary (in particular independence of the judiciary), fight against corruption, reform of the administration and decentralization, real guarantees of political, civil, economic and social rights and the protection of minorities.

In the case of neighbouring states, the Union declared its intention to promote democratic reforms in the framework of the European Neighbourhood Policy in Eastern Europe, the Southern Mediterranean and Southern Caucasus, aiming to create a 'ring of friends'—i.e. states that do not have the perspective of EU membership, but can anyway enjoy privileged political, economic and cultural relations with the Union (data from www.europa.eu.int). The ENP was developed in the context of the EU's 2004 enlargement, with the objective of avoiding the

emergence of new dividing lines between the enlarged EU and its neighbours and strengthening stability, security and well-being for all concerned. It was first outlined in a Commission Communication in March 2003, followed by a more developed Strategy Paper in May 2004, outlining in specific terms how the EU proposed to work more closely with these countries. The key elements of the European Neighbourhood Policy are the bilateral ENP Action Plans mutually agreed between the EU and each partner country, which set out an agenda of political and economic reforms with short and medium-term priorities. Originally, the ENP was intended to apply to the immediate neighbours—Algeria, Belarus, Egypt, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and the Ukraine; in 2004, it was extended to also include the countries of the Southern Caucasus with whom the candidate countries Bulgaria, Romania and Turkey shared either a maritime or land border.

The EU offered its neighbours a privileged relationship, building upon a mutual commitment to common values (democracy and human rights, rule of law, good governance, market economy principles and sustainable development), and going beyond the existing relationships to offer a deeper political relationship and economic integration. The level of the relationship was supposed to depend on the extent to which these values were effectively shared. According to the European Commission, in return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, including aligning legislation with the *acquis*, the EU's neighbourhood should benefit from the prospect of closer economic integration with the EU ... the prospect of a stake in the EU's Internal Market and further integration and liberalisation to promote the free movement of—persons, goods, services and capital. (COM(2003) 104 final, 11.03.2003, p. 4)

The Commission made clear some essential prerequisites for political stability: democracy, pluralism, respect for human rights, civil liberties, the rule of law and core labour standards, and described the political situation in the two regions of neighbourhood policy as follows: 'nearly all countries of the Mediterranean, the WNIS and Russia have a history of autocratic and non-democratic governance and poor records of protecting human rights and freedom of the individual. Generally, the countries of the WNIS and Russia have taken steps towards establishing democracy and market institutions over the past 12 years. Yet political reform in

the majority of the countries of the Mediterranean has not progressed as quickly as desired'. (COM(2003) 104 final, 11.03.2003, p. 7)

In the southern Mediterranean, the ENP brought added value to the provisions of the Euro-Mediterranean Partnership/Barcelona Process started in 1995 (data from www.europa.eu.int). It is considered 'a unique and ambitious initiative', and its goals are, according to the Barcelona Declaration, (1) the definition of a common area of peace and stability through the reinforcement of political and security dialogue (Political and Security Chapter), (2) the construction of a zone of shared prosperity through an economic and financial partnership and the gradual establishment of a free-trade area (Economic and Financial Chapter), and (3) a rapprochement between peoples through a social, cultural and human partnership aimed at encouraging understanding between cultures and exchanges between civil societies (Social, Cultural and Human Chapter). The Euro-Mediterranean Partnership comprises two complementary dimensions: a bilateral one (through the Euro-Mediterranean Association Agreements that the Union negotiates with the Mediterranean Partners individually and which reflect the general principles governing the new Euro-Mediterranean relationship, although they each contain characteristics specific to the relations between the EU and each Mediterranean Partner), and a regional (regional dialogue representing one of the most innovative aspects of the Partnership, since it covers at the same time the political, economic and cultural fields).

In the case of the EU's relations with other countries in the Arab world, references to democracy are less markedly present although respect for human rights remains a precondition for commercial agreements; Article 177 of the TEC, which refers to the development of co-operation, lays down the objectives of development of co-operation with reference to human rights, particularly by opening the door to 'human rights' clauses: 'Community policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms'. Gradually, the clauses containing provisions related to violation of human rights have been incorporated in all bilateral trade and co-operation agreements. Article 177 also states that 'The Community and the Member States shall comply with the commitments and take account of the objectives they have approved in the context of the United Nations and other competent international organisations'. There is, however, no specific requirement related to democracy in its political dimension.

EU's relations with the countries of the Co-operation Council for the Arab States of the Gulf (a regional organisation created in May 1981 by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) are channelled through a Co-operation Agreement signed in 1989 between the European Community and the GCC (data from www.europa.eu.int). The objective of this Agreement is to contribute to the strengthening of stability in a region of strategic importance and to facilitate political and economic relations, but even though officials stressed their political will to further relations and co-operation in all areas besides trade and economic issues, little if no progress followed. There were positive signs on specific security areas such as counter-terrorism or non-proliferation; however, even the negotiations for a Free Trade Agreement (initiated in 1990, soon blocked and resumed in 2002) are facing difficulties and the partners have not yet reached consensus.

The enhancement of co-operation in political, economic and social fields remains a desideratum, reaffirmed, in the aftermath of the Iraq war, by the establishment of an EU Strategic Partnership for the Mediterranean and the Middle East, which provoked a renewed interest in EU-GCC relations. The EU believes that such enhanced co-operation will also open up possibilities for the European Commission to support the region's domestic reform efforts, including areas such as education or human rights.

Once more, there is no specific reference to democracy in its concrete political dimensions. Could it be because Europeans carefully respect the sovereign right of third states to decide on internal affairs (and human rights represent the only area where the large freedom of action traditionally belonging to States has been restricted in many respects by international law)? This could be an explanation. But it could be argued against very easily after one closer look at some statements made by EU officials, who, at a discursive level, continue to critically address internal developments in third states, where elements characterizing democratic regimes (free elections, freedom of speech or of association) are absent.

It is noticeable that the declarations often differ in intensity, and one possible reason is the difficulty of EU member states to reach a compromise on the meaning and consequences of their assessments (regardless of whether they are Conclusions of the Council or statements by the EU Representatives); the EU's external relations remain, for the most part, an area where the level of decision is not communitarian, but inter-governmental, where decisions are taken not by majority, but by consensus.

And consensus is difficult to reach when 25 (or soon 27) actors with often divergent individual interests have to negotiate priorities and budgets. Consequently, EU's critics seem to be right in stating that the EU is applying double standards and avoids any actions that involve the risk of irritating some of its potential 'strategic' partners, in terms of geopolitics/security/trade.

They could also be right in criticising the inefficiency of the Union's actions as democracy promoters. For the moment, there is no democratisation in the Arab world: even though the need for reforms is no longer a taboo theme, and steps have been taken toward liberalization, the reform discourses of administrations in the Arab World are far more generous than their actual actions of reform implementation. More than that, it will come as no surprise that short-term plans to export stability rarely fit cultural, political and social realities on the ground; although no one can deny the local elites' desire to question the existing regimes and to build alternatives for the future, there are no widespread popular movements favoring change and it is difficult to predict the moment when the debate on democratisation will spread over to politics, encompassing large-scale norms and values. There is still potential for conflict between liberal values and democracy as reflection of the majority will (hence the risk of oppression), and there is still a gap between the need for economic liberalization and the subsequent budget cuts (hence the risk of paralysis of state institutions). Furthermore, it is hard to imagine that elites will easily support reform processes comprising measures which could put drastic limits to their wealth and power resources. But abandoning the mission is not an option for democracy promoters.

POSSIBLE CONCLUSIONS

The promotion of democracy remains a favoured objective of the European Union in its relation to other parts of the world. Even if democracy's supremacy in not universally endorsed, even if the 'end of history' seems to have been postponed, the factors blocking democratisation are regarded more as accidents and less as permanent roadblocks to the triumphal procession of democracy. The lack of open political systems, the temptation of authoritarianism and the violent conflicts between governments and opposition movements are seen as key-factors limiting the potential for economic, social and human development of societies in some parts of the world.

Although the difficulties of transition from autocratic to democratic systems can be anticipated in the case of the Middle East or Northern Africa, there is still support, amongst European officials, to the idea that only authentic democratisation can lead to peace, justice and prosperity. Avoiding a normative approach (as long as democracy promotion is looked upon as an instrument for stability and predictability of regimes in the Arab world, rather than as a *per se* objective), the majority of decision makers proclaim the long term advantages of liberal democracy for the region. The only 'compromise' in the 'recipe' is the acceptance of the fact that immediate assertion of 'western—type' democracy is not a must, and that a gradual process, conducive to increasing participation of people in the economic, social and political life, in harmony with the specific religious norms, is preferable for the states in this area. Even if the 'clash' between western and Arab political and spiritual values is sometimes brought up as an obstacle to stability, Europeans believe that, without constant pressure and pro-liberalisation arguments from external factors, without exposure to the political 'model' in place in the European states or in the US, the kickoff of the 'democratisation race' in the Arab world seems impossible.

What would be the proper course of action for the EU in this complex context? One solution could most likely derive from the understanding of democratisation as a long term objective, or, in other terms, from the construction of 'consumer targeted marketing strategies' in the process of 'democracy export'. Another answer should probably relate to the 'product' itself. This well-known 'soft-power' could probably become a more successful actor on the international stage if it were to resolutely (not audaciously) resort to the same arguments that served the European construction. A good example of efficient institutional power-sharing; an illustration of economic performance derived from political will; on the whole, a successful model of co-operation based on shared values: this is what the EU stands for.

REFERENCES

- Aliboni, R. (2004). Promoting Democracy in the ENP: Which Political Strategy?, *Euromesco Reports*, Instituto De Estudos Estrategicos E Internacionais, Lisboa.
- Anderson, L. (1999). *Transitions to Democracy*, New York Columbia University Press.
- Carothers, T. (2004). *Critical Mission: Essays on Democracy Promotion*, Carnegie Endowment For International Peace, Washington, DC.
- Dahl, R. A. (1989). *Democracy and its Critics*, Yale University Press, New Haven.
- Emerson, M. (Ed.). (2005). *Democratisation in The European Neighbourhood*, Center For European Policy Studies, Brussels.
- Linz, Juan J. – Stepan, A. (1996). *Problems of Democratic Transition and Consolidation*, Johns Hopkins University Press, Baltimore.
- O'donnell, G. – Schmitter, P. C. – Whitehead L. (Eds.) (1986). *Transitions from Authoritarian Rule: Prospects for Democracy*, Johns Hopkins University Press, Baltimore.
- Saikal, A. – Schnabel, A. (2003). *Democratisation In the Middle East: Experiences, Struggles, Challenges*. The Changing Nature of Democracy, United Nations University, Tokyo.
- Schmitter, P. C. (1998). *Some Basic Assumptions about the Consolidation of Democracy*. In. Takashi I. – Newman E. – Keane J. (Eds) *The Changing Nature of Democracy*, United Nations University Press, Tokyo.

DIVERSITY IN VALUE ORIENTATION IN EUROPE: INTERACTION CONFLICTS

ÁGNES BORGULYA

ABSTRACT

Owing to globalisation workplaces where employees working together got socialised in different social surroundings are emerging in abundance. Significant value and attitude differences within a multicultural company make it more difficult for people to work together even though they do not come from significantly different cultural blocks. People from different European countries, for example, are in direct working contact with each other. This study aims to highlight those differences in values and attitudes which are of importance in a working environment. To this end it uses data obtained from EVS survey results. The data presented make it quite obvious that although work is the second most important life component after the family within the system of values, the characteristic features of work and the circumstances (high income, long holidays etc.) are valued in quite different ways by those working in different European countries. Their views also differ regarding reliability of people. There also differences in their attitudes towards a number of different social groups.

INTRODUCTION

This study attempts to find answers to the following questions: What kind of basic assumptions, values, norms and behaviour regulation characteristics should an individual possess within a multicultural company if the company is made up of individual employees who were socialised in a number of different national cultures? What kind of clashes are to be expected if—let us suppose—the company employs staff members originating from Denmark, Italy, Latvia, Hungary, and Romania to work together? The answers to the above questions are not provided on the basis of a survey carried out within a particular company, but by using—as a secondary basis—the results provided by EVS research and data. Data was obtained in 1999/2000 with a uniform methodology and questionnaire, and allowed a good comparison of the moral standings, attitudes and values preferences of European nations, including Hungary.

THE EVS

A longitudinal value survey entitled European Values Study was started by researchers from Tilburg University and Leuven Catholic University at the end of the 1970s. The initiating question was the following: Does European cultural unity which was formulated earlier under the influence of Christianity, still exist? The objective was to get a basic understanding of the fundamental value attitude of Europeans, with empirical methods of research. The first round of the survey involving members of the European Union at the time and Spain was completed in 1981. This survey very soon excited the interest of experts outside Europe, and through Ronald Inglehard, professor from Michigan University, overseas institutions joined in and became participants of data collecting. All participants used the questionnaires and data processing methods developed by the EVS. This is the way the World Value Survey (WVS) developed from the EVS, and covered the whole world.

In order to measure changes during the 1990s a new data collection was completed. With the exception of Greece, all countries of the European Union participated in this round together with a few East European countries and the Scandinavian countries.

The new, third survey carried out during 1999/2000 repeated the topics raised during the earlier rounds. The questions were concerned with the significance of the most important life issues (for example: family, work religion, etc.), attitudes towards issues of society, the presence of politics and environmental awareness within society, and, in addition, a number of moral issues (for example: abortion, euthanasia, illegal profits etc.) as well as attitudes towards different social groups (for example: immigrants, ethnic minorities etc.).

The project raised the following main issues:

Do Europeans share a homogenous and lasting set of values?

Are values changing in Europe and, if so, in what direction?

What are the implications for European unity?

The third round of EVS (which together with the results of WVS cover the whole world) involved 32 European countries and processed opinions of 39.797 respondents from Europe. Between 1000 and 2000 individuals were questioned

in each country. The representative survey carried out with the uniform questionnaire was conducted by experts (mainly from the Gallup Institute). The most comprehensive value orientation survey carried out up to the present time is of outstanding importance, because the data gathered simultaneously provide an excellent basis for the comparison of the national and cultural characteristics of European countries, including the East European countries. The presentation is based on the findings of the latest survey.

From the enormous data base I selected only data which are of special significance regarding the workplace cooperation between people. This is the reason why the selection of data is confined to the basic life components (family, work, friends, leisure time etc.), certain expectations regarding work, management, attitude towards competition, attitudes towards certain human groups, and certain moral issues playing a significant role in the working environment. The comparison is limited to extreme average values, although the available data would allow for a more sophisticated comparison (for example of characteristics by nation, by gender, age group, and education).

SOME IMPORTANT COMPONENTS OF EUROPEAN VALUES

The importance of certain life components has a significant effect on employment and the way people work. For example the motivation for work well done, and the loyalty factor are influenced also by the roles that family, friends and acquaintances, leisure time and even religion play in the life of the individual.

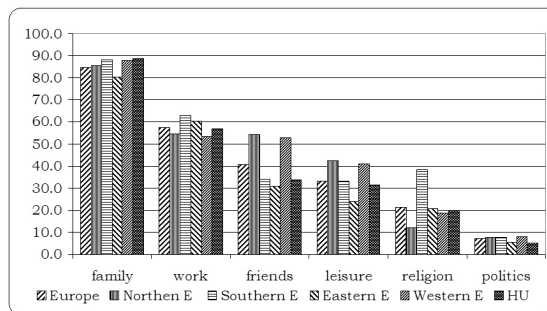
The importance of family, work, friends, leisure time, religion, and politics

The individuals answering the questions formulated their opinion regarding the importance of individual components of life for them. They could select among *very, quite, no, and not important* at all answers. It was found the *family* is outstandingly important within European values. Out of the total number of respondents (39,797) 84.4% marked '*very important*' and only 0.5% said the family is not important at all. Comparing different countries only small deviations were found, even within the possible answers given. Among the six factors work takes the second place. On the average 57.6% of Europeans ranked it as very important and only 3.5% said it is not important at all. However, the national differences are more significant among the respondents selecting '*very important*': the Poles are in the lead (for 78% of them it is

‘very important’ and for only 1.8% it is not). The Danes do not seem to be generally ‘workaholic’: only 39.5% of them think work is very important, while the majority class work as ‘quite important’.

The average European value regarding the high importance of *friends and acquaintances* is 40.1%. The difference between extreme values is even greater than in the case of work. While 70.7% of Swedes think this is a very important factor in their life, only 17.0% of Latvians think the same. Similarly, the differences are very big in relation to the importance of leisure time. The Swedes, the people of the Netherlands, and the British are in the front (with their values above 50 %) while less than 20% of the Latvians, Lithuanians and Russians consider leisure time as very important. Within the order of importance of life components *religion* takes fifth place. The European average of answers ‘*religion is very important*’ is 20.9%. But in the background of this average a great difference can be seen between the Maltese (67.2%) and the Czechs (7.3%). There is a similarly big difference between those who think religion is not important at all (Malta 1.9%, the Czech Republic 46.6%). Last in the order of life components is politics, where the European average is 7.2%. Malta is in the lead with 13.4% of answers ‘*politics is very important*’, and Romania shows the strongest response level saying ‘*politics is not important at all*’ (41.3%). (Fig. 1)

Fig 1. : The importance of most important life components in Europe

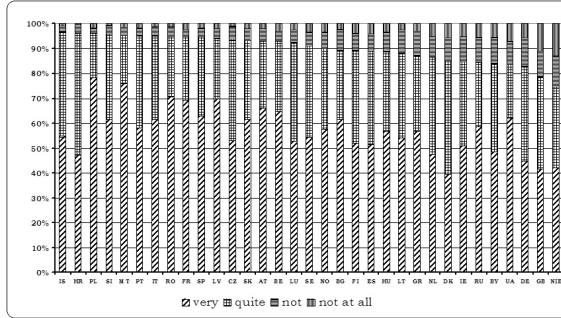


THE IMPORTANCE OF WORK

If we dig deeper in the comparison of the importance of work we find significantly more ‘very important’ values in East Europe and Malta than in North and Western Europe. Scores of Poland(78%), Romania (70.6%) and Latvia (69.7%) are significantly

higher than the European average of 57.6%. Slovakia, Bulgaria, Ukraine and Russia are also above average. It has to be added that the French (69.1%) and the Belgian (64%) values are also high, especially if we include the ‘quite important’ category too. Among the French only 5.2% say that work is not important or not important at all. Among the Maltese this group represents only 4.5%. It is surprising, however, that 25.5 % of the Irish think work is not important, or not important at all. (Fig. 2)

Fig. 2. The importance of work in the European countries



VALUE PREFERENCES RELATED TO WORK

A significant role is played in cooperation within a workplace by the individual’s value preferences and the expectations connected to work. The EVS lines up 15 points of view which the respondents were asked to rank by order of importance. They are the following: *good pay, pleasant people, not too much pressure, good job security, good chances for promotion, a job respected by people in general, good hours, an opportunity to use initiative, a useful job for the society, generous holidays, meeting people, a job in which you can achieve something, a responsible job, an interesting job and a job that meets one’s abilities.*

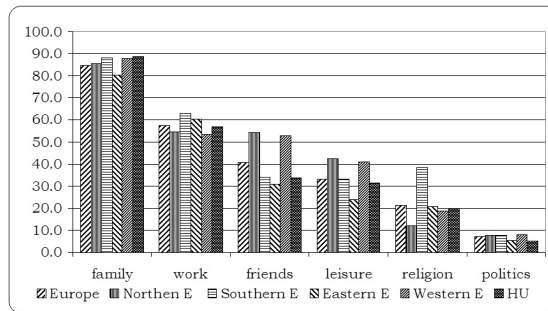
Good pay, regarding European average and in nearly all countries is important (80.5%) (Fig. 3). Similarly important is working together with pleasant people. (69.7%). The remaining factors are rated differently by Europeans.

Hungarians think several aspects are very important, scoring higher than the European average and higher even than the Northern or Southern averages. They lead the list regarding several aspects. It looks as if they would like to secure several aspects of work at the same time: secure job, good chances for promotion, the possibility of meeting other people, the possibility of doing a responsible job. This data

significantly contradicts the statement of foreigners, according to which Hungarians (similarly to other post-communist countries) do not readily accept responsibility at their work. Appreciation by the community was also given a high value.

Apparently it is very important for Hungarians to do a kind of work which is respected by people in general (83.5%) in contrast with the Danish employees (10.9%). The greatest difference in this category was found in comparison with the European average of 4.4%. Attitude towards stressful situations is also significantly different. While 67.6% of the Maltese think that their work should not lead to high stress, only 8.4% of the Latvians have the same opinion.

Fig 3. Work-related expectations



The importance of 'good pay'

HUMAN RELATIONS

One of the cornerstones of organisational culture is the quality of relationship among employees. The requirements of mutual respect, correctness, and humane behaviour at the workplace are getting stronger nowadays. Trust is one of the most important values in human relationships.

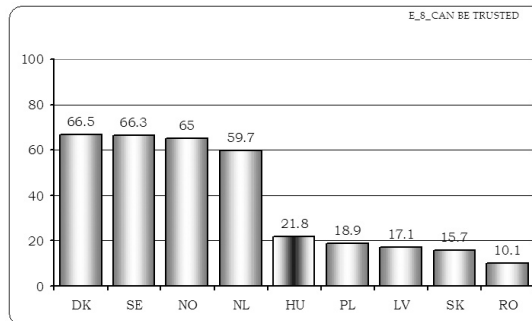
Trust

Trust means belief in the correctness of other people, rather than their devious behaviour, in their moral steadfastness, and that they will not abuse our weaknesses. Trust may replace the control exerted by a third party, the direct enforcement of legality; it makes the exchange of goods and information easier and facilitates communication among co-operating partners. On the other hand, distrust is a negative attitude and destroys communications.

Societies and organisations based on trust spend less time, money and energy on documenting and checking. EVS data strongly suggests that within Europe the differences are great regarding judgement of trust. In answer to the question concerning trustworthiness of fellow citizens ('Generally speaking, would you say that most people can be trusted or that you cannot be too careful in dealing with people?') the highest percentage was provided by the citizens of the North European countries and the lowest by the East Europeans. On the European average one third of the citizens think that one can trust most of the people and two thirds think one has to be very careful.

Behind this average, however, very different, even extreme data can be found. Romanians are the most distrustful (only 10.7% trust in others) followed by the Slovaks (15.7%) the Latvians (17.1%) and the Poles (18.9%). The highest percentages are shown by Denmark (66.5%), the Netherlands (59.7%) and Finland (58%) where respondents think that most people could be trusted. 21.8% of Hungarians have trust in other people. These findings suggest that trust-based clashes might easily occur during co-operation between the Central Eastern European countries (including Hungary) and the Scandinavian countries, for example about the division of information (Fig. 4.).

Fig 4.: The issues of trust



Most people can be trusted

Negative attitudes

Negative attitudes (prejudice, hostility) are phenomena, which make interpersonal relations or communications very difficult. Regarding communications those

phenomena are interpreted as 'psychological noise', which prevents the individual with prejudice and hostility from interpreting the message without distortion. Because of a negative attitude towards the communication partner, the hostile individual will detect hostile and non-desired signals even if the sending party has not encoded those. His or her behaviour will be hostile even if the partner makes efforts to avert it.

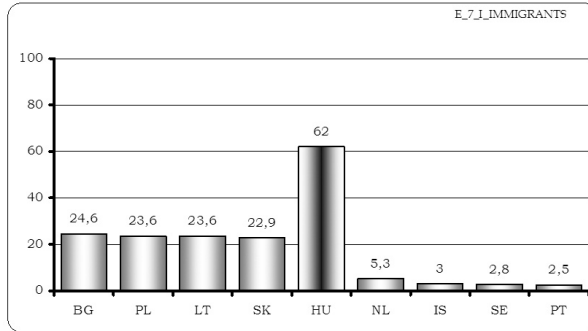
Prejudice means aversion, hostile feelings, negative attitudes towards a single person, or a group of people, based exclusively on the fact that the given individual, or group is a member of a certain (larger) group of people. It plays a significant role in cultural, value related conflicts.

The issue raised by the EVS ('On this list are various groups of people. Could you please sort out any that you would not like to have as neighbours?') has revealed negative attitudes towards people. It selects 14 social groups: people with criminal record, people belonging to different race, left wing extremists, right wing extremists, heavy drinkers, large families, emotionally unstable people, Muslims, immigrants and foreign workers, people with AIDS, drug addicts, homosexuals, Jews, Gypsies. The survey regarding Hungary provided shocking results.

Attitude to immigrants and guest workers is very hostile: 62 out of 100 interviewed individuals said that would not like to have an immigrant or foreign worker as a neighbour, and only 24.6% of Bulgarians, the next in the level of hostility think similarly! The most accepting nations are the Portuguese followed by the Swedes (only 2.5%, and 2.8% of them respectively have a rejection attitude to the above mentioned groups). (Fig. 5.)

As regards the other social groups listed the Hungarians are not less hostile. Among all European countries Hungarians reject individuals with criminal records (88.5%) drug users (91.5%) and people belonging to other races the most strongly (however in this last case the rate is 'only' 52%). The Bulgarians are again the next in line: 28% of them reject the mentioned groups. The Swedes are the most tolerant again: 97.5% of them have no objection to neighbours of a different race.

Fig 5.: Prejudices



Whom you would not like to be your neighbour? Immigrants, foreign workers

Similarly, Hungarians are the leading nation regarding the rejection of alcoholics (91%), the emotionally instable (62.8%), those suffering from AIDS (77.8%), the extreme left (65.3%), the extreme right (68%), Moslems (60.3%) and Jews (44.4%).

The above data raise concerns regarding the acceptance of otherness, the willingness to live together and co-operate with people socialised in different cultures. Even if the data presented here contain statistical distortions the managers of multicultural companies have to take into consideration the appearance of negative emotions.

Moral issues

EVS deals with a large number of issues relating to the morality of society, connected to different walks of life. Of the range of issues involved only a few of will be analysed here, for example those, which could be summarised under the title of illegal benefits and relating directly to economic activity (claiming state benefits which one is not entitled to, cheating on tax if one has a chance, accepting a bribe in the course of one's duties, lies made for personal interest and paying cash for services to avoid taxes).

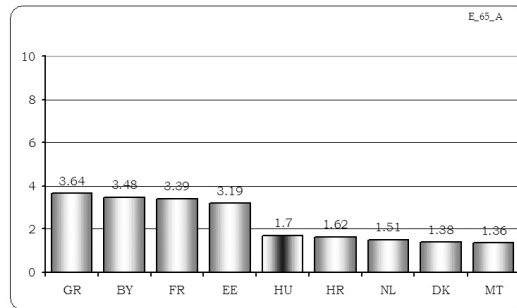
It is quite clear from the answers given that Europeans reject and deem unallowable those kinds of advantages. Differences are observed only in the strength and measure of rejection. Out of the above listed five illegal actions leading to personal gain, bribery is rejected most strongly by Europeans. On a ten-point scale (where 1 means 'can never be justified' and 10 means 'can always be justified') the European average is 1.82. Similarly, 'claiming state benefits which one is not

entitled to' is unaccepted (the average is 2.82). 'Paying cash for provided services to avoid taxes' is judged to be the most forgivable issue.

Claiming state benefits which one is not entitled to is judged similarly by the northern and some of the western countries but the reactions of East Europeans are very sensitive. Croatia (1.62), Hungary 1.70), Romania (1.82), Bulgaria (1.86) and the Czech Republic (1.87) are very near the 'can never be justified' category. It seems that Greece and France are the most allowing nations, their values are 3.64 and 3.39 respectively. The strictest are Malta and Denmark with the averages of 1.36 and 1.38 (Fig. 6.)

Fig 6. Morality of society

Claiming state benefits which one is not entitled to



Can always be justified: 10 points. Can never be justified: 1 point

The European average of rejecting *tax evasion* is 2.63. Concerning this issue Malta is again the nearest to the 'can never be justified' opinion with 1.53. The Belarus average is, however, 4.22, that is in their opinion tax evasion is not judged so strictly. The averages of Lithuania (3.77) and Ukraine (3.45) are relatively high, similarly to Belgium, Luxemburg and France where the average value is above 3. Hungary, with the value of 2.12 is stricter than the European average.

While the Hungarians have higher levels of rejection regarding the first two questions than the European average, *bribery* is judged more mildly. The European average is 1.8, and Hungary is not very far behind the most permissive Belarus (3.09) and Slovakia (2.94), with their average of 2.67.

It is Malta that judges the *lie in self-interest* most negatively (1.62) while the Hungarians with their 2.53 value are somewhere in the middle range and the French have proved to be the most permissive towards liars with a value of 3.71.

Concerning the method of payment in cash to evade taxation within Europe the Latvians, the Danes and the Belgians deem the action to be most acceptable.

It is significant, that the respondents expressed their view on the extent to which their fellow citizens (countrymen and women) practice those morally rejected actions. As to '*claiming state benefits which one is not entitled to*' Hungarians have the most negative opinion in Europe according to respondents' statements. Their answer that '*nearly everybody obtains illegally state benefits*' has the highest score (70.5%). The European average regarding this issue is 6.1%! Similarly, the majority of Hungarians think that among the Europeans nearly every individual commits tax evasion, when it is possible (78.4%), while only 6.5% of the Finns have such a negative opinion of their fellow citizens (the European average is 13.2%). The picture regarding cash payments made to avoid taxation is just as bad. 76.2% of the Hungarian respondents think that nearly everybody uses this method of tax evasion, while the European average is merely 11.1.

MANAGEMENT ISSUES

Although the EVS does not deal with values belonging specifically to management, several important data can be found in the database that are relevant to this field. They include obeying a manager's instructions and the issue of judging competition.

Obeying the manager's instructions

The core of the issue is '*Should one follow instructions of one's superiors even when one does not fully agree with them, or should one follow one's superior's instructions only when one is convinced that they are right?*'. The respondents could choose from the following answers: '*follow instructions*', '*be convinced*' and '*it depends*'. As to the European averages, the answers revealed only small differences (32.7%, 38.8%, and 28.4%). However, it is significant that it is the Northern Irish, the British and the Hungarians who had the highest percentage of the answer: '*the employee must follow the managers instructions even in if the employee does not agree with them completely*' (Northern Ireland 47.9%, Britain 44.4%, Hungarian 43%), while the lowest percentage

was provided by Belarus and Slovenia (16.3% and 18.7% respectively). The conviction is supported to the greatest extent by the Finns (59.3%). Using the above data, for example, for a joint project between British and Slovenian participants we can easily forecast clashes developing around managers' instructions.

Competition is a very important sphere of behaviour and activity. Significantly differing judgements were made by the respondents coming from various national cultures to the following statements, when they were asked to place their views on a 10 point-scale: *Competition is good. It stimulates people to work hard and develop new ideas. Competition is harmful because it brings out the worst in people.* Altogether, the European opinion tends to favour the view that competition is good. However the individuals from Western Europe think it is significantly less useful and less positive than East Europeans do. In other words West Europeans think its adverse effect is more important than its positive side. The French, the Belgians and the Dutch are the least enthusiastic about competition, while the Romanians, Croatians and Icelanders are of opinion that its bad effects are less significant.

SUMMARY

Within the European value orientation there is mostly unity in judging the importance of basic life components. In every country *the family is the greatest value, followed by work.* The Europeans are relatively united in their judgement of the importance of politics. However, as far as religion, leisure time, friends and acquaintances concerned, we find significant variations. The differences in opinion are even more significant regarding values and priorities tied to work. In this context Hungarians represent an exceptional view because for them everything is important: high wages, secure working place, pleasant colleagues, important job for the society, the work has to be respected by the society, etc. Also attitudes towards others, especially trust and tolerance, opinions on civil morality, on obeying superiors' instructions differ from country to country.

The differences outlined by the EVS results and the significant differences within Europe strengthen the supposition, that within multicultural workplaces or joint projects in Europe harmonious interactions and maintenance of good communications require the conflict solving ability of a very able management.

REFERENCES:

- Arts, W. – Hagenaars, J. – Halman, L. (2003). *The Cultural Diversity of European Unity*. Brill. Leiden – Boston.
- Bakacsi Gy. – Takács S. – Karácsonyi A. – Imre V. (2002). Eastern European Cluster: Tradition and Transition. *Journal of World Business*. 37. 69-80.
- Hagenaars, J. – Halman, L. – Moors, G. (2003). *Exploring Europe's Basic Values Map*. In: Arts, W. – Hagenaars, J. – Halman, L. (2003). *The Cultural Diversity of European Unity*. Brill. Leiden – Boston. 23-48.
- Halman, L. (2003). *The European Values Study: A Third Wave*. Tilburg. EVS, WORC, Tilburg University.
- Jávör, I. – Rozgonyi, T. (2005). *Hatalom, konfliktus, kultúra (Power, conflicts and culture)*. KJK-Kerszöv, Budapest.
- Stanger, R. (1967). *Psychological Aspects of International Conflict*. Belmont, Calif.: Brooks /Cole.

JOB OPPORTUNITIES IN BRUSSELS SOME IDEAS ON A STRATEGY FOR YOUNG GRADUATES FROM THE DANUBE REGION

BRIGITTE KRECH

INTRODUCTION

Brussels is regarded as one of the most important European capitals in political terms. The colourful shape of European politics, such as the process of European integration, the administration of projects (co-funded by the European Commission), the activities of the European civil society on the European decision-making level, active European citizenship and many more issues are, to a certain extent related to the Belgian capital. More than 100,000 people are supposed to be working in the 'EU-environment' of Brussels. This includes the EU institutions themselves as well as organisations related to the EU. What kind of jobs exist in the specific framework of the political landscape? How should one apply for a job in Brussels, especially while living abroad or not coming from an EU member state? How to build up a job strategy, especially as a young graduate from the Danube region? The following essay will provide information as 'food for thought' on job opportunities in Brussels, especially for young graduates from the Danube region. The essay can be seen as a starting point for the further development of an individual job seeking strategy. In the annex several internet sites will be introduced which can help potential candidates applying for vacancies in EU-Brussels.

This essay will mainly focus on practical information and less on the academic analysis of European integration. However, it might be useful to bring both aspects together—scientific research as well as (the analysis of) job opportunities in Brussels, where academic experience will finally be initiated by graduates in European or international relations, for example. Young researchers from the Danube region are part of the 'European project'. The content of this essay is based on several years of work experience the author gained in EU Brussels—including experience in job applications.

Brussels—what kind of a job market?

It is estimated that about 100,000 people work for the European Union in Brussels. The job market seems to be very dynamic. What kind of jobs are there? What kind of special fields are relevant in the EU environment? By breaking down the positions that are potentially available, we can end up with several clusters.

They mainly include posts as civil servants in the EU institutions, in the field of diplomacy in the permanent representations to the EU, assistant positions to the Members of the European Parliament, jobs as policy officers or advisors in European associations and federations, NGOs, researchers in think tanks, consultants working in consultancies, office managers/administrative assistants, project managers, and so on.

Here are some examples

EU officials

Many people are interested in working in the European public administration. Civil servants work in the EU institutions and committees in Brussels (European Commission, European Parliament, the Council as well as the Committee of the Regions and the European Economic and Social Committee). In order to become an EU official, one has to pass a competition in order to get on the reserve list and finally to apply for a permanent post in the EU. (The EU institutions also employ a certain number staff with non-permanent contracts) The European Personnel Selection Office is responsible for the competitions and all questions regarding the employment policy of the EU institutions. The competitions vary in their prerequisites, (e.g. language skills) and some competitions are open only for certain nationalities.

Diplomats

Each EU member state has a permanent representation delegated to the EU. Other countries have a mission to the EU. The diplomatic field is more relevant for officials who are already working for their foreign ministry and have been deployed to Brussels. In general the diplomatic field can be of high interest for young graduates with an international background.

Assistants to a Member of the European Parliament

Each Member of the European Parliament (currently 732 MEPs) generally employs at least one assistant. The assistant manages and organises the political activities

and busy schedule of the MEP. Young graduates often start their working career as assistant to a deputy. Sometimes the assistant does not have the same nationality as the MEP or is not politically active in a party. Some assistants have a traineeship at the MEP's office prior to their work as an assistant.

Lobbyists

Lobbying activities have increased in the last couple of years. Lobbying at EU institutions, mainly the European Parliament, has become an increasingly important political activity in Brussels. European federations and associations are being established, which may vary in size, budget, activity, and influence, but offer an interesting job market for (international) graduates. Non-governmental organisations (NGOs) as representatives of the civil society are also active on the European level and are looking for (campaign) personnel and policy officers. Their activity covers human rights, the environment, consumer protection, youth activities etc.

Researchers

Several think tanks and political foundations have been established in Brussels and might offer research opportunities, in topics like the Western Balkans, the geostrategic aspects of energy supply or climate change.

Consultants

Consultancies are mainly responsible for managing EU projects. Experience in European project management (e.g. project cycle management) and field experience in a specific sector with a combination of foreign languages might be of interest for the consultancies.

Members of regional representations

Regional offices have increased their presence in Brussels. There are around 250 regional offices in Brussels—representing European regions. Their activities are mainly related to the Committee of the Regions, the Directorate General of Regional Policy of the Commission as well as fund-related matters.

Internships

A lot of students and graduates gain first-hand job experience through internships (internships, traineeships or 'stage' in French).

An internship can lead to a work contract. On the other hand, many job advertisements contain the requirement of a 'stage' in an EU institution. The European Commission offers several hundred traineeships for a five-month-period each, starting in October or March. The application procedures are well-explained on the Commission's website. Other EU institutions also offer training experience to a lesser extent. Many other organisations, which have been mentioned before, have interns and volunteers.

'Concours'—sharing personal experiences gained during an EU competition

'Between July 2002 and April 2004 I took part in an EU competition for administrators in the field of environment (the previous administrative level—A8). The Concours required a degree in an environment-related field with no specific work experience. EPSO received around 5000 applications for 60 posts (and 80 people on the reserve list).

During the same time EPSO published several other competitions for civil servants (e.g. in the field of fisheries, agriculture as well as sustainable development).

It is useful to check the EPSO website on a regular basis.

We—a group of five people with different backgrounds, languages and work experience in the EU environment—decided to study together for the competitions.

N.B. Why did I choose to prepare in a study group? It can be difficult to study for a concours—especially in terms of motivation, the high number of competitors, the challenge of studying while working and having other commitments. Therefore we decided to form an informal study group in order to prepare ourselves as efficiently as possible – without being too isolated during the time of preparation.

The exams of my competition comprised a pre-selection test, a written exam and finally an oral exam. I chose German and English as my main languages. In the study group, we mainly used English and French. My pre-selection test contained multiple-choice questions in numerical and verbal reasoning, EU related questions, and my special field, the environment.

What kind of study material did I use? There are many books available for the numerical and verbal reasoning. One main source for the EU related questions was the '250 mcq on Europe and European policy', published by a union (SFE) and available in several languages. Other main sources included the treaties of the Union as well as the internet sites of 'Europa'. For the special field, I mainly used the internet sites of

the Commission (DG Environment) and thoroughly studied EU environmental policy in the last couple of years.

It was useful to attend conferences related to environmental policy as well as study reports of environmental NGOs on EU policy.

After passing the pre-selection test, I sent my application with all the relevant documentation to EPSO. The next step was the written exam. In our preparation for this exam we mainly dealt with EU documents. We wrote summaries, briefing notes, notes, short reports, press releases, and speaking notes in the required languages in order to become familiar with EU documents. We wrote tests at home in order to become familiar with the time pressure of the exam. Some fellow candidates took part in preparatory trainings as well.

After passing the written exam, I took the final exam consisting of an oral test. (Several months passed by between the different steps.)

In order to be thoroughly prepared for the oral exam, I took part in a coaching seminar, which was organised by the German Foreign Office.

The oral exam took part in the EPSO building in Brussels. The jury consisted of several civil servants from different units and nationalities as well as representatives of EPSO. I took my exam in my main language; in the end of the oral exam my second chosen language was used. Interpreters translated into different languages.

It is useful to try how to work and deal with headsets.

The oral exam took around 45 minutes.

The first 80 candidates with the highest scores achieved were put on the reserve list. Candidates on the reserve list will apply for vacant posts in the EU institutions.

Conclusion: some thoughts on a job-seeking strategy

In order to find the ‘right’ job-seeking strategy, applicants need to deal with questions regarding the best approach.

It can be useful to use manuals of business strategy for developing a job strategy. Marketing theories have a cognitive psychological background and can be transferred into supporting tools for building up the framework of a job strategy. Management strategies are relevant to finding a market niche for products/services. As a progressive approach—looking at a job strategy as a service—this knowledge can be transferred.

Some of the following questions will support the candidate and summarise the most important aspects of this essay:

Where do I want to be in the short-term (one year), mid-term (three to five years), and long-term (more than five years) regarding my working career?

Does it make sense to continue my studies after finishing my graduate programme? This leads to another question: is it possible for me to e.g. apply for the College of Europe, which is regarded as an excellent preparation for a European career? Is it possible/feasible to do evening classes/part-time degree?

Do I want to live abroad? If living abroad: what does it mean for my career, which I could have started in my home country? What does it mean for my personal life? Did I check the regulations concerning work and residence permit? What kind of regulations are there to observe?

What languages do I speak? Level of foreign language skills? Do I need to learn additional languages in order to become more competitive, e.g. French or German?

My CV/profile: what are my comparative advantages? How can I attract attention to my comparative advantages?

Regarding the applications: How many applications have I sent? Should I send some more CVs? Should I stop for a while and wait for responses? Where have I sent my CV? Have I found my own market niche, which is suitable for me? Which organisation might be interested in my profile? Did I spend enough time preparing my application documents?

Concerning internships: If I do an internship, can I afford to pay the living expenses if the internship is not remunerated or just partly remunerated? Is it possible to get financial support from a foundation in my home country or a foreign foundation, which supports candidates from e.g. the Danube region in gaining European experiences? If I enter the so-called blue book of successful applications for a training in the European Commission, who is going to promote my application?

Is it possible to get in touch with a mentor/or an organisation committed to support my application/my future career? How could I find one?

Have I collected all relevant information available on the job/traineeship/EU competition/specific degree/scholarship for a training/from the organisation I applied for?

Concerning an EU competition: If I decide to take part in a competition, will I have enough time to prepare for the exams? If I enter the reserve list, who will support my application?

The idea of initiating young people in job opportunities—as an important step after finishing higher education and entering the job market—is challenging. The phenomenon of globalisation has an impact on the job market in many ways. People are willing to move for work, training experience is getting more international, competition for jobs has increased. European integration continuously opens up new job opportunities since the European project needs to be managed and as a result, new job opportunities arise for young graduates from the Danube region as well.

REFERENCES

Internet sites for further job seeking in Brussels.

The following internet sites provide information concerning job search on the European level. All internet links were downloaded on October 6, 2006.

www.europa.eu.int

The official site of the EU provides links to all EU institutions. The European Personnel Office (EPSO) deals with employment matters and recruitment procedures (see next site).

www.europa.eu.int/epso/index_en.htm

The internet site of the European Personnel Selection Office provides information on career opportunities in the European institutions. It explains the application process as well as regulations on competitions, non-permanent posts and staff engaged under contracts.

http://europa.eu.int/epso/career_en.htm

EPSO provides a leaflet called 'careers at the EU institutions'.

http://ec.europa.eu/civil_society/coneccs/index_en.htm

CONECCS is the database for Consultation, the European Commission and Civil Society. The directory of non-profit organisations provides information of non-profit organisations at European level. This database is an excellent source of contact addresses of NGOs and civil organisations. It is also useful in searching for organisations to whom unsolicited applications can be sent.

www.europeanvoice.com

The European Voice is a weekly newspaper and provides in-depth information on current EU issues with job ads in the EU environment. The European Voice might be a helpful newspaper source in preparing for the concours.

<http://www.xpats.com> ('The Bulletin Job Ads')

'The Bulletin' is an English magazine for the expatriate community in Brussels and provides job ads for international personnel in Brussels.

www.euractiv.com

EurActiv is an internet service with news on Europe in several languages. A link with EU jobs has been established. See: <http://jobs.euractiv.com/>, www.libeurop.be/home.php

This is the internet site of the European bookshop, which was founded in late 1960's and provides books specialised in European Union domains. The bookshop is also the sales agent of the Office for the Official Publications of the European Communities.

<http://europass.cedefop.europa.eu/htm/index.htm>

This internet site offers the template for a European CV, a commonly used format for the Curriculum Vitae.

OTHER SOURCES

1. Foreign ministries

Several foreign ministries provide special preparation courses for EU competitions (e.g. Germany, Spain, UK). It might be useful to get in touch with one's own foreign ministry. Civil servants of the EU member states are sent to work in the EU institution (mainly European Commission) as national experts. It could be useful to check with the specific ministry.

2. '250 MCQ on Europe and European Policy', Union of the European Civil Servants.

COMPETITION VERSUS CO-OPERATION

AMARILLA LUKÁCS

The topic of this paper is ‘competition versus co-operation’ and the question I seek to answer is whether we could choose between them on the ground that one of them is better than the other. The answer is difficult because both of them have advantages and disadvantages too.

Before going into this analysis I find it necessary to say some words about market forms because co-operation does not characterize all types of market. First of all in some market forms there are few sellers or customers (for example in oligopoly situation) who can work with each other. But what can be the motivation for firms to choose co-operation? The answer is information, that is the most important thing for competitors on the market.

In economics, the main criteria by which one can distinguish between different market forms are: the number and size of producers and consumers in the market, the types of goods and services being traded, and the degree to which information can flow freely.

The major market forms are the following:

- *Perfect competition*, in which the market consists of a very large number of firms producing a homogeneous product. Everybody accepts the price which evolves in the equilibrium of supply and demand of the market. Anybody can enter or leave the market free of charge.
- *Monopolistic competition*, also called competitive market, where there is a large number of independent firms which have a very small proportion of the market share. All sellers differentiate their products in package, in size or in other characteristics, so they are their own products’ single sellers (monopoly). At the same time, they are in competition for the costumers at the market.
- *Oligopoly*, in which a market is dominated by a small number of firms which own more than 40% of the market share. Its position is between monopoly and perfect competition. This market form occurs frequently in practice.
- *Oligopsony*, a market dominated by many sellers and a few buyers.
- *Monopoly*, where there is only one provider of a product or service.

- *Natural monopoly*, a monopoly in which economies of scale cause efficiency to increase continuously with the size of the firm.
- *Monopsony*, where there is only one buyer in a market. (Kopányi, 2002)

Competitive market systems require sellers and buyers to be well informed about supply, demand and prices. Large, well-organized wholesale markets facilitate the attainment of this ideal situation by providing information on market trends, prices and quantities marketed. The information system providing this service not only enhances the efficient management of wholesale markets, but also acts as a basis for the sale of similar products outside the market. The importance of information on market trends and prices is recognized in all countries with well-developed marketing systems. The establishment of new wholesale markets offers special opportunities for setting up market information systems, with emphasis being placed on full, fast and reliable information. Full information in this context covers the quantities of products marketed, stored and transported; the range of products, stocks, sources, destinations, varieties, quality and packaging; as well as market and price trends. The market can be described as truly 'transparent' when such information is available. Reliability of information depends on the training, personal abilities, honesty and experience of reporters. Unqualified personnel with other responsibilities should not be entrusted with collecting and disseminating information. Frequent cross-checking of information should be undertaken, even if it is collected by qualified and trained staff since inaccurate or distorted information can harm the interests of producers and consumers. Speed in collecting, recording and disseminating data is vital in a competitive economy.

Competitive markets involve a large number of buyers and sellers transacting on the basis of available information. Large-scale operators, however, tend to have a comparative advantage over small-scale operators by investing in private networks and systems (both formal and informal) that enhance access to market-sensitive information and the capacity of processing and storing it. Small-scale operators often base their decisions on incomplete or even inaccurate information. The state has a key role in promoting efficient and reliable market information systems because competitive, effectively coordinated markets require that all market participants should be perfectly and equally informed since basic information is a public good. This facilitating role of the state should be perceived as an ongoing

process and not as a single act. It must also be seen as a logical sequence of the fundamental decision to expand the economic role of the private sector and the commitment to maintain competitive markets. The problem is that there is no perfect competition in practice. The goal of regulation is to facilitate and maintain competition on the markets, but oligopolies and monopolistic competitions are often found in economies where the information system is not perfect. Persons have to co-operate because of the information which can effect extraprofit or survival.

There is a very good example for successful co-operation: *China*. With an average annual GNP growth rate of 9.9% over the last 15 years, China has become the world's third largest economy. The most important factor was the development of relationships with Chinese customers, partners and employees based on shared goals, co-operation and trust. Many interviewees spoke of the importance of developing relationships with local Chinese companies or individuals based on a willingness by both sides to help each other achieve their objectives, a willingness to place a high priority on each others' goals, and the development of trust through long term reliability. And what is the key?

- Building relationships with Chinese customers, partners and employees based on shared goals, co-operation and trust.
- Building culturally sensitive marketing and promotion strategies. Constantly evaluating and improving these strategies.
- Having more extensive international and China-based experience. Learning to assume that the Chinese should be treated by international standards.
- Investing locally in China using joint ventures to a greater extent.
- Using less formal interaction patterns as the basis for relationships with Chinese customers, partners and employees.

One question arises quite naturally in this context: Besides getting information can co-operation be useful in other fields as well? And if the answer is yes, are they licensed?

American consumers have the right to expect the benefits of free and open competition—the best goods and services at the lowest prices. Public and private organizations often rely on a competitive bidding process to achieve that end. The competitive process only works, however, when competitors set prices honestly and independently. When competitors collude, prices are inflated and the customer

is cheated. Price fixing, bid rigging, and other forms of collusion are illegal and are subject to criminal prosecution by the Antitrust Division of the United States Department of Justice. In recent years, the Antitrust Division has successfully prosecuted regional, national, and international conspiracies affecting construction, agricultural products, manufacturing, service industries, consumer products, and many other sectors of the economy. Many of these prosecutions resulted from information uncovered by members of the general public who reported the information to the Antitrust Division. Working together, they can continue the effort to protect and promote free and open competition in the marketplaces of America.

A primer was issued containing an overview of the federal antitrust laws and the penalties that can be imposed for their violation. It briefly describes the most common antitrust violations and outlines those conditions and events that indicate anticompetitive collusion so that one might better identify and report suspicious activity. Most criminal antitrust prosecutions involve price fixing, bid rigging, market division or allocation schemes. Each of these forms of collusion can be prosecuted criminally if they occurred, at least in part, within the past five years. Proving such a crime does not require us to show that the conspirators entered into a formal written or express agreement. Price fixing, bid rigging, and other collusive agreements can be established either by direct evidence, such as the testimony of a participant, or by circumstantial evidence, such as suspicious bid patterns, travel and expense reports, telephone records, and business diary entries. Price fixing is an agreement among competitors to raise, fix, or otherwise maintain the price at which their goods or services are sold. It is not necessary for the competitors to agree to charge exactly the same price, or that every competitor in a given industry should join the conspiracy. Price fixing can take many forms, and any agreement that restricts price competition violates the law. Bid rigging is a conspiracy of competitors to effectively raise prices where purchasers—often federal, state, or local governments—acquire goods or services by soliciting competing bids. Essentially, competitors agree in advance on who will submit the winning bid for a contract let through the competitive bidding process. As with price fixing, it is not necessary that all bidders should participate in the conspiracy. Under the law, price-fixing and bid-rigging schemes are per se violations of the Sherman Act. This means that where such a collusive scheme has been established, it cannot be justified under the law by arguments or evidence that, for example, the agreed-upon

prices were reasonable, the agreement was necessary to prevent or eliminate price cutting or ruinous competition, or the conspirators were merely trying to make sure that each got a fair share of the market. (Antitrust Division)

AND WHAT IS THE SITUATION IN HUNGARY?

The newly introduced Section 296/B of the Penal Code established the felony of 'restriction of competition in public procurement proceedings and concession tenders'. The amendment has been in force since 1st September 2005 and to the best of my knowledge no criminal proceedings have been initiated yet. (Organisation for Economic Co-operation and Development)

Since Hungary's accession to the European Union there has been a very good and successful initiation for co-operation called *cluster*.

Clusters are company alliances based on geographical proximity. Clusters are driven by competition; the relationship among companies within a cluster is characterised by rivalry, harmonisation of common, local interests and the existence of trust as social capital. Cluster enterprises are in informal contact with one another. Their transaction costs can be decreased by joint innovation adjusted to market needs through information flows within the network. In this way, the competitiveness of enterprises or a given region can rise.

Clusters are co-operative networks of businesses organised on a product basis and concentrated on a specific territory. They make use of co-operation opportunities among manufacturers, consultants, training institutions and the service industry in order to intensify their market presence. The endeavor for new, better and more efficient products and services, more advanced technology and better quality is present at all levels of the co-operation. Knowledge, intellectual and technological potential concentrated within the Cluster together with an inclination for co-operation can provide a proper environment for the development of innovations and/or their application to serial production or service provision on a large scale.

In today's global economy knowledge is the key to staying competitive. While many small and medium-sized companies are the backbone and pride of their region's economies they can find it increasingly hard to compete with the huge multinationals that dominate global business. To stay ahead of the game they need to invest constantly in new products and in innovating their production processes, which many small players just cannot afford. One approach government officials are

using to encourage innovation in small and medium-sized enterprises (SMEs) is the formation of clusters—local groupings of businesses whose activity is connected, either horizontally or vertically. By assisting collaboration among SMEs or between companies and research institutions that are involved in related activities, a cluster can help improve the capacities and competitiveness of businesses in a given region. The approach has proven especially effective in assisting the growth of businesses providing new technologies. REGINS, a project that receives most of its funding from INTERREG IIIC East, uses cluster management to encourage business activities among companies in Oberösterreich, Austria, the Stuttgart Region in Germany, the Lombardy Region in Italy and the West Pannonian Region in Hungary. Regins is a grant-giving Regional Framework Operation (RFO), a programme that launches calls for sub-projects involving different types of partners in several regions. RFOs unite institutions that might otherwise not work together, opening the way for their international co-operation. By establishing clusters, RFOs like REGINS also bring immediate results. Most of the more than 30 REGINS sub-projects are involved in research and development, or new technologies. These businesses support the kind of knowledge-oriented economy that Europe is trying to encourage. The objective of REGINS is to stimulate know-how transfer between the partners on such topics as cluster management, regional innovation and SME support policies focusing mainly on the automotive, logistics and biotechnology sectors.

The concept of clusters has been part of official Hungarian economic policy since the late 1990s. Under the Széchenyi Plan introduced in January 2001 and meant to boost the Hungarian economy, Hungarian clusters received funding in an effort to support domestic entrepreneurial community. Groups of firms could qualify for financial support if they complied with the cluster definition and could fulfil a number of other requirements under the RE-1 programme.

In 2000, the Orbán Government elaborated the Széchenyi Plan, named after a famous 19th century Hungarian count and economic reformer. This was a strategy document outlining priorities for economic development to improve convergence with European Union by mobilising the business sector and the regions. The plan, in terms of which the state would co-finance implementations of development projects, did not encompass all areas of the economy, but—for efficiency reasons—concentrated on key priorities. It promoted enterprise support, regional development, housing construction, tourism, research and development, motorway construction and

infrastructure development. By concentrating 2-3% of Hungarian GDP on its defined goals, it intended to set the Hungarian economy into motion, particularly through the mobilisation of the domestic entrepreneurial community. However, the main part of the Széchenyi Plan did not explicitly focus on cluster development. Nonetheless, the regional economic development sub-programme of the Széchenyi Plan aimed at combating Hungary's regional inequality has a strong focus on SME development at regional level. One of the regional development programmes introduced was the Cluster Development Programme (RE-1). The policy follows a top-down approach and seeks to improve the competitiveness of enterprises, develop co-operative production systems and networking, strengthen the innovation capabilities of the subcontractors of the present multinationals as well as exchange information and raise awareness.

Although studies on clusters show that top-down policies meant to build clusters from scratch are often unsuccessful, public intervention has played a catalyst role in supporting budding clusters. Seen in this light, the Cluster Development Programme can be considered a suitable cluster-building model in Hungary. Of course, this does not mean that clusters would not and will not emerge without official support but the Cluster Development Programme was conceived to significantly accelerate this process. During the existence of the programme from 1 January 2001 to 2 August 2002, thirteen projects were allocated a total of approximately EUR 1.2 million. The most important results, apart from the birth of these officially sponsored clusters, included a change in mindset with regard to network-type co-operation, helping SMEs to work together and build social capital from below.

When the Széchenyi Plan officially came to an end with the change of government in 2002, the support for clusters continued in the framework of the Technology Development and Innovation Plan launched by the Ministry of Economy and Transport. Cluster development in Hungary was also shaped by EU enlargement and Hungary's entitlement to receive EU funding.

The following table summarizes the most important information about clusters:

Responsible Authorities	Cluster Policies or Initiatives	Main objectives	Priority Areas	Financial Support	Results & Examples of Clusters
National and regional government. At the national level, cluster development policy is the responsibility of the Ministry of Economy and Transport.	The PKG groups the five biggest Hungarian clusters and gives them financial and non-financial support (grants, real estate, information, etc.).	<ul style="list-style-type: none"> • Develop co-operative production systems and networking • Improve competitiveness of the enterprises 	<ul style="list-style-type: none"> • Automotive • Wooden furniture • Electronics • Food production • Textile • Thermal waters 	Under the Szechenyi Plan's RE-1 subprogramme 2001-2002, aimed at establishing regional clusters. Central government allocates €1.4 million to Hungarian clusters	22 officially recognized clusters

(www.klaszter.lap.hu)

The first cluster in Hungary was established at the end of 2000. Since then many more have been created, but these are still at an early stage of discovering, learning, managing, experiencing clusters. Officially there are 21 clusters in Hungary. Why are there so many? Because there are no laws or regulations on clusters, which would determine what exactly a cluster should look like, so anybody can call its network a cluster. The Company Law will be (should be) modified in the future to include regulations on clusters as well. Organisations which won the RE-1 tender 'Establishment of regional clusters' in 2001 are called clusters and the definition given in this tender is used now as a criteria for clusters. This large number of clusters (21) could emerge because the Ministry of Economy and Transport supported 80% of them, and bureaucracy hardly ever faces its mistakes.

The clusters represent various industries: automotive, wood and furniture, electronics, thermal, food, building, textile, tourist and optomechatronic, that is they mainly come from traditional sectors. The number of 'real' clusters is about 6 to 8, of which the best are: PANAC (Pannon Automotive Cluster, PANNONFA Pannon Wood and Furniture Cluster, South Great Plain Textiles Cluster and Pannon Thermal Cluster).

The first was the Győr-based Car Industry Cluster – Panac, established in 2001 (Győr is a county seat in Northern-Transdanubia). Its founders include Hungary's five most prestigious automotive companies (Audi Hungaria Ltd, Opel Hungary Ltd., Hungarian Suzuki Inc., LuK Savaria Ltd., Rába Automotive Holding Plc), representatives of financial and advisory service companies and the West-Transdanubain Regional Development Council. The Industrial Economic Research and Advisory Society has become member of Panac too. GM Fiat, Siemens, HVB and the Széchenyi István University have 'partner status'. The

Hungarian Investment and Trade Development Agency (ITDH) also participated in realizing Panac's conference and business forum plans for the year 2004. They organized special training programs: in France entrepreneurs could study the process of becoming suppliers, and together with the car industry clusters in Vienna, Upper-Austria, Stuttgart, and Lombardy they have prepared co-operation projects in metal-work and tool engineering. PANAC is determined to fill the gap and play a co-ordinative role among the partners. PANAC views this as a crucial task in its effort to strengthen the automotive industry in Hungary, one of the most important sectors in Hungarian economy. The 73 official PANAC members receive information on PANAC activities on a regular basis. PANAC is now known as a reputable information centre for the Hungarian automotive industry.

And now here is a brief summary of the objectives, tasks and tools of the Pannon Automotive Cluster.

Objectives of the Pannon Automotive Cluster

- Foster the creation of a co-operative network of automotive enterprises in the region and increase the efficiency of this co-operation via the development of inter-company co-ordination.
- Accelerate the establishment of new supplier links and the process of becoming a supplier.
- Support the launch of investments for the improvement of competitiveness, supplier capabilities and quality.
- Encourage the innovation activities of businesses in the region.
- Initiate and actively participate in the establishment of the commercial and service providing network in the region.
- Encourage the settlement of foreign automotive ventures in the region.

Tasks of the Pannon Automotive Cluster

- Support businesses with real supplier potential interested in improving their supplier position, with special regard to Hungarian small and medium-sized enterprises.
- Map supplier links, survey the competence of potential participants, establish and organize the array of experts who can provide professional support and quality training.

- Collect innovative project ideas, co-ordinate their implementation, mediate between potential project partners.
- Create a common PR and marketing operation.
- Act as a liaison between SME's and multinational corporations, business actors and organizations engaged in economic development, and various subsystems of public administration.

Tools available for the Pannon Automotive Cluster

- The information and communication platform offered by the PANAC portal (www.autocluster.hu), which is a primary organisation interface for the virtual community of the cluster. Portal services to be launched include on-line member registration and data management, automotive and business news; information on new projects, funding opportunities, professional (public, member and closed group) forums, newsletters, on-line databases of members, service providers, training organisations, R&D, as well as B2B techniques.
- Development and implementation of a company diagnostics method, free of charge, completion of corporate SWOT, establishment of personal contacts, opportunities for customised services.
- Arrangement of training sessions and education courses for quality development, encouragement of company innovation processes and creation of a learning organisation.

Finally, let me introduce PANFA, another important Hungarian cluster. Panfa, a timber and furniture industry cluster in Zalaegerszeg (a county seat in Central-Western-Transdanubia) was also established in 2001, at the initiative of the Zala County Enterprise Development Fund. The timber- and furniture industry is a determinative activity in the West-Transdanubian region. About 700 small and medium-sized enterprises operate in this sector. Panfa, which has already more than 80 members, was established by 15 companies. Two-thirds of the members produce wooden goods, timber and planks and one-third of them are service companies. Panfa will build the Timber Innovation and Technological Center in Zalaegerszeg in 2 or 3 years. The site has already been selected and the plans of the project are under preparation.

Summarising briefly the benefits of clusters we can say that they utilise the advantages of their geographical position, which enable them to

- decrease transaction and transport costs;
- have a faster and more reliable information-system;
- get to know the learning-by-doing process;
- spread the risk;
- have common R&D activities;
- change constantly the expertise of industries. (Lengyel, 2004)

REFERENCES

- Antitrust Division, Price fixing, bid rigging and market allocation schemes: What they are and what to look for <http://www.usdoj.gov/atr/public/guidelines/211578.htm>, 26th July 2006.
- Carlton, W. D. – Perloff M. J. (2003). *Modern Piacelmélet. (Modern Market Theory)* Panem Kft., Budapest.
- Farkas, B. – Lengyel, I. (2000). *Versenyképesség-Regionális Versenyképesség. (Competitiveness-Regional Competitiveness)*. Szegedi Tudomány Egyetem, Szeged.
- Kopányi, M. (2002). *Mikroökonómia (Micro-economics)*. Akadémiai Könyvkiadó, Budapest.
- Lengyel, I. (2004). *Klaszter-elmélet: A klaszterek fejlesztésének alapkérdései. (Cluster Theory: Basic Issues in Cluster Development)* Budapest.
- Organisation for Economic Co-operation and Development, Questionnaire concerning Statutory Framework for Criminal Prosecution in Cartel Cases and Case Selection. <http://www.gvh.hu/index.php?id=4253&l=e>, 22th July 2006.
- Porter, M. E. (1998). *Clusters and the new economics of competition*. Boston. <http://www.klaszter.lap.hu/>, 23th July 2006.

CHAPTER 4

PROGRAMME – SPONSORS – AUTHORS



Summer School on Regional Co-operation
3rd edition: 6–13 August 2006

“The Future of Europe – A View from the Danube Region”

PROGRAMME

6 August

- 19:00** Registration
20:00 First meeting – Sesame Inn
Reception

7 August

- 08:00** Registration
09:00 Opening session
Moderation: István TARRÓSY, Susan MILFORD (co-organisers)
Opening speech
Helena Jasna MENCER, president of the Danube Rectors' Conference,
Rector of the University of Zagreb
Erste & Steiermärkische and the role within Erste Bank Group
Dijana BOJCETA, head of PR and Marketing, Erste Bank
Croatia
Concepts and projects of NGO's in South Eastern Europe
Klaus FIESINGER, Hanns Seidel Foundation
10:00 Keynote addresses
The Future of Europe
Paul LUIF, senior researcher at the Austrian Institute for
International Affairs (OIIP) and Lecturer at Vienna University
A Constitution for Europe
Maria BERGER, MEP, deputy chairperson of IDM
The EU as a global player
István TARRÓSY, director of International House Pécs and part-time
lecturer at the University of Pécs
13:00 Lunch
14:00 Workshop sessions
20:00 Dinner

8 August

- 09:00** Plenary lectures
Social and cultural dimension of regions in the European regional policy
Iwona SAGAN, University of Gdańsk



Summer School on Regional Co-operation
3rd edition: 6–13 August 2006

“The Future of Europe – A View from the Danube Region”

Diversity in Value-orientation in Europe – Interaction Conflicts
Ágnes Á. BORGULYA, University of Pécs, Faculty of Business and Economics

1st Thematic Workshop: *The social dimension of Europe*
Iwona SAGAN, Ágnes Á. BORGULYA

- 13:00** Lunch
14:00 Workshop sessions
20:00 Dinner

9 August

- 09:00** Guided city tour in Dubrovnik
13:00 Lunch
14:00 Workshop sessions
20:00 Dinner

10 August

- 09:00** Plenary lectures
Ruptures in the Danube Region: Territorial co-operation as a playground of European Integration
Zoltán GÁL, Centre for Regional Studies of the Hungarian Academy of Sciences, Pécs
The Bologna Process and South Eastern Europe
Wolfgang BENEDEK, World University Service (WUS)-Austria, Institute for International Law and International Relations, University of Graz
The Danube Region as part of the European Research Area
Manfred HORVAT, former director of the Austrian Research Promotion Agency (FFG)
- 13:00** Lunch
14:00 Workshop sessions
20:00 Dinner



Summer School on Regional Co-operation
3rd edition: 6–13 August 2006

“The Future of Europe – A View from the Danube Region”

11 August

- 09:00** Plenary lecture and Workshop
2nd Thematic Workshop: *Lobbying in the EU*
Job opportunities in Brussels
Brigitte KRECH, freelance researcher
Valeriu FRUNZARU, assistant professor, State University of Political
and Administrative Studies, Bucharest
- 13:00** Lunch
- 14:00** Workshop sessions (preparation for the presentations)
- 20:00** Dinner

12 August

- 10:00** Closing session: Presentation and discussion of the workshop
results
- 13:00** Lunch
- 19:00** Dinner
- 21:00** Farewell party

WORKSHOPS:

- A** **Constitutional treaty and the internal structure of the EU**
Moderator: Rafał RIEDEL, adjunct, Polonia University in
Częstochowa, director of the International Studies Centre,
Kolegium Notre Dame
- B** **Concepts for enlargement and integration**
Moderator: Susan MILFORD, deputy director,
research associate, IDM, Vienna
- C** **The social dimension of Europe**
Moderator: Brigitte KRECH, freelance researcher, Germany
- D** **The EU as a global player**
Moderator: Daniela MUSSNIG, research associate, IDM, Vienna,
lecturer for International Relations, University of Vienna

INSTITUT FÜR DEN DONAURAUM UND MITTELEUROPA (IDM)

Institut für den Donauraum und Mitteleuropa (IDM)

Institute for the Danube Region and Central Europe

A-1090 Wien, Hahngasse 6/1/24

Tel.: (+43 1) 319 72 58, Fax: (+43 1) 319 72 58 4

E-mail: ids@ids.at, <http://www.ids.at>



50 Years of Research for the Danube Region

The IDM was founded in 1953 as the 'Research Institute for Issues of the Danube Region'. For years, it was the only scientific institution in Austria that dedicated itself specifically to research of the Danube region. In 1993 the research institute now the Institute for the Danube Region and Central Europe (IDM) received new impetus in its work and extended its activities to all of Central and Southeastern Europe under the chairmanship of Prof. Dr. Norbert Leser and his successor Dr. Erhard Busek (since 1995), Austria's former Vice Chancellor.

Today, the IDM is an Austrian scientific institution. It sees its role in carrying out research projects on current topics concerning the Danube region and Central Europe. The Institute's educational activities and events as well as its own publications serve as a means to make research knowledge available to both a specialised audience and to interested persons among the general public. In doing so, the IDM places particular attention upon its role as the clearinghouse for all matters relating to the Danube region, Central European countries and Southeastern Europe. The Institute is funded by the Austrian Federal Ministry of Education, Science and Culture, the Austrian Federal Ministry for Foreign Affairs, the Austrian Federal Chancellery as well as by the Austrian provinces, individual cities, by professional associations, the Austrian Nationalbank and numerous private sponsors.

Groundwork

As a think tank, the IDM performs groundwork for governmental agencies and institutions from politics, education, science, culture and business. It also supports the Austrian commitment in the Danube region and in the rest of Central Europe.

Research

The IDM carries out research projects dealing with current political, sociological, social, economic, cultural and ethnic issues of the countries of the Danube region and Central Europe. This activity is supported by the Ludwig Boltzmann Institute for Central European Research of Current Events established at the IDM.

Educational Activities and Events

Within the framework of internationally represented seminars, symposiums (e.g. summer schools) and the post-graduate curriculum 'Interdisciplinary Balkan Studies of Vienna', the IDM also performs a function of instruction and training.

Furthermore, the Institute organises numerous specialised conferences, workshops and presentations.

Publications

- 'Der Donauraum' the scientific journal of the Institute (4 times per year/price per copy: € 9.60/subscription: € 34,50) to be obtained through the Böhlau Publishing House, Sachsenplatz 4-6, 1201 Vienna
- 'Book Series of the Institute for the Danube Region and Central Europe' to be obtained through the Böhlau Publishing House
- 'IDM-Info Sonderhefte' Conference publications, EU arguments, cultural guides for Central Europe, regional publications
- 'IDM Studies'
- 'IDM-focus Europa' The journal for the enlargement of the EU (10 times per year)
- 'IDM-Info' the newsletter of the Institute including the programme of events (6 times per year/subscription: € 15.00/for members of the Institute free of charge)

The current events programme and the publications can be found on the homepage of the Institute: <http://www.idm.at>

Documentation

The IDM maintains a documentation centre with publications relevant to the current developments in the countries of the Danube region and Central Europe. This documentation is supplemented by regular reports provided by country correspondents that work for the Institute on a voluntary basis.

IDRESEARCH LTD.

IDResearch Ltd.

H-7624 Pécs, Jakabhegyi út 8/E

Office and postal address

H-7621 Pécs, Ifjúság útja 11.

Tel./Fax: +36 72 522-624, +36 72 522-625

Mobil: +36 30 4086-360

E-mail: tarrosy@idresearch.hu

Internet: www.idresearch.hu



ID in the name of our enterprise indicates first the significance of possible research and co-operation between different disciplines (InterDisciplinary) in today's globalising world; second, refers to the ability of developing creative ideas (Idea+Development) and third, covers Innovative power and Dedicated aspect of the enterprise.

Since 1997, a team of young researchers, students and Ph.D. aspirants from the University of Pécs have been organising various national and international symposia, conferences, seminars and summer schools about different aspects of social and political changes in Central and Eastern Europe (ranging from regional co-operation, the place and role of the V₄ countries to security dilemmas of our global world). IDResearch is a young company based on the experiences and achievements of the past years, with a special intention of generating and shaping collaborations among young researchers in Central Europe. The aim of the company is to become a well-known generator of co-operations between national and international actors in the field of human sciences and research, project development and training. IDResearch Ltd. is interested in strengthening a new generation of social scientists who can search for and interpret affects of global processes appearing on the local level, and contribute to expressing social demand by establishing a new co-operation culture. For this aim the company plans to develop accredited trainings for young scientists to help them obtain complementary and pragmatic skills useful for their future work.

Current projects include

- the DRC (Danube Rectors' Conference) Summer School series on Regional Co-operation (www.d-r-c.org; www.drc2007.idresearch.hu);
- ECIPARDIS 'Europe and Citizenship in Parliamentary Discourses' (a 7-nation research scheme recently submitted in the 7th Community RTD Framework Programme (2007-2013) of the EU);
- the Publikon project (portal for social science research (www.publikon.hu); own development); spin-off agency for the University of Pécs (innovating summer school development strategies, promoting international student recruitment, comprehensive surveys);
- consulting agency for the Hungarian Tourism Board Regional Marketing Directorate (regional strategies for youth tourism);
- publisher of African Studies (Afrika Tanulmányok) periodical and initiator of several researches, conferences and workshops on African issues;
- SIEN Quarterly (www.icwip.hu); in co-operation with SIEN Foundation.

We offer complex services

Scientific Research

Conference Organisation

Project Management

Publishing Books and Journals

Grant-writing and Fundraising

International Partnership (network) Building

Public Opinion Research; Market Research

Media Analyses

Promotion Campaigns

Campaign Communication

Trainings

Webpage Design and Content Development

PARTNERS AND SUPPORTERS

Many thanks for their important financial contribution to the following institutions:



niederösterreich kultur



ARBEITSGEMEINSCHAFT
DONAULÄNDER
PRACOVNÍ SPOLEČENSTVÍ
PODUNAVSKÝCH ZEMÍ
PRACOVNE SPOLOČENSTVO
PODUNAVSKÝCH KRAJIN
DUNAVENNTI TÁRSULMÁSOK
MUNIKARIZASISZEGE
RADNA ZAJEDNICA
PODUNAVSKIH REGIJA
RADNA ZAJEDNICA
PODUNAVSKIH ZEMALJA
COMUNITATEA DE LUCRU
A STATELOR DUNĂRENE
РАБОТНА ОРГАНИЗАЦИЈА
ДОНАВСКИХ ЦИПЛИНИ
ПОСРНА ОБРАЗЛОЖИТЕЛНА
ПРЕДХВАЛЖИТА КРАЈИ



UNIVERSITY OF PÉCS



LIST OF AUTHORS

Péter Balogh (Hungary)

M.A. student, East European Studies, Uppsala University, Sweden

Sergii Glebov (Ukraine)

Associate professor, Department of International Relations, Institute of Social Sciences, Odessa National University

Armağan Gözkaman (Turkey)

Research assistant, Istanbul Technical University

Gejsi Plaku (Austria)

IDM postgraduate, Balkan Studies – Diplomatic Academy, University of Vienna

Ujbien Shehu (Austria)

Postgraduate student, University of Vienna, Institute of Political Science

Marko Trnski (Croatia)

Junior research assistant, Faculty of Political Science, Zagreb

Gabriela Cretu (Romania)

Ph.D. candidate, University of Milan, Department of Political and Social Studies

Zoltán Gál (Hungary)

Senior research fellow, Centre for Regional Studies of the Hungarian Academy of Sciences, Pécs; associate professor, University of Kaposvár, Faculty of Economics

Ruxandra Pupazescu (Poland)

Ph.D. student, Graduate School for Social Research, Warsaw

Borce Bejkovski (Macedonia)

Project co-ordinator of “Democracy classroom”: one-year project concerning youth education on human rights, democracy in EU and Western Countries compared to SIE Countries

Valeriu Frunzaru (Romania)

Assistant professor, University of Political and Administrative Studies, Faculty of Communication and Public Relation, Bucharest

Vassilis Petsinis (Romania)

Regional fellow, New Europe College, Bucharest

Svetla Boneva (Bulgaria)

Full-time assistant professor, University of National and World Economy, Department of International Economic Relations and Business, Sofia

Zsolt Péter (Hungary)

Economist, assistant professor, University of Miskolc, Institute of World and Regional Economics, Department of Regional Economics

Ioana Cristina Iliescu (Romania)

Desk officer, Ministry of Foreign Affairs

Luana Dinu (Romania)

Councillor, Ministry for Foreign Affairs, University of Bucharest

Ágnes Borgulya (Hungary)

Associate professor, University of Pécs, Faculty of Business and Economics

Brigitte Krech (Germany)

Assistant at Beobachter der Länder bei der EU in Brussels

Amarilla Lukacs (Hungary)

M.A. student, University of West Hungary, Faculty of Economics, Sopron