

**Recifer Eurofutures Publication Series
REUPUS**

EUROPE - The Global Challenges



Editors
Antoni Kukliński
Krzysztof Pawłowski



WYŻSZA SZKOŁA BIZNESU
NATIONAL-LOUIS UNIVERSITY

EUROPE

- The Global Challenges

***Publication dedicated to the European Parliament
to promote brainstorming reflection illuminating
the global challenges and the strategic choices
emerging in the European intellectual
and political landscape of the XXI century***

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Series Editors:
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VOLUME 1
EUROPE—THE GLOBAL CHALLENGES

VOLUME 2
EUROPE—THE STRATEGIC CHOICES

EUROPE

- The Global Challenges



Editors:
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PREFACE

Wyższa Szkoła Biznesu—National-Louis University is one of the most successful private business schools in East Central Europe. It is a driving example of the structural change of the Polish Academic Community in the period of glorious transformation at the turn of the XX and XXI century.

In spring 2004 WSB-NLU has decided to create new Research and Publication Programme as an attempt to integrate three fields of academic and pragmatic reflection:

- 1) regional studies including the management of regional development
- 2) studies in the field of science and technology including knowledge management
- 3) European studies as an reflection on global challenges and strategic choices related to the future of Europe

This Programme will be animated and coordinated by RECiFER—Research Center for European Regions founded by WSB-NLU. In this context the WSB-NLU has decided to create a New European Publication Forum—defined as RECiFER—Eurofutures Publication Series (REUPUS).

It is a great honor and pleasure for me to introduce the first volume of this New Series: *“Europe—The global challenges”*.

Let me acknowledge in this place the generous grant of Bank Przemysłowo-Handlowy which creates the financial background for the publication of the first two volumes of REUPUS.

Krzysztof Pawłowski
Rector of WSB-NLU

Nowy Sącz, December 15th 2004.

EDITORIAL INTRODUCTION

This is the beginning of the RECiFER Eurofutures Publication Series. **The first two volumes of this series are dedicated to the European Parliament to promote brainstorming reflection illuminating the global challenges and strategic choices emerging in the European intellectual and political landscape of the XXI century.**

The editors are expressing the hope that the New Series will find a favorable reception in the environment of European academic and political communities. We are convinced that the discussion related to the great European drama of the XXI century will find some interesting contributions in the New Series.

* * *

The editorial process of the preparation of the two volumes was a beneficiary of the intellectual capacity and good will of 60 eminent personalities from 12 European countries. Naturally the evaluation of the final results of this effort is allocated to all persons who will read the volumes and find some time for critical reflection related to their content.

The Editors have however a pleasant obligation to express the deep feeling of gratitude to all Authors who have prepared contributions to be published in the two first volumes of the New Series.

We hope that the Authors will appreciate the editorial shape of the two volumes. In the final sentences of the editorial introduction let us say that our volumes were built on the foundation of the pluralistic philosophy open to Authors representing different academic and political value judgments. This is the only way to promote an open-minded discussion related to the Future of Europe.

Antoni Kukliński

Krzysztof Pawłowski

Nowy Sącz, December 15th 2004.

Part One

Strong or Weak Europe

ANTONI KUKLIŃSKI

STRONG OR WEAK EUROPE

The global Environment of the XXI century

I. The Future of the European Union—Internal dynamics versus external relations¹

The external relations are an important factor in the development of the European Union. The global patterns of political, economic, cultural and military power will constantly create new challenges for the Union, new opportunities, which can be transformed into trajectories of success or failure.

However the most important determinants of the external relations are located not outside but inside the Union. The internal dynamics of the Union—leading to a strong Union—an active global player of the XXI century or a weak Union—a passive participant of the global scene—is the most important determinant of the external relations of the Union.

The two dilemmas—strong versus weak Union—and independent versus dependent Union can be presented jointly in the following scheme:

| The power of the Union | The nature of external relations | |
|------------------------|----------------------------------|-------------------|
| | independent-active | dependent—passive |
| STRONG | ❶ | 2 |
| WEAK | 3 | ❷ |

In this scheme only two situations are important in political and academic terms. Situation ❶ — strong Europe an active global player—enjoying a relative independency in external relations.

Situation ❷ — weak Europe a passive participant of the global scene—pushed into a relative dependency in external relations.

¹ A. Kukliński, B. Skuza (eds) Europe in the perspective of global change. Polish Association for the Club of Rome, Warsaw 2003. The volume will be quoted as “Europe”.

Compare: K. Zukrowska, A. Konaszewska (eds) External relations of the European Union—determinants, casual links, areas, The Knowledge Institute, Warsaw 2004.

Compare also: Outgrowing the Union—A survey of the European Union, “The Economist”, September 25th 2004.

This is the European “To be or not to be” of the XXI century not only in terms of political, economic, scientific and military power—but also in terms of European honor and dignity. Weak passive Europe will be an object of permanent humiliation on the changing global scene of the XXI century.

I hope that I am a false prophet—“*Utinam falsus vates sim, dii avertite omen*”.

I am convinced however, that we should have some reflection related to controversial value judgments, which are outside—conventional wisdom, political correctness and intellectual self-satisfaction.

II. The perception of the global environment

The Sapir Report² is presenting an original analytical view “Europe and World”. Let us quote the essence of this presentation:

“On May 2004, The European Union enters a new phase. An enlarged Union of 25 countries—with a population of 450 million and a quarter of world GDP—will have a huge impact on its neighbors in Europe and in the Mediterranean Basin. Beyond its immediate neighborhood, enlargement will also change the EU’s economic relations with the wider world. The European Union already plays an important international role in the areas of trade and development assistance. With the successful start of the euro, it is also poised to play an increasing role in the area of international money and finance.

The European Union must now be ready to take up the challenges of being the leading player in the Euro-Mediterranean region and an anchor for the global system.”

Table 1

The EU and the world, 2000

| Region/Country | Population | GDP (current) | GDP per capita (PPP) | Old age dependency ratio |
|-------------------------------------|--------------|-----------------|----------------------|--------------------------|
| | (millions) | Euro (billions) | Euro | (60+/15–59) (%) |
| EU-25 | 452 | 8,935 | 17,694 | 34 |
| European neighbours | 339 | 1,064 | 4,994 | 26 |
| — candidates and Western Balkans | 124 | 289 | 6,185 | 20 |
| — European Free Trade Association | 12 | 445 | 24,667 | 33 |
| — Belarus, Moldova, Russia, Ukraine | 203 | 330 | 3,103 | 30 |
| Mediterranean neighbours | 154 | 388 | 3,852 | 11 |
| Wider world | 5,188 | 23,628 | 5,250 | 14 |
| — Africa, Sub-Sahara | 671 | 345 | 1,377 | 9 |
| — China and India | 2,310 | 1,686 | 2,683 | 15 |
| — Latin America | 520 | 2,315 | 6,854 | 13 |
| — Japan | 127 | 5,163 | 21,738 | 38 |
| — USA | 286 | 10,806 | 30,371 | 26 |
| — Rest of the World | 1,261 | 3,313 | 4,060 | 13 |
| World Total | 6,133 | 34,015 | 6,118 | 17 |

² Sapir Report—An Agenda for a growing Europe—Making the EU economic system deliver Report. Chairman Andre Sapir, Brussels, July 2003.

Table 2

The Quartet

| Input | Output | | | |
|-------|--------|-----|-------|-------|
| | EU | USA | China | India |
| EU | X | | | |
| USA | | X | | |
| China | | | X | |
| India | | | | X |

The table is presenting the starting positions of the most important actors of the global scene of the XXI century. Let me propose to concentrate our attention on the strategic quartet EU—USA—China—India³ seen in the matrix notation:

The parallel economic and scientific expansions of China and India will change very deeply the global scene of the XXI century. This change will develop a dramatic challenge for the European economy and society.

III. The paradox of American power

This is the title of the book created by J.S. Nye Jr⁴. Particularly interesting is the concept of three dimensional patterns of power distribution⁵. In this context we can formulate a question, how long the USA will keep the position of a quasi monopolistic superpower of the XXI century?

IV. The vision of imperial China

According the prevailing projections China will replace USA as the first global power around 2020–2030. Considering the power of China we should take into account not only the country itself but also the outstanding economic power of the Chinese minority in five countries of South Asia. In a recent World Bank Report⁶ we find the following information:

³ The rise of India. Brussels, July 2003, BusinessWeek—European Edition, December 8th 2003

India stands on the edge of explosive growth. Financial Times, December 4th 2003.

The dragon and the eagle—A survey of the world economy, “The Economist”, October 2nd 2004.

Special Report—China Environment. A great wall of waste, “The Economist”, August 21st 2004.

J.E. Garten, More Tough Questions for the Candidates—The Innovation Economy—New Ideas and Technologies That are changing the World, “BusinessWeek”—European Edition, October 11th 2004.

⁴ J.S. Nye Jr; The Paradox of American Power, Oxford University Press, 2002

compare also: H.D.S. Greenway, A fatal faith in the cleansing winds of war; I.H. T., October 20th 2004.

Compare also three articles by M.R. Gordon in I.H.T., October 19th, 20th, 21st 2004—“Catastrophic success”:

— one: How postwar plan in Iraq went away?

— two: US Intelligence—missing the target in Iraq

— three: Abolishing Iraq Army—the fallout.

⁵ J.S. Nye Jr; op.cit. p. 8 and 39.

Compare also T. L. Friedman, A messed-up set of priorities, I.H.T. December 27th 2004.

⁶ C.J. Dahlman, J.E. Aubert, China and the Knowledge Economy—Seizing the 21st century, World Bank Institute, Washington D.C., 2001, p.152.

Table 3

**Overseas Chinese share of population, GDP (selected countries)
(Percent)**

| Country | Share of population | Share of market capitalization |
|-------------|---------------------|--------------------------------|
| Indonesia | 3–4 | 73 |
| Malaysia | 30 | 69 |
| Philippines | 2 | 50–60 |
| Singapore | 78 | 81 |
| Thailand | 14 | 81 |

Source: Economist Intelligence Unit, China to 2010, London, 1998.

V. The Chinese challenge 2020

It happens sometimes that the anticipation of a great historical change is presented in a small modest framework very far from the headlines *hinc et nunc*.

The I.H.T. of July 30th 2004 has published the following information following the South China Morning Post⁷

“Hong Kong: Beijing’s unexpected vehemence in denouncing a recent visit to Taiwan by Singapore’s deputy prime minister; Lee Hsien Loong, reflects a strong sense of frustration that Taiwan has not succumbed to its threats and blandishments. As if to underline the sense of urgency, Jiang Zemin, the commander-in-chief of China’s armed forces, has for the first time set what amounts to a deadline for the reunification of Taiwan and the mainland, by force if necessary. On July 16, he told a meeting of the Central Military Commission, the country’s most powerful military body, that “before or after 2020 is the time to resolve the Taiwan issue.” While his words are somewhat vague, they do appear to constitute a veiled ultimatum. Beijing provided a 15-year transition period for Hong Kong by announcing in 1982 that it would take back the British colony in 1997.”

This means that China is planning to challenge the global leadership of USA around 2020 disregarding at that time the *de facto* independence of Taiwan supported by United States. In other words Jiang Zemin is expecting that around 2020 the US will be not able to create barriers for the imperial choices of China.

VI. The role of India

For a very long time India was recognized as much weaker in comparison with China. This means not that the global role of India will not grow rapidly in the next decades. Anyway the parallelism in the growth trajectory of China and India is a new and most interesting phenomenon (compare Table 4).

⁷ Opinions from around the world—Veiled Chinese ultimatum to Taiwan. I.H.T., July 30th 2004. compare in the same issue of IHT: P. Mooney, Freedom of expressions in China—criticize but don’t touch the party. Compare: P. Bowring, China new power can be contained, I.H.T., August 17th 2004 and other views: “Taiwan is an inalienable part of China”, I.H.T., op.cit.

VII. The drama or tragedy of Europe

Only strong Europe will be able to survive in the framework of this quartet. Weak Europe will be reduced to the shadow of a new global periphery.

VIII. The dramatic crisis of Europe

The last decades of the XX century can be seen as the emergence of a dramatic dilemma—**Strong versus Weak Europe**. **Strong Europe**—being a grand, active and independent global player and **Weak Europe**—being a passive and dependent participant of the globalization processes.

Unfortunately at the beginning of the III Millennium Europe entered into a stage of a dramatic crisis of seven dimensions:

- 1) the demographic crisis—Europe as a dying continent including all important economic, social, cultural and political consequences of this phenomenon,
- 2) the economic crisis—Europe is losing the competitive advantage in the development of knowledge based economy. The de facto crisis of the Lisbon Agenda,
- 3) the scientific crisis—the inability of Europe to create a really integrated European Academic and Research community as a global countervailing power in relation to the American Research and American Academic Community
- 4) *the cultural crisis—the inability of Europe to establish the grand vision of an European culture as an leading actor of the global scene—winning the competitive struggle in relation to the American culture,*
- 5) the military crisis—the inability of Europe to create even a symbolic European army
- 6) the crisis of European governance—the inability of the European Union to make the historical decision and recognize than only Federal Europe is an efficient long term model of European Governance,
- 7) the crisis of European identity—the European Societies were not able to develop an individually internalized European identity which in long run is the real foundation of European integration and European unity. This European identity can be created only via well planned grand reforms of the European System of Education.

This multidimensional crisis is not a fatal verdict of history. United and integrated Europe has all the powers and capacities to overcome the present crisis and to create a strong Europe of the XXI century.

⁸ Europe, op.cit., p.511

IX. The New Economic order of 2050

The International Herald Tribune⁹ has published a shocking scenario of the New Economic Order of the year 2050. In this Scenario the projected G.D.P 2050 in trillions¹⁰ of U.S.D. is as follows:

| | |
|---------------|-------|
| United States | 35.1 |
| Europe | 17.5* |
| China | 44.4 |
| India | 27.8 |

Let us compare the relative economic power of the Quartet in 2000 and 2050:

Table 4

The shift in the global economic power

| | 2000 Sapir Report Billions of Euro | 2050 I.H.T. Billions of USD |
|-----------------|--|-----------------------------------|
| U.S.A. | 10.8 | 35.1 |
| Europe | 8.9 | 17.5* |
| China and India | 1.7 | 72.2 |

* projections corrected by A. Kukliński—the projection of C. Whelan is 12.5.

Naturally this Scenario should not be taken too tragically. It is formulated probably via the extrapolation of the present differences in the rates of economic growth. In the next decades the pattern of differences may be changed in favor of Europe. Nevertheless this Scenario should be an inducement for deep reflection related to the strategic choices of Europe in the next 50 years¹¹. A mild expression of this reflection we can find in the contribution of four eminent authors published also in I.H.T.¹²

In this contribution the following question was formulated:

“Are we going to accept that EU will be eventually overtaken by India and China.”

This contribution is unfortunately formulated in the spirit of political correctness and conventional wisdom. Maybe we need a new contribution suggesting revolutionary transformations

⁹ C. Whelan, The new alliances—A shifting geography of trade, I.H.T. July 10th–11th 2004
Compare also: Population set to fall in many developed nations, I.H.T., August 18th 2004

“By 2050 the American population is projected to grow by nearly half while other industrial nations like Germany and Japan seem set to shrink”. By 2050 the following magnitudes are projected (in millions) USA—420, China—1400, India—1600. The world population is projected 9,3 billions.

¹⁰ Billions in European convention

¹¹ compare the interesting contribution: Possible Trade—Offs involved in the Lisbon Strategy, Brussels May 26th 2004. Secretariat of the High Level Group on the Lisbon Strategy.

In this paper we find inter alia a discussion of the Trade—off between objectives:

- trade-off between growth and stability
- trade-off between employment and production
- trade-off between growth and cohesion
- trade-off between flexibility and security of occupation
- trade-off between environmental policy and growth.

¹² M. Horney, L.J. Brinkhorst, H.Grethen, P.Hewitt, The consecutive Presidents of EU Competitiveness Council, I.H.T., July 3rd–4th 2004.

of Europe and of the European Union. A system of turning points must be accepted by the European elites and by the European societies in toto. **These turning points should create a new personality of dynamic Europe of the XXI century—replacing the personality of a dying continent reflected in the I.H.T. Scenario.**

Is this system of turning points only a utopian dream or is this a feasible reality of the XXI century? In this context we see how important is the drama of strategic choices in our discussions related to the future of Europe in the context of traumatic changes of the global scene¹³.

The traumatic fate of Europe facing the global challenges of the XXI century should to my mind be recognized as an object of an extraordinary session of the European Parliament. Maybe this session would be able to create the necessary shock in European Public Opinion and open the way for real dramatic strategic choices, and radically new scenarios related to the Future of Europe.

Warszawa—Nowy Sącz
October 5th 2004.

¹³ compare volume two of REUPUS: A. Kukliński, K. Pawłowski (eds) *Europe—the strategic choices*, Nowy Sącz, 2005
compare also the new “Trilogy” Z. Brzezinski, *The Choice. Global Domination or Global Leadership*, Basic Books 2003;
R. Cooper, *The Breaking, Nations Order and Chaos in the Twenty First Century*, Atlantic Monthly Press N.Y. 2004;
T. G. Ash, *Free World—America, Europe and the Suprising Future*, The World Random House, New York 2004.

TOMASZ GRZEGORZ GROSSE

THEORETICAL MODELS FOR THE FUTURE OF THE EUROPEAN UNION¹

After the fall of the Soviet block the United States of America became the single great power on a global scale. However, numerous political scientists have noticed a range of indications of a leadership crisis of America, and thus anticipate a new supranational order to arise within the next few decades². Mentioned among the potential new world leaders are China and the expanded European Union. In this competition for world leadership Europe's position depends upon several factors. First and foremost is the need to define a long-term developmental plan for Europe and its role on the world stage. Secondly is the exigency of implementing essential institutional reforms and of solving the dilemma over the EU's political system. Thirdly is the need to dynamize economic development in order to effectively compete with the USA and the countries of East Asia. Of further surpassing importance in securing the future position of the European Union is the matter of minimizing the EU's social and regional discrepancies and of integrating the Eastern European countries. Poor results in these areas combined with a lack of reforms of EU institutions could paralyze decision-making and bring failure to the whole European project.

According British historian Arnold Toynbee³ the decline and fall of great empires was caused by routine and the lack of creativity among social elites. On the one hand, those societies lacked a shared vision of the future—on the other they failed to hammer out generally acceptable values that could contribute to social stability and lead to a shared identity. Growing internal divisions led to the demise of authorities and the erosion of the elites' control, whereas institutions complied less and less to the needs of the real social and economic situation. Institutional inertia and the inability to make strategic choices intensified the systemic incoherencies that manifested themselves in escalating conflicts of interest, the particularism of various groups, and the loss of steerability over the system as a whole.

Let us have a look at the factors affecting the European Union's future in a similar context. Up until now the main aspect influencing European integration, shaping its strategic vision of the future, was the shock caused by the consequences of WWII and Germany's role in that war. Craving peace, Europe's wearied societies had an enormous desire to create a cooperative model which, on one hand, would serve economic reconstruction, and exclude any further clashes in Western Europe on the other. The Cold-War division of the world turned out to be yet another

¹ The first version of this article was published in "Polska w Europie", nr 1 (43), 2003.

² Cf. also J.J.Mearsheimer: *The Tragedy of Great Power Politics*. W. Norton & Company, New York 2001; G.Arriighi: *The Long Twentieth Century: Money, Power and the Origins of Our Times*. Verso Books 1994.

More about the leadership crisis of America and the new supranational order: cf. M.Hardt, A.Negri: *Empire*. Harvard University Press, Cambridge Mass.2001.

³ A.J.Toynbee: *A study on history*. Polish edition: Państwowy Instytut Wydawniczy, Warszawa 2000,pp.222–290.

important stimulus for the process of European integration, wherein the uniting Europe fulfilled a stabilizing function.

Today, the aforementioned factors are no longer pertinent, as the bipolar system collapsed and the memory of WWII has faded. The European Union does not attempt any more to balance the economic and political power of Germany. Following a period of overall economic growth and general societal euphoria following the fall of the Berlin wall, the EU countries decided to enlarge the European Community and introduce the Euro. However, the meaning of those historical decisions seems to be heading toward irrelevance. Thus, the weak economic situation has impaired integration efforts and strategic thinking. Will the growing economic competition with America and the emerging competition with Asian countries be enough to prompt bold decisions? Or will the growing domination of Germany in Europe accomplish this? It is altogether unlikely that the threat of terrorism could become such a causative factor.

Across history Europe has been host to violent rivalry for leadership. Times of peace were a rare thing, originating in mutual balance-of-power treaties, and often imposed by the global situation. Thus, while the great empires (as Great Britain in the 19th century and the USA in the 20th) were built on an accumulation of non-European resources, Germany's repeated efforts to gain a position of power based on European resources led to destructive conflict. Up to its collapse, the bipolar political system guaranteed the safety of Europe's process of integration. A dozen years after its demise, today we are witnessing a return of nationalist movements across Europe. Emphasizing those strictly defined national interests can seriously obstruct any further integration. Moreover, any attempt made by one country or by a consortium of the strongest countries to dominate the European Union for private profits could soon lead to a complete failure of the integration idea.

The four measurements for predicting Europe's future

There are at least four aspects which must be taken into account when analyzing Europe's future. First of all, there is the sphere of ideas concerning fundamental values and symbolic references. Nowadays the Europeans' key concerns are about choosing the right set of values, one being social solidarity—the other, assuring prosperity to the most affluent groups of citizens. Solidarity is coterminous with the redistribution of wealth to the benefit of peripheries, i.e. under-developed regions and to societal groups that fall below the European norm.

Choosing solidarity as the organizational standard will significantly raise the support for problem regions, though at the expense of the engines of growth. This would in practice imply a reduction of structural funding for present day EU members in favor of the newly adjoined countries. It would also imply resignation from an extreme liberal approach in economics and social policy, as well as from the maintenance of the diverse solutions characteristic of the welfare state. What is more, accepting solidarity as the primary criterion would enhance the creation of new, reliable supranational institutions responsible for the execution of social and renewal policies within the EU. It would establish an economic model based on mechanisms of deregulation and marketing as well as strong public interventionism.

This choice of values is tightly bound to another alternative—individualism versus civil society—in other words, the protection of individual rights growing more and more extreme versus the priority of the common good. Yet another option of standards for the future EU is that of being tolerant and open toward cultural difference vis-à-vis opposing diversity and creating uniformity.

Commonly shared moral codes are an indispensable requirement for the unity of the European countries and the creation of a joint European identity. They are equally necessary for people to find shared historical and cultural references, these being the pillars of a future European identity. Creating a new social quality in Europe is an extremely difficult, long-term task to which the principles of solidarity and civil society are more supportive than individualism and liberalism.

Economics, and in particular the factors helping Europe to improve its position as competitor on the global scale, form the second aspect of evaluating Europe's future. In this approach the expansion of regional markets provides the answer of nation-states to both the economic and political problems that emerge as a consequence of globalization processes. Regional integration, therefore, is only a part of the governmental strategies aimed at strengthening national economies within the global market. It is the broader economic activity and the protection from external competition that allow for the improved results of local enterprises⁴.

Many researchers emphasize the significance of both globalization and growing economic competition to European integration. Alec Stone Sweet and Wayne Sandholtz assert that European decision-making is greatly stimulated by the increasing position of the global society and of supranational economic entities. Expanding world trade and a more stream-lined body of international law to regulate it—along with the people and institutions involved in those two areas—constantly compel Europe to meet the challenge of globalization⁵. According to Andrew Moravcsik, European integration after WWII was mostly propelled by the demands of international corporations and exporters who endeavored to expand on the market, to create uniform economic regulations for the whole of Europe, and to stabilize the exchange rate⁶.

As can be clearly seen from the evolution of the European Union, regional alliances arise from the initiative of the strongest states, and thus they undoubtedly serve those states' own political and economic ends. European countries bore in mind not only political goals but also the improvement of their economic situation. It is therefore worth emphasizing that nation-states are the main actors of economic integration and will keep this role in the future.

Apart from countries, it is the market participants that also play an active role in the aforementioned processes—according to some, to an even greater extent than the political elites of sovereign states⁷. However; their influence on European integration is very diversified and ambiguous. Some of the state-owned giants (for instance, the French telecommunication and energy companies) cooperate with their own national administration to maintain their privileged position on the market. What is more, though pursuing further liberal changes on the community market, other European concerns (e.g., the European industries in steel, machines, car production, and shipbuilding) strive at the same time to maintain protection from external competition. Yet another category is represented by the agricultural lobby that advocates protectionist barriers impeding European integration. This lobby is strongly linked to national political elites, just as are some European concerns of the defense industry. The latter, though, unlike the agricultural lobby, positively influence the integration process. In general one could venture to say that the

⁴ More about this topic also in: R.Gilpin: *The Challenge of Global Capitalism. The World Economy in the 21st Century* (Princeton University Press, Princeton 2000), p.182; A.Zorska: *Globalization and regionalization. The impact of TNCs on integration of Central Europe*, in: H.Bunz, A.Kukliński (ed.): *Globalization. Experiences and Prospects* (Friedrich Ebert Stiftung, Warszawa 2001).

⁵ Cf.: A.Stone Sweet, W.Sandholtz: *European Integration and Supranational Governance*, "Journal of European Public Policy" 4(3)/1997, pp.297-317.

⁶ A.Moravcsik: *The Choice for Europe. Social Purpose and State Power from Messina to Maastricht*. Cornell University Press, Ithaca New York 1998, pp.474-475.

⁷ Cf.S.Strange: *The Retreat of State. The Diffusion of Power in the World Economy*. Cambridge University Press, Cambridge 1996; N.Hertz: *The Silent Takeover: Global Capitalism and the Death of Democracy*. Free Press, New York 2002; D.C.Korten, *When Corporations Rule the World*, Kumarian Press, New York 2001; T.L.Friedman, *The Lexus and the Olive Tree: Understanding Globalization*, Anchor, London 2000.

majority of European enterprises is strongly tied to national elites and will resolve to look for the state's support rather than that of the EU's. Some companies do support further liberalization and deregulatory measures, and even though only to a small extent, this encourages to establish supranational market institutions.

The institutional sphere represents the third aspect of analyzing Europe's future. Europeans can choose between several possible systemic forms. A variant of federalism has been most discussed in recent years, with three scenarios leading to its implementation. The first one stresses the need to "escape politics" and the nation-state on behalf of strengthening the administration in Brussels—this being a model one could label "technocratic federalism". This strategy was set in motion in the 1980s by introducing a reform on the EU's structural policy, which on one hand was to weaken the significance of nation-states, and on the other was to strengthen the competencies of the European Commission and the regions of local governance. The second variant deliberates the establishment of economic federalism via gradually instigating new but shared economic instruments, like the single market or the euro. According to this scenario, after some time supranational market instruments are to compel coordinated economic policies, which in turn will require a European-scale political movement. Then there exists the third possibility of establishing a civil federalism based upon a commonly elected pan-European parliament. This scenario, presupposing a strong European identity on the part of EU citizens is the least probable.

Yet another model for an integrated Europe is the confederation of states based on Charles de Gaulle's famous concept, whereby nation-states play the leading role, while the European Community serves above all to secure national interests⁸. This model clearly favors the strongest political bodies. Then there is the network model in which the state shares its sovereignty with other bodies of the same governing level, but also with local and regional governments, with lobbies, and finally with the European Commission⁹. In my opinion, despite the EU's network structure it is the nation-states that dominate the remaining bodies. This is especially visible in the process of making key decisions, such as that concerning the accession of new members, the budget, or internal reforms. Lacking federal institutions and easily affected by routine, the network model can lose its steerability and the ability to make strategic decisions. According to David Calleo, this is a model of a "nobody's Europe", which inevitably leads to anarchy and conflicts of interests, groups, institutions and even nations¹⁰.

The admission of new members to the European Union implies at the same time a great institutional dilemma—either there will be new institutions emblematic for federal systems or the nation-states will keep their subordinate position. Favoring the strongest countries of the Community this second option will divide the extended 25-member European Union into A- and B-League countries.

Finally, the fourth aspect in the analysis of the EU's future is that of the set of questions concerning the political elite. Are they capable of creating a new quality in international relationships, or are they still bound to their national electorates? Is it possible for social democrats and conservative parties in Europe to share ideas that could serve as a foundation to European political ties?

Integration is still in its beginning, hence even now the political elites are strongly dependent on their national voters, who decide their position. Moreover, one can forecast that this situation

⁸ E.Dominik: Charles de Gaulle: polityk i wizjoner [Charles de Gaulle. Politician and visionary]. Wydawnictwo Trio, Warszawa 2001, pp.114–124.

⁹ G.Marks, F.W.Scharpf, P.C.Schmitter, W.Streeck: Governance in the European Union. Sage Publication, London 1996.

¹⁰ D.Calleo: Rethinking Europe's Future. Princeton University Press, Princeton–Oxford 2002, pp.142–143.

will not soon change, as politicians, very much like voters, will perceive integration through the perspective of national benefit. It is equally difficult to spot examples of cooperative fronts among European parties in relation to Europe's future. Social democrats alike from Britain, France and Germany perceive integration rather from the point of view of their specific national interests and their own political traditions. Furthermore, the ideological affinity of European parties of corresponding views encounters impediments in the form of pragmatic approaches in politics, the shortsightedness of decision-making and the fading of differences between the Left and the Right. Thus it is also hard to imagine German and British social democrats supporting an increase of European funds in favor of enlarged EU, although this matter should in fact bring together the parties of the left. One can say with assurance that in practice their point of view in this matter will be defined by financial aspects, particularly as both countries belong to the category of net payers to the European budget.

The liberal model of economic integration

One of the most important factors conditioning the future of the EU is its economic competitiveness. According to economist Lester Thurow, who claims that Europe is fighting a losing battle against America and Japan, the contemporary abyss between centers and peripheries will inevitably deepen once the European Union will be joined by the Central European countries, ones displaying much slower economic progress. Let us remember that Poland's GDP equals merely 49% of the European Union's average, thus placing her among the peripheries of a united Europe. If we do not employ a policy of abolishing disproportions, the latter can turn into factors that in the long run will impede Europe's general development.

Large structural unemployment is another obstacle to progress. In comparison to the United States' labor market, the European market exhibits very low mobility and a small increase of new employment. Thurow claims that the problem of unemployment should be addressed by increasing the flexibility of labor laws and by limiting the stature of labor unions¹¹. Similarly, Europe has not managed to cope with modern technologies on an industrial scale, which is illustrated by the fact that in Europe there is no company specializing in the manufacture of microprocessors. In the near future this situation might well encumber growth throughout the advanced technologies sector. Despite various attempts, no great companies were built in Europe that might compete on a global scale. Furthermore, the existing legislation inhibits mergers of companies—thus, the largest international corporations mostly controlled by American capital or, to a smaller extent, by Asian capital.

High taxation and expensive labor restrains foreign investors and thereby draws away capital from the Continent as, plainly enough, European companies seek more lucrative ways of investing their assets. The admission of Central Europe's countries to the EU might have a positive impact on this field of economy. Therefore, Europe's competitiveness could be enhanced thanks to transferring production to the new member states.

In Europe it is the British who champion the model of economic cooperation, even though at the same time they reject both supranational solutions and speak against treating the EU as a future federal state. Hence, the EU ought to be a loosely tied association of several states, which seeks to uphold all attributes of national sovereignty¹². That is the reason why the British have

¹¹ L.C.Thurow: *Building Wealth. The New Rules for Individuals, Companies, and Nations in Knowledge-Based Economy*. HarperCollins Publishers, New York 2000, pp.89–98.

¹² F.Golembki: *Brytyjskie koncepcje Unii Europejskiej* [British concepts on the European Union], in: E.Haliżak, S.Parzymies (ed.): *Unia Europejska—nowy typ wspólnot międzynarodowej* [The EU—a new type of

consistently refrained from introducing the common currency, something which could diminish the governments power over the national economy and London's position as financial center.

The economic integration model tallies numerous proponents among the political elite. Nonetheless, one must remember that this vision of market liberalization represents only one of several notions on economic integration, particularly as the trend of protectionism in Europe is equally strong and is additionally reinforced by continuing global recession and by trade competition with the USA and Asia. The integration image is being used to implement goals useful for the national economy. According to specialists, one of the main reasons inducing Germany to support monetary union was to share the expenses of Germany's unification¹³.

Thus the European integration embodies the principle of pragmatic liberalism¹⁴, combining the inclination to open up external (sales) markets and to protect the internal market at the same time. Accordingly, European companies run numerous direct investments in the whole world, among them takeovers of foreign businesses at the same as they question such dealings in Europe itself. Supporting the largest national corporations and shielding socially susceptible branches, European countries simultaneously demand economic progress and market liberalization from their foreign partners. David Calleo goes on to argue that returning to mercantile measures in Europe will no more than weaken any further economic integration, inasmuch as in the long run these dealings will facilitate increasing incoherencies between the members of the EU.

The recent years of integration efforts have shown a drive towards improving the EU's competitiveness on the global market. As Romano Prodi, President of the European Commission, maintains "it is still possible to catch up with America. However, this requires taking up radical reforms. The European Union's credibility is at stake". This aim is being pursued through a common currency and an advancing of the liberalization of Europe's economy. The Lisbon summit in 2000 saw the passing of a schedule of changes to be made, the aim of which is to found Europe's progress on electronic technologies and an information society. A plan was devised to multiply the public investments into research, to promote the work on industrial innovations, to implement a fast market liberalization in the sectors of finance, transport, energy resources, and finally to open public commissions on national markets for enterprises from all over the EU.

At the same time Lisbon has revealed how incoherent the vision on integration is, the summit itself establishing somewhat of a compromise between various political trends and economic doctrines. Accordingly, the concept of public interventionism was brought forward next to liberal notions proposing the abolition of national monopolies and national regulations. Among other matters, the list of priorities enumerated building a knowledge-based economy, modernizing social welfare, and improving employment policy. Consequently, it was impossible to work out a compromise for the overall economic strategy that would result in alleviating Europe's competitiveness. The argument has become a bone of contention between the adherents of the continental model of society and the Anglo-American one.

Yet no full integration will succeed if EU institutions are not reformed simultaneously. For the same reason it is impossible to follow America and not employ America's experience on institutional structures. In the American model economic growth is a matter of liberal laws and of an efficient system of both political and administrative institutions on the federal, state and local level. Supporting strategic branches of the economy, this system guarantees the stability of the whole and energetically counteracts possible economic or social dangers during times of crises.

international community]. Instytut Stosunków Międzynarodowych UW [the Faculty of International Relations at the Warsaw University], Warsaw 2002, pp.130-141.

¹³ D.Calleo: *Rethinking Europe's Future...*, pp.188-190.

¹⁴ For more about this topic see: L.Emmerij: *Major Development Challenges Globally and Regionally*, in: H.Bunz, A.Kukliński (ed.): *Globalization. Experiences and Prospects*. Friedrich Ebert Stiftung, Warszawa 2001.

The Lisbon summit has also disclosed several contradictory interests between some member countries of the EU. Their attitude slowed down, in some cases even blocked, the ambitious plans made in Lisbon. As a result thereof, during the Barcelona summit (2002) the liberalization of railway transport was not put into effect, whereas that of the market for postal services and public commissions was deferred. France resisted the deregulation of the energy market, while Germany blocked attempts to diminish restrictions on financial operations. Similarly it was impossible to agree on a common pattern for patents, just as it was to limit the subsidies from member countries' budgets for local, national businesses. Moreover, specialists argue that some member states only feign reforms and manipulate data, while their governments preach success propaganda during periodical check-ups on how the Lisbon reforms are being implemented¹⁵.

The Barcelona summit was symbolic for the EU's future: revealing the real-life power of nation-states it displayed in parallel the difficulties encountered while executing the systemic changes in Europe, in particular the changes employed against the economies of nation-states. Among others matters, the Barcelona summit has proved the superiority of short-term nation-scale interests, sometimes even of certain market branches—over the interests of the whole European community.

The federal model and its chances in Europe.

The most coherent vision of a federal Europe has been presented by German politicians, which fact is connected with the political system and customs of the Federal Republic of Germany. Nonetheless, it is worth remembering that Germans hold two completely different integration models, one of course originating in the latest historic events, while the other relates to unification under the auspices of Prussian dominance. It has imposed its own legal and political solutions onto the remaining German provinces. It seems less than probable that the present German elites could turn to Prussian tradition, and if they did, this would—in the long run—ruin the integration process in Europe for sure.

Germany's strategy on the European stage is based on four keystones: 1) the short-term effort to strengthen Germany's rank in the Council of the European Union; 2) the long-run strengthening of the parliament and the European government while simultaneously diminishing the role of the Council of the EU; 3) the tactics of varying the geometry of membership, i.e. gathering together within the EU of countries who accede to German policies and Germany's strategic vision on integration; and 4) the management of EU expansion as a means to revive the concept of Mitteleuropa and using the European platform to rebuild the German sphere of influence in Central-Eastern Europe.

It is commonly accepted that the Nice Treaty (2001) is a success of German diplomacy. In line with the rules laid down in it, the position of the European Commission was reinforced by equipping it with broader coordinating competencies and with the ability to redirect the Commission's tasks. Furthermore, the treaty adopted the German appeal to take the demographic factors into consideration when allotting votes in the Council of the EU. The requirement of at least 62% of all citizens of Europe to take part in qualified votes was also introduced, which gives Germany an enormous advantage in comparison to other, less populated member states. In similar thanks to its demographic power, Germany has received the biggest amount of votes (99) in the European Parliament. German diplomacy has moreover pushed through the suggestion

¹⁵ M.J.Radło: *Strategia Lizbońska. Konkluzje dla Polski* [The Lisbon Strategy. Conclusions for Poland]. Instytut Spraw Publicznych [the Institute of Public Affairs], Warszawa 2002, pp.21–24.

of improving integration within a chosen group, having practically excluded any possibility of blocking this mechanism by member states. Only eight countries have been admitted the right to exercise this procedure, which with an imminent membership of 25, allows for copious actions. As indicated by political scientists, the Nice summit has opened the way to a varied membership in the EU ¹⁶.

The tactics of varying the geometry of membership, though allowing for more efficient implementation of some integration plans, does not make clear whether that is the way to build federal institutions. It concurrently supports Germany, who has been enabled to exercise its own political concepts, taking into account above all German benefits in a united Europe. As stated by experts, France's support had been commanded by its desire to control German initiatives and not allow for the creation of federal institutions ¹⁷.

The tactics of varying the geometry of membership recalls Lloyd Gruber's concept of regional integration. In his opinion, integration occurs mostly under the influence of stronger bodies and is useful from their point of view, since it is the countries creating institutions and the rules of regional cooperation that gain a great advantage over other subjects—in particular those that do not participate in the agreement from its beginnings. However, as Gruber points out, not accessing the system of regional cooperation can result in even greater problems.

Italy's approach illustrates this thesis well. As the Italian politicians feared that their country would drop into the lower category of European states, they decided to join the European Monetary System (EMS), even though this system benefited primarily Germany and France. Had Italy not done that, it could have lost international investments, which can easily result in mass outflow of financial assets from the market. What is more, Italian politicians feared the political consequences of not joining the EMS, as e.g. the continuous split into worse and better countries. They also feared Germany's excessive emancipation, since they were very much aware of the possible benefits following the introduction of the monetary union in that country. The Italians preferred to take part in the EMS and its decision-making, thus being able to directly control Germany's actions and thus binding that country even more with the European Communities¹⁸.

Epitomizing regional integration, this example shows how integration is principally beneficial to the strongest states, whereas the lesser ones have no choice but to take up the challenge, even though they gain much less. In the same way, remaining outside of regional structures implies much greater risks.

Joschka Fischer¹⁹ and German chancellor Gerhard Schröder²⁰ in their speeches have most fully pronounced the long-term strategy of establishing the federal system. It anticipates that the executive be strengthened by appointing a president of the future federation, this being a head-of-government elected by a body of electors who in turn are designated in general elections. The European Commission would form the core of the government. The final version of this proposal was fixed with France in mid-January 2003 and it foresees the head of the Commission to be elected by the European Parliament. This denotes an improvement of how the Commission works and of the political position of the Parliament.

¹⁶ S.Parzymies: Proces instytucjonalizacji wspólnot europejskich i Unii Europejskiej, czyli permanentne reformowanie mechanizmu podejmowania decyzji [The process of institutionalizing the European Communities and the European Union. a permanent reform of the decision making mechanism], in: E.Halizak, S.Parzymies (ed.): Unia Europejska... [the EU ...], p.83.

¹⁷ Cf. A.Szeptycki: Francuskie koncepcje Unii Europejskiej [French concepts on the European Union], in: E.Halizak, S.Parzymies (ed.): Unia Europejska... [The EU ...], pp.163–175.

¹⁸ L.Gruber: Ruling the World. Power, Politics, and the Rise of Supranational Institutions. Princeton University Press, Princeton 2000, pp.171–212.

¹⁹ O przyszłości Europy. Głosy polityków. [Europe's Future. Politicians speak up.] Fundacja im. S.Batorego [the Stefan Batory Foundation], Warsaw 2000, pp.27–36.

²⁰ Cf. S.Parzymies: Proces instytucjonalizacji wspólnot europejskich..., [The process of institutionalizing...] pp.87–88.

The German suggestions also include diminishing the role of the Council of the EU, Schröders concept proposing that the Council form the second chamber of the parliament, whereas in Fischer's design the Council ceases to exist. All legislative functions of the federation would therefore lie in the hands of a bicameral parliament, one part elected in general elections, the other chosen indirectly, by national parliaments (Fischer), or by national governments (Schroeder). Completing the vision of the German politicians seems less than probable, as it is opposed by several countries, primarily by France, who deems that the EU ought rather to remain a confederation of sovereign states.

As a result thereof, the progress in institutional reforms can proceed only slowly and no thorough change can be expected for the time being. This is confirmed by the attempt to restrict the veto for decisions made by the Council of the EU. Thus, according to the Amsterdam Treaty (1997) and the Nice Treaty (2001), voting with a qualified majority remains an exceptional procedure. The functioning of the EU is best described by increasing limitations. On the motion of Great Britain, taxation and social security have been removed from the list of issues that are decided in majority votes. On Germany's motion the same happened to the matter of freedom of employment. Then France demanded that all problems to do with trade in cultural goods, audiovisual services, education, health care and the like be excluded from majority votes. What is more, the practice of the Council shows that even in cases where majority voting would be applicable, the mode of concurrence is often used instead ²¹.

Nice has added yet another rule—the rule of three majorities in chosen matters subject to majority voting. Apart from a qualified majority of over 73%, it is necessary to gain the support of at least half the member states and over 62% of the EU population. This seriously hampers voting in the Council, as it enables smaller states to block decisions. In Constitutional Treaty²² the rules of qualified majority voting has changed, especially in favor of four biggest member countries (Germany, France, Great Britain, Italy). The number of issues eligible for majority voting procedure has also little increased. It could facilitate the decision making procedure and strengthen the power of Council. Once more keeping the veto as a voting principle by the Council of the EU confirms the significance of nation-states within the European structures. Making decisions in such conditions depends on the negotiation culture of the members of the community—and following the population rise in this community it becomes more and more difficult. At the same time one must remember that a long-term blocking of decisions in the Council can result in increasing the unobtrusive power of other community institutions, especially that of the Court of Justice and of the European Commission. Hence, the lack of essential changes enabling efficient decision-making in the Council after the expansion could in fact weaken the standing of national governments.

The actual role of nation-states in Europe is determined by the position of the three top-level institutions in the EU: the Parliament, the Commission, and the Court of Justice. Shifting partially legislative power from the Council to the Parliament is surely a considerable step towards creating a federal system. Extended by the Amsterdam Treaty on further fields of EU policy, the procedures of shared decision-making permit proposals of the Commission to be changed in the Parliament with an absolute majority of votes. The Council can subsequently modify those amendments, though only by voting unanimously. If, however, the Council does not succeed in adopting the required changes, then there will be appointed an advisory board composed of representatives from the Parliament and the Council seeking a legislative compromise. If none can be achieved, the whole process ends without a resolution. Therefore it can be said that since the Maastricht Treaty (1992), when for the first time institutions of shared decision-making had

²¹ J.Golub: In the Shadow of the Vote? Decision Making in the European Community.,International Organization ",vol.53,no.4 (1999).

²² *Treaty establishing a Constitution for Europe*, CIG 87/1/04, Brussels, 13 October 2004.

been installed, the political position of the Parliament has been clearly improving. At the same time, however, every state can continuously control the whole legislative process and in case of adverse changes it can vitiate every decision.

Yet another great impairment for a strong parliament is the feebly developed European identity of the voters. The societies of Europe do not create a single nation, hence one cannot expect them to form a political representation that will not primarily mirror the dissimilarities of their territories and nations. Nor is there a European system of political parties that would be conducive to the development of European parliamentary traditions.

Theoretically forming the core of a federal European government, the European Commission is generally criticized for its inability to act strategically, its growing procedural inertia, and lack of democratic legitimization. Instead of reducing the position of nation-states, the Commission has turned into a branch office of national business. The model of power founded on a strong European Commission lacking suitable supervision from the European representative institutions will probably continue to move towards the domination of national governments in the decision-making process, which in particular applies to strong states. It is worth remembering that for many years now the European Commission has been upholding a variety of “fiefdoms”, attributing them to specific countries. Thus, almost from the beginnings of the communities, the French have been ‘controlling’ agriculture, and the British the competition department. National priorities and conflicting interests of the particular segments in the Commission block the efficacy of this institution. Consequently the Commission loses more and more of its autonomy when it comes to defining a strategic vision for institutional reform.

The political position of the Commission depends equally on the way the community policies are exercised, as these are a potential instrument of furthering integration. Yet at the same time it is the Council that makes strategic decisions concerning new targets, finances, and institutions in this field. Strong national concerns manifest within the various policies, while the way they are accomplished reflects the balance of interests worked out between the different states. The surveyed phenomena are well illustrated by the effort to reform the foreign policy of the EU. The French proposal in this vein foresees the appointment of a head of diplomacy and voting on matters of foreign policy with a qualified majority. This is on the whole perceived as enabling French diplomacy to use European policy-making for the stronger global representation of French ideas.

Other European structures work the same way, and even as technocratic an institution as the European Central Bank, where decisions are made by professionals rather than politicians, is not free from national influences. “Even though the Central Bank enjoys functional independence, its actions and main representatives are—just like in other institutions in the EU—responsible before national governments and thus they have to take into consideration the specific balance of power between them”²³.

The majority of experts admits that supranational institutions in recent years have gained a great significance for the political processes in Europe. George Tsebelis and Geoffrey Garrett emphasize in particular the competencies shared by the European Parliament and the Council in matters of legislation. They also point to the competencies of the European Commission in concern with legal initiative and implementing European policies, although concurrently they expound the opinion that in the 1990s the actual power of the Commission clearly was being confined. They also recognize the meaning of the European Court of Justice for adjudicating disputes concerning

²³ D.Calleo: *Rethinking Europe's Future...*, p.286.

European Law. They admit, for instance, that impeding the Council's decisions is conducive toward increasing the Court's role in the EU's working practice ²⁴.

Along with those statements, Tsebelis and Garrett maintain that it is the nation-states that play the essential role in the EU. They outline the consequences of institutional, legal and financial decisions; create frames for running the community institutions and try to define, how the aforementioned exercise their mandate. They assign representatives and thoroughly monitor their activities; they have the decisive power over crucial political and legal matters. And so, when other subjects, e.g. the Court of Justice, interpret the law not accordingly to the member-states' intentions, then the Council can always amend the laws to a more convenient form. Moreover, as stated by both authors, the Court hardly ever runs cases that are concerned with particularly sensitive interests of members of the EU.

The confederate model

The discussion on the role of member-states in the EU has gone on for a long time among political scientists. The three most frequently named theoretical concepts are neofunctionalism, the network approach, and the intergovernmental approach.

The neofunctional school emerged in the 1950s, Ernst Haas being its leading representative. His attention was drawn especially towards regional integration in Europe. According to this theoretical current the basic characteristic of integration was that its functions relied in the first place on satisfying social needs, in particular those of an economic scope. The single interests of various countries and social groups increased the pressure on politicians to create adequate supranational institutions on the Continent. In order to efficiently satisfy those needs, the states successively allotted their competencies to European institutions. As a result thereof a gradual integration was commenced, and with the passage of time, what had been initiated for economic issues has turned more and more into a system and a quasi-federation.

This ever-deepening economic integration had an increasing impact on the continuing politically orientated integration and on augmenting institutions on a European level. This is, according to the neofunctionalist approach, a natural consequence. Strengthening supranational institutions ought to ensure better coordination and efficiency of economic cooperation. The political integration happens to be the "side-effect" of economic collaboration. Hence, performed in specific sectors, economic integration as advocated by Jean Monnet can result in the establishment of a union with federal features. For this reason the neofunctional approach is strictly related to the "community-orientated" thinking of the European integration, meaning that European-level institutions are perceived as the main beneficiaries and the main actors of the process ²⁵.

The next theoretical approach—that of multi-level governance—defines European integration as a 'network'. In accordance with its logic, the politics of the EU is created by mutually linked subjects of diverse status—supranational, national, regional, and local. In this way scholars representing the aforementioned current argued with the adherents of the intergovernmental approach, who assumed the dominant role of member-state governments, as well as with the neofunctionalists, who assumed the predominant meaning of European-level institutions for the processes of integration on the Continent.

According to Gary Marks, Liesbet Hooght, and Kermit Blank, European integration causes nation-states to gradually lose their sovereign competencies, in return for which they gain the

²⁴ G.Tsebelis, G.Garrett: *The Institutional Foundations of Intergovernmentalism and Supranationalism in the European Union*. „International Organization”, vol.55,no. 2 (2001).

²⁵ B.Rosamond: *Theories of European Integration*. St.Martin 's Press, New York 2000, pp.51-53.

possibility to share decision-making not only with other states, but with a variety of supranational institutions and with local self-governments. The states assign their rights to other subjects and can only co-decide in cases that hitherto were maintained by them solely. What is more, they give up the ability to control decision-making and even stop to mediate in contacts between the EU institutions and the authorities or organizations located within the area of the member-state. Thus, they lose their monopoly on representing national interests on the European political stage. To an ever greater degree they also lose full control over the undertakings commenced on their own territories and merely co-decide the legal norms binding in their own countries.²⁶

Finally, the current that emphasizes the significance of national governments in the integration processes is called **liberal intergovernmentalism**, whose most celebrated representative is Andrew Moravcsik²⁷. According to his reasoning, political cooperation in Europe was not targeted at creating a federal union. The prevalent role in this process can be ascribed to national governments, in particular of those countries that lead economically and politically. Moravcsik analyses the most crucial decisions of the EU members, from as early as the Rome Treaties up to the Maastricht Treaty and the creation of the EU. These were all pragmatic decisions made by the governments of interested countries taking into consideration their own particular interests rather than that of the high-flown ideals. Other factors, such as geopolitical dangers, the actions of EU-civil servants, lobbyists or other corporations, were of a much smaller impact.

Therefore, European integration resulted from the competition of member-state interests. On the one hand, it depended on the attitudes of the political elites, that is, the ability to identify and represent national concerns. On the other it was an outcome of the actual negotiation rank of the given country, which was related to its economic and political power on the global arena, especially the European stage. The decisive force in practice was subject to such factors as the total of the membership-fee to the community budget, voting-power, the number of representatives in particular European institutions, and so on.

The aforementioned competition of interests was therefore not performed by equal international partners, but it resulted from an asymmetrical interdependence of the various countries. This meant, in turn, that cooperation in Europe took into account the mutual relations between the particular countries, the involved parties' urge to compromise and to counteract unilateral decisions. Simultaneously this cooperation made allowances for the uneven negotiation power of the distinct parties. The asymmetric interdependence caused in practice that those most influential governments, interested in pushing through defined treaty rulings, were inclined to give in with issues of less importance or only marginally associated to the object of negotiation. Such concessions allowed them to benefit in the most significant fields of cooperation. The concession prohibited that the agreement be vetoed by less interested (or wronged) partners, though this would be the case only to the point where it did not imperil the essential aims of the agreement nor did its costs surmount the possible profits of the negotiated compromise.

Moravcsik looks at the political changes in Europe from the point of view of regional integration in times of economic globalization. He emphasizes, that the increasing competitiveness of the world economy after WWII constituted the main factor propelling forward the integration of Europe. It had been in fact an answer of the European governments to the globalization, and thus

²⁶ G.Marks, L.Hooghe, K.Blank: European Integration from the 1980s: State-Centric v. Multi-level Governance., *Journal of Common Market Studies* ",vol.34,no.3,1996. Compare also statements of other proponents of the network approach on the integration, e.g. G.Marks, F.Nielsen, F.Ray, J.Salk: *Competencies, Cracks and Conflicts: Regional Mobilization in European*

Union, in: G.Marks, F.Scharpf, P.C.Schmitter, W.Streeck (eds.), *ibidem* ;G.Marks,L.Hooghe (eds.): *Multi-Level Governance and European Integration*. Rowman & Littlefield Publishing 2001.

²⁷ A.Moravcsik: *The Choice for Europe. Social Purpose and State Power from Messina to Maastricht*. Cornell University Press, Ithaca New York 1998.

strengthening the supranational institutions in Europe was not meant to erect a federal system, but to create effective instruments to defend economic concerns and to efficiently implement economic agreements. According to Moravcsik, economic and especially trade interests represent the key to understanding European integration.

The basic rule of particular states was to support the liberalization or deregulation of branches in which their national economy was most successful and hence able to benefit from enlarging the market. Furthermore, Moravcsik reasons that European states carefully compute whether delegating competencies to the community institutions will in fact be beneficial to them. Thus, the expanding integration is neither a side-effect, nor unintentional, but a carefully thought over product in most aspects compatible with the national concerns, where both positive and negative consequences of the decision have been envisaged. The states are apt to give away some of their sovereign powers under the condition that their national interests will go together with the community policies, because in any other case they will either not favor integration or slow it down. Here again Moravcsik expands on the copious examples of governments introducing instruments controlling the EU, as for instance the system of managing, regulating, and advisory committees supervising the Commission's activities (the so-called comitology).

Other economic factors have played a decidedly supporting role in the integration process; accordingly, the value of safety and national sovereignty rose only during negotiations concerning non-economic matters. From time to time even cultural factors had an impact on how the integration discussion resulted, a case in point being the proposals to do with institutional solutions which are bound to the tradition of the proposing country (as for example the quasi-federal approaches launched by Germany). However, the economic aspects have always remained a prevalent factor for integration in Europe.

In view of that, the EU is a hybrid organization—featuring a dominating confederate model with federal elements. It may well be that the constitutional amendments being prepared by the Convention will slightly support the federalist influences in the EU, which however does not imply that in the approaching future Europe will remain a prevalently confederate body where Germany and France occupy the dominant position. It is quite characteristic for the EU that Germany's aforementioned institutional suggestion to reinforce the Parliament and the European Commission has been almost immediately tempered by the French submission to reinforce the Council. The concept suggests to introduce the president of the Council, the post being elected by national governments and his term of office lasting from 2.5 up to 5 years. In return, the next heads of government of the member states would no longer take the presidency over the Council. The resulting compromise between Germany and France balances the goals of both involved countries. On one hand, the agreement endeavors to reinforce the community institutions and to launch federal measures; on the other hand it defends the traditional national governments. Characterizing integration, this compromise does not take into account whether the system will be efficient in the future—indeed, it could just as well give rise to conflicts. It surely will bring about many controversies, in particular from the smaller member countries, ones that are justified in fearing an excessive increase of power of the strongest European countries.

For many years now Germany's and France's partnership has been the 'engine' propelling the growth of the whole organization. However, in recent times the delicate balance between both partners has been upset, Germany's integration being one of the reasons. The expansion of the EU foresees an ongoing growth of Germany's political power, which could well upset the cooperation of the two states and thus result in hampering further modernization of the EU.

It is extremely probable that in the near future the main position in the EU will still belong to the governments of the strongest member countries. The efforts of the Convention to reform the institutional system of the EU will most probably not lead to a considerable change, as this

would defy the strongest countries' wishes. And it will be they who will approve the results of the Convention's work. Some suggestions made by prominent EU politicians illustrate the desire to increase the Council's powers—by composing it of representatives of national governments—at the expense of the European Commission. Nothing, however, attests the wish to appoint completely democratic federal institutions in Europe.

This stems from several premises. First of all, Europe lacks the conceptual foundation for harmonious institutional growth. There are only a few common references to European history, common European interests, or threats. Nor is there a European ideology that would serve as basis for a European identity, both national and civic, its creation being hindered by stereotypes of a bureaucratic and technocratic EU distancing itself from the average citizen's problems and by the presently dominant, shortsighted particularism. Such a way of thinking among voters and politicians alike takes into account only short-term profits. Hence, in the discussion on Europe's future one can easily spot the voices of particular countries, lobbies or even of distinct politicians. A good example of that is Valéry Giscard d'Estaing, whose first action as chairman of the European constitutional Convention was to demand a monthly salary of 20,000 euro.

Secondly, Europe lacks a shared vision of its future. Stipulations to catch up with America are not enough to provide an integration concept for Europe. These are only general and empty declarations, as there is no shared consent on the aims nor on the measures that would lead to fulfilling them. There is too little political boldness to design institutions for a future Europe.

The successes of anti-establishment politicians—*vide* Jörg Haider, Silvio Berlusconi, and most recently Jean-Marie Le Pen—are not merely a superficial phenomenon. They attest to growing social disillusionment with the vision of the political establishment in European countries. This vision is kept politically correct, but it is dull and, what is more, it does not portend solutions to social or political problems. To the discontent voters of the extreme Right, a shared Europe equals a collection of meaningless slogans, and for that reason they turn to nationalist proposals.

It is especially the Eastern expansion of the EU that demonstrates the lack of a long-term strategic vision. The negotiations had to conform to the needs of the present EU-members. As a result thereof, accession has become more costly and unfavorable to the candidate countries. The conditions listed in multiplying negotiation chapters seem to indicate a membership of lower category. The lack of strategic visions propels disseminating in stronger countries an attitude of superiority toward weaker ones and it enhances the drive to maximize the profits from exploiting such a position. This can seriously threaten the EU's stability and even imply its decline.

Thirdly, the EU suffers from growing bureaucracy. Procedures have become more important than the goals themselves. The tangle of legal regulations, complex system of consultation and the expanding administration of the European Commission cause the EU to fail more and more as a body efficiently implementing a political program. These problems will increase once the EU has 25 members, as in the about to occur managerial havoc only the strong countries will prove resourceful.

Fourthly, long-standing traditions—in particular, the Bismarckian and Napoleonic, ones supporting a system of power founded on bureaucracy—promote the existing role of states and European bureaucracy. It is those traditions that will be referred to by both proponents of rationalizing the European executive and champions of leaving the key position to national governments.

Poland's integration with the EU

Summing up the aforementioned, let us reconsider the issue of Poland's integration with European structures for a moment. Without doubt it was the governments of candidate countries and member states alike that were of greatest importance to the pre-accession negotiations. Next to noble ideas that were presented to the public, particularly at the beginning of the negotiations, the driving force was that of cool calculations and particular interests. Complying with Moravcsik's theory, the most significant decisions concerning the EU's future—undeniably, one of them being the expansion of the EU—are made with the participation of member-states and under the influence of their economic interests. The negotiations seem to attest to this theory. Revealing those trends to the public during the concluding phase of the talks led to the partial disillusionment of a great number of integration supporters in candidate countries. Europe lost its innocence and idealism when it turned out that integration—rather than being a historic process compensating the former East block countries for the post-War division of Europe made against their will—is a merciless calculation and meticulous weighing of funds from European partners.

Decisions concerning the extension of the EU were made primarily by member-states, while the negotiation rank of a country applying for accession was in general vulnerable. What is more, they were not able to make use of their modest trumps. According to Frank Schimmelfennig, the countries of Central and East Europe had lost most of their negotiation trumps already by the time they signed the associative agreements with the EU. Thus they practically opened their markets to a majority of EU products, while from the start the liberalizing treaties they were to apply were asymmetrical and generally disadvantaged them. The EU has been exploiting various forms of protection for their most vulnerable product or service segments on the market. Simultaneously, the EU obstructed access to EU markets for items produced in candidate countries of a competitive standard, as for instance with agricultural, textile, coal, and steel products. As a result, the applicant countries for many years have had a permanent trade deficit with the EU market²⁸.

Schimmelfennig also maintains that to some European states—in particular those not bordering with Eastern markets or those that could lose part of their hitherto financial fundings, or the Coherence Fund transfers—the expansion of the EU does not guarantee any additional profits; hence he foresaw that the last stages of the talks may be exceptionally difficult and harsh for countries applying for the accession. It has indeed turned out just like that, while the negotiated financial conditions were of very low standard. The citizens of the European “15” will pay just 9 euros in sustaining new members, instead of a formerly estimated 30 euro per year. Moreover, the level of subsidies for countries that have already been benefiting from EU financial aid will not change, which in turn will provide those states with copious advantages over new members in relation to just that amount of financial support²⁹.

It is not by accident that Germany's initiative made it possible to break the deadlock in Copenhagen during the talks between Poland and the EU. It seems that it will be Germany who will most benefit from expansion. German experts assess that after the accession, profits might grow by up to 1.5% per year³⁰.

²⁸ F.Schimmelfennig: *The Community Trap: Liberal Norms, Rhetorical Action and the Eastern Enlargement of the European Union*, *International Organization*, vol.55, no. 1 (2001), pp.47–80.

²⁹ T.Fuller: EU gets a 'bargain' in expanding east. Read fine print and it 's only 10 billion Euros. *„International Herald Tribune”*, 17 December 2002.

³⁰ Cf. J. Saryusz-Wolski: *Der Osten zahlt die Zeche [The East pays the bill]*. *„Die Welt”*, 28.11.2002. For the same topic see also: J.M.Nowakowski: *Drang nach osten. Niemcy kolonizują Wschód uciekając przed Zachodem. [The rush to the East. Germans colonize the East escaping the West]* *„Wprost”*, 10 Nov.2002.

Schimmelfennig argues that the decision on starting negotiations resulted from something of a fashion to extend the community that prevailed in Europe after the historic tearing down of the Berlin Wall. The writer describes therefore a rhetorical involvement of European leaders limited to general declarations and very grandiloquent statements for the press. Furthermore, none of the European politicians wanted to be perceived as an integration antagonist, as such an attitude would stop any potential resistance to the process of integration. The expansion was however equally profitable to the member-states themselves, which could have been exploited to greater extents by candidate countries all through the talks going on. The chief economic beneficiaries of the enlargement are expected to be Germany and Austria, as well as the Scandinavian countries. As seen from Germany's point of view the union will provide them not only with economic profits, but it will moreover considerably boost their political standing within a united Europe.

What is more, expansion has had a strategic, global meaning for the Continent, specifically in relation to the impending rivalry over the world hegemony against the USA and China. As stated by Hans Nolte, Poland and other countries in this region will become the internal peripheries of the EU. They will provide cheap labor and will turn into a source of capital indispensable for competing on a global scale. Simultaneously, the peripheral states will not reach the modernization level to catch up with the West nor to make up for its backlog. The same author professes that it is the far too low financial cost of the expansion that will induce this very scenario to happen in East Europe ³¹.

The negotiation difficulties of the candidate states were doubtlessly an outcome of the challenging economic situation in Europe and the world. The considerable budget deficit of leading net payers in the EU, primarily accounting for Germany, has caused a further decline of the candidate countries' position. Nevertheless, the Central and East Europeans themselves are in some ways to be blamed for the unprofitable development of the enlargement. As Ryszard Legutko rightly pointed out, in the integration process the Polish authorities stuck to minimalist demands and to adapting to the European structures. Neither were they interested in their post-integration position, nor in the strategic aims that Poles will have to face afterwards³². Furthermore, it seems that the EU did not use the enlargement opportunity to fundamentally refurbish their policies, and neither did candidate-Poland, as it failed to propose changes adequate to their needs.

The integration process disclosed several features characteristic of both the Polish administration and its political elite, such as the government's inability to correctly identify national concerns and to prepare strategic policies. In contrast to Moravcsik's assumptions³³, Poland's government did not have access to complete data on negotiation issues nor on the operator strategies designed for the long-term changes in various branches. The European Commission had a more than favorable situation, this institution owning almost all the reports prepared by the Polish side (mostly ordered by the Commission itself), but it also disposed of expert studies made for internal use only. This enabled the EU to manipulate the talks and to impose further concessions on the Poles.

Poland's lack of strategies and elementary policy-coordination is well illustrated by how Polish representatives worked in the Convention preparing the future constitution of a united Europe. These preparations are obviously of great importance both for Europe and also for Poland. As can be deduced from the reports of relevant observers, the Polish point of view is often presented

³¹ H.H.Nolte: *Unia Europejska w nowoczesnym systemie światowym*. [The EU in a modern world system] „Przegląd Dyplomatyczny”, vol.2, no. 4 (8)(2002).

³² R.Legutko: *Członkostwo Polski w Unii Europejskiej*, in: U.Kurczewska, M.Kwiatkowska, K. Sochaćka (eds.): *Polska w Unii Europejskiej. Początkowe problemy i kryzysy?* [Poland in the EU. Initial problems and crises?] Polski Instytut Spraw Międzynarodowych [the Polish Institute for International Affairs], Warsaw 2002.

³³ A.Moravcsik: *The Choice for Europe...*, pp.479–480.

spontaneously, in an unprepared manner, sometimes the utterances not being agreed upon at all among the—after all very few—Polish representatives. Moreover, the single statements of Poles are at times contradictory and they do not express a shared concept nor any strategic reasoning. They seem to evolve from the representatives' desire to show themselves rather than the analysis of Polish attitudes³⁴.

Another example thereof is Poland's pro-American military involvement in the Iraq conflict. As might be assumed, the surpassing strategic aim of consecutive Polish governments was to achieve EU membership. Hence, it would seem more reasonable to organize all efforts to avoid political operations that might interfere with this aim. Yet Poland's military and political involvement alike sustaining the anti Iraq coalition exemplifies something that could have a negative impact on Poland's integration. It contributes to weakening the country's position in Europe, which fact may retard or hamper the Polish referendum of the EU Constitutional Treaty. Moreover, it distracted the public administration from diligently preparing Poland's accession to the EU.

Throughout the negotiations the behavior of the Polish political elites could be described by what Erich Fromm called "escape from freedom", or the attempt to escape from economic as well as social problems. In accordance with this way of thinking, the EU appears as a remedy to Polish ailments and a chance to shift financial burdens and political responsibility onto Europe. Thus, accessing the EU was an aim in itself and nobody reasoned about Poland's subsequent presence in European structures. The EU-support will indisputably ensure an opportunity to modernize the Polish economy and public administration, however the scope of its use varying greatly. It is the ability to effectively employ the Polish membership in EU-structures that is of decisive importance to Poland's economic growth.

The government has already attempted to take advantage of the accession process during the talks trying to strengthen its position in the country and to justify some of its unpopular decisions, as for instance restructuring the steel industry and agriculture, limiting the budget deficit, etc. Such behavior complies with Moravcsik's theses about the temporary improvement of the national government's ratings resulting from European cooperation. Some of the Polish government decisions were made without informing the public and practically excluded the parliaments participation. This undoubtedly reinforces the government's stand, at least in comparison to the legislative power, and it facilitated the work for Polish negotiators. Consequently, only the final results were made public, presenting the negotiations as an effect of dire necessity, historic changes, and the urge to adapt. Nonetheless, sometimes the government's presentation was rather aimed at concealing its own incompetence, excessive optimism, and unnecessary hurry.

That behavior of Polish elites echoes political traditions dating back to the decline of the Polish-Lithuanian Commonwealth. When Poland's system was based on free elections, aristocratic families oftentimes hid under the wings of foreign royal courts, these being places to find patrons and support for individual policies. This could easily be seen as proof of how long-lasting some of the less-flattering political traditions of Old Poland really are.

However, perceiving integration as 'a way to escape troubles' or shift responsibility for the country's condition on to the European elites after a completed accession is extremely short-sighted. The Polish political establishment is responsible for preparing Poland's presence in Europe and therefore it is highly important to work out common thinking on the institutional changes in the EU and, hence, on the changes in distinct European policies. Presenting a strategic approach requires a lot of skill and the cooperation of the whole political spectrum. The particular issues have been thoroughly analyzed and discussed in the country, and what is more, Poland should work out a platform for its own place in Europe, i.e. an area of national specialization.

³⁴ For more see: K.Bachmann: *Golebie na dachu Konwentu*. [Pigeons on top of the Convention] „Unia & Polska”, 5 Dec. 2002, pp.4-6.

An attitude of passiveness or of escaping the responsibility for the country's destiny will doom Poland to become a periphery economically, politically, and intellectually.

The Polish presence in the EU will be primarily influenced by qualified civil servants who in the everyday life will defend and advance Polish interests in Europe. It will also be indispensable to adequately reform the Polish administrative system, thus turning it into an efficient tool in the government's hands. It is therefore advisable to, first, create bodies responsible for the preparation of strategic operations and, secondly, to support those functions that monitor the efficiency of implementing the policies. Moreover, it will be necessary to establish bodies in charge of controlling cooperation within the European area and in relation with other institutions of a similar level.

The implementation of all those functions ought to be fostered considerably by an appropriate intellectual base for administrative activities, this base being made up of research institutes and academic centers permanently cooperating with EU officials.

MAROSÁN GYÖRGY

FUTURES OF EUROPE

“It was the best times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair...”

Ch. Dickens, A Tale of Two Cities

Preface

Dickens' sentence expressing the unbelievable contradictions of his century was born nearly two centuries ago. The world has changed a lot since then but—if that is possible at all—it has become even more contradictory. Moreover, Dickens' words—which he applied only to the contemporary Europe—are essentially valid today for the whole, globalized world. What do you think, dear reader, will be the retirement age, the price of petrol and the ratio of the immigrants in your country (and in Europe) 30 years from now? Certainly you would be happy if the retirement age were 60 years, the price of petrol were HUF 200/litre and the immigrants' ratio stabilized under 5%. Everybody would like these numbers, and this is why they vote at the elections for those who promise it. However, the fact is that the retirement age will be 75 years, the price of petrol will be HUF 1500 / litre, and the ratio of “foreigners” will reach 20%. A considerable number of our neighbours will not understand our native language 30 years from now, they will dislike our culture and will be outraged by our way of —which has been the source of the feeling of *comfort* for centuries. These shocking elements of the vision of the future do not appear optional or avoidable alternatives. They all are inevitable compulsion. Freedom of choice in this case is limited to the following: we do what we have to do immediately (and the pain of transition may be eased) or we postpone making tough decisions and the consequences arise later in an unexpected and shocking way.

The tipping point of history

The science of the end of the millennium enriched every day language with the strange notion of the *tipping point*. The tipping point is the point the exceeding of which causes an abrupt, fundamental—and mostly disadvantageous—change in the quality of the system. Irreversible and fatal changes take place.¹ The tipping point occurs unexpectedly, virtually without warning signs and unnoticed—in Peter Apostle’s words it comes *as a night thief*. However, beyond it—just as for the suicidal person who is jumping off the cliff—there is no way back. The catastrophic collapse of a social system was recognizable for a long time only based on the rare examples of isolated communities or small ecological systems. One of the best known cases is the story of the Easter Island.

One and a half thousand years ago after a long voyage the legendary chieftain Hotu Matu’a touched land on the Easter Islands which seemed to be Paradise. The climate was pleasant, the soil was fertile and the flora was diverse. The wanderers of the ocean settled on the island covered by huge palm trees and they soon populated it. The small communities owning 11 separated territories, led by their own chieftains and also competing with each other lived their everyday lives: they cut down the palm trees of the forests, and they decimated the original flora and fauna of the island. They erected huge stone works astonishing everybody—the biggest of which was the nearly 20 m high statue called today El Gigante, weighing 270 tons—with the help of which they wished to gain their Gods’ goodwill and support. During the one thousand years following the settlement the population of the island increased from a few dozen to about 10 thousand persons. While the population density continuously increased, practically no trees were left on the island. Due to the disappearance of the forests soil erosion became more intense, which reduced the crops. No basic material was left even to prepare new boats. Thus fishing stopped, too. Finally, there was not enough wood left for the islanders to cook meals, either—they had to use grass to make fire.

When the population exceeded 15 thousand persons, the age of famine, social chaos and cultural disintegration set in abruptly—practically within the life of a single generation. “The society was destroyed by mass death caused by bloody wars and cannibalism”—J. Diamond’s description of the shocking end. Soldiers assumed power, the landscape was covered by spearheads produced in vast amounts, the winners ate the losers or enslaved them, the enemy tribes destroyed each other’s statues, people took shelters in caves to defend themselves. On the formerly abundant island the earth of one of the most excellent societies of the world degenerated to a state as the Easter Island is in today: bare, grass-covered prairie, varied with destroyed statues, keeping only one-third of its former population”.²

The human communities—mostly—avoided the social catastrophes similar to that of the Easter Island. However, this awful fate was avoided more due to fortune than to wisdom. As soon as the conditions of life worsened due to overpopulation, a part of the given community simply migrated, the population was decimated by epidemics and war, or—if there was time enough—the societies culturally adapted to the new circumstances. The tragedy of the Easter Island was caused partly by their isolation. There was simply no free territory in the Island’s proximity. Since they destroyed the trees they could not even build boats they might have used to move somewhere else. The sensitive ecological system of the island “tipped over” unexpectedly and the communities were unprepared for the collapse. Therefore there could not even be hope for cultural adaptation. People attributed the ensuing tragedy to fate, they blamed the neighbours for their problems and expected their life to change for the better through divine intervention. There

¹ Malcolm Gladwell. *The Tipping point*. Little, Brown and Company. 2003.

² J. Diamond. *The third chimpanzee*. Typotex. 2000. p. 328.

was, however, a third reason for the collapse: the island was owned by groups fighting each other. Their coexistence was always burdened with conflicts but for a long time it remained on the level of tribal feuds. But as soon as survival became endangered the conflicts necessarily escalated into life-and-death struggles.

The question is whether there is anything that could connect Europe in the 21st century with those events on the Easter Island as they happened 500 years ago. The analysts of the turn of the millennium identified four such factors:

1. The ecological footprint of Europe has exceeded the dimensions of the continent twice.
2. The number of children has not been covering the demographic reproduction needs in Europe for a long time
3. The “Protestant ethic” is being forced into the background, and an “enjoyment-centred” *life-program* is spreading.
4. The culture of Europe—based on individual liberty, communal solidarity, democracy and the market—is reaching its tipping point.

Ecological footprint

Humanity has been following the path of fast growth in the past 500 years. The pace of growth is particularly striking as regards population. In the year 1000 there were no more than 250 million people, in 1500 there were already 450 million, in 1900 1.63 billion, in 1950 2.5 billion, and at the turn of the millennium there were 6.2 billion inhabitants in the world.³ At the same time consumption increased, as did the “affluence” of the technology serving to production of goods. The result of these three factors makes up the “ecological footprint” of the human community: the size of the area which is required by the given number of population, the habits of consumption and the technology used.⁴ The ecological footprint of humanity, which barely reached 60% of the earth in 1900, reached the size of the globe by the end of the 1970’s and exceeded it in the 1980’s. As a consequence the expression “Spaceship Earth” gained a literal sense. There is no more space to “stretch”—similarly to the Easter Islands—and there are no lifeboats either to move further.

In total the ecological footprint of Europe is about twice its geographic size in 2000. This overall measure contains typical regional differences: the Netherlands’ is fourfold and Eastern Europe’s is 90% of its territory. It means that the inhabitants of our continent have for a long time been sustaining their way of life—which is frequently viewed with dissatisfaction—at the expense of others, partly at the expense of societies living in other parts of the world, and partly at the expense of their own future generations! This situation is unsustainable in the long run—that much every analyst agrees on.⁵

Consequence:

Changing our way of life is unavoidable—we need to shift from the consumption-centred way of life to the sustainability-centred way of life—as well as to the enforcement of the concept of *strong sustainability*.⁶ It is likely that within 10 years a kind of a global ecological tax will be imposed on those countries and regions which occupy more than their ecological footprint. It will put Europe—and within it especially those regions (thus a great part of Eastern Europe) which struggle to catch up in terms of living standards and consumption levels—in an awkward situation.

³ David Christian. *Maps of Time*. University of California Press. 2004. 143. pages

⁴ Paul Ehrlich—Anne Ehrlich. *The Population Explosion*. New York Touchstone. 1990. 58-59. pages

⁵ Global patterns in human consumption of net primary production. *Nature* Vol 429. 2004 Jun. 24. 870 pages.

⁶ It is important to make a difference between the concepts of the *strong* and the *weak sustainability* and to satisfy the requirements of *strong sustainability* in the economy and the way of living.

Therefore, for Eastern Europe, which is exceeding the “ecological footprint” of its own territory right these days, this ecological tax will be much less acceptable than for Western Europe.

The American president George W. Bush’s slogan “The American way of life is not subject to negotiations”, which is arrogant and narrow-minded at the same time, is frequently cited pejoratively in Europe. However, an overwhelming part of the European people profess the same: “the bases of the European way of life are not up for bargaining”. The voters—and naturally the political parties as well—refuse to accept the complex problems that occur in the long run and seem to be worsening. Thus the governments, which try to adjust the pension schemes and the health systems to the increasingly obvious constraints caused by unemployment, dependency ratio⁷, and environmental protection, fail again and again.

The number of children does not cover the demographic reproduction needs of Europe

The second part of the 20th century passed in the shadow of the metaphor of the “demographic time-bomb”. However, the analyses made at the turn of the millennium provided us with a much more complex picture of the changes. While the acceleration of population growth more or less stopped in 2000, the population of the world continues to grow and will reach 9 billion by 2050.⁸ But the regional differences become greater and greater, which will have more and more effects in the future. On the one hand, the population of the 50 poorest countries of the world will triple by the year 2050 and will reach 1.7 billion. And a significant part of their population will consist of a young generation depending on support. On the other hand, the number of children in each of the “developed” countries has quickly decreased and has fallen below the required reproduction level (2.1 children/woman). In accordance with an expert’s shocking formulation—*the best contraception is capitalism*. Where the women’s right to education and jobs is enforced, where the individual liberty in determining the way of living is indisputable, where joining the labour market becomes a choice, the number of births necessarily decreases.

In this context the situation of Europe looks rather bleak in the long run. Two countries, Ireland and France lead the field (1.8 children/woman), while Spain and Italy are in the rearguards (1.2 children/woman)—in terms of population growth. The Scandinavian countries are at the end of the leading group with a relatively good position and Germany is somewhere in the middle with its ratio of 1.4 children/woman. However, there isn’t a single European country (except for Albania and Kosovo, perhaps) which would achieve the ratio of 2.1 children/woman required for reproduction “unaided”. By the year 2050 the ratio of dependency in Europe will exceed 50%! The situation in the Eastern European countries is even worse—if that is possible at all. Russia, somewhere at the end of the line, will not be able to avert a serious crisis already in the 2010’s. However, the situation of other Eastern European countries, such as for example Hungary, also gives cause for concern. In its entirety the data suggest that in the next 40 years Europe will “lose” more than 80 million people. Since the Thirty Years’ War and the plague epidemics it has not suffered a demographic decline of such an extent.

Consequences:

To balance the dramatic decrease in the number of children European countries must turn to external labour forces, which at the same time deepen the internal cultural differences. Maintaining economic growth, providing the expected standard of goods and services, ensuring welfare services

⁷ Old-age dependency ratio = Age 65+, as % of those 20–64.

⁸ Joel E. Cohen. Human Population: The next Half Century. Science. Vol. 302. 2003 Nov. 14. 1172 pages.

at a relatively high level—still considered low by many people—are possible only by involving external labour force. This will have two types of consequences which will generate complex social effects. On the one hand, the labour force—due to the scope of a relatively free movement—shall migrate from the less developed regions to the more developed ones. It will increase—or at least maintain—the regional differences, differences which in turn will bring about actions directed alleviating them. On the other hand, the settlement of labour from other regions shall become a necessity—it will cease to be an option that one evaluates in terms of its benefits and drawbacks. The choice will only be whether the labour force (and population) is “exported” from (1) quickly industrialized Asian countries with huge populations—which follow a life-programme very similar to the Protestant ethics, but also face similar population problems in the medium-term, or (2) African or Near-Eastern countries where the mentality fundamentally differs from the Protestant life-programme, and which struggle with severe problems of a demographic boom. In the latter case, however, the cultural assimilation problem the host societies face will increase manifold.

The Protestant ethics is being pushed into the background and the enjoyment-centred life model is spreading

The way of life—which has been “programmed” by the compulsions of circumstances for thousands of years and was received by the individual as an unavoidable condition—is increasingly becoming a matter of choice for the citizen. Europe’s economic and social success was based on a great number of social “constructions”—social and economic institutions—and these were rooted in the Protestant ethic. The most important of them, private property and the enterprise, were based thereon, as well as the right to self-definition, the possibility of shaping one’s own future, disciplined work, high level investment in the personal future, democracy, personal liberty, and the laws securing them, as well as the impersonal market which extends cooperation to everyone. As a result of these the range of available products has become wider and wider during the past 500 years and accordingly the happiness-model based on consumption has become dominant. Finally, in the 20th century consumption became synonymous with happiness. This was underlined by the fact that until the 1970’s the statistically measurable consumption as well as the statistically measurable sense of happiness (general satisfaction with life) increased simultaneously.

However, as of the 1980’s the tendency of increasing happiness halted. While in the industrialized world the national wealth, GDP per capita, continued rising, the increasing ratio of people declaring themselves happy stopped.⁹ In the meantime two opposite tendencies developed: On the one hand, the advancement of a hedonistic life programme inspiring the generations following the baby-boom generation carried on. The average European youth’s life goals are: a shorter working time, fewer obligations, higher level of consumption of high-class goods and a demand for a personal excitement-centred way of life. On the other hand, growing proportions of youth feel that they are trapped. In spite of the fact that the individual’s wealth increases—more and more free time has to be spent on gaining possessions—their satisfaction with life does not increase.

Instead of the homogenised mass society projected earlier, the segmentation of mass societies can be observed. Societies become divided into social groups that following significantly different life programmes. Besides the hedonistic life model—which is inevitably concomitant with the occurrence of the group of “has-beens” and “people pushed to the periphery”—a creativity-centred and community-centric life models take shape, but remains in minority for the foreseeable future.

⁹ Robert E. Lane. *The loss of happiness in Market Democracies*. Yale University Press. 2000.

The individual life model of the “voluntary simplicity”¹⁰ and the community life model¹¹ of communitarianism—considered primarily as an American phenomenon until now—are spreading also in Europe.

Consequence:

The “enjoyment-centred” life model is spreading, and is also unsustainable at the same time. In the foreseeable future the hedonistic life model shall keep on “dominating” Europe. Its necessary concomitant, however, is that the life programme of the traditional Protestant ethics will be pushed into the background. The result is, that the individual commitment to prepare for the future—i.e. investment in myself (studying, working), in my own future (further studies, saving, economy, starting a family, bringing up and educating children), which used to be a natural and inevitable condition—will diminish. The willingness to choose a creative life-programme (art, sciences and work) that requires commitment, sacrifices and perseverance decreases. The mass communications system’s behaviour “programming” coupled with significant peer pressure encourage people to use the consumers’ scale of values: don’t resist your desires, satisfy your senses, everybody was born to indulge you, throw away what you feel does not perfectly satisfy you. The lifestyle of the “desire-controlled” individual growing up in an “excitement-controlled” society, however, is bound to result in increasing dissatisfaction.¹² The slogan “Be realistic, wish the impossible” stressed in a different context, virtually “programmes” a great part of the young generation to unhappiness.

The ability to assimilate the historically successful traditional culture of Europe decreases

In accordance with the laws of evolution human culture has been forming for a long time. Encounters between communities with different cultures played an essential role in this dynamic development. The co-existing cultures could “fertilize” each other; they could take over one another; try and fit elements of the “other” culture into the culture of their own. The meeting points of cultures—such as Europe—formed the most dynamic regions in history. However, the renewal of one’s own culture may involve conflicts and crises, taking over the “foreign” culture may entail the danger of rejection.

The latest studies attribute the cultural and economic successes of Europe to the appropriate social “institutions”.¹³ These are the developed market conditions, mentioned above, a functioning legal system, respecting social agreements, effective, transparent, and not corrupt governance, the enforcement of contracts without prejudice, economic regulations letting the individual’s interests succeed, respecting the rules of competition and the protection of both domestic and foreign owners. The basis of these “institutions” is provided by unconditional trust between citizens, readiness for cooperation, acceptance of fair solutions and willingness for agreement. These virtues, however, do not necessarily last forever.¹⁴

A large number of studies and particular social experiences show that if people feel that their complaisance is taken unfair advantage of, their helpfulness is not returned, their selflessness is not supported—then the cooperative and cohesive society disintegrates. In Europe increasing number of people think that a growing mass of unknown people, strange habits, irritating sounds, foreign

¹⁰ Cecil Andrew. *The circle of simplicity: return of the good life*. New York HarperCollins. 1997

¹¹ Amitai Etzioni. *The New Golden Rule*. Basic Books. 1995.

¹² Barry Schwatz. *The Paradox of Choice*. HarperCollins Publisher. 2004

¹³ D. A. Hibbs and O. Olsson, *Geography, biogeography, and why some countries are rich and others are poor*. PNAS March 2004, 3715 pages. and J. Diamond, *Nature*, June 2004.

¹⁴ Marosán György. *Népszabadság*. Gyere anyjuk..(Come on mummy..) 20 Oct., 2004.(under printing)

symbols, and most crucially “fare dodgers” surround them. The signs indicate that the capacity of the European culture—based on confidence, freedom, diligence and performance—to accept and accommodate to other life-models is reaching its end. The most thought-provoking symptoms of the negative changes in the general feeling concerning “foreigners” are best demonstrated by the most democratic countries. In the Netherlands an inter-party commission of Parliament has come to the conclusion that the assimilation policy of the past 30 years has failed. Therefore, in their opinion greater efforts have to be made so that the immigrants would get to know, accept and follow the “local” values. Similar views spread also among the Danish and the English people, both of whom have been rather successful in accepting the different cultures for a very long time. Thus larger and larger social groups *question* the currently operating model of “trust the foreigner”. The election to the European Parliament, which took place not long ago, partly shows that the net of trust extended to everyone, as well as permissive tolerance, have begun to fall apart.

Consequence:

Europe faces a shift in the cycle of basic-behaviour. Experiments carried out with real and computerized personalities have discovered an odd sample in the cooperation of the selfish but rational creatures. In the chaotic state of “everyone’s struggle against everyone” the lonely and selfish players starts to discover the possibilities lying in cooperation after a while. At first these players hesitate, then by taking courage, with increasing enthusiasm and finally with firm confidence they turn to their neighbours. And later the threads of confidence are spun beyond the circle of friends and the members of the community start to follow the so-called tit-for-tat strategy.¹⁵ This mirrors to everybody their own face: if you are nice, cooperating people look back at you, if you are a swindler; then you have to face retaliatory actions. In the long run it teaches everybody to cooperate and trust other people. And when the strategy of confidence wins, the players willingly forgive the few and accidental cheats. However, due to the strategy of *permissive generosity*—we can call it *welfare* tit-for-tat—it will be increasingly profitable to be a “free rider” in the community.¹⁶ And when the proportion of the “cheaters” breaking the rules exceeds a tipping point the community’s tolerating ability and trust in each other shall decrease by leaps and bounds. The threads of cooperation reaching everyone will be cut and the formerly cohesive community shall fall apart into small groups treating the strangers distrustfully.

Final evaluation:

It seems that the societies in the developed world, and Europe among them, are reaching a social tipping point. A sign of this phenomenon is that even in the most tolerant societies people start to treat “foreigners” with suspicion. The signals suggest that the dethronement of the *permissive* “tit-for-tat” has started, and the former, *cruel* “tit-for-tat” starts to gain ground again. In the foreseeable future Europe will have to face increasingly serious and complex problems. These are the following: the unacceptably big ecological footprint, the decreasing number of births, the financially unsustainable pension and health-care systems, decreasing competitiveness, high level of unemployment, the spreading of the antisocial behaviour and religious fundamentalism. However, based on experience it seems likely that citizens refuse to face these problems. And since voters do not address them, politicians will also pass the buck. This will deepen the problems caused by the proximity of the cultural tipping point. This has been demonstrated by the strange

¹⁵ Robert Axelrod. *The Complexity of Cooperation*. Princeton University Press. 1999.

¹⁶ György Szabó, Attila Szolnoki, Rudolf Izsák. Rock-scissors-paper game on regular small-world networks. *Journal of Physics A*: 2004 Febr.4. 2599 page.

“wars of religion” emerging in the past years. In a variety of forms we were able to witness the increasingly violent wars over symbols of communities of different religions or cultural traditions in almost every country of Europe. Europe—in accordance with the author’s prediction—becomes more liberal (economically), more withdrawn (socially), more conservative (politically) and its politicians and voters will be more susceptible to populism.

This situation means a challenge to politicians of all political views. It may force them to violate their most cherished values which were hitherto considered to untouchable: the questioning of unconditional personal rights (to liberty) may become the burden of liberals, the tradition of the single faith or institution maybe the conservatives’ sacred goal that needs to be challenged, while social democracy may find itself pinned against equality and solidarity.

Certainly, the scenario outlined above *is only one of the possible visions* of the future. However, the English historian Hugh Trevor-Roper’s adage about the past is even more apt at characterizing the future: “History is not merely what happened: it is what happened in the context of what might have happened¹⁷”. Reflecting this the researcher’s most important task is to find the variants of the visions of the future and to disclose the factors influencing the choice between them.

¹⁷ Quoted by: Philip Ball. *Critical Mass*. William Heinemann: London. 2004. p. 363.

JULIUSZ KOTYŃSKI

GLOBAL RISKS AND THE EUROPEAN INTEGRATION

1. Introduction

Contemporary processes of globalisation are inherently associated with risk, in a similar way as it has been often the case in the past, notably during special historical moments, in many fields of human life and in various spheres of social, economic and political activity.

The notions of risk and globalisation are multidimensional. They are defined in various ways by politicians and scholars, representing a wide spectrum of human activities and interests, and a variety of disciplines—history, geography, demography, philosophy, sociology, international relations and foreign policy, defence and security, health, education, technology, environment and ecology, mathematics and physics, economics and finance¹, etc.

Although we are mainly concerned with macroeconomic facets of risk and globalisation, we should nevertheless bear in mind that many specific aspects of those categories are strongly interconnected and have to be considered jointly while pondering strategic choices regarding future and dealing with global analyses and decision-making.

There are multiple trade-offs between feasible combinations of choices in a multidimensional space, with many potential conflicts of interests involved. Hence a selection of a common objective function for manifold actors participating in the long-term global game, though desirable, is hardly feasible. More practicable solution, fostered by proponents of global governance and gradually carried out by international community, consists in shaping up a system of institutions, rules and constraints, delimiting a sphere of generally acceptable actions that could be engaged by global and regional players.

The same concerns functioning of regional subsystems, including the European Union, that have their own ambitions and priorities, and specific methods of their realisation. A regional grouping may aspire at reducing potential risks stemming from globalisation. It should not aim, however, at isolating the member countries from the pressure of sound global competition or at limiting their political and economic co-operation with external partners, since such restraints would occur impracticable and harmful in a longer term.

¹ In this area the breakthrough contributions on risk theory were made by J.M.Keynes and F.H.Knight in 1920s: J.M.Keynes, *A Treatise on Probability*, Macmillan, London 1921; F.H.Knight, *Risk, Uncertainty and Profit*, Century Press, New York 1964 (originally published in 1921).

2. On the concept of risk in international relations

Risk, in a large sense, is perceived as a possibility that effects of some action happen to be different than envisaged. A general concept of macroeconomic risk embraces extraordinary (unexpected) losses and benefits, due to possible (negative or positive) deviations of observed values of certain economic variables from the expected ones. Some key macroeconomic indicators can be identified as variables at risk, e.g. GDP, employment, inflation, fiscal balance, current account balance, etc. They are dependent on a group of risk factors and directly or inversely proportional to some synthetic indicator, measuring macroeconomic policy accomplishments at national or supranational level.

Intuitive meaning of risk is generally associated with a chance (or probability) of incurring some loss as an outcome of certain (technical, political, economic, social, etc.) decision and a consecutive action (or a lack of action) ².

This narrower approach may be looked upon as a part of the general risk concept. The latter, however, should take account of possible asymmetries involved as far as the shape of "risk profile" is concerned (depicting a possible impact of positive and negative changes in risk factors on the value at risk)³, and also of behavioural asymmetries in individual responses to prospects of incurring gains or losses, as envisaged by the "prospect theory" ⁴.

Considerations on risk have a long record in political thought and international relations, going back to Ancient times and the Renaissance period. A breakthrough has been made by Niccolò Machiavelli in his famous volume *"The Prince"* (1513). This contribution has been described as follows by Anthony Giddens:

*"Machiavelli is celebrated as the originator of modern political strategy, but his work gives voice to some rather more fundamental innovations. He foreshadows a world in which risk, and risk calculation, edge aside fortuna in virtually all domains of human activity. ...Machiavelli's use of fortuna marked a significant transition between the traditional use of the notion and the emergence of new modes of social activity from which fate is excluded."*⁵

In modern terms, Machiavelli calls attention of rulers at the role of risk and risk management at the national level. In Chapter XXV of his book he compares the fate to a stormy river causing extensive damage that could and should have been prevented ⁶.

The question of risk and its control (management) has been present for centuries in the political thought and in practice, at different levels, including relations between states and nations. Nevertheless, the notion of "risk management" and the concept of risk itself are still being defined in diverse ways and used in various connotations.

Risk management theory, in a wide sense, has a lot of common with the dynamic decision-making under stochastic conditions. Classical foundations of the latter theory were laid some decades ago by Howard Raiffa (1968)⁷ i Peter G. Moore (1972)⁸.

² The Webster Dictionary defines this term as "the chance of injury, damage, or loss; dangerous chance; hazard". ©1995 Zane Publishing, Inc. ©1994, 1991, 1988 Simon & Schuster, Inc.

³ Cf. J. Kotyński, *Growth and Risks in the Period of Accession. Medium-term Scenarios for Poland's Economy, (w:) Europe in the Perspective of Global Change*, Editors A. Kukliński and B. Skuza, Oficyna Wydawnicza Rewasz—The Polish Association for the Club of Rome, Warsaw 2003, pp. 311–313.

⁴ Cf. D. Kahneman, A. Tversky, *Prospect Theory: An Analysis of Decision under Risk*, «Econometrica» Vol. 47, No. 2, 1979, pp. 263–291.

⁵ A. Giddens, *Modernity and Self-Identity. Self and Society in the Late Modern Age*, Polity Press, Cambridge 1991, pp. 110–111.

⁶ N. Machiavelli, *The Prince* (Polish edition: *Książka*, Wyd. ANTYK, Kęty 2004, p. 87). English text referred to by Giddens—from *The Portable Machiavelli*, Penguin, Harmondsworth 1979, pp. 159–160.

⁷ H. Raiffa, *Decision Analysis. Introductory Lectures on Choice Under Uncertainty*, McGraw-Hill, New York 1968.

⁸ P. G. Moore, *Risk in Business Decision*, Longman Group Limited, London 1972.

Risk management is however a continuous process, including corrective and adaptive steps taken in response to changing environment and reactions of other actors of a bilateral or multilateral “game”.

In this respect the inventive contributions of Oskar Morgenstern and John von Neumann⁹, co-founders of the theory of games, and their followers, are particularly relevant, as well as contributions of the dynamic programming and steering, and the theory of expected utility and welfare¹⁰. However, it was John M. Keynes¹¹ and Frank H.Knight¹² who initiated debates on risk in the area of economics and finance already in early 1920s.

Nowadays the risk management in business and finance has become a separate, specialised field of microeconomics, equipped with its own specific tools of analysis and implementation¹³.

Globalisation processes bring about new risks into national economies. They augment also some traditional risks, both of micro- and macroeconomic character, and call for new methods of management at national and international level.

3. Globalisation and macroeconomic risks in international environment

Globalisation is here understood as a *process of deepening economic relations between countries and regions, resultant from increasing freedom and velocity of international transactions and flows of goods, services (notably financial ones) and production factors (capital, labour, information and knowledge), accompanied by development and propagation of mechanisms and institutions characteristic for advanced market economy*¹⁴.

Similar features of globalisation have been underlined by the IMF:

*“The term “globalization”, which entered common usage in the 1980s, refers to the increasing integration of economies around the world, particularly through trade and financial flows. It sometimes also refers to the movement of people and knowledge across national borders, as well as the extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity—village markets, urban industries, and financial centers. Recent technological advances have made it easier and faster to complete international transactions”*¹⁵.

Richard N.Haass is of the opinion that:

“Globalization is the totality and velocity of connections and interactions—be they economic, political, social, cultural—that are sometimes beyond the control or even knowledge of governments and other authorities. It is characterized by the compression of distance and the increasing

⁹ J.von Neumann, O.Morgenstern, *Theory of Games and Economic Behavior*, Princeton University Press, Princeton, New Jersey 1944.

¹⁰ Cf. J.K.Arrow, *Essays in the Theory of Risk-Bearing*, Markham Publishing Company, Chicago 1971.

¹¹ J.M.Keynes, *A Treatise on Probability*, Macmillan, London 1921.

¹² F.H.Knight, *Risk, Uncertainty and Profit*, Century Press, New York 1964 (first published in 1921).

¹³ Cf. G.M.Dickinson, *Enterprise Risk Management Policy and Implementation*, “Zarządzanie Ryzykiem”, 11 (3/2002), WSUIB, Warszawa 2002. According definition proposed by this author, «Enterprise risk is a measure of the degree to which the outcomes from the strategy may differ from (or fail to meet) the objectives». More specifically, «Shareholder risk (capital market risk) measures the uncertainty (instability) of the expected future income streams (cash flows) attributable to shareholders from these outcomes»(op.cit., p. 35).

¹⁴ Cf. J.Kotyński, *Globalization, integration and long-term problems of Poland's payment balance*, (in :) *Globalization. Experiences and Prospects*, Editors H.Bünz and A.Kukliński, Rewasz, Warsaw 2001, pp388–394.

¹⁵ “Globalization brings both promise and challenges to countries on path to development”, “IMF Survey”, Supplement, Vol. 29, September 2000, p. 4.

permeability of traditional boundaries to the rapid flow of goods, services, people, information and ideas. It is a multifaceted, transnational phenomenon”¹⁶.

Many studies on globalisation have shown that it is not a new process in the world economy, but it has become entirely different and more intense than ever¹⁷.

Anthony Giddens highlighted the following features of globalisation of social activity:

*“The globalisation of social activity which modernity has served to bring about is in some ways a process of the development of genuinely world-wide ties—such as those involved in the global nation-state system or the international division of labour. However, in a general way, the concept of globalisation is best understood as expressing fundamental aspects of time-space distanciation. Globalisation concerns the intersection of presence and absence, the interlacing of social events and social relations ‘at distance’ with local contextualities... Like each of the other processes mentioned above, globalisation has to be understood as a dialectical phenomenon, in which events at one pole of a distanciated relation often produce divergent or even contrary occurrences at another. The **dialectic of the local and global** is a basic emphasis of the arguments employed in the book”* ¹⁸.

In the context of this note, the following Giddens’s remarks appear particularly pertinent: *“Globalisation means that, in respect of the consequences of at least some disembedding mechanisms, no one can ‘opt out’ of the transformations brought about by modernity: this is so, for example, in respect of the global risks of nuclear war or of ecological catastrophe”* ¹⁹.

Jan Aart Scholte, in Chapter 1 of the magnificent handbook on International Relations edited by John Baylis and Steve Smith (2001), indicates that at least five general usages of the term “globalisation” can be distinguished. This word has used to be identified with *internationalisation*, *liberalisation*, *universalisation*, *westernisation* (esp. *americanisation*) and *detritorialisation*. Those concepts often overlap, but in each case accents are distributed differently²⁰. Out of the five notions of globalisation, J.A.Scholte puts a special focus on *detritorialisation*. He stresses that *“globalization refers to processes whereby many social relations become relatively delinked from territorial geography, so that human lives are increasingly played out in the world as a single place. Globalization is thus an ongoing trend whereby the world has—in many respects and at a generally accelerating rate—become one relatively borderless social sphere. Territorial spaces remain significant, but the geography of world politics is now no longer reducible to territoriality.”* ²¹

¹⁶ R.N.Haass, *Supporting US Foreign Policy in the Post-9/11 World*, «Studies in Intelligence», Vol. 46, No. 3, 2002, p. 2.

¹⁷ Cf. e.g. M.Bordo, B.Eichengreen, D.A.Irwin, *Is Globalization Today Really Different Than Globalization a Hundred Years Ago?*, National Bureau of Economic Research Working Paper No 7185, 1999; A.Maddison, *Monitoring the World Economy, 1820–1992*, OECD, Paris 1995; N.Crafts, *Globalization and Growth in The Twentieth Century*, IMF Working Paper, WP/00/44, March 2000; R.C.Feenstra, *Integration of Trade and Disintegration of Production*, “Journal of Economic Perspectives”, Vol. 12(3), 1998, pp. 31–50; R.E.Baldwin, Ph.Martin, *Two Waves of Globalization : Superficial Similarities, Fundamental Differences*, NBER Working Paper 6904, Cambridge, Mass., January 1999 ; R.E.Baldwin, *Openness and Growth : What’s the Empirical Relationship ?*, NBER Working Paper 9578, Cambridge, Mass., March 2003; M.D.Bordo, A.M.Taylor, J.G.Williamson (editors), *Globalization in Historical Perspective*, Series: (NBER-C) National Bureau of Economic Research Conference Report, Cambridge, Mass. 2003; Th.Hatzichronoglou, *The Globalization of Industry in the OECD Countries*, OECD, Paris 22 September 1999, DSTI/DOC/99/2; European Commission, *Responses to the challenges of globalisation, A study on the international monetary and financial system and on financing for development*, “European Economy”, Special Report Number 1, 2002.

¹⁸ A.Giddens, *Modernity and Self-Identity...*, op.cit., pp. 21.

¹⁹ Op.cit., p.22. See also A.Giddens, *The Third Way: The Renewal of Social Democracy*, Polity Press, Cambridge 1998; and: *Runaway World*, London 1999.

²⁰ J.A.Scholte, *The globalization of world politics*, (in : J.Baylis&S.Smith (eds.), *The Globalization of World Politics. An introduction to international relations* (Second Edition), published in the United States by Oxford University Press Inc., New York 2001, pp. 13–32.

²¹ J.A.Scholte, op.cit., pp. 14–15.

Scholte acknowledges however that globalisation has not eliminated the relevance of territoriality in world politics, but introduced a new dimension to geography:

“Globalization has not brought the end of territorial geography, but rather has created a new supraterritorial space alongside, and interrelated with, the old territorial spaces. The ‘map’ of world affairs has gained an additional dimension and consequently has become more complicated” ²².

On the other hand, a rise in regionalisation, also outside Europe, is to some extent a reaction to challenges and risks of globalisation²³. Another, rather complementary, response to these risks consists in looking for an enhanced role of international (or global) governance.

Proposed remedies and objectives of national or regional (international) actions are likely to depend on appropriate assessment of chances and dangers stemming from globalisation and future trends to a country or group of countries in question, a realistic evaluation of available options as well as on political will and decisions resulting from collective preferences and choices, reflecting some “power pondering” system within regional groupings or international organisations, allowing perhaps for reconciliation of conflicting approaches and objectives. At present such a common solution is conceivable rather at a regional than global level.

The attitude to globalisation processes changes in time, from glorifying and normative judgments of neo-liberals a dozen years ago to a more balanced, positive approach that appears to lead in the contemporary doctrine of international relations. The latter approach can be exemplified by views of Yehezkel Dror, presented in his report to The Club of Rome (2001)²⁴ and in his essay on *“The Autonomy of States in an Epoch of Globalization”* (2003):

“The question ‘do we want globalization’ is meaningless and has no practical significance. Globalization as an overall process is a fact caused by factors beyond the control of any state and of human governance as a whole...”. “Practically, while globalization as a whole is a rigid feature of reality, some of its principles, its details, and many of its repercussions can to some extent be influenced”...“The question must be reformulated to ask what is good and bad about globalization from a given perspective and what can be done to increase its good and decrease its bad implications. In other words, from a policy perspective, the issue is one of making the best of globalization.” ²⁵

Similar though more diversified opinion on the role of globalisation processes and their impact on individual economies can be found in the book of J.E.Stiglitz²⁶.

There is also an increasing group of antiglobalisers and other severe critics of globalisation processes²⁷, notably of the “americanisation” involved. The balance appears however to be on the positive side, as argues Martin Wolf (2004)²⁸.

In this context it should be pointed out that identifying globalisation with its single aspect—“westernisation” or “americanisation”, would be a substantial oversimplification or mistake, and a sign of shortsightedness with regard to the future of international relations. Such a simplistic assessment could lead to biased political and economic conclusions and wrong recommendations,

²² Op. cit., p. 19.

²³ Cf. Th. Christiansen, *Beyond Europe : the global rise of regionalism*, in : J.Baylis & S.Smith (eds.), *The Globalization of World Politics. An introduction to international relations*, op.cit., pp. 513–517. See Section 4.

²⁴ Y.Dror, *The Capacity to Govern: A Report to the Club of Rome*, CASS, London 2001.

²⁵ Y.Dror, *The Autonomy of States in an Epoch of Globalization*, (in : *Globalization. Experiences and Prospects*, Editors H.Bünz and A.Kukliński, op.cit., p. 66.

²⁶ Cf. J.E.Stiglitz, *Globalization and Its Discontents*, Ch. 1 (Polish edition: *Globalizacja*, Wyd. Naukowe PWN, Warszawa 2004, p. 35).

²⁷ Starting as early as in 1970s, with: J.Barnet, R.E.Müller, *Global Reach*, Simon and Schuster, New York 1974; Cf. also D.Rodrik, *Has Globalization Gone Too Far?*, Institute for International Economics, Washington 1997.

²⁸ M.Wolf, *Why Globalization Works*, Yale University Press, New Haven and London, 2004.

concerning e.g. the shape, objectives and implementation methods of the future common foreign policy of the European Union and the relations of this grouping with its major partners within the dynamically changing global environment. It is so because the globalisation displays progressively another face to governments and people of advanced economies, including US and countries of the “old” Europe.

Rapidly advancing liberalisation of trade and financial flows, coupled with accelerated development, growing competitiveness and economic strength of China, India and other newly industrialised, emerging and transforming economies, and with the versatility and transnationality of multinational corporations, exposes new global uncertainties and dangers. Volatility of capital flows brings about risks of financial and economic crises of new type, spreading rapidly over regions, continents and the global economy²⁹. Altering comparative advantages give rise to serious concerns in advanced economies that had seemed winners of the globalisation processes. Now they are fearing immediate consequences of the “outsourcing” and loosing jobs to more competitive global partners, although these relatively new phenomena are the consequences of implementation of the long-rooted liberal doctrine and a way to more efficient reallocation of global resources, as claimed for ages by classical and neo-classical economists and politicians. The perspective of rapidly changing pattern of comparative advantage and relative positions of individual economies on the global scene, calling for quick and radical structural adjustment, appears to be among major global challenges for all, indeed, countries at the start of this century.

With an outburst of terrorism, a wave of military conflicts, and some other risks emerging, the world entered the Third Millennium with new fears that have quickly replaced some short-lived utopian hopes and expectations.

Dramatic prospects on ageing of populations in most European countries, and on the growing gap in rates of return on capital in “old” Europe vis-à-vis Asia and the US that could divert capital flows and economic activities from advanced European economies towards other more dynamic and competitive regions and countries, give rise to real worries of economists and politicians who are not pre-occupied with short-time problems only. It should be admitted, however, that the latter are also painful and significant, as David Landes has indicated in the concluding chapter of his volume on *The Wealth and Poverty of Nations*³⁰.

Thus there are strong reasons to believe that the beginning of new Millennium may represent a special, transitory period—or a risky (“*fateful*”, in Giddens’s terms³¹) moment—for the mankind, nations and individuals.

Anthony Giddens, following an earlier analysis of Erving Goffman (1972)³², characterised ingeniously such special moments in the history of nations or in life of persons, and the decisions that should be taken at such circumstances:

*“Fateful happenings, or circumstances, are those which are particularly consequential for an individual or group. They include the undesired outcomes faced in what I have termed high-consequence risks, risks affecting large numbers of people in a potentially life-threatening way, but they also figure at the level of the individual. **Fateful moments** are those when individuals are called on to take decisions that are particularly consequential for a person’s destiny. There are, of course, fateful moments in the history of collectivities as well as in the lives of individuals. They are phases at which things are wrenched out of joint, where a given state*

²⁹ Cf. P.Krugman, *The Return of Depression Economics*, W.W.Norton & Co., New York–London 2000.

³⁰ D.Landes, *The Wealth and Poverty of Nations*, 1998 (Polish edition: *Bogactwo i nędza narodów*, MUZA SA, Warszawa 2000).

³¹ Cf. A.Giddens, *Modernity and Self-Identity. Self and Society in the Late Modern Age*, Polity Press, Cambridge 1991. See below, Section 3.

³² E.Goffman, *Interaction Ritual*, Allen Lane, London 1972.

of affairs is suddenly altered by a few key events. ...Fateful moments, or rather that category of possibilities which an individual defines as fateful, stand in a particular relation to risk. Fateful decisions are usually almost by definition difficult to take because of the mixture of the problematic and the consequential that characterises them”³³.

Such kinds of decisions, problematic and risky—for individuals, families, social and professional groups—on change of work, education, place and way of living, investment, etc. will have to be more generally taken in new and old member countries of the EU after the enlargement that may be considered a Giddens’s “fateful” moment.

Those are exactly the “strategic choices”, as defined by Antoni Kukliński³⁴, or “critical choices” in terms of Yehezkel Dror³⁵.

Uncertainties, fears and myths concerning real and apparent risks linked to the enlargement, which had been rather veiled in the EU-15 countries, reappeared with strength among some west European unionists, officials and scholars after May 1st 2004 ³⁶.

Further-looking theorists and politicians perceive however well the long-term chances offered by present and future enlargements of the Union, despite many risks involved, including growing diversity of the EU and internalisation of potential national and ethnic conflicts.

4. Global governance and/or regionalisation? Strategic choices in the epoch of globalisation

This dilemma has been widely discussed in the academic and political communities already for some time.

Thomas Christiansen, referring to Helen Wallace³⁷, observed that in the academic literature “attention has been drawn to the dual nature of the relationship between integration and globalization—with the EU acting both as a shelter from, and as an accelerator of global processes”³⁸.

In Giddens’s opinion, the risks accompanying fateful historical moments, related to “the epoch of modernity and globalisation”, require adequate methods of assessment and management (“insurance”):

“The notion of risk becomes central in a society which is taking leave of the past, of traditional ways of doing things, and which is opening itself up to a problematic future. ...Insurance ...is one of the core elements of the economic order of the modern world—it is a part of a more general phenomenon concerned with the control of time which I shall term the colonisation of the future.”...

“Since risk, and attempts at risk assessment, are so fundamental to the colonising of the future, the study of risk can tell us much about core elements of modernity. Several factors are involved here: a reduction in life-threatening risks for the individual, consequent on large tracts of security in daily activity purchased by abstract systems; the construction of institutionally

³³ A.Giddens, op.cit., pp. 112–114.

³⁴ See A.Kukliński, *Europe—the strategic choices*, volume two.

³⁵ Y.Dror, *The Capacity to Govern*, Frank Cass, London 1999, p. XIV.

³⁶ Cf. S.Wągstyl, *Challenge of change faces old and new*; G.Parker, *The shock of the new: will eastward expansion invigorate the European Union—or leave it paralysed?*, “Financial Times”, April 28, 2004.

See also H. van Zon, *The new divide in Europe and the threats of market society*, in this volume.

³⁷ H.Wallace, *The Policy Process*, in : H.Wallace and W.Wallace (eds.), *Policy-making in the European Union*, Oxford University Press, Oxford 2000.

³⁸ T.Christiansen, *The global context to European integration*, in : J.Baylis & S.Smith (eds.), *The Globalization of World Politics. An introduction to international relations*, op.cit., pp. 510–512.

bordered risk environments; the monitoring of risk as a key aspect of modernity reflexivity; the creation of high-consequence risks resulting from globalisation; and the operation of all this against the backdrop of an inherently unstable 'climate of risk' ".³⁹

As was already mentioned, one way of facing global challenges of various nature consists in endeavours aiming at increasing the range, methods and efficiency of international (global) governance⁴⁰, with a growing role of international regulations and institutions, established and developed under the auspices of the UN, EU, OECD⁴¹, IMF, World Bank, BIS, WTO⁴², etc. In author's opinion, however, this approach should not replace or exclude other options that should be treated as complementary rather than alternative ones.

In the perspective of global challenges, the local communities, states, regional groupings and the international system—all have their important, specific roles to play.

The position of states, though reduced, should remain strong in key areas of political, social and economic activity, in line with the opinion of Francis Fukuyama, who has characterized the ideal state as one that *"does not attempt to do too much, but is strong enough to execute rules in a few principal areas—such as protection of property and of individual's rights"* ⁴³.

Another option, favoured by some scholars and politicians, consists in using regional integration—in association with enhanced global regulatory framework—as a major vehicle of international governance and means of deterrence of risks of globalisation⁴⁴.

Pascal Lamy, the EU Trade Commissioner in the Commission chaired by Romano Prodi, belongs to most fervent proponents of such solution. On the occasion of an EU survey on globalisation (2003) ⁴⁵ Lamy declared:

"With countries around the world opening up to wider contact with each other, globalisation is here to stay. But for globalisation to work to the benefit of all, and in particular the most vulnerable, we need to make sure that we harness it, a message we have been hammering away at for the last four years. We need strong international institutions capable of addressing global issues and creating global rules to ensure sustainable development."

More critical views on globalisation Pascal Lamy expressed in his speech in the National Library of France in Paris on 29 April 2004, quoted later in "Le Monde":

"La mondialisation est la forme actuelle du capitalisme du marché, dont le développement pluriséculaire a atteint un stade d'expansion inédit, dans sa dimension géographique et dans ses ramifications sociales. Processus d'interdépendance croissante des peuples, elle touche à toutes les dimensions de la vie de nos sociétés." ⁴⁶

³⁹ A.Giddens, op.cit., pp. 111, 114.

⁴⁰ Cf. e.g. Hirst, P.Q. & Thompson, G.F., *Globalization in Question: The International Economy and the Possibilities of Governance* (Second Edition; first edition 1996), Polity Press, Cambridge 1999.

⁴¹ Cf. OECD, *Globalisation and Governance. Main Results of the OECD Development Centre's 2001-2002 Programme of Work*, OECD, Paris 2003. See also: *Governance in the 21st Century. Future Studies*, OECD, Paris 2001.

⁴² Cf. M.Bacchetta, M.Jansen, *Adjusting to Trade Liberalization. The Role of Policy, Institutions and WTO Disciplines*, World Trade Organization, Special Studies 7, Geneva, April 2003; G.F.Thompson, *Governing Globalization*, (in :) *Globalization. Experiences and Prospects*, Editors Hermann Bünz and Antoni Kukliński, Friedrich Ebert Stiftung, Warszawa 2001, pp. 53-81.

⁴³ *Silne państwo ograniczone. Rozmowa z Francisem Fukuyamą (Strong state limited. Interview with Francis Fukuyama)*, by C.Castiel and J.Anders, "Rzeczpospolita", 28-29.08.2004, No. 35 (607), pp. A7-A8. The interview focussed on a new book by F.Fukuyama (2004): *State Building: Governance and World Order in the 21st Century*. See also R.Jackson, G.Sorensen, *Introduction to International Relations. Theories and Approaches* (Second edition), Oxford University Press, New York 2003, pp. 212-220 (*Economic Globalization and a Changing Role for States*).

⁴⁴ Cf. *European Integration and Supranational Governance*, edited by Wayne Sandholtz, Associate Professor, Department of Politics and Society, and Alec Stone Sweet, Associate Professor, Department of Politics and Society, both at the University of California, Irvine, 0-19-829457-3, Oxford University Press, 1998.

⁴⁵ «Survey shows EU Citizens favour globalisation», The Flash Eurobarometer on «Globalisation», Brussels 17 November 2003.

⁴⁶ «Européanisons la mondialisation» par Pascal Lamy, Le Monde 7 mai 2004, p. 15.

Lamy proposed to begin “*building up a new democratic construction of power; going beyond the inherited framework of national states*”, starting with “*making a detour by Europe*”⁴⁷. Such aspirations, aimed at equipping the EU with stronger supranational powers, could provoke however in some EU capitals fears of over-regulation, and be deemed rather controversial and unrealistic.

There is however a range of pragmatic and generally acceptable solutions that might be gradually applied at the EU level.

Adoption of the Lisbon agenda by the European Council in March 2000 constituted a major step in this direction, despite unfeasible schedules introduced, and too many indicators and “priorities” added to the strategic goals, formulated originally as follows:

*“The Union has today set itself a **new strategic goal** for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.”*⁴⁸

A report by the special committee chaired by Wim Kok, the former Dutch prime minister, commanded by the European Commission in the course of preparations for the Mid-term Review of the Lisbon Strategy set for March 2005, was published in November 2004.

It redefined the goal to be reached by the Union more realistically as to become a “*single, competitive, dynamic knowledge-based economy that is among the best in the world*”⁴⁹.

The report, in line with earlier recommendations of the EU Economic Policy Committee and the report of A.Sapir⁵⁰, proposed also to narrow the number of objectives and to enhance the European co-ordination.

The international debate on the important issue of international and regional governance, including the goals and methods of their implementation in the context of European integration and globalisation, is going to continue and to embark hopefully on some politically feasible and viable solutions, needed by the countries of the enlarging Union.

⁴⁷ “*Faisons un détour par l’Europe. La construction européenne est un dépassement du vieux système international vers un système de gouvernement démocratique alter-national avancé.*”, Pascal Lamy, op.cit.

⁴⁸ Lisbon European Council, *Presidency Conclusions*, Press Release: Lisbon (24/3/2000), No. 100/1/00.

⁴⁹ *Reviving the Lisbon growth agenda. The Kok report is a sensible blueprint for reform in the EU*, «Financial Times», October 26, 2004, p.14.

⁵⁰ *An Agenda for a Growing Europe*, Report of an Independent High-Level Study Group Appointed by President Prodi, André Sapir (chairman) ; Philippe Aghion, Giuseppe Bertola, Martin Hellwig, Jean Pisani-Ferry, Dariusz Rosati, José Viñals, Helen Wallace (Members) ; Marco Buti, Mario Nava, Peter M. Smith (Rapporteurs), Oxford University Press, 2004.

JAN KOZŁOWSKI

SEVEN MILE BOOTS OR TAKING A SHORTCUT How less developed countries catch up

Multiple factors have caused the enormous technical and civilisation gap between Poland and the more developed parts of the world. We are chasing the world but the world does not stay still...

Catching up with the more developed countries of Western Europe is an essential long-term challenge that Poles face at the moment. How can they live up to this challenge?

There is abundant literature describing countries which have managed to catch up with the world leaders. Metaphors coined there have made it to the newspapers and policy-related documents: catching up, falling behind, a start into self-sustained growth, leapfrogging, a window of opportunity, chasing a moving object, a shortcut, skipping developmental stages, convergence...

Neither the metaphors nor concepts nor diligently studied success stories can serve as a recipe for societies which are now facing a chance of improving their position in the civilisation.

The problem of catching up, however, is not only about how fast to run but also in which direction to run. How can one be sure that a shortcut will not lead astray?

Let us try and draw some key conclusions for Poland based on the extensive literature examples. Let us try to classify them into four main groups. Firstly, what are the key features of the catching-up mechanism? Secondly, when do chances of success appear, what is their nature and how are they utilised? What are the key stages of the catching-up process? What are the policy recommendations for Poland?

Cumulative advantage mechanism

It seems that the essential mechanism associated with catching up can be described as 'cumulative advantage'. This idea was developed years ago by a sociologist Robert Merton¹. While Merton described this phenomenon based on research careers, it is universal in its nature (as

¹ Robert Merton, *The Matthew Effect in Science: The reward and communication systems of science are considered*, "Science", 159(3810):56–63, January 5, 1968; *ibid*, *The Matthew Effect in Science, II: Cumulative advantage and the symbolism of intellectual property*, "ISIS", 79: 606–623, 1988; *ibid*, *The Thomas Theorem and The Matthew Effect*, "Social Forces", 74(2) 379–424, December 1995. The literature on the cumulative advantage phenomenon in different spheres of life is vast, e.g. Herbert J. Walberg and Shioh-Ling Tsai, *Matthew Effects in Education*, "American Educational Research Journal", 1983, 20: 359–373.

the author himself stressed) and is observed in various sectors, spheres, geographical areas and historical periods.

According to Merton, the concept of cumulative advantage turns attention to the ways in which initial comparative advantage is used as a starting point for successive small increments of advantage widen until dampened by exhaustion of possibilities or countervailing process.

E.g. at the organizational level, initial comparative advantage could consist of many factors, such as leadership, strategy, management, reputation, equipment, information resources, human resources, demanding clients, governmental procurement, relations with the industrial clients or activity in emerging and prospective research discipline. In certain circumstances initial advantage starts to be continuously multiplied by the kind of virtuous circle. E.g. some public research institutes (PSI) upgraded their assets by investing in their own learning capacities, organization and management, marketing and public relations etc. Good researchers attracted by PSI find the human and physical capital that enables them to develop high level research. They attract other good researchers, as the most capable researchers gravitate towards those centres which offer them the greatest opportunities for their work, both in terms of material rewards and scientific excitement. Researchers improve their own quality and the overall quality of the institute, with the consequence of attracting new research funds, new high value researchers and overall expansion in the investment in human and physical capital. Cooperation stimulates researchers. Kind of a cumulative process reinforces the appeal of the centre for other research workers, and creates 'external economies for new research centres set up in the area.'² Institutes with lots of good people attract companies that want access to talent. They play 'a magnetic role in the attraction of talent—a classic increasing returns phenomenon.' Demanding domestic clients determine high standards of the work that enables institutes to attract clients from more advanced countries. Adoption of TQM results in service quality improvement, increasing client satisfaction, cost reduction and improvement in firms' external image. As a collector of talent institutes attract also graduate students, who in turn create spin-off companies, and eventually encourage other companies to locate nearby.³

In other PSI kind of reverse cumulative advantage effect occurs. The initial capital is wasted. The best talented have only minor impact on research activity of institute. Research establishment is afraid of supporting the best talented people seeing them as future competitors for scarce resources. Each PSI unit behaves as a 'jealous citadel'. Researchers are running 'non-co-operation' strategy. Clients are not satisfied. Possible synergy is lost and the institute becomes 'less than a sum of its parts'.⁴

The concept of cumulative advantages is often applied to explain why some regions have succeeded while others have failed. How and why some places flourish while others remain stillborn is largely an unresolved puzzle. It is not the set of local attributes or discrete facilitating conditions in themselves but rather the sequence of cumulative interactions between them that gives rise to a booming local economy. Crystallization axis could be as different as a leading research university, a prestigious science park, attractive economic environment to attract and

² C. Freeman and A. Young, *The Research and Development Effort*, OECD 1962.

³ Aldo Geuna, *European Universities: Relationships among Age, Dimension and Science Research Quality*, December 1995, ideas.repec.org/p/dgr/umamer/1996003.html; Richard Florida and Wesley M. Cohen, *Engine or Infrastructure? The University Role in Economic development*, in: *Industrializing knowledge: university-industry linkages in Japan and the United States*, ed. by Lewis M. Branscomb, Fumio Kodama, and Richard Florida, Cambridge, Ma.: MIT Press, 1999, p. 606.

⁴ Under which conditions some PSI enter virtuous circle and under which vicious circle path? What are mechanisms of upgrading and what are mechanisms of downgrading? All these are fascinating questions that were never studied seriously in Poland.

retain high profile personnel, presence of venture capital, public support for innovative technology.⁵ In particular, institutions of higher education increasingly act as triggers and growth drivers in modern knowledge economies.⁶ A coincidence of various causes unexpectedly creates an explosive mixture that triggers developmental processes. When critical mass is achieved, the barriers are overcome and sustainable growth begins. The flow of information and communication begins to intensify. A small distance facilitates collective learning. Processes gain momentum. Networking becomes more widespread. Feedbacks facilitate mutual adaptation. A dependency path is established: earlier developments shape the available options. Parts of the system are constantly reorganised and differentiated. For instance, local labour market for specialists emerges. Students of pioneer researchers choose to make a career in local universities creating a specialization in the regional competence base for both research and teaching. Strong local networks between the firms and between the firms and universities act as a vehicle for knowledge transmission. Supply of scientists, engineers and PhDs and in the provision of risk capital is increasing. Successful companies become 'mother-companies' for others (e.g. through subcontracting).⁷ Spin-off companies are established.

As the time passes, some bottlenecks appear. The benefits that ensure dynamic growth are gradually exhausted and the pace of growth slows down. However, some regions succeed in capitalising on the achieved advantages and enter a new growth trajectory, based on different factors and mechanisms.

Successes attained by some countries in certain periods of their historical development are sometimes explained in a similar manner (i.e. by describing the emergence of self-enhancing, spontaneous and open system).⁸

Stages of the economic development

For the cumulative advantage principle to persist long enough, an entity, an organisation, a region or a country must know how to capitalise on the achieved advantages in subsequent, new stages of growth. Otherwise they will remain locked in at the earlier stages. Each stage is characterised by different initial advantages, challenges and drivers of change.

'The concept of upgrading mirrors that of development in its allusion to progression from one condition to another. Specifically, upgrading refers to movement from one kind of economic activity to another that is deemed more desirable, based on criteria ranging from profitability to equity to ecological sustainability. Typically, upgrading entails shifts toward more complex operations, in which barriers to entry are higher for any number of reasons: inputs of new technology or additional know-how, implementation of improved production processes, greater degrees of specialization or integration, etc. Regardless of its basis, amidst heightened competitive pressures upgrading becomes imperative for advanced industrial and developing economies alike. (...) For this reason, the capacity for organizational learning constitutes an essential foundation for upgrading.

⁵ Elizabeth Garnsey, *The Genesis of the high technology milieu: a study in complexity*, "International Journal of Urban and Regional Research" 22 September 1998 nr 3 p. 361-377.

⁶ Comp. Richard Florida and Wesley M. Cohen, *Engine or Infrastructure? The University Role in Economic development*, in: *Industrializing knowledge: university-industry linkages in Japan and the United States*, edited by Lewis M. Branscomb, Fumio Kodama, and Richard Florida, Cambridge, Ma.: MIT Press, 1999, p. 606.

⁷ Elizabeth Garnsey, op. cit; Bent Dalum et al., *Changing the regional system of innovation*, in: *The Economic Challenge for Europe. Adapting to innovation based growth*, ed. By J. Fagerberger, P. Guerrieri, B. Verspagen, Edgar Elgar 1999, p. 192.

⁸ See e.g. Jan de Vries, *Innovation and growth in the Netherlands*, in: *Political Competition, Innovation and Growth*, ed. Roland Vaubel, Peter Bernholz, Manfred Streit, Berlin: Springer-Verlag, 1998.

(...) Upgrading is (...) a fundamentally political and social challenge that groups of people and institutions must confront by developing capacities for learning and, in turn, for acting decisively on the basis of that knowledge'.⁹ 'Successful economic development is thus a process of successive upgrading, in which businesses and their supporting environments co-evolve, to foster increasingly sophisticated ways of producing and competing.'¹⁰

According to Michael Porter's well-known taxonomy, catching-up economies are moving through three stages of the economic development: factor-driven stage, investment-driven stage and innovation-driven stage. Final stage when they upgrade to the top is called wealth-driven.¹¹

At the **factor-driven** stage economic growth is determined by the mobilisation of primary factors of production: land, unskilled labour or natural resources. Take off to sustained growth consists in finding an area of comparative advantage for investing the available surplus. Catching up countries might start from a function which they are best prepared to fulfil, trying to add new functions which require higher competencies and coordination of many functions on their own.¹² Patterns of consumption have to be gradually changed into patterns of investment so that profit is re-invested and not consumed. Competences have to be appreciated more than family or patron-client ties. Political forces for modernization should emerge.¹³ In order to launch catching up country should have certain initial assets described as "social capabilities" and "technological congruence". Social capability refers to the availability of an appropriate institutional framework, capability of government for economic policy making and the technological skills of the population, while technological congruence refers to the suitability of technology from high-income countries for its use in follower countries.¹⁴

At the factor-driven stage the rate of investment and innovation activity is low, and the main economic activities consist of assembly, labour-intensive manufacturing and resource extraction. There are only a few truly international companies. The technological catching-up consists of acquiring and assimilating mature technology¹⁵ through imports, FDI and imitation. The most important knowledge-building mechanisms are education and foreign technology transfer.¹⁶

Imports, FDI and venture capital eventually move the economic system into **investment-driven** economy, where financial capital is invested into modern facilities and into complex foreign products as well as processes technologies. Trade, foreign investments, joint ventures and outsourcing serve as an axis to integrate individual links in the country's manufacturing capacity and help to integrate the national economy into global production and (later) technology networks. Catching-up countries treat them as assets trying to use them to upgrade production. They facilitate the improvement of technologies and the inflows of foreign capital and technologies. Countries attract foreign investment in mass production of standard technologies but steadily move towards

⁹ Eric Hershberg, *Global Restructuring, Knowledge and Learning: Notes on Industrial Upgrading and Development*, Working Paper No. 15, http://www.aup.fr/pdf/WPSeries/AUP_wp15-Hershberg.pdf

¹⁰ Michael E. Porter, *Executive Summary: Competitiveness and Stages of Economic Development*, in: *World Economic Forum. Global Competitiveness Report 2002-2001*, Internet.

¹¹ Based on: Michael E. Porter, *The Competitive Advantage of Nations*, 1990; *ibid*, *Executive Summary...*; Tarmo Kalvet, Tarmo Pihl, Marek Tiits, *Analysis of the Estonian ICT Sector Innovation System*, Tartu 2002; Maarit Lindström, *Globalisation and economic integration—what challenges economies in transition?*, Internet; Stanislaw Kubiela, *Technology Transfer and the Restructuring of New Market Economies: The Case of Poland*, SPRU, March 1996. Similar taxonomy was built by J.H. Dunning, G. Dosi, K. Pavitt and L. Soete.

¹² See *Industrial Development Report 2002/2003. Competing through Innovation and Learning*, UNIDO.

¹³ W.W. Rostow, *The stages of economic growth*, Cambridge 1960.

¹⁴ *National Innovation Systems: Analytical Findings*, OECD 23-24 November 1998.

¹⁵ Xiaobo Wu, Zhengwei Li, *Globalization and leapfrogging: China's Auto Parts Industry*, Internet.

¹⁶ Linsu Kim, *The dynamics of technological learning in industrialisation*, The United Nations University, Discussion Paper Series, October 2000, www.intech.unu.edu/publications/discussion-papers/2000-7.pdf

more sophisticated ones, moving from labour-intensive products to technology-innovation-intensive products.

Economy is concentrated on manufacturing. However, often the layer of local firms is initially weak with limited capabilities in core technologies which prevents further alignment of networks.¹⁷

‘Lacking local capability to establish production operations, local entrepreneurs develop production processes through the acquisition of ‘packaged’ foreign technology, which includes assembly processes, product specifications, production know-how, technical personnel and components and parts. Production at this stage is merely an assembly operation of foreign inputs to produce fairly standard, undifferentiated products. For this purpose, only engineering efforts are required. Once the implementation task is accomplished, production and product design technologies are quickly diffused within the country. Increased competition from new entrants spurs indigenous technical efforts in the assimilation of foreign technologies in order to produce differentiated products. Technical emphasis is placed on engineering and limited development rather than research. The relatively successful assimilation of general production technology and increased emphasis upon export promotion, together with the increased capability of local scientific and engineering personnel, lead to the gradual improvement of mature technology. Imported technologies are applied to different product lines through local efforts in research, development and engineering.’¹⁸

Expanding exports are a driving force for economies and sectors with increasingly advanced technology play a prevalent role in exports. Volumes and substance of exports can evolve through accumulation of financial capital and material assets, continuous improvements in products, processes and procedures. A technological change is neither easy nor imminent after a country opens up to competition. It requires a joint effort undertaken by governments, industry and (especially at further stages) scientific research, as well as interventionist policy (tax incentives, subsidies, regulations) and business networks.¹⁹ A catching-up country which engages in export-oriented manufacturing is forced to introduce the output control in line with global quality standards. As a result, the country gains experience with mass production methods which will be used over time to improve quality of increasingly high tech products.²⁰

Upgrading of technological capabilities is possible in interactions with the evolving markets, government policies, corporate strategy, and social culture. Government policies aim at launching and strengthening technology transfer, reverse brain drain, corporate R&D, universities, and branch research institutes. In absence of good university research governments took initiative in establishing several government research institutes by recruiting overseas-trained scientists and engineers. Development technological competencies in companies involves, among others: education, transfer of overseas technologies and mobility of employees with high technology skills.²¹ The latecomers’ technological capabilities are gradually strengthened by learning through reverse

¹⁷ Comp. Slavo Radosevic, *European Integration and Complementarities Driven Network Alignment: The Case of ABB in Central and Eastern Europe*, Centre for the Study of Economic and Social Change in Europe: Working Papers, February 2002; Slavo Radosevic, *Growth Of Enterprises Through Alliances In Central Europe*, Centre for the Study of Economic and Social Change in Europe: Working Papers. February 2004; Dieter Ernst, *Catching-up, crisis and truncated industrial upgrading*, Internet.

¹⁸ Pedro Conceição, Manuel Heitor and Pedro Oliveira, *Technology Policies And Strategies For Late Industrialized Countries*, Internet

¹⁹ P Guerrieri, *Technology and Structural Change in Trade of the CEE Countries*, NATO Advanced Workshop Quantitative Studies for Science and Technology Policy in Transition Countries, Moscow, October 23–25 1997, mimeo.

²⁰ *Technology and the Economy. The Key Relationships*, OECD, Paris 1992, p. 328.

²¹ Linsu Kim, *The dynamics of technological learning in industrialisation*, The United Nations University, Discussion Paper Series, October 2000, www.intech.unu.edu/publications/discussion-papers/2000-7.pdf Adoption an imported technology consist of “determining the needs; surveying the alternative technologies and the alternative supplies; choosing a particular combination of technology and supplier; absorbing the techniques in their first application in the importing country; disseminating the techniques throughout the economy; improving upon them; and developing new and superior techniques through research and development in the importing country itself.” “Technological imitation

engineering of imported goods²², and through R&D.²³ Advanced technologies are enhanced (e.g. cash registers by Optimus in Poland) or new middle-and low-tech uses are found for them (e.g. within upgrading efforts undertaken in traditional industries). The technological catching-up more and more consists of creative imitation and first innovation.²⁴

The shift to the next stage, **innovation-driven**, involves a transition from a technology-importing economy to a technology-generating economy that innovates in at least some sectors at the global technological frontier. Innovation-driven stage characterised itself by efficient and sophisticated technological solutions, extensive R&D generating innovations, and continuous learning of the workforce (esp. science-based learning) that enable the rapid shift to a new technologies. A mix of industries operating successfully on the international market increases and broadens. Now high productivity and low production factor costs matter: New knowledge and technological capabilities are becoming the main asset. The rate of return on investment in R&D is growing. Countries start to invest abroad. The economy becomes more resistant to outer shocks.

Upgrading in innovation phase often concerns adoption of standardized production capabilities to the exigencies of highly specialized markets in which not so much cost as quality determines competitiveness. In some cases upgrading includes the adoption of new technologies, in others the enhancing production processes or improving knowledge of shifting patterns of demand in highly segmented markets.²⁵ Sometimes it occurs by 'losing many upstream phases through relocation outside, very often abroad, and increasing specialization in downstream stages of production, characterized by higher value added.'²⁶

Companies' ability to integrate, coordinate and control international production and technological networks is an important feature of the innovation-driven phase. Companies more boldly pursue their growth strategies (expansion within value chain, e.g. a wholesaler becomes a retailer as well, new products and services are developed, new distribution channels are established, new geographical markets and customer segments are penetrated).²⁷

Technological learning (know how to assimilate, use, adapt, and change existing technologies) enables a firm to create new technologies and to develop new products and processes in response to the changing economic environment.²⁸

While catching-up economies can experience rapid economic growth and structural change for an extended period, sooner or late their catch-up potential is exhausted and they expand their indigenous science and technology base.²⁹ In innovation-driven phase, where overall industrial

in Japan involved recycling traditional ideas (sairiyo), exploring new ideas (tansaku), nurturing creativity (ikusei), generating breakthroughs (hassoo) and refining existing ideas (kaizen). Catching up does not necessarily need to be viewed in a linear and unidirectional way." See Calestous Juma and Norman Clark, *Technological Catch-Up: Opportunities and Challenges for Developing Countries*, January 2002, http://www.supra.ed.ac.uk/Publications/Paper_28.pdf

²² *National Innovation Systems. A Comparative Analysis*, ed. by R.R. Nelson, New York-Oxford 1993.

²³ Linsu Kim, *The dynamics of technological learning in industrialisation*, The United Nations University, Discussion Paper Series, October 2000, www.intech.unu.edu/publications/discussion-papers/2000-7.pdf

²⁴ Xiaobo Wu, Zhengwei Li, *Globalization and leapfrogging: China's Auto Parts Industry*, Internet.

²⁵ E.g. flexible specialization among small firms in Northern Italy, furniture producers in Scandinavia, footwear manufacturers in Brazil and salmon exporters in Chile. Eric Hershberg, *Global Restructuring, Knowledge and Learning: Notes on Industrial Upgrading and Development*, Working Paper No. 15, http://www.aup.fr/pdf/WPSeries/AUP_wp15-Hershberg.pdf

²⁶ Carlo Pietrobelli, *Industrial Districts' Evolution and Technological Regimes: Italy and Taiwan*, Setembro, 2002, www.ie.ufrj.br/redesist

²⁷ Chris Zook, James Allen, *Strategie ekspansji biznesu*, "Gazeta Wyborcza" 7-8 2 2004, p. 32.

²⁸ Linsu Kim, *The dynamics of technological learning in industrialisation*, The United Nations University, Discussion Paper Series, October 2000, www.intech.unu.edu/publications/discussion-papers/2000-7.pdf

²⁹ *National Innovation Systems: Analytical Findings* 23-24 November 1998.

structure diversified towards higher-technology products and sectors.³⁰ R&D now seems to be crucial for catching-up. Differences between countries in terms of pure technological competencies, *i.e.* patenting, have become more important in explaining growth differences.³¹ Transition of state policies from promotion of a labour intensive, individual businesses to the adaptation of a high tech policy affects the competitiveness of some industries, resulting in an ‘increase in learning rates, innovation and the abilities to transform and access distant technologies by establishing strong links to research intensive sectors’.³²

When technology is simple and mature, as in previous stages, local companies may apply reverse engineering or (if that proves too difficult), they may buy a licence and implement it. In the investment-driven phase, companies sometimes reinforce their R&D capacities to increase their bidding power in technology negotiations. In the innovation-driven phase, the private sector sometimes stepped its R&D effort entering global markets and trying to get closer to technology forefront, which includes establishment of R&D outposts, merger and acquisition of foreign high-tech firms and strategic alliances with leading multinational firms.³³ As their technological competencies expand, companies face increasingly strong barriers in acquiring third-party technologies. In such cases government R&D organisations refocus to pursue basic research in support of applied research and development.³⁴ Essential factor in the innovation process is the ability to combine different kinds of knowledge and skill, applied either in relation to linking the results of R&D programmes with the knowledge that is generated through practical experience, or in joining increasingly integrated international world of science and technology.³⁵

Governmental policies aim at supporting basic research in universities, mission-oriented applied research at branch research institutes, intense corporate R&D, globalization of R&D, and the recruitment of highly qualified personnel from abroad. Universities are transformed into research-oriented graduate schools.³⁶

The role of R&D

Each stage is characterised by different challenges. At the factor-driven stage the main challenge is to get basic factors, land, labour and capital working properly; at the investment-driven stage, the main challenge is to make connection with international production systems by attracting sufficient flows of FDI; at the innovation-driven stage the aim is to generate high rate of innovation and commercialisation of new technologies. Thus, growth drivers vary depending on the stage of development. For instance, less industrialised economies put an emphasis on developing infrastructure and basic skills whereas more industrialised economies focus on R&D

³⁰ E.g. in Taiwan the textile and clothing sector has undergone a strong process of upgrading from a few traditional spinning and weaving products to capital and technology intensive man-made fibres and fashionable clothing. Carlo Pietrobelli, *Industrial Districts' Evolution and Technological Regimes: Italy and Taiwan*, Settembre, 2002, www.ie.ufrj.br/redesist

³¹ Bart Verspagen, *Economic Growth And Technological Change: An Evolutionary Interpretation*, STI Working Papers 2001/1

³² Espen Dietrichs, *Adopting a "High-Tech" Policy in a "Low-Tech" Industry. The Case of Aquaculture*, STEP rapport Oslo, June 1995.

³³ Linsu Kim, *The dynamics of technological learning in industrialisation*, The United Nations University, Discussion Paper Series, October 2000, www.intech.unu.edu/publications/discussion-papers/2000-7.pdf

³⁴ E.g. in Korea. *Technology and the Economy. The Key Relationships*, OECD, Paris 1992, p. 328,

³⁵ J. S. Metcalfe, *Science, Technology and Innovation Policy in Developing Economies* Fourth Draft, 21st July 2000.

³⁶ Linsu Kim, *The dynamics of technological learning in industrialisation*, The United Nations University, Discussion Paper Series, October 2000, www.intech.unu.edu/publications/discussion-papers/2000-7.pdf

and advanced skills. The ability to combine various developmental factors depends on the type of strategy adopted. For instance, there is a trade-off between domestic R&D and imported technologies (FDI). Korea preferred its own R&D whereas Ireland, Singapore and Hong Kong chose opted for purpose-oriented FDI and policies aimed at boosting innovation in multinational corporations. Still other countries left the technological upgrades to the market forces. Differences in strategies may stem from different market sizes, geography, history, natural resources, starting point etc.³⁷ 'Successful economic development is thus a process of successive upgrading, in which businesses and their supporting environments co-evolve, to foster increasingly sophisticated ways of producing and competing.'³⁸

According to all schemes, as countries move towards more advanced stages of development, drivers of change are changing. Not only does R&D play a different role at each stage but also different parts of R&D become crucial (usually in 'reverse R&D order': in the factor-driven stage engineering, quality control, evaluation and adoption of foreign technologies are important but as countries move, applied and basic research gradually become key economic factors).³⁹

In advanced countries, technological capability is accumulated largely through 'learning by research', which expands the technological frontier. In developing countries, in contrast, technological capability is built primarily in the process of imitative 'learning by doing'.

In the early stage of catching-up, firms undertake the duplicative imitation of existing foreign mature products through reverse engineering. As catching-up progresses, 'they shift their focus from duplicative imitation to creative imitation, producing imitative products with new performance features.' When a catching-up country 'attaches up with advanced countries and reaches the technological frontier, major emphasis shift from imitation to original innovation. (...) Differences in learning orientation affect the speed and nature of the learning process, as they require different kinds and qualities of both explicit and tacit knowledge. For instance, at the duplicative imitation stage, knowledge conversion is easy and fast, requiring few trials and errors, because mature technology is generally available and reverse engineering and 'learning by doing' are relatively easy to undertake. In contrast, at the creative imitation stage, knowledge conversion is increasingly difficult and requires many trials and errors because the assimilation of available knowledge becomes increasingly difficult. At the innovation stage, it becomes extremely difficult to generate new knowledge through learning and to apply it creatively to produce competitive products and services.

The learning process is also affected by absorptive capacity, which has two important elements: existing knowledge base and intensity of effort. (...) 'Firm can manage technological learning either under normal circumstances, or by using crisis. Crisis is combination of threat and opportunity. Firms can use crisis as an opportunity to intensify their effort and transform technological capabilities in a discontinuous way through technological learning.'⁴⁰

³⁷ Industrial Development Report 2002/2003. Competing through Innovation and Learning, UNIDO, www.unido.org/doi/view?document_id=5263&language_code=en

³⁸ Michael E. Porter, *Executive Summary...*

³⁹ L. Kim, *National System of Industrial Innovation: Dynamics of Capability Building in Korea* in: *National Innovation Systems. A Comparative Analysis*, ed. by R. R. Nelson, 1993, p. 366; P. Glikman, S. Kwiatkowski, *Determinanty i kierunki polityki naukowej Polski*, Warszawa 1991, p. 8-9; K. Pavitt, *The Social Shaping of The National Science Base*, "Research Policy" 27:1998, p. 93-105; F. Kodama, *Sources of Japan's Technological Edge*, Boston 1995, p. 18-53; R. J. Barro, op. cit., p. 59, 131; J-S Shin, *The Economics of the Latecomers. Catching-up, technology transfer and institutions in Germany, Japan and South Korea*, 1996, p. 127; J. E. Fountain, *Social Capital: its relationship to innovation in science and technology*, "Science and Public Policy" 25:1998 No. 2, p. 105-106.

⁴⁰ "The ability to make effective use of technological knowledge in production, engineering, and innovation in order to sustain competitiveness in price and quality. Such capability enables a firm to assimilate, use, adapt, and change existing technologies. It also enables a firm to create new technologies and to develop new products and processes in response to the changing economic environment." Linsu Kim, *The dynamics of technological learning in*

In the first phase of catching-up, policy decisions on foreign investments, lending, interest rates, imports and exports or even reduction of social inequalities have a much greater impact on technological development and economic growth than science and research policies. Catching-up countries link with the global market via distribution, assembly and subcontracted production for more developed countries. Initially, those mostly low-and middle-tech products are gradually transformed into higher technological input. Exports are dominated by sectors with increasingly advanced sectors, from raw materials to high tech.

Lifelong learning by people and organisations as well as efforts to build the so-called social capital of trust (built gradually as entrepreneurs become more familiar with their partners and verify their credibility in trade relations), standards (negotiated between companies) and networks (created by people and organisations that trust one another, observe common standards and are linked with efficient communication and decision-making channels) are the precondition for a country's advancement. Initially, catching-up countries use R&D mostly as a way to identify the directions of technology research abroad and (in enterprises) to adapt purchased technologies to their needs (production engineering, quality control, design and planning). Subsequently, R&D is expanded to include evaluation, improvement and modification of imported technologies. Search for new solutions based on original basic research is the next step. Expansion of R&D progresses gradually and slowly at first and the research expenditure corresponds to the achieved level of economic development. Once a threshold is reached, the share of R&D expenditure in GDP rises in quantitative terms. When the countries approach to the global technology forefront, R&D grows rapidly in both qualitative and quantitative terms and becomes increasingly differentiated because the number of practical applications increases. Connections between various types of research (basic—applied—development) are tighter. Moreover, structure of disciplines changes (interest in biological sciences, and, in particular, medical sciences, rises as living standards improve).

The history of Korean economy is a good illustration of this pattern. The Korean industry reversed the R&D&E sequence (research, development and engineering): instead of moving from innovation to investment and production, it began with engineering of imported products and processes moving towards its own developmental research. Considerable investments in basic and applied research in Korea did not occur until 1980s. Also the United States began with technologies purchased from Great Britain and only later became the technology leader, gradually becoming a global leader in science and research (from 1930s onwards). It was engineering, not research, that founded the first phase of the R&D&E spectrum in those countries, helping them move onto developmental work and then to scientific research.

The history of Japanese economy followed a similar pattern. Until about 1975 research and development activities in Japan played largely a role of an 'antenna' helping Japan to identify global technology trends and to adapt and improve imported technologies. In the next decade (1975–85) R&D began to play a more active role in stimulating the economic growth: investments in new technologies helped increase production and exports, whereas profits were used to raise R&D expenditure. In 1985 R&D expenditure in industry exceeded spending on material investments for the first time ever. At present Japanese companies spend ca. 80% more on R&D than on factory facilities. One force behind this change of proportions was the automation of manufacturing processes (nowadays, to manufacture a new product it is usually enough to change the software, without having to purchase new machinery). Therefore, Japanese enterprises became

'knowledge factories' (knowledge on new products, processes and organisational structures) rather than traditional 'item factories'⁴¹.

Development of the Taiwanese economy took a similar route. The explosive growth of technical skills in Taiwan was accompanied by qualitative and quantitative improvements in engineering, physics and chemistry (the core of traditional processing industry) as well as in information and materials technology (the core of electronics industry). As the economy developed, moving onto subsequent stages, the number of publications and patents rose, and the research profile became broader and more diversified.⁴²

The sequence of roles played by R&D in the catching-up process is understandable. The key sources of growth are different in developed and less developed countries. For countries 'that lie significantly below the international leading-edge, it is development (i.e. flow of domestic secondary innovations and/or domestic learning by doing) rather than the current domestic flow of domestic fundamental research, that drives productivity growth and the accumulation of general knowledge.' Rapid growth of Japan after World War II was associated with investment in development and learning rather than research.' However, 'as a country nears the technological frontier, increased investments in research become necessary in order to sustain growth.'⁴³ In 'Technology Frontier Areas countries the growth rate of inventive activity, linked to the growth rates of R&D inputs', is the most important single growth determinant. 'Other potential determinants (export shares, physical investment rates, the strength of property rights) are much less important.'⁴⁴ Therefore, the possibility to commercialise scientific discoveries depends mostly, though not exclusively, on the technological advancement of the economy.⁴⁵ In less developed economies infrastructure investments (including primary and secondary education) counts more, in more developed—investments in tertiary and post-graduate education, high-tech and research. It is so e.g. because the total number of investment projects 'that can be undertaken at any point in time depend on the total amount of accumulated resources (or savings) available at that time. This in turn implies that the risk involved in investing in high-yield, risky projects will be better diversified when the economy has reached an advanced stage in its development process.' But when diversification opportunities are improved, individuals are more inclined to invest in high-yield, risky projects (instead of restricting themselves to safe but low-yield investments).⁴⁶ So the time for research at the front has come.

Figures are convincing in their own right. Let's have a look at statistics on R&D in Korea:

⁴¹ Based on: P. Glikman, S. Kwiatkowski, *Determinanty i kierunki polityki naukowej Polski*, PWN, Warszawa 1991, p. 8–9, as well as: L. Kim, National System of Industrial Innovation: Dynamics of Capability Building in Korea in: *National Innovation Systems. A Comparative Analysis*, ed. by R. R. Nelson, Oxford University Press, New York–Oxford 1993, p. 366; K. Pavitt, The Social Shaping of The National Science Base, "Research Policy" 27:1998, s. 93–105; F. Kodama, *Sources of Japan's Technological Edge*, Harvard Business School Press, Boston 1995, p. 18–53; R. J. Barro, Determinants of Economic Growth. A Cross-country Empirical Study, The MIT Press, Cambridge–London 1997, p. 59, 131; J-S Shin, *The Economics of the Latecomers. Catching-up, technology transfer and institutions in Germany, Japan and South Korea*, Routledge, London–New York 1996, p. 127; J. E. Fountain, *Social Capita: its relationship to innovation in science and technology*, "Science and Public Policy" 25:1998 nr. 2, s. 105–106; Keith Pavitt, *Research and Development*, in: *International Encyclopaedia of the Social and Behavioural Sciences*; Dieter Ernst, *Global Production Networks and the Changing Geography of Innovation Systems: Implications for Developing Countries*, "Economy, Innovation and New Technology" 2002, p. 497–523.

⁴² Keith Pavitt, *The Social Shaping of the National Science Base*, "Research Policy" 27, 1998, pp. 793–805.

⁴³ Philippe Aghion and Peter Howitt, *Endogenous growth theory*, Cambridge, Mass., MIT Press, 1998, p. 369.

⁴⁴ Stanisław Gomulka, *Growth convergence: a comment on Sachs and Warner*, mimeo.

⁴⁵ Nathan Rosenberg, *Exploring the black box*, 1994, p. 18.

⁴⁶ Philippe Aghion and Peter Howitt, *Endogenous growth theory*, Cambridge, Mass., MIT Press, 1998, p. 73.

| | 1965 | 1970 | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 |
|--|-------|------|-------|-------|-------|-------|--------|--------|
| R&D expenditures: government/private | 61/39 | 97/3 | 71/29 | 64/36 | 25/75 | 19/81 | 19/81 | 25/75 |
| R&D/GNP | 0,26 | 0,38 | 0,42 | 0,77 | 1,58 | 1,95 | 2,51 | 2,65 |
| R&D as a % of sales in manufacturing sector | * | * | 0,36 | 0,5 | 1,51 | 1,96 | 2,72 | 2,64 |
| Number of researchers | 2135 | 5628 | 10275 | 18434 | 41473 | 70503 | 128315 | 129767 |
| Government research institutes | 1671 | 2458 | 3086 | 4598 | 7542 | 10434 | 15007 | 12587 |
| Universities | 352 | 2011 | 4534 | 8695 | 14935 | 21332 | 44683 | 51162 |
| Private sector | 112 | 1159 | 2655 | 5141 | 18996 | 38737 | 68625 | 66018 |
| Government research institutes (as a % of total) | 78% | 44% | 30% | 25% | 18% | 15% | 12% | 10% |
| Universities (as a % of total) | 16% | 36% | 44% | 47% | 36% | 30% | 35% | 39% |
| Private sector (as a % of total) | 5% | 21% | 26% | 28% | 46% | 55% | 53% | 51% |
| Researchers per 10 000 population | 0,7 | 1,7 | 2,9 | 4,8 | 10,1 | 16,4 | 28,6 | 27,9 |
| Number of corporate R&D centres | 0 | 1 | 12 | 54 | 183 | 966 | 2270 | 3760 |

Sources: Linsu Kim, *The dynamics of technological learning in industrialisation*, The United Nations University, Discussion Paper Series, October 2000, www.intech.unu.edu/publications/discussion-papers/2000-7.pdf; *Main Science and Technology Indicators 2004/1*, OECD Paris 2004. 2000: R&D/GDP (instead of R&D/GNP); R&D as a % of sales in manufacturing sector, no. of corporate R&D centres, no. of researchers and researchers per 10 000 population —data for 1998.

As one could see, there is an exponential growth of all data and indicators, although some of them shows a 'saturation point' in mid 1990. Governmental R&D expenditures (increasing since 1970) has been used as a 'leverage funds' for development of private R&D (since mid 1970). The structure of rapidly expanding R&D sector was changing: the private grew faster; up to mid. 1990., and inside the public one the proportions between government research institutes (geared more towards applied research) and universities (aimed more towards basic research) were almost reversed.

Conclusions for Poland

It is said that nowadays it is more difficult than fifty years ago to visualise clear-cut roads towards catch-up. "Substituting industrialisation by "Internetisation", as some visionaries advocates, is, in the best case, only half of the story, for Internet and ITCs in general do not substitute technological efforts and learning experiences." ⁴⁷ Conditions from the past, when Europe was catching up with the USA (macroeconomic: stable labour and production markets, social security ensured by welfare state, demographic effects of the post-war baby boom, technological large-scale manufacturing, economic profitability of imitations) are a thing of the past now.

Does the ICT paradigm still open leapfrogging opportunities for Poland? If so, what are the "windows of opportunity" in manufacturing and services? Should various ICT applications be treated only as 'utilities', such as water pipes, railroads or telephones? Is the 'window of opportunity' still open or is it shutting? And if so, where should we look for another one: in niches opened by developments in biotechnology and new materials? Or in foreign direct investments in traditional industries (owing to ICT multinational corporations can split their processes such accounting, marketing, post-manufacturing services, design and even R&D, into small separate tasks, transferring them to various places around the globe to capitalise on differences in labour costs, competencies, suppliers etc.).⁴⁸

⁴⁷ Rodrigo Arocena and Judith Sutz, *Interactive Learning Spaces and Development Policies in Latin America*, DRUID Working Paper, December 2000.

⁴⁸ See *Industrial Development Report 2002/2003. Competing through Innovation and Learning*, UNIDO.

As it is often said, diversity of roads to catch-up should warn against easy generalisations. Nevertheless, as recent experiences show, future roads for success will be slightly different. What seems to be certain is that in future culture will play a far bigger role than now.

Culture is a network of meanings. Language, arts, music, dance, writing, film, recordings, software—all those are tools which humans use to create, interpret, maintain and transform those networks of meaning. Culture is the subsoil and elements of societies' developmental success spring from it: entrepreneurs' inventiveness and industriousness, teachers' competencies, students' ambitions, law-makers' and policy-makers' wisdom, as well as intellectual curiosity, willingness to experiment, ability to collaborate. The culture sector (arts, science, education) which produces the tools of social communication (languages, self-identification, media, knowledge, qualifications, lifestyles, projects, interpreting and evaluation tools, understanding of cultural diversity etc.) becomes the key sector of the economy. In developed countries the culture industries (film-making, radio, television, recording, tourism, shopping centres, entertainment centres, funfairs and theme parks, fashions, cookery, sports and games, gambling, recreation, virtual space and simulated worlds...) are the fastest growing sectors. Culture industries in the USA have a stronger positive impact on the US economy and provide more jobs than any other sector. Even in early 1980s Abba was the main source of export revenues for a country as industrially advanced as Sweden. Culture sculpts the social and intellectual capital of communities and it plays a crucial role in fuelling social and economic growth. A robust community is a condition for a healthy economy because it is based on social trust. And the future of advanced societies is now shaped by the creative class which, in Richard Florida's concept (*The Rise of the Creative Class*, 2002), plays the same role as bourgeoisie or proletariat in 19th century theories.⁴⁹

Florida stresses the role of culture while explaining The Irish Miracle. For him, successful Irish catch-up was powered by a new model of growth, based on the "Three Ts" of economic development—technology, talent and tolerance.

"Technology: Under the savvy leadership of the Industrial Development Authority, the Irish worked aggressively to recruit leading high-tech companies through a policy of "industrialization by invitation." Financial and tax-related incentives helped recruit the first wave of companies such as IBM, Lotus, Intel, Microsoft, Dell, Gateway and Oracle, which were also lured by the thick talent pool emerging from the country's world-class universities. Not content to simply recruit high-tech from abroad, the Irish government formed a body known as Enterprise Ireland, to support entrepreneurship and venture capital and foster the indigenous high-tech industry. Today, top Irish companies such as Baltimore Technologies, Iona Technologies and NUA are players on the global stage. (...)

Talent: By investing in its higher education system, Ireland simultaneously bolstered its ability both to generate and to attract top talent. Since the 1960s, the Irish government has invested heavily in higher education and, in particular, it has supported the formation of technical skills in electronics and computer-related disciplines through a system of regional technical colleges. Today, 60 percent of Ireland's university students major in engineering, science or business. And with a growing job market and exciting lifestyle options, fewer and fewer have any reason to leave the country.

Tolerance and Lifestyle: But both of these more traditional economic development efforts would not have worked if Ireland did not support and reinforce them with the third T. Long a conservative nation, Ireland built upon its legacy of culture, art and music to become a center

⁴⁹ *Societies in Transition. The future of work and leisure*, OECD 1994; Jeremy Rifkin, *Age of access*, 2000; David Thorby, *Economics and Culture*, 2001; *Kultura i przemysł kultury szansą dla Polski*, Instytut Badań nad Gospodarką Rynkową, 2002; Tyler Cowen, *Creative destruction. How Globalization Is Changing the World's Cultures*, 2002. I would like to thank you Edwin Bendyk for turning my attention to that issue.

for bohemian energy and an eclectic milieu of scenes, lifestyles and people. Today the streets teem with a mixture of people—from buttoned-down businessmen to “geeky” software developers, edgy black-garbed artists and musicians. In a remarkable fusion of history and progressiveness, Ireland has turned cities like Dublin into lifestyle meccas for dynamic creative people and those who want to be around such amenities.

The first step revolved around attracting creative talent. By offering tax breaks to creative people and a high-quality place to live and work, the country has not only retained its growing legion of native celebrities, such as U2, Van Morrison and Liam Neeson, but also plays host—and home—to many international stars, such as Andrew Lloyd Webber. The second step revolved around building true quality of place grounded in history and authenticity. Dublin began by restoring its Temple Bar district—painstakingly revitalizing the same pubs where James Joyce, Bram Stoker and Samuel Beckett might have once had a pint. Today, the district is hipper and more energetic than ever before. This strategy of leveraging authentic cultural assets to attract people and spur economic revitalization is a far cry from the generic “mall” approach of chain stores, chain restaurants and chain bars that so many second-class cities waste millions of dollars pursuing. Ireland is now the place to be. Today, some 53 percent of new immigrants are returning Irish citizens. And 40 percent of the country’s population is now under 25 years old. Companies frequently remark on the positive effects of the new generation’s “go get ‘em,” open-to-change attitude.⁵⁰

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⁵⁰ Richard Florida, *Midweek Perspectives: We can import the 'Irish Miracle'*, 2001, www.post-gazette.com/forum/20010321edflor3.asp

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SCENARIOS FOR FUTURE EUROPE

Europe has far reaching plans to become most competitive economy in the world by 2010. Already four years passed from the moment when this goal was officially formulated in Lisbon and there are only six years ahead to meet it. The paper tries to find is this goal still reachable, what are the obstacles to make this goal real and what should be done to overcome them anyhow.

1. Europe and Lisbon strategy—can the goal be fulfilled?

European economy is always compared with the US economy when catching up in standards of living is in stake. Becoming the most competitive world economy, what is univocal with catching up the economic performance of the benchmark such as US, requires significantly superior performance in relation to the US through the coming years. This embraces standards of living as well as productivity per worker. According to studies conducted by the European Commission current trends are clearly “at variance with such a possibility and they do not support such a conjecture”.¹ Despite the fact that the EU gap towards the US economy is narrower today in terms of productivity than in standards of living, if the relative performance in the two regions does not change in recent years substantially, the productivity differential shows a tendency to increase in the future. This leads to a direct conclusion that convergence towards US standards requires important improvement in the EU participation and employment rates in relation to the US.

The past tendencies in the EU and US economy are indicated by simple statistics illustrating the rate of GDP growth, GDP per capita increases, growth productivity by worker, employment and productivity per hour.

Most of the indicators are higher in the case of the US than EU. The only lower indicator for the whole period 1995–2002 for the US is the cumulated average indicator of GDP per capita, what suggests that part of the growth is achieved by specificities of the openness of the US economy for immigration. This suggests that with other conditions changed (ie. tax systems) EU can profit opening its internal market for inflows of labor, just the opposite of the current approach based on strategy of protection of the labor market, supported by the argument of high unemployment rate. Moreover, the performance in whole EU is resulted by diversified performance in the whole EU: higher in three countries outside the EMU (ie.: Denmark, Sweden and the UK) and relatively lower (although still diversified) performance of EMU members (Austria, Belgium,

¹ European Competitiveness report 2003, Competitiveness and benchmarking, C0mmission staff working document. SEC (203) 1299, Luxemburg 2003, p. 25.

Table 1

Trends in GDP employment and productivity growth: US and EU

| Years | Growth of | | | | | | | | | |
|------------------------------------|-----------|-------|----------------|-------|-------------------------|-------|------------|-------|-----------------------|-------|
| | Real GDP | | GDP per capita | | Productivity per worker | | Employment | | Productivity per hour | |
| | EU | US | EU | US | EU | US | EU | US | EU | US |
| 1990 | 3,03 | 1,75 | 2,43 | 0,67 | 1,83 | 0,50 | 1,19 | 1,24 | 2,06 | 1,08 |
| 1991 | 1,89 | -0,50 | 1,21 | -1,54 | 2,36 | 0,41 | -0,47 | -0,90 | 3,57 | 1,04 |
| 1992 | 1,20 | 3,06 | 0,98 | 1,96 | 2,09 | 2,39 | -0,87 | 0,66 | 2,30 | 2,89 |
| 1993 | -0,35 | 2,67 | -0,81 | 1,59 | 1,20 | 1,16 | -1,53 | 1,49 | 1,70 | 0,29 |
| 1994 | 2,79 | 4,04 | 2,44 | 3,07 | 2,94 | 1,71 | -0,14 | 2,33 | 2,86 | 1,10 |
| 1995 | 2,46 | 2,70 | 2,16 | 1,75 | 1,71 | 1,19 | 0,74 | 1,50 | 1,86 | 0,39 |
| Growth p.a. 1990–1995 | 1,59 | 2,39 | 1,19 | 1,35 | 2,06 | 1,37 | -0,46 | 1,01 | 2,46 | 1,14 |
| 1996 | 1,67 | 3,61 | 1,39 | 2,66 | 0,97 | 2,13 | 0,69 | 1,45 | 1,02 | 2,21 |
| 1997 | 2,59 | 4,43 | 2,21 | 1,58 | 1,79 | 2,13 | 0,78 | 2,25 | 1,86 | 1,58 |
| 1998 | 2,91 | 4,28 | 2,68 | 3,07 | 0,88 | 2,77 | 2,02 | 1,47 | 0,94 | 1,92 |
| 1999 | 2,66 | 4,11 | 2,41 | 2,93 | 0,89 | 2,54 | 1,76 | 1,54 | 1,29 | 2,09 |
| 2000 | 3,45 | 3,75 | 3,17 | 2,62 | 1,61 | 2,43 | 1,81 | 1,29 | 2,03 | 2,05 |
| Growth p.a. 1995–2000 | 2,66 | 4,04 | 2,37 | 2,57 | 1,23 | 2,40 | 1,41 | 1,60 | 1,43 | 1,97 |
| 2001 | 1,63 | 0,25 | 1,36 | -0,69 | 0,29 | 0,35 | 1,33 | -0,10 | 1,29 | 0,38 |
| 2002 | 0,95 | 2,30 | 0,71 | 1,36 | 0,52 | 2,81 | 0,43 | -0,50 | 0,47 | 2,81 |
| Growth p.a. 2001–2002 | 1,29 | 1,27 | 1,03 | 0,33 | 0,40 | 1,58 | 0,88 | -0,33 | 0,88 | 1,59 |
| Accumulated growth 1995–2002 | 16,95 | 25,00 | 14,74 | 14,30 | 7,15 | 16,16 | 9,15 | 7,60 | 9,23 | 13,78 |
| Growth p.a. 1995–2002 | 2,26 | 3,24 | 1,98 | 1,93 | 0,99 | 2,16 | 1,26 | 1,05 | 1,27 | 1,86 |

Source: WIFO and CEPII calculations using data from Groningen Growth and Development Centre (GGDC web site at <http://www.eco.rug.nl/ggdc/homeggdc.html>, quoted after European Competitiveness Report 2003.

Finland, France, Germany, Greece, Holland, Ireland, Italy, Luxemburg, Portugal, Spain). Generally the EMU members who have consolidated their budgets and do not have currently problems with meeting the 3% threshold for the budget deficit experience higher rates of GDP growth, while remaining, who increased taxes to meet the criteria or applied creative accountancy to reach the goal—face difficulties now, which result in growing deficit and low economic performance.² Countries outside the EMU, with small exceptions (of the UK³), have consolidated their budgets.

The answer to formulated question concerning doubling of standards of living in EU and US is not simple. Period required to double the performance depends on the future rates of growth in both economies and the difference between them. US economy recovered from the slow-down in 2001–2002 and the economy accelerated again. The rates of growth are recently higher than in

² K. Żukrowska, D. Sobczak, J. Stryjek, Fiscal policy, in: M. Bolle (ed.), Eurozone Enlargement. Exploring Uncharted Waters. Ezoneplus Final Report, BWV—Berliner Wissenschafts-Verlag 2004, Berlin, p. 89–118.

³ UK should reduce the taxes and consolidate its state spending taking the opportunity of the rate of growth of the British economy, otherwise the economic success will be only temporary.

Table 2

How long will it take to double the standards of living

| Growth during | GDP per capita (%) (annual growth rate) | | Years before doubling | |
|---------------|--|------|-----------------------|-----|
| | EU | US | EU | US |
| 2002 | 0,71 | 1,36 | 98 | 51 |
| 2001–2002 | 1,03 | 0,33 | 68 | 210 |
| 1996–2000 | 2,36 | 2,57 | 30 | 27 |
| 1996–2002 | 1,98 | 1,93 | 35 | 36 |

Source: European competitiveness report 2003, p. 23.

the EU. In US the GDP grows with 4,7% in 2004 and in the EU (euro area) with 2,0%.⁴ This is so despite the budget balances obtained in both markets. The size of budget deficit in the US economy is -4,7%, while in whole EU area -2,8%. Nevertheless, the US deficit will be reduced in two years according to prognoses, while the EU's will grow in effect of policies applied in biggest euro area economies, namely France and Germany, where the budget deficit is respectively -3,8% and -3,7%.⁵ Moreover, the Stabilization and Growth Pact (SGP) in case of the two was abused and discussion is going on to abandon the obligations of budget deficit limits in order to stimulate growth. All this happens in period of unprecedented enlargement by 10 and three more are in line to join in 2007 (Bulgaria, Romania and Turkey). All coming economies represent lower development what is univocal with lower labor costs and in most cases lower taxation (especially in case of CIT—corporate income tax). This means that opportunities to consolidate the budget in France and Germany without any specific activities addressed to do something with the budget deficit are being pushed ahead to an unprecised date sometime in the future when “economy will improve”.

Table 3

Prognoses of the gap in the future, based on the past

| | Standard of living | | Productivity per worker | | Productivity per hour | |
|-----------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | % difference in 10 years | % difference in 20 years | % difference in 10 years | % difference in 20 years | % difference in 10 years | % difference in 20 years |
| 2002 | 32 | 36 | 37 | 50 | 26 | 41 |
| 2001–2002 | 22 | 17 | 30 | 38 | 13 | 19 |
| 1996–2000 | 29 | 30 | 30 | 37 | 11 | 16 |
| 1996–2002 | 27 | 27 | 30 | 38 | 12 | 17 |

Source: as in table 2, p. 24.

The projection based on past performance leads to pessimistic conclusions on prospects to catch up with the US in 10–20 years as well as in the next decades. European economy requires

⁴ The Economist, Sept 25—Oct 1st 2004, Economic and Financial Indicators, p. 120.

⁵ Ibidem, p. 121.

Table 4

GDP, GDP per capita and productivity (annual average increase in %, 2001–2002)

| State/economy | Growth of | | | | | |
|---------------|-----------|----------------|-------------------------|-----------------------|-----------|-----------|
| | Real GDP | GDP per capita | Productivity per worker | Productivity per hour | Real GDP | |
| | 2001/2002 | | | | 1991/1995 | 1996/2000 |
| Belgium | 0,85 | 0,68 | 0,36 | 0,43 | 1,6 | 2,81 |
| Denmark | 1,07 | 0,76 | 0,86 | 1,60 | 1,97 | 2,66 |
| Germany | 0,48 | 0,38 | 0,67 | 1,18 | 2,05 | 1,79 |
| Greece | 3,82 | 3,61 | 4,10 | 4,10 | 1,25 | 3,42 |
| Spain | 2,28 | 2,10 | -0,51 | -0,56 | 1,51 | 3,80 |
| France | 1,42 | 0,96 | 0,53 | 2,41 | 1,06 | 2,68 |
| Ireland | 4,72 | 3,55 | 2,79 | 3,28 | 4,70 | 9,89 |
| Italy | 1,04 | 0,85 | -0,62 | -0,12 | 1,27 | 1,87 |
| Luxemburg | 0,99 | 0,33 | -2,02 | -1,96 | 3,93 | 6,76 |
| Netherlands | 0,61 | 0,06 | -0,42 | 0,87 | 2,13 | 3,68 |
| Austria | 0,87 | 0,63 | 0,85 | 0,85 | 2,05 | 2,57 |
| Portugal | 1,03 | 0,84 | -0,08 | -0,08 | 1,70 | 3,81 |
| Finland | 1,16 | 1,00 | 0,45 | 1,25 | -0,67 | 5,05 |
| Sweden | 1,45 | 1,43 | 0,49 | 1,18 | 0,59 | 2,96 |
| UK | 1,85 | 1,52 | 1,07 | 0,98 | 1,76 | 2,83 |
| EU | 1,29 | 1,03 | 0,40 | 0,88 | 1,59 | 2,66 |
| US | 1,27 | 0,33 | 1,58 | 1,59 | 2,39 | 4,14 |

Source: as in Table 2 and 3.

changes, which can be stimulated by the new members, what can be the conclusion from the performance of the old members, which are shown below.

Highest increases in productivity per hour were observed in so called “Poor South” countries: Ireland, Greece, Portugal (Spain being an exception here) as in “Rich North”: UK, Denmark, Germany, France, Sweden. American economy also experience high growth performance as far as this indicator is concerned. This indicates that economies of catching up economies have big reserves, which can be used in integration with economies representing higher level of development. Nevertheless, economies which represent high level of development can also experience high rates of productivity increases, what depends on sources which are used to stimulate the economy. This can be changing structure of the economy moving resources from agriculture to production and further to service sector; it can be also export of capital, which increases imports of manufactured goods and services to third markets. Real growth of GDP in US accelerated quicker than in the EU in both five year periods of 1991/1995 and 1996/2000. The difference between rates of growth in American economy were higher in period 1996/2000 than in 1991/1995. Respectively the differences were 1,07% and 1,65% in favor for the US economy. Good performance of catching up economies indicates that the 2004 enlargement can be used as a stimulus of growth in the EU but this can not happen unconditionally.

2. Conditions in which the goal can be reached

The goal of accelerating growth and becoming most competitive economy can be reached by the EU, although one has to remember that the US is using similar external incentives as the EU—creating a free trade area of both Americas: FTAA, what means that the challenge for Europe is still greater. Differentiated performance of East Central European economies indicates that there are some possibilities to reach the goal by Europe and to improve competitiveness of the European economy by closer cooperation with the new member states but this requires not stopping the export of capital from western to eastern markets (as French politicians would desire) but just the opposite encouraging industrial and service engagement abroad moving labor from production towards services at home and in some cases like France, Greece or Spain and Portugal from agriculture to services.

Share of service sector in the US is 82%, while in Germany 43,0%, France 43,0%, in UK 50,0%. This gives big possibilities of increasing productivity with shifting labor from sector to sector, what makes sense when the economy is restructured by market forces, stimulated by 2004 enlargement⁶. This is true especially when we take into account what type of production manufactured in East Central European economies is competitive with production of the old members. Transfers of capital from West to East can stimulate competitiveness of production manufactured in factories located in the internal market, stimulating at the same time pro-effective changes in labor occupation. Experience of China can serve here as best example to illustrate the possibilities that exist here. Capital transfers in such case have to include gradually increasing number of economies, reaching new EU members, future members (Bulgaria, Romania and Turkey) as well as other Balkan countries (Albania, Croatia, Bosnia & Herzegovina, Serbia & Montenegro, former Yugoslav Republic of Macedonia, Yugoslavia), which are also foreseen as future members. We have to remember that the EU can not enlarge endlessly and interesting option should be found for those, who would show interest in closer cooperation with the EU. In his speech in December 2002—Romano Prodi, the former President of the EU, said that EU should offer a solution interesting as much as the membership to those who desire to cooperate with the EU⁷. Finally, he made clear that such solution would mean sharing with those countries everything except the institutions. If we would like to interpret this taking into account the realities of the EU, we would come to conclusion that this means presence in the European Economic Area (EEA) with four liberties of transfers: goods, capital, labor and services. Stimulation of competition impulses helps the economy to restructure. In such conditions four conclusions could be drawn: (1) when one stimulates competition, financial help offered to enterprises losing competitiveness seems to be a mistake as it only increases costs, pushing budget expenses up and increasing budget deficit; (2) in an open economy taxes (PIT—personal income tax, CIT—corporate income tax, and VAT—value added tax) should be reduced gradually either on level of each member state or in coordination on international level; (3) increasing taxes leads to desinvestment of the economy, when such decision is carried up in an economy with liberalized capital transfers and this is so within EU and OECD; (4) policy enforcing Growth and Stability Pact should be strict.

Table below shows the indicators of GDP growth in East Central European economies and CIS. If we look at estimations for 2003 compared with 1989 the data given by EBRD illustrate were the applied strategies worked and where they did not. In other words we can see which economies were catching up, while the remaining were deterioration their position vis-à-vis the EU.

⁶ R. Alcaly, *The New Economy. And what it means for America's future?* Farrar, Straus & Giroux, New York 2003, p. 38–39.

⁷ <http://www.europa.int.org>

Low performance until now gives great opportunities for the future growth in those economies⁸. This in turn can influence the EU level of growth, when potentials of East and West would work together.

Table 5

Growth in GDP in central Europe and the CIS

| State | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 ^a | 2004 ^b | Estimation of real GDP in 2003 ^c |
|------------------------|-------|-------|-------|------|------|------|------|-------|------|------|------|-------------------|-------------------|---|
| Croatia | -11,7 | -8,0 | 5,9 | 6,8 | 6,0 | 6,5 | 2,5 | -0,9 | 2,9 | 3,8 | 5,2 | 4,5 | 3,5 | 94 |
| Czech R. | -0,5 | 0,1 | 2,2 | 5,9 | 4,3 | -0,8 | -1,0 | 0,5 | 3,3 | 3,1 | 2,0 | 2,9 | 4,0 | 113 |
| Estonia | -14,2 | -8,8 | -2,0 | 4,3 | 3,9 | 9,8 | 4,6 | -0,6 | 7,3 | 6,5 | 6,0 | 4,7 | 5,5 | 103 |
| Hungary | -3,1 | -0,6 | 2,9 | 1,5 | 1,3 | 4,6 | 4,9 | 4,2 | 5,2 | 3,7 | 3,3 | 2,9 | 4,0 | 119 |
| Latvia | -34,9 | -14,9 | 2,2 | -0,9 | 3,7 | 8,4 | 4,8 | 2,8 | 6,8 | 7,9 | 6,1 | 7,5 | 6,0 | 87 |
| Lithuania | -21,3 | -16,2 | -9,8 | 3,3 | 4,7 | 7,0 | 7,3 | -1,8 | 4,0 | 6,5 | 6,8 | 8,9 | 6,5 | 89 |
| Poland | 2,6 | 3,8 | 5,2 | 7,0 | 6,0 | 6,8 | 4,8 | 4,1 | 4,0 | 1,0 | 1,4 | 3,7 | 4,5 | 140 |
| Slovak R. | -6,7 | -3,7 | 5,2 | 6,5 | 5,8 | 5,6 | 4,0 | 1,3 | 2,2 | 3,3 | 4,4 | 4,2 | 4,4 | 119 |
| Slovenia | -5,5 | 1,7 | 5,8 | 4,9 | 3,5 | 4,6 | 3,8 | 5,2 | 4,6 | 3,0 | 2,9 | 2,3 | 3,1 | 124 |
| CEE & Baltic reps. | -2,2 | 0,2 | 3,9 | 5,4 | 4,7 | 4,9 | 3,6 | 2,8 | 4,0 | 2,5 | 2,5 | 3,7 | 4,3 | 123 |
| Albania | -7,2 | 9,6 | 8,3 | 13,3 | 9,1 | -7,0 | 12,7 | 8,9 | 7,7 | 6,8 | 4,7 | 6,0 | 6,0 | 136 |
| Bosnia & Herzegovina | -80,0 | -10,0 | 0,0 | 20,8 | 86,0 | 37,0 | 15,6 | 9,6 | 5,5 | 4,4 | 5,5 | 3,5 | 4,0 | 59 |
| Bulgaria | -7,3 | -1,5 | 1,8 | 2,9 | -9,4 | -5,6 | 4,0 | 2,3 | 5,4 | 4,0 | 4,8 | 4,5 | 4,8 | 88 |
| FYR Macedonia | -8,0 | -9,1 | -1,8 | -1,2 | 1,2 | 1,4 | 3,4 | 4,3 | 4,5 | -4,5 | 0,7 | 2,8 | 3,0 | 80 |
| Romania | -8,8 | 1,5 | 3,9 | 7,1 | 4,0 | -6,1 | -4,8 | -1,2 | 1,9 | 5,3 | 4,9 | 4,9 | 5,0 | 96 |
| Serbia & Montenegro | -27,9 | -30,8 | 2,5 | 6,1 | 7,8 | 10,1 | 1,9 | -18,0 | 5,0 | 5,5 | 4,0 | 2,0 | 2,0 | 53 |
| South & Eastern Europe | -9,2 | -1,6 | 3,9 | 6,1 | 3,6 | -0,5 | 0,0 | -2,4 | 3,6 | 4,6 | 4,6 | 4,2 | 4,3 | 89 |
| CIS | -14,2 | -9,1 | -13,4 | -4,8 | -3,6 | 1,4 | -3,9 | 5,2 | 9,1 | 6,1 | 5,1 | 7,6 | 5,6 | 79 |
| CEE & CIS | -9,2 | -4,9 | -5,6 | -0,1 | 0,2 | 2,5 | -1,0 | 3,4 | 6,0 | 4,3 | 3,9 | 5,6 | 4,9 | 89 |

^a Estimate

^b Projection

^c 1989 = 100

Source: Transition Report Update 2004, EBRD, London 2004, p. 16.

States representing higher level of development have to see two things, economy is a process and it does not like stagnation of impulses coming from market forces, what—if happens—leads directly to situation in which producers loose competitiveness. Correct policy applied here is integration with economies representing lower level of development with lower labor costs and bigger reserves but it requires at the same time transfer of capital and know-how. Statistically such marriage will bring high productivity growth indicators in the whole integrated area as in low developed economies new industrial jobs will be established, with higher productivity, using advanced tool machines and technologies, while in developed economies labor will move from sector characterized by lower productivity indicators to sectors where productivity is higher.

⁸ J. Visser, Convergent divergence or divergent convergence, in: J. H.H. Weiler, I. Begg, J. Peterson (ed.), Integration in an expanding European Union. Reassessing the Fundamentals, Blackwell Publishing 2004, p.191–196;

Differentiated results in GDP growth in East Central European economies show that economic policies applied within the framework of transformation strategies mattered, generally the more market forces and less state intervention the better results achieved⁹. This does not mean that state loses its role, which evolves. First, market is not able to work without previous preparation of changes in law and institutions, in which state's engagement is decisive; second, the politicians should prepare the sequencing of applied steps, they can not be introduced in chaos; third, the strength of market forces applied should be also wisely applied. It is better to study in details the experience of economies more advanced in transformation with all the nuances of applied policies and their results. The experience of East Central European countries (new EU members) should be also studied by economists who prepare the strategies for "old" EU members as the experience after 1989 teaches what "new economy" is and how it works, as well as why it is applied¹⁰. The goal here is not limited to Europe and its plans, which can be counted as egoistic (the Lisbon strategy). It embraces the interests of all remaining regions of the world economy, what will be discussed in further part of this essay.

3. Conditions under which the goal is missed

It would be difficult to meet the goal formulated by the Lisbon Strategy in 2000 when controversies over applied policies will increase among member states. This is not the only possible reason that cause failure of the strategy. There are at least three groups of reasons that can cause problems. First is linked with policies applied in so called "old" members, while the second with "new" ones. Third group is connected with problem of cheating and type of creative accountancy in statistics, what was proved recently by Greece, when press announced that economic results which were used to approve Greece as EMU member were false, according to Eurostat¹¹.

The goal of increasing productivity and as result competitiveness can be missed when national policies and interests take over the common interests, created by internal market, EMU and close political integration. This will be so when national policies will overwhelm those decisions which are made on international, EU, level. Despite this access to political integration in the EU can be done gradually and in stages. Those countries who are in EMU will start this process, those outside EMU will join later. Those new members, who are still outside ERM-2 have a choice either to hurry into ERM-2 and political integration or prepare their economies, increasing their potentials outside these processes in ERM-2 and EMU. Moreover, such temporary division can accelerate changes in those economies, which are already in EMU but have problems with the budget deficits (Germany, France, Portugal, Netherlands, Italy). This can be done in numerous ways. One of them is political integration, what will mean common foreign policy and representation of the members states in international organizations. One of such organizations (already established or the one that will be called into life) will focus on taxes and proportions between fixed and flexible state expenses in the budget. Moreover, such an organization can be established with active participation of those outside EMU and political integration, what shows that being outside EMU is not at all an egoistic solution but a solution which takes into account common interests of the EU member states.

⁹ M. Lusztyg, *The limits of protectionism. Building coalitions for free trade*, University of Pittsburgh Press 2004, p. 206-215.

¹⁰ R. Alcala, *The New Economy. And what it means to American future?* Ferrar, Strauss & Giroux, New York 2003, p. 38-39.

¹¹ *Gazeta Wyborcza*, 23.09.2004,p.1.

Other option can be based on division of Europe, what is discussed recently by some economists. In one part integration will be deepening, while in the other one the process will be frozen at the current level. Nevertheless, this option, in short will lead to reunification of the outsiders, what can be done with use of three arguments. First is linked with fact that those outside political integration will have to follow decisions made by EU members integrated politically. Second derives from fact that the difference between EU members outside EMU and not integrated politically will vanish with time passing, when European Economic Area will enlarge and WTO will cut external custom duties equaling EU duties with EEA customs duties. Third argument emerges from fact that difference in exchange rates between euro and other EU currencies will disturb trade between the EU outsiders and insiders. The exchange rates can fluctuate against each others bringing difficulties to companies that operate on internal market in countries that use common currencies and those staying apart from EMU.

Third option is total return to national policies by member states, abandoning the achievements of period since Treaty of Rome was signed. This seems to be the most pessimistic scenario and as such not very realistic. Nevertheless, such option exists and it should be listed here¹².

The second group of reasons is closer linked with the new members, which still continue transformation and are advanced in this process to a different degree. Although their economies are generally small, when their size is measured by the GDP, and this can have limited impact on the whole EU performance. Nevertheless, problems with transformation in the new economies can enlarge the problems that are already noted in the old members economies, mainly the budget deficit constraints. This finally can be considered as a stimulus to accelerate political integration, what can bring equal solutions from the Commission. At this point the budget deficit in euro area is balanced and below the 3% threshold, as it is 2,8%. The EU general budget is balanced, what shows that political integration is a goal, which sooner or later has to be achieved.

If we look at listed possible difficulties, most of them lead to a crisis and crises are also considered as a method helping to reach an agreement among states. Perspective of 9 referenda in Europe on draft of Constitution Treaty postpone the prospects of approval of this document, pushing forward the future integration. Same can be ascribed to problems listed above, but in longer perspective, crisis that can be caused by egoistic approach to economic policies in longer run has end with an agreement among member states as new applicants will make their life more difficult, pushing forward and enforcing integration of the core, no matter if that step will be wanted or not.

4. With whom Europe cooperates?

Europe cooperates first of all with the US. Despite all political disputes and divisions the plan of European integration was worked out in the US, same as the policies applied up to creation of common currency and EMU (R. Mundell). First stages of integration were drafted by B. Balassa (1953), while policies applied internally and externally were worked out by two economists jointly, one was British (J.M. Keynes), the second American (H.D.White). J.M. Keynes has prepared remedy for domestic, protective, national economy. With the budget deficit he created conditions to built wealth and bring political stabilization to Europe by formation of thick layer of middle class. Both Keynes and White had created Bretton Woods institutions (IMF, World Bank and GATT) which in longer run were pointed at removing barriers created at national level, which resulted in keeping economies apart from each other and enabling them to fulfill national egoistic

¹² Outgrowing the Union. A survey of the European Union, 25 September 2004, *The Economist*, p. 1-18.

policies. Today, we have reached the point which seems of to be of no return to former polices as the economies of national states, specially in Europe are deeply integrated. This process is also advanced in other regions of the world economy. Europe starts with political dialogue, and continues with partnership agreements and country strategies. This can be found in case of Mediterranean economies, Australia, New Zealand, Asian economies and now African as well. Clearly this can be seen within the Barcelona process. Mostly advanced negotiations are conducted with Mercosur, which will be associated with the EU. This indicates that in some cases introduction of internal changes, stimulated from outside, are easier to achieve with a more remote center then with a neighbor¹³. In addition to the external relations of the Commission more often the European Central Bank establishes relations on its own dealing with regional (often integrated) financial authorities¹⁴.

Nevertheless, the closest cooperation is shown with the US, what after 1990 and 1995 was institutionalized¹⁵. We can read in the documents signed in Madrid (1995) and later in Laeken (2001) that the two centers take responsibility for future development of international relations and will cooperate to eliminate wars and poverty, as well as other tensions.¹⁶

5. Fields of cooperation

The two centers cooperate closely in international organizations and in field of economics. The most spectacular cooperation was with flows of capital after changes of interest rates in US after 2001, when it became lower than the European one. Flow of capital from the US to European economy after 2003 has increased the value of euro, resulting in several things: (1) strong sucking effect on the side of European markets towards exporters from “new” member states, what stimulated their economies and increased optimism in their societies; (2) at the same time this has created strong impulses to restructure the economies of “old” member states; (3) this has also resulted in moving industrial capacities and activities to economies of new member states.

Indirect cooperation can be seen through effects of transformation changes on the main parameters in “new” members, which are used to change those parameters in “old” members. This concerns among others the level of taxation. High taxes create a corset strangling the activities, while low tax burdens enable activities to flourish.

Cooperation is needed in case of further control of prices as international economic relations came to a point in which traditional relations of prices between raw materials and manufactured goods are changing considerably. In past “terms of trade” were changing in favor of developed economies. In other words the tendency observed here was to increase the gap between industrial products and raw materials. This was resulted by process of decreasing consumption of raw materials in technologies which were pointed at saving natural resources. Now the situation is changing. Scissors of “terms of trade” no longer open up but they close. This is resulted on one hand on increased consumption of newly emerging markets, what in turn increases the size of industrial production, while on the other hand , moving production to les developed economies

¹³ J. Gocłowska-Bolek, Mercosur and the European Union: towards strategic alliance? in: K. Żukrowska, A. Konarzewska (ed.) *External Relations of the European Union—Determinants, Casual Links, Areas*, Instytut Wiedzy, Warszawa 2004, p. 171–182.

¹⁴ K. Żukrowska, Euro and capital flows: the single currency and external economic relations of the EU. In: K. Żukrowska, A. Konarzewska (ed.) *External Relations*. op.cit. p. 45–84. r

¹⁵ 1990—Transatlantic Declaration, 1995—New Transatlantic Agenda, 2001—Laeken EU-US Summit.

¹⁶ M. Graćik, Instytucjonalne ramy stosunków transatlantyckich, w: K. Żukrowska, D. Sobczak (red.) *Rozszerzenie strefy euro na wschód*, Warszawa 2004, p. 109–130.

with lower salaries decreases prices of the manufactured goods, at the same time similar tendency is caused by increasing length of the production series. This observed tendency has two effect on international economy: (1) it counteracts disinflation which recently was seen as one of the fearful events that can undermine proper development of the economies; (2) it creates opportunities for partial self-financing of countries which are engaged in raw material exports. The most spectacular example here can be ascribed to the Russian experience, where growing crude oil prices helped to balance the state budget and overcome first stage of monetary problems after introducing full convertibility of rouble.

Now EU is closely cooperating with Russian economy pursuing deeper interdependence with the west. This is done in sphere of energy or being more precise energy security policy. Europe is dependent in 1/3 of its deliveries from the Russian market, normally increase in this share should be considered against European interest as far as security arguments are concerned. Nevertheless, Europe tries to bring Russia closer to its markets, increasing deliveries of oil and increasing the Russian oil output. This will be possible with European-US-Japanese-Chinese-Russian cooperation expanding the infrastructure for further excavation of oil in Russian economy. This will be profitable to all parties engaged: Russia which does not have technologies and capital but would like to profit from increasing oil prices which in September 2004 passed the psychological barrier of US\$50 per barrel. Experts predict that next stage of US\$ 60 will be reached shortly.

For Western economies investments in oil resources in Russia built interdependence and help to increase effectiveness of deliveries. Moreover, increasing oil prices bring similar effects as they did in 1970's with two oil crises of 1973 and 1978, when industrial production loosing competitiveness by increasing energy prices were moved to newly developing economies in Asia, moreover they have paradoxically improved statistics in employment, decreasing unemployment, what was resulted by strong inflationary impulse made by increasing prices.

As we can see all mentioned issues concern international relations but have direct impact on national economies and as such have to be controlled in cooperation of the two biggest economic centers.

6. Conclusions: scenarios for Europe

Europe will integrate politically but this can be done in stages as far as all EU members are concerned. EMU membership is the intermediate step in this process. Political integration can bring tensions and implosive tendencies but possible solutions are in stake and they will bring EU members in longer run close together.

Scenarios that can be drafted here concern the prospects of fulfillment of the goal to reach the position of most competitive economy in the world, put forward in 2000 by the Lisbon strategy. Options to fulfill this vision are possible although this has to be achieved in cooperation with the US, what at certain point will require building some common market with the American economy as well. Generally speaking integration of the internal market with all regions in the world will make benchmarking more difficult than it is today¹⁷. To estimate how much an economy is competitive towards others can be done in case of sharp national divisions of the economies and markets, what with integration looses sense. EU can be more competitive in parallel with remaining economies gaining competitiveness. This is an optimistic vision but if it has come true we need to assume that by 2010 economies will be more open than they are today. This means that

¹⁷ Y. Meny, *De la démocratie en Europe: Old concepts and new challenges*, in J.H.H. Weiler, I. Begg, J. Ptereson (ed), *Integration in an expanding... op cit.* p. 393-406.

most of the problems we face today have to be overcome. There is only six years ahead to that goal, perhaps this period is too short, nevertheless, elimination of economic borders among states seems possible and will stimulate growth, bring sustainability and create conditions for catching up to those who are experiencing development gap towards the west developed economies.

This optimistic vision has to be accepted with certain reservations concerning: (1) planned period to achieve this goal: it could last longer than till 2010; (2) next steps in integration and further changes of the economic systems may require some crises to push the whole process forward; (3) it is very possible that pushing forwards integration in Europe requires a catharsis type of cure with a crises incorporated in the scenario. Nevertheless, the process will be steered under full control. Pessimistic scenario foresees an implosion of the EU and separation tendencies in case of some states. Such a solution can be possible especially in case of the countries outside the EMU what includes three “old” members (UK, Sweden and Denmark) as well as “new” members, who did not join ERM-2 and do not hurry to join EMU as consequence, despite the fact that they can fulfill the requirements of convergence criteria in two years. Such a scenario is pessimistic in medium term and in longer period it will lead the outsiders into the EU and EMU.

Ending the essay it must be said that current stage of international relations requires untraditional solutions as too big things are in stake. In such circumstances it is understandable that interpretations of happening events also cannot be traditional. Fields of cooperation clearly show that close international cooperation between US and EU helps to control processes, which give impulses to all national economies and in such circumstances can not be totally vehement.

Enlargement plays in this process an important role and gives experience how to tackle difficult problem of transformation in Russia and CIS as well as in Asian, African and Latin American economies, which will follow the changes in Eastern and Southern Europe.

Challenges for Europe are big, expectation which accompany them are tremendous a swell. Europe can fall apart and return to national practices of applied policies but integration and solidarity of societies shows that possibilities to achieve the plans are in reach, nevertheless they cannot be achieved unconditionally.

Warsaw, September 2004.

JÓZEF NIŽNIK

GOVERNANCE SYSTEM AND LEADERSHIP IN THE EU: TOWARDS FEDERAL SOLUTION¹

The form of governance in a political system made of many states cannot be independent from the form of leadership in such a entity. It seems a little bit puzzling why we so rarely try to answer the question of leadership in the EU and so easily pretend that there is no such a problem. It maybe difficult issue for diplomats but this does not mean that political scientists can avoid it as well and accept certain illusions in this area.

Intergovernmental decision-making in the EU has been assumed to guarantee an equal participation of all member states in the Union's governance. "The EU is a collective political system, not an intergovernmental regime", suggest many political scientists². European Council indeed became the most powerful organ determining not only solutions for the current policy issues but also the prospects for the future development of the integration process. However, from the very beginning this institution has been proving, that assumption of equality of European partners in integration is—at best—a wishful thinking. Well before it became legally recognized as a Community's organ, European Council used to be a scene of tacit, and sometimes open, competition over the leadership in the integrated Europe. Some analysts—like A. Moravcsik—tend to play the whole issue down, at best reducing the problem of leadership to the bargaining among the largest states over specific policy decisions. William Wallace analysis of the EU politics points out to complexity which does not allow to predict its full consequences even by the most determined politicians³. The problem of leadership, however, is not a matter of specific cases or general style of negotiations but a feature that should be analyzed in a long term perspective.

One should not, though, pretend that the concept itself is clear and free of potentials for confusions. On the contrary, we can distinguish several meanings of this word, all referring to our language experience and competence. However, looking at the leadership in the EU allow us to limit the whole problem to a few possibilities. Let me distinguish just institutional leadership, and contextual leadership. It is possible to maintain that European Commission is an institution that has been granted the leadership in the EU as its role⁴. On the other hand it is clear that a number of factors can be pointed out, that make one of the states or some of them more

¹ Slightly modified text of the paper presented in June 2004, at the epsNET Conference in Prague.

² William Wallace, *Collective Governance*, in: Helen Wallace and William Wallace (eds.), *Policy-Making in the European Union*, Oxford University Press, New York—Oxford, 2000, p.530

³ *ibid.*, p.528

⁴ This had been the view of professor Beate Kohler-Koch at the epsNet Conference in Prague in June 2004, where the initial version of this text was presented.

influential than others in the EU policy making. It is also clear that—without a word spelled out on the issue—some countries may still count on such a special contextual position, which simply means more influence in the EU than any other state.

The question of leadership has rarely been formulated directly. At the outset of the whole process the leadership of France appeared to be a natural consequence of French initiative that led to the creation of European Steel and Coal Community. The postwar international status of Germany and Italy made such a role of France even more obvious. At least to the end of Charles de Gaul's presidency France executed its special position quite aggressively at several occasions. Empty chairs crisis or veto to the early applications of UK are the well known examples.

With the progress of integration, and other big states becoming economically and politically stronger, the issue of leadership became probably the most important factor that influenced the whole process although it never appeared on Community's agenda.

Germany has clearly chosen to have the situation defined by the power of facts. And the facts are: the strongest European economy with the largest population, which is the biggest net contributor to the EU budget, supporting Eastern enlargement no matter what political parties form German government. Only recently, in the Constitutional Treaty proposal, one can detect an indirect step towards more formal recognition of Germany's role in the EU.

United Kingdom seems to insist on distancing itself from the more radical moves that would make EU a partner for a global players in economy and politics. But executing its "tentative participation" in the European integration Britain does not want to stay out of European leadership game. Therefore it is opposing in a most open way all decisions that would turn EU into a supranational political system. Also its support for a strong links with USA creates, in a sense, an alternative for a more independent European foreign policy. Such attitude of the U.K. is well received by at least some of the member states which—regarding the future of European Union— have no vision of their own.

Italy appears to be the strongest supporter of deepening of integration including supranational solutions. Its spectacular effort to comply with the requirements of the monetary union and constant high support of public for integration are only some of indicators of this attitude.

The most recent case that reflect the present stage of the leadership issue is the debate over Constitutional Treaty. German and French support for this treaty may justify the observation that the EU is entering a new level in a strive for leadership⁵. While preserving intergovernmentalism, Constitutional Treaty offers new options for leadership in the EU; It increases the role of alliances initiated by bigger states while the smaller or weaker ones will be allowed to chose from among leaders-to-be. Such situation brings a danger that, instead of improving the whole political system, European Union will enter the period of rivalry over specific visions of Europe that could be perceived by some of the member states—although not necessarily correctly—as articulation of particular interests of those states which are in a better position to lead. On the other hand, some changes in the governance system proposed in the constitution strengthen also supranational aspect of the Union. From this point of view Constitutional Treaty is acceptable only if it is relatively soon to be replaced by a new treaty which would move the accent of decision-making from intergovernmentalism to a community method, which would mean the turn toward supranational governance of the EU. What I suggest may sound completely out of reality. After all even Constitutional Treaty is still an object of debates , not to mention possible problems with its ratification in all member states.

However, this situation may soon change if we take into consideration both regional and global challenges. I expect that it will be more and more apparent that it is in the interest of all member

⁵ Sylvie Lemasson, *L'Allemagne Face à Sa Puissance*, in: *Annuaire Français de Relations Internationales*, 2000, vol.1, pp.12-27

states and all European societies to be part of a strong, truly united Europe. And strong Europe means unity around common goals and effectiveness in dealing with the challenges. It means Europe that would take full advantage of its size and its potentials. Federal course of further integration seems to be the only effective way to get us closer to this aim. Alternative may be the failure of the whole process. Maintaining present ambiguity of governance and institutional structure may soon appear a very serious disadvantage.

Some analysts quite correctly observe that European Union has been already for some times an 'emerging federation', based on a shared sovereignty, and multilevel-governance system is not an alternative to federation but the way to made it acceptable by all (almost all) ⁶. Making it straight and open would save a lot of time and money. There is, however, one more question? Should we indeed give up the hopes for a "European demos", as the authors cited above suggest? Developing European Union along the path of federation should sooner or later create more favorable conditions for turning different European societies into European society that would be closer and closer to a European demos.

Why federal course of European integration is still so unpopular? There are, of course, many complex reasons. Let me name just some of them, leaving aside the whole emotional aspect of this matter (which should not be underestimated). **First**, neither elite nor the public believe in deepening of integration to such a degree that all different national societies would be turned into a European society. Such doubts are well founded and point out, e.g., to the absence of common language, cultural differences, economic disparities etc. In fact these factors are most often formulated by intergovernmentalists in order to defend the present form of European power structure and to remove the issue of "European demos" completely from the agenda ⁷. **Second**, our perception of the process of integration is lacking long-term perspective. Politicians are foremost interested in the outcome of the next elections. In consequence the public is usually trained by media in such a perspective as well. The future oriented thinking is practically absent. **Third**, when discussing European matters we tend to forget about the global context, which will continue to affect Europe's future and its influence is likely to be even greater than before. **Fourth**, the discourse of European integration is founded on the concepts that have a long history and are not necessarily the most adequate conceptual tools to grasp the new reality ⁸. Just look what happen with traditional meaning of sovereignty. This discourse is often lacking even reflection on the very concept of "integration", and especially reflection on the relationship between economic, political and social aspects of integration.

Building up European, supranational institutions seem to be the best way not only to increase effectiveness of both politics and economy but also to stimulate development of a European society and to get us closer to the point when "European demos" will emerge. From psychological point of view even such a formal step as creation of European citizenship have already made a difference. There is a lot to be done in this area on the way from legal citizenship to a social citizenship ⁹. The whole idea of citizenship will probably undergo significant changes, and so the EU. Directly elected president of the EU, empowered with substantial competences, would certainly change the situation still more.

⁶ Tanja A.Börzel and Thomas Risse, Who is Afraid of a European Federation? How to Constitutionalise a Multi-Level Governance System, in: Christian Joerges, Yves Mény, J.H.H.Weiler, What Kind of Constitution for What Kind of Polity? Responses to Joschka Fischer, European University Institute, Badia Fiesolana, 2000, p. 58

⁷ Lars-Eric Cederman, Nationalism and Bounded Integration: What it Would Take to Construct a European Demos, "European Journal of International Relations", 2001, vol.7(2), p. 140

⁸ Melvin Richter, The History of political and Social Concepts. A Critical Introduction, Oxford University Press, New York-Oxford, 1995

⁹ Klaus von Beyme, Fischer's Move towards a European Constitution, in: Christian Joerges, Yves Mény, J.H.H.Weiler (eds.),op.cit, p.74

On the other hand attempts to extend competences of the Commission—main supranational body in the present system—rise well founded objections. Professor Beate Kohler-Koch quite rightly points out that while the present status of the Commission is lacking adequate legitimacy, increasing its prerogatives would make this deficiency even sharper. “Commission is the guardian of the Treaty, i.e., of a political programme negotiated by Member States, not the guardian of self-proclaimed “European” interest”¹⁰, she said a few years ago. I would not like to enter now discussion over the Commission’s White Paper on Governance. In general it is hard to disagree with professor Kohler-Koch’s main critical arguments regarding this document, although some of her assumptions could be debated. For example, her understanding of the Commission’s role. After all, the very idea of the Commission is based more on a supranational perspective, than on collective (intergovernmental) governance. But her comment using—reluctantly—the concept of “European interest” invites the reader to ask further questions. If there is something like “European interest”—and I strongly believe there is—what would be the most suitable agency to define it, to represent it or to defend it? Again, there is a common assumption that European Council executes a kind of collective leadership and is the most appropriate institution to speak out for the European interest. Our observations, however, may suggest that European Council is rather an arena of interplay of national interests with the issue of leadership still opened.

What we really need is, indeed, a legitimated institution which would be able to define and represent European interest. And this would inevitably have to include some elements that are so far absent in common policies, like for example, foreign policy and defense. To start constructive discussion that could tackle this problem we have to admit: European Union has to give up illusion of intergovernmental collective leadership and move openly towards the federal form of governance. This does not mean copying institutional solutions of United States or Federal Republic of Germany, although their experience may prove very useful. The form of European Federation may be as unprecedented a case as the whole process of European integration so far. The concept of common, European interest, may appear to be the right starting point. Reaching with this idea to societies of all member states may be the beginning of general public debate. What we need is a real revolution in human consciousness apart from any institutional reforms of the EU.

The problem is, that at present majority of people tend to identify “European interest” with interests of the states that are strongest, most influential. EU intergovernmental governance system make such understanding the most natural way of thinking. Within intergovernmental decision-making it is almost unimaginable to see national and supranational interest as one European interest. It maybe too early to hope in a near future for such a way of thinking among wide public. But who if not political scientists should start to look beyond current horizon?

¹⁰ Beate Kohler-Koch, *The Commission White Paper and the Improvement of European Governance*, Jean Monnet Working Paper No.6/01, p.4

Part Two

The Institutional Challenges

JAN BIELAWSKI

EUROPE AND THE AVAILABILITY OF GLOBAL PUBLIC GOODS

Globalization for the common good

Globalisation is a multi-dimensional concept embracing a large number of relatively disparate phenomena, which cannot readily be ranked or classified.¹ Globalisation, a new stage in the internationalisation of the world economy generates welfare but is also accompanied by growing inequality, both within and between countries, and by the threat of exclusion faced by many people². General evidence suggests that the payoffs of greater openness to trade and FDI for economic development tend to be in many cases larger in comparison to potential costs and risks. A harsh critic of globalisation Joseph Stiglitz maintains that “Rather than producing prosperity, globalization invariably brings poverty, economic uncertainty and social distress”³.

The income disparities between the richest and the poorest countries have widened steadily over the last two centuries. The fierce debates in economic growth theory have largely turned on the interpretation of these gaps. According to Maddison, nothing indicates that the countries which were poorest initially grew faster than the wealthy countries; in fact, the correlation observed is just the opposite: the gap widened⁴. Unsatisfactory on the whole, performance of developing countries, growing inequalities among states and within their respective societies and, in particular, marginalisation of some of these countries, mostly in Africa, have cast serious doubts on the prevailing economic doctrine

It became evident that contrary to widely prophesied trickle-down theory the tide of growth in the world economy is not lifting all boats. For globalisation to contribute to alleviating rather than increasing poverty more attention needs to be paid to preparing vulnerable groups and the poorest countries do face increased competition successfully. Growth is everywhere is necessary but not sufficient. The problem is that alternative approaches to development policy have failed to deliver precise recipes for inducing a sustained improvement in people’s standard of living. There have been many unsuccessful political responses to the new economy including the neo-liberal attempt to use the new economy as a justification for a dramatic extension of market principles into society and the traditional left’s attempt to build up militant resistance to globalisation.

¹ Doc. OECD STD/NASERV(2000)5, 23 November 2000

² Charles Oman: “Globalisation, Regionalisation and Inequality”, OECD Development Centre, Reprint Series No 93 Doc CD/TR (2000), 3 p.

³ *The World in Two Halves*, The Guardian, 12 March 7 November 2004

⁴ Development Centre Studies, *Development is back*—OECD 2002 s. 48

Following Kofi Annan's report to the UN Millennium Session most of the countries acquiesce that globalisation encompasses not only economic but also social, environmental technological and cultural dimensions. Therefore, the responsibility for shaping globalisation cannot be left to market forces alone and calls for greater transparency, predictability and, above all, responsibility in international policy making.

Now the debate needs to reconnect the economic and social to address in detail the practicalities of renewing social systems, welfare, education, health and law enforcement and, in so doing, to strike a new balance between expanding freedom and the growing interdependence of a connected world⁵.

Defining global public goods

Globalization has given rise to a broadening range of issues that cannot be effectively dealt with except through collaborative global action. Examples of these include the problems of financial contagion, communicable diseases, cross-border crime, security concerns, tax havens and tax competition.

The search for a more favorable balance sheet in transnational activities has stimulated a broader debate on global governance and global public goods. Publications on the subject devote a great deal of attention to global public goods and their interpretation⁶. Joseph Stiglitz wrote in his latest book that by increasing interdependence globalization has strengthened the need for collective action on a global scale and the importance of global public goods. As Inge Kaul observes, the whole fuss about globalization may be nothing else but an appeal for better provision of global public goods.⁷

Global public goods have been defined in many ways. At one extreme are the economic theorists, who have focused on pure public goods, as defined by Samuelson as goods which "all enjoy in common in the sense that each individual's consumption of such a good leads to no subtraction from any other individual's consumption of that good".⁸ At the policy end of the definitional spectrum, Inge Kaul and her colleagues recall that public goods can also be social and political constructs, and expand the definition to "goods in the public domain, available for all to consume and affecting all."⁹ The World Bank Defines global public goods as "commodities, resources, services and also system of rules or policy regimes with substantial cross border externalities—that are important for development and poverty reduction, and that can be produced in sufficient supply only through cooperation and collective action by developed and developing countries... [an] approach [that] involves the idea of both cross-national benefits and cross national collective action to achieve them."¹⁰

The concept of global public goods was introduced to the discussion on development support in the face of globalization in 1999 in UNDP's publication *Global Public Goods, International Cooperation in the 21st century*. These are the goods whose benefits transcend boundaries between countries, generations and other boundaries dividing people into various groups. It is generally

⁵ *The creative society of the 21st century—OECD*, 2002 p 174

⁶ *Providing Global Public Goods: Managing Globalisation*, New York Oxford, Oxford University Press, 2003

⁷ Inge Kaul and Katell Le Goulven—*Financing Global Public Goods: A New Frontier of Public Finance*—in above, publication

⁸ Paul Samuelson, "The Pure Theory of Public Expenditure", Review of Economics and Statistics, 1954.

⁹ Inge Kaul, et al, eds., *Providing Global Public Goods: Managing Globalization*, Oxford University Press, 2003 (p.23).

¹⁰ Development Committee. 2000. *Poverty Reduction and Global Public Goods: Issues for the World Bank in Supporting Global Collective Action*. DC/2000-16, Washington, DC.

recognized that the GDP are the “goods whose benefits extend to all countries, people and generations.

These goods form an important part of the external environment of individual states, business organizations and individuals that by definition can consume them for free. In contrast to private goods and due to their availability, public goods are non-rival in consumption. Nor can they be withheld from anybody, no matter what use is made of them (which entails the moral hazard of free-riding).

The most widely quoted example is international security and peace the fight against international terrorism or the gravest contagious diseases (such as Aids), improvements in health, an open system of international trade, environmental protection, or stability of public finances.

Many GPGs have emerged and are recognizable as opposite to “global bads.” In this context, the pursuit of better control of globalization, i.e. maximization of benefits and restriction of dangers, boils down to a proper relationship between desired and unwanted public goods on a global scale. Seen through this prism important GPGs are narcotics control, fight against international terrorism and organised crime and global peace. Taking note of the difference between GPGs and “global public bads” which have to be avoided or at least, to the extent possible contained, GPGs might be classified into those that yield direct utility, those that help to reduce risks, and those that enhance capacity. There are many missing GPGs or GPGs in short supply.

Provision of GPGs has produced so far mixed results. Aviation safety and the restoration of the ozone layer belong to positive examples of delivering global public goods. The outbreak of SARS led under WHO coordination to sharp immediate controls and to changes in regulations to secure fast and certain response should a similar outbreak of epidemic occur again. Also the establishment of the HIV/Aids Fund and its operations are an encouraging sign of a growing concern for the GPGs. This is more than offset by several failures in such instances like continued global warming, depletion of marine resources (despite international codes on responsible fishing), deforestation and desertification of land, inherent flaws in the international trade and finance regimes.

In the environment international action on climate has been slow despite many decades of growing evidence of the negative impact that our activities have upon the atmosphere. Estimates of biodiversity loss in the new century are reaching historic levels and are projected to reach as high as 50% loss in current levels of global diversity. The volatility of rapidly integrating financial markets results in a growing instability of many, especially poor countries and the debate when a free trade is a fair trade continues.

Problems and barriers with regard to access to knowledge and information proliferate certain prohibitive provisions of the World Intellectual Property Organization’s Patent Cooperation Treaty. Also WTO TRIPS agreement places prohibitive barriers on countries to utilize intellectual property which might be an impediment to delivery of important GPGs like health by essential medication.

A proper definition of GPGs should be based on classical concepts of public finance which conform with the principles of MD and especially the concepts of *non-rivalry between users* and *non-exclusion from use*. Non-rivalry, focusing on joint-gain situations, stems from the very nature of the public goods which, by definition, can be used concurrently and repeatedly by more than one user which in no way diminishes the benefits they ultimately derive. In turn, non-exclusion means that the public good is available to more than one user at no or at negligible extra cost.

The concept of GPG is of fundamental importance considering that globalisation today entails the threat of exclusion and marginalization of many countries and by many people. Public goods

are not (or insufficiently) provided by the market—where marginal utility must equal marginal cost for the provision to be efficient—because of the free-rider problem among potential users.

Including a time dimension is of paramount importance for the future-oriented approach. It is perhaps more than just a catchy phrase to assert that we borrow the Earth from our children who should get it back intact. When it comes to matters of providing and financing GPGs the crux of the matter is how beneficial they, respectively, might be to a particular generation, group of people or group of countries and eventually to the world as a whole. Following this logic, it seems advisable—even if contended by some authors to—include future generations in the definition of GPGs which is intrinsically linked with very idea of development and long term approach to the provision of these goods.

Naturally, the question of minimum impact necessary to qualify GPG as such imposes itself as well as conceptual linkages with sustainable development concepts. The time factor, more generally, the element of sustainability should be included in defining and providing GPGs to ensure their adequate impact. The stress should also be laid on how the concept of GPG “takes root”, becomes operational and leads to increased, targeted financing. Similarly, the emphasis on the spatial dimension of public goods (rather than their functional properties) increases the applicability of the principle of subsidiarity linking the provision of a GDP, for instance at a national or regional level, with responsibility.

In order to build bridges with action the precise definition of GPGs is a precondition to establish evidence on the current sources of financing them and, in particular, the extent of ODA spent on the provision of such goods. GPGs can not remain an ambiguous concept because governments need to separate finance for humanitarian and technical assistance from finance for GPGs to avoid miscalculations which might be detrimental to either of these categories and might threaten the implementation of the MDGs.

The recent OECD study offers the following definitions of a public good considered as a commodity, measure, fact or service which can be consumed by one person without diminishing the amount available for consumption by another person (non rivalry), which is available at zero or negligible marginal cost to a large or unlimited number of consumers (non-exclusiveness), and which does not bring about disutility in public good's purity¹¹.

Taking the PGs degree a non-exclusiveness as a measure of its purity, the OECD study defines International Public Good as a PG which provides benefits crossing national borders of producing country. Regional Public Good is defined as an IPG which displays spill over of benefits also to the third countries on a lower than the world scale Finally, GPG is an International Public Goods which not necessarily to the same extent benefits the consumers all over the world.

This breakdown reflects the mainstream of definitions; there are, however, other approaches. Some authors maintain that a line of distinction should be made between pure GPGs such as, for instance, control of communicable diseases or knowledge indispensable to cure it and the “vehicles” helping to get things done, like the vaccine which serves the same purpose but is in fact a private property. In reality, clear-cut divisions between these complementary notions are hard to make and many of them carry “mixed” public private properties. Whether GPG is actually global, international or regional depends actually on the scope (coverage) of benefits transcending national borders of the producing country. The line of distinction between global and international public goods is often blurred, the latter being considered by some as “quasi-global “goods, viz. the same in nature with broad but not truly universal coverage (such as all developing countries).

¹¹ DEV/DOC (2004)01 Working paper no. 232 *Financing global and regional public goods through ODA: analysis and evidence from the OECD creditor reporting system* p. 12

Some authors like Scott Barrett chose to use the term “Transnational Public Goods” which is “all-purpose”-definition well reflecting the spatial aspects of these goods. Under this heading some transnational public goods are regional, some global.¹²

From the EU perspective Regional Public Goods (RPGs) is an important category of international public goods. The joint consideration of economic policies concerning GPGs and common effort to put them into effect sets precedents, leads to concrete results and creates inputs to GPGs.

The delivery of regional public goods is much easier than efforts to embrace an even greater number of countries by GPGs. Given its history the EU stands out as an eminent success in carrying out coordinated economic and social policies based on commonly shared values and principles. The so called *acquis* constitutes in itself a RPG and the solidarity principle should be singled out. There is no reason why this principle should not be applied in cooperation at the global level. To make it work solidarity and commitment should go hand in hand with responsibility which excludes free riding. Responsibility of all actors implies also that the present practice of self-identification of a country as a developing one should be reconsidered and replaced by a set of objective yardsticks and criteria worked out jointly within the framework of international organizations.¹³ Indeed, there is no reason why China belonging to the world’s economic superpowers and attracting the lion’s share of FDI should be considered as equal to sub-Saharan states where people suffer in hand-to-mouth existence even struggle for bare survival.

In conclusion, complete compartmentalisation of GPGs is in reality very difficult and pragmatic considerations should prevail over intellectual neatness. There are, for instance, transboundary issues e.g. water management where success depends on the cooperation of the riparian states. In this paper, dealing mostly with GPGs provision, the term GPGs is used throughout unless explicit reference is made about International or Regional Public Goods.

The Millennium Development Goals and GPGs

In quest for more GPGs in the world particularly important are the Millennium Development Goals (MDGs) set by the United Nations in September 2000. They strive to: halve extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce under-five mortality and maternal mortality by two-thirds and three-quarters respectively; reverse the spread of HIV/AIDS, malaria and other diseases; halve the proportion of people without access to safe drinking water; ensure environmental sustainability; and develop a global partnership for development with targets for aid, trade and debt relief. The MDGs comprise 7 social and environmental goals linked to 11 quantified targets and a new goal for “Partnership in Development”, with 7 associated targets concerned primarily with improving opportunities for developing countries in the global economy¹⁴.

To elevate the chances of meeting the MDGs a new deal between developing and developed countries must be forged. It is in the interest of the developing countries to tackle corruption and undertake a sequenced opening up to the investment trade and growth that will provide jobs. And working with the WB and the IMF the developed countries must improve the quantity and the quality of aid¹⁵.

¹² Scott Barrett, *Critical factors for the successful provision of Transnational Public Goods*, International Task Force of Global Public Goods, February 2004 p. 11

¹³ The OECD has initiated such activities which met with serious opposition in less developed countries.

¹⁴ A board coverage on MDGs and their implementation can be found in the DAC Journal Development Cooperation, 2004. Vol.5, No 1

¹⁵ Gordon Brown and Jim Wolfenson *The world’s poor need a new deal* The Guardian 16 February 2004

The UN conference on Financing for Development held in Monterrey, Mexico, in March 2002 has challenged the donor community to put in place the means and the structures required to mobilise the finance needed to support these MDGs. At the Conference also the UE undertook the eight “Barcelona commitments” as its concrete contribution to the conference. These “commitments” paved the way for considerable undertakings from other major donors, expressed in the “Monterrey consensus”, which contains a number of positive messages on partnership, increases in ODA and the untying of aid and technical assistance¹⁶.

At the WSSD in Johannesburg, the EU reaffirmed its willingness and determination to contribute to the achievement of the Millennium Development Goals. In March 2003, the EU reviewed its strategy for sustainable development with a focus on putting into practice the commitment undertaken in the WSSD, both internally and externally.

The existing arrangements are still marred by a low level of official development assistance (ODA).¹⁷ In recent years, net ODA flows have been decreasing. The present level of ODA falls short of the amount needed to finance the *Millennium Development Goals* (MDGs). Apparently, the bottom of the curve has been reached with the beginnings of a recovery in 2002. Nonetheless, most national ODA levels are far below the long-standing target of 0.7 per cent of GDP, with the average now only 0.23 per cent.

Reaching the MDGs will require more effective delivery of ODA and search for new sources of finance. It is proposed that this level be doubled, which would lead to some improvement. An important plan for boosting aid to developing nations was presented at a February 2003 meeting of G-7 finance ministers by the government of the UK. Meeting the 0.7 per cent target would increase assistance by over US\$100 billion a year. If all countries had met the target over the last 30 years, an additional US\$2.5 trillion would have been available for development. Achieving growth and development goals depends in the first instance on the quality of national governance and the mobilization of domestic resources.

Available estimates suggest that for all countries to meet the MDGs by 2015, at least US\$50 billion a year in additional ODA would be needed.¹⁸ As calculated by World Bank economists, the attainment of Millennium development goals would require additional spending of between \$40 billion and \$60 billion a year (i.e. a doubling of ODA). Annual spending to finance IPGs in developing countries and related infrastructure equals some 16% of ODA. While donors made commitments at Monterrey to increase ODA by US\$16 billion by 2006, that still leaves over two-thirds of the total to be met, even if all commitments are honoured. And the need for international resources is by no means limited to the MDGs, since these are minimum figures.¹⁹

The often allocated figure of additional \$50 billion per year, roughly the present total of ODA spent by DAC donors, it results from the sum of the expenditures earmarked for the fight against communicable diseases (\$7–10 billion), primary schooling (\$10 billion), infant and maternal mortality (\$12 billion) and halving world poverty (\$20 billion).

By far the largest provider of in the world, the European Union accounted for around half of the world’s ODA total, some USD 35.6 billion in 2002. Moreover, the EU pledge in Monterrey (Financing for Development (FFD) will bring the amount of EU ODA up to EUR 39 billion by 2006. The European Community itself is also a major source of financing support for UN

¹⁶ The *Monterrey Consensus* is the official document adopted by the International Conference on Financing for Development, held in March 2002 in Monterrey, Mexico.

¹⁷ The full definition of ODA is available in the OECD DAC Statistical Reporting Directive DCD/DAC(2000)10

¹⁸ *Recommendations of the High-Level Panel on Financing for Development*, United Nations General Assembly, A/55/1000, June 2001.

¹⁹ *A fair globalisation: creating opportunities for all*, World Commission on the Social Dimension of Globalisation, 2004, p. 100

programs, specialized agencies and funds. During 1999–2001, the EC contributed an average of more than EUR 350 million annually to the UN system, putting it consistently among the top three donors in its own right for the WFP and UN Relief and Works Agency for Palestine refugees in the Near East (UNRWA).

The European Union has also identified its priorities for action. In its programme of work implemented in the years 2003 and 2004 the Commission proposed focusing on activities connected with the delivery on international commitments undertaken in:

- Monterrey (increasing Overseas Development Aid, promoting investments, good governance, fair trade, debt relief) and
- Johannesburg (energy initiative, water initiative; focus on poverty eradication, health, natural resource management and biodiversity);

The EU should also continue to contribute to:

- the achievement of the Millennium Development Goals (focus on poverty, education, health, gender, environment);
- the implementation of the Doha Development Agenda (focus on trade liberalization, investments, capacity-building and technical assistance, policy coherence, mainstreaming trade into national policies, trade policy, global governance).

The strengthening implementation and co-ordination of EC development co-operation with greater emphasis laid on the provision of GPGs.

Having in mind that the eight Millennium Development Goals constitute presently the main thrust of the development effort it should be pointed out that not all of them can be described as pure GPGs. In turn, there are GPGs relevant for development that are not included in the MDGs. In a recent study, key development GPGs, have been identified on the basis of matching the GPGs with the MDGs²⁰:

- knowledge generation and dissemination;
- communicable disease eradication;
- the global commons;
- a free and open trade system;
- international financial stability.

On the whole GPGs financing constitutes a small share of ODA and should be increased²¹. Even the World Bank belonging to major international donors who recognize the importance of GPGs puts aside relatively scarce resources to this end. Enhancing ODA has, due to the obvious correlation, a positive impact on the level of resources for GPGs. In recent years a lot has been done to involve financially all relevant stakeholders including private sources and private philanthropy from industry charities and foundations.

Departing from the definition correlated with the Millennium Development Goals, it has been possible to add up data showing that donors have spent around 30 per cent of ODA on GPGs during the last five years for which data were available—1997–2001. This exercise reveals a marked evolution of ODA allocation between the three broad categories. The overall sum turned out to be broken down quite evenly into GPGs and RPGs. For DAC donors, EU included, the respective percentage shares have averaged at around 15 per cent (GPGs), 15 per cent (RPGs), and 70 per cent (other aid) during that observation period. In addition the estimation has also

²⁰ Speight M. "How Much Should DFDI Allocate to Global Actions and Funding?" Department for International Development, London 2002

²¹ P.B. Anand "Financing Provision of Global Public Goods" UN University Discussion Paper No. 2002/110

shown the strong association between the provision of international public goods and donors' income and budget balances²².

Some international organizations have specifically identified GPGs in areas where they have a comparative advantage of both finance and expertise. For the World Bank and the IMF they include the Millennium targets for health, gender equity, poverty eradication and environmental sustainability. The UNDP programmes of work assist particularly the provision of GPGs in areas including democratic governance, crisis prevention and recovery, energy and environment, information and communications technology and HIV/AIDS. Also the OECD has prepared a detailed report for the MDGs review in 2005 identifying its comparative advantages.

Financing GPGs: the problem of undersupply and principles

As mentioned above, the greatest problems are posed by defining the GPG level and the means to finance it. In contrast to domestic public goods, financed by governments from taxes, the provision of GPGs requires cooperation among sovereign states, which must make regular, additional or voluntary payments, or other contributions to international organizations.

Recognizing that no country is capable of providing GPGs alone and that they will not be produced by the operation of the global market, UN Secretary General Kofi Annan appealed in March 1999 for greater efforts to boost GPG supplies. The so called *Zedillo Report* by a Panel established by the UN Secretary General in 2000 and chaired by the former President of Mexico, Ernesto Zedillo, estimated that at least \$20 billion per year—four times the current spending level—would be required to begin addressing the need for global public goods in a more satisfactory manner. Some donors have given an ample evidence to that GPGs remain severely under-supplied.

It is also the opinion of the European Commission that supplying the world with GDPs is part of a strategy to maximize benefits from globalization and limit its adverse effects the IMF Development Committee declared in the same vein that “building on the outcomes of Monterrey and Johannesburg, there will be intend to have further discussions on global public goods.

The growing interest in GPG provision has not been accompanied by an increase in resources earmarked for this purpose. In the Monterrey conference's final document, GPG financing was treated quite ambivalently and as a result the related paragraph 37 was not passed. The scarcity of public resources in donor countries raises important issue concerning not only its availability but also the principles of aid allocation. To date, global actions and funding have tended to occur on an *ad hoc* basis, in response to highly visible emergencies (such as HIV) or as a result of catalytic actions by philanthropic organisations.

Given donors' budget constraints, the importance of determining the allocation of ODA between traditional development projects and GPGs should be emphasized. With the approaching deadline of 2015 to fund the MDGs it is more and more urgent to assess how much of ODA should be allocated to the provision of GPGs, and how much could be set aside for traditional development projects.

From among different sources of finance the ODA is primarily destined for country level programmes in the developing countries and is less targeted towards global priorities. It should be remembered that ODA is often used to finance GPGs (such as health care or maintenance of

²² DEV/DOC(2004)01, *Working paper no. 232 Financing global and regional public goods through ODA: analysis and evidence from the OECD creditor reporting system* p. 28

the ozone layer), which places a particularly heavy burden on the least developed countries that depend on foreign aid for their budgets and development programmes²³.

Department for International Development (DFID) has recently undertaken a Strategic Review of Resource Allocation Priorities, including its future commitments to international public good expenditure²⁴. The results favour the separation of traditional ODA and spending on the provision of international public goods, to both maximise “ownership” of ODA partner countries and the provision of international public goods.

This choice has been explicitly recommended as a new element of aid allocation at a joint OECD DAC/Development Centre Experts’ Seminar (*Aid Effectiveness and Selectivity: Integrating Multiple Objectives into Aid Allocations*), held in Paris on 10 March 2003 (OECD, 2003).²⁵ Also other available evidence suggests that the impact of investing in international public goods can be high and is important for achieving the MDGs: for example, the cost of lifting one person out of income poverty through agricultural research and global trade expansion is estimated to be much lower than the cost of the same impact through aid to poor countries. The results of the latest research study favour the separation of traditional ODA and spending on the provision of international public goods, to both maximise “ownership” of ODA partner countries and the provision of international public goods.

The OECD analysis of the evolution of commitments on Global Public Goods (GPG) on Regional Public Goods (RPG), and on Other Aid (OA), over from 1997 to 2001 indicates that while overall ODA was rather volatile, the ODA financing of GPGs has been constantly increasing since 1998. Conversely, spending on RPGs after having reached its peak to have in 1999 and have been slightly decreasing since then. As a result, total ODA outlays on international public goods, has remained flat as a percentage share of ODA. At the same time the share of GPG in total aid has been fairly stable over the period 1997–96 (around 16 per cent). The result of the OECD study ranges above the earlier World Bank estimate (World Bank, 2001), which in its 2001 Report on Global Development Finance calculated a 12.5 per cent share of ODA (from 1994–98) spent on GPGs. However, as the share of RPGs oscillated also around 15 per cent of ODA during the observation period, donors have spent around 30 per cent of ODA on the provision of international public goods during the observation period 1997–2001²⁶.

The donor community’s special concern is that the provision of international public goods might discriminate against ODA allocated to the poorest countries seems to be unfounded. One of the main conclusions of the OECD study is that an increase in GPG spending is not likely to adversely affect the flow of aid transfers to the poorest countries²⁷. This has a special appeal to donors who expressed fears that such a crowding out effect is likely to take place.

While the hypothesis of extreme crowding-out can not be corroborated with the empirical evidence and has to be ruled out, the average offset coefficient between GPG-related ODA and traditional aid is also significantly higher than zero, namely 25 per cent. The data and findings of the OECD study do not offer any underpinning to claims that an increase in ODA spending allocated to IPGs associated significantly with a bias toward lower (or higher) per capita income levels of the recipient countries.

²³ This question is dealt by M.Ferroni, “Regional Public Goods in Official Development Assistance”; International American Development Bank’s, Occasional Paper, Washington DC, 2001

²⁴ Available at http://www.dfid.gov.uk/Pubs/files/dfid_resource_allocation_main.pdf.

²⁵ (*Aid Effectiveness and Selectivity: Integrating Multiple Objectives into Aid Allocations*), OECD seminar, held in Paris on 10 March 2003, OECD, 2003

²⁶ DEV/DOC(2004)01, Working paper no. 232 *Financing global and regional public goods through ODA: analysis and evidence from the OECD creditor reporting system* p. 20

²⁷ DEV/DOC(2004)01, Working paper no. 232 *Financing global and regional public goods through ODA: analysis and evidence from the OECD creditor reporting system* p. 32

The present focus in the international debate on whether or not ODA from the traditional donor countries or agencies is used and how for GPGs might do more harm than good by undermining the potential for forging new, effective partnership for action. Corrective action should rather be directed to programmes which tend to be out of proportion, divorced from reality and discourage the mobilization of resources further down the production line of the GPGs.

In order to overcome ODA versus GPGs dilemma, a new institutional set-up, with traditional assistance separated from GPG funding, might be helpful. Several studies provide solid arguments in favour of separating traditional ODA from GPG-related spending. Such an outcome may encourage GPG funding at the international level giving a boost for action exactly where special efforts should be made. Given that not much can be done to influence some major determinants of GPG spending such as budget balances and new direct foreign investment, a systematic effort to identify and allot resources for international public goods may be the most pragmatic way to avoid rising deficits of these goods.

Major corrections and considerable improvement could come with the implementation of a proposed dual system of accounting for aid resources to distinguish between GPG and ODA and ensure that their overall level is not reduced. Hence the proposal to separate GPG financing from ODA resources and to regard the former as additional aid resources. This, however, would require an entirely new approach to development assistance computation as well as a general evaluation of the effects of that approach. This very task could be entrusted to the OECD Development Assistance Committee, whose members contribute most to ODA.²⁸

The needs for GPGs financing may be assessed by relating them to a defined but not necessarily complete framework of MDGs. Few researches venture to make specific projections. The brave indicate that 0.5% of the EU member states combined budget would be required for necessary common programmes.²⁹ This figure, however, seems to be given rather as a desirable target to spur further discussion and mobilize public opinion.

Sagasti and Bezanson see the UN as the adequate institution to define a general framework for the delivery of GPGs because they „ have political legitimacy and are representative of the diversity of national interests”.³⁰ However, since the authors regard the UN as rather inefficient and bureaucratic, they would like to see bilateral donors and the international financial institutions carry out funding and delivery of individual projects. Still more important, GPGs yield, by definition, low if any private returns, so transfers should be made as grants rather than loans. This implies that the traditional financial institutions are not best suited to fund GPGs. Consequently, the availability of financial resources is indispensable but will not suffice and has to be coupled with the examination of systemic obstacles to GPGs provision.

Systemic obstacles to GPGs provision

Without removing various barriers the ambitious targets set for GPGs could never be met. After the visible decline in ODA usually associated with the “development fatigue” it has picked up in the last years which does not imply that the situation, on the whole is much better. At any rate, the persistence of obstacles linked with financing development assistance and GPGs leads to the conclusion that the problem is systemic. To begin with, the procedures for deciding and

²⁸ Jan Bielawski “Działalność OECD na rzecz ograniczenia ubóstwa w skali światowej”. Zeszyty Naukowe, Kolegium Gospodarki Światowej, SGH, 2003 No 14, s. 35–43

²⁹ Gunn-Britt Andersson, *Financing Global Public Goods for Health*, 7141 Wilton Park Conference, www.egdi.gov.se/pdf/speechwiltonpark.pdf

³⁰ Sagasti Francisco and Keith Bezanson, *Financing and Providing Global Public Goods. Expectations and Prospects*, Ministry of Foreign Affairs, Sweden, Stockholm, 2001, s. 64–65

allocating aid flows are based on permanent negotiations between donors whose strategies change according to their priorities, their foreign and development policy objectives, and whose budgets are decided, for the most part, on an annual basis. These often protracted procedures end up in suboptimal results such as insufficient resources as well as high negotiation and transaction costs, both for donors and recipients. As a result, aid is inadequate and inappropriate in form as only one third of disbursements currently go to fighting poverty. Even worse, aid is both volatile and unpredictable constituting often an additional source of instability for the recipient countries.

All public goods, whether local, national or global, tend to be underfinanced. There are several reasons for it. One of them is that GPGs bring lasting, long-term benefits (e.g. improved environment), in contrast to the shorter time horizon of governments' political interest and their direct accountability. Seen from the long-term perspective, international community must be sufficiently motivated to initiate and sustain collective action for the common good. The existence of adequate international institutions to bolster up the principle with effective implementation is one of the key prerequisites for the better provision of GPGs. As it follows, to ensure greater flow and predictability of finance new and more concessional multilateral financing mechanisms are necessary. These observations shed much light on the political economy of the provision of GPGs. As evidenced by the fate of the Kyoto protocol it is much easier to undertake solemn obligations than to provide, particularly when national governments have little faith in or loose interest in multilateral cooperation and prefer to go it alone

How to summon energies, goodwill and cajole all countries to accept policy behaviours favouring GPGs is better understood by making a comparison to what is well-known as the "prisoner's dilemma. Without sharing information on first how to identify GPGs and "Bads" and later cooperating to change the status quo all countries gain less or even could be worse off. The process turns out to be detrimental to all parties concerned.

The question remains who should take the lead, how the collective action should be structured and coordinated. The difficulties connected with the provision of the GPGs are compounded by "free riding" i.e. selfish behaviour of countries which may but do not contribute to the provision of GPGs but do not have any qualms about profiting from the improved external environment. Some implications stem from the public character of GPGs thanks to which all countries can derive benefits from it but not all of them to the same extent. At this juncture the policy choice is a matter of consistency in pursuing MDGs "war on poverty". The increased provision of a GPG may well increase the welfare of the poor by a greater amount than the welfare of the rich and in his sense provision of the GPGs can contribute to alleviating poverty.

For these policy choices the cost assessment is absolutely crucial. Three broad areas of costs involved in this process should be singled out:

- Research and analysis of key issues, starting from the nature of GPGs through examination of alternative options to solve the problem and to sustain the positive impact;
- Preparing groundwork of logistics and coordination, starting from priorities through fund raising and financial management of thus acquired resources, which should include also monitoring and supervision.
- Implementation, involving legislative, regulatory and institutional matters and mechanisms.

The technology of supply is an important dimension for public goods. Defining the nature of the GPG may prove decisive for policy decisions on its future "fate" as it constitutes the main factor determining the chances of getting a political commitment sufficient to pass on to higher stages. The political economy of GPGs leaves its imprint from the very outset with the classical example of different coalitions of countries sharing an interest in a GPG such as the repair of

the ozone layer under the Montreal Protocol matters in particular, whether the good must be supplied by all countries, whether it need be supplied by just one country (or by a consortium of countries). It is not just the aggregate costs and benefits that determine supply, but the costs and benefits for individual countries. Of special importance is the symmetry or likeness of the countries that share an interest in a GPG. When the countries sharing a public good are very different, it is likely that some of them will have to compensate others for helping to supply the good. Asymmetry can make supply easier.

For Scott Barrett some countries have incentives to supply some public goods (perhaps even in substantial quantities) unilaterally. For other public goods, the incentives to supply either increase or decrease in the amounts supplied by other countries. For some public goods there may exist thresholds, where some supply and some do not, or where every country supplies the public good or none does³¹. It may be better to promote the adoption of instruments that provide substantial benefits to individual countries, even while also serving to supply the public good.

One of the lessons is that cooperation may be made more successful if entry can be restricted. For pure public goods, entry cannot be restricted-by definition. For commons problems, however, entry can be restricted. In the case of fisheries, the extension of the Exclusive Economic Zones served this purpose. Further nationalization of the seas is probably impractical, but it may be possible to change the custom allowing re-flagging and entry, when these actions serve to undermine fisheries agreements.

In two other areas GPG policy has many common points with the overall development assistance policy which puts to the forefront the issues of optimal, fair distribution of aid and reaching genuinely “the final user “an individual, a group of people or broader communities. To ensure that all countries and regions receive required benefits from GPGs in a manner that is both optimal and inclusive essential policy responses have still to be explored.

The dilemma of relative shortage of both finance for development and time to meet the MDGs deadline can be resolved primarily by mobilizing alternative sources of financing. The proposals abound and can be grouped in three clusters: global taxes, financial engineering and the contributions of the private sector.

Innovative financing of GPGs: international taxation

The awareness of budgetary constraints has prompted numerous suggestions about innovative GPG financing, such as a tax on international foreign exchange transactions (Tobin tax) or a tax on fossil fuel consumption at rates reflecting these fuels’ contribution to carbon dioxide emissions (ecology tax) which would contribute to environmental stability. One proposal which has been suggested is to tax the use of global resources, in particular the global commons. Proposals those of the New International Economic Order, such as a development tax, have yet to receive official backing-with the exception of former French Prime Minister Lionel Jospin and President Jacques Chirac.

International taxes, like the national ones, could be created with different objectives in view such as reducing inequalities correcting international externalities or financing public expenditures decided with common purposes in view. With well known problems of the state to collect taxes effectively in the global economy the budgets suffer. Moreover, offshore capital markets have increased the options for tax avoidance and made it harder to combat tax evasion. An important first step would be increased international tax cooperation to support domestic

³¹ Scott Barrett, *op cit.* s. 30

resource mobilization. globalization can put constraints on tax collection. An International Tax Dialogue has already been launched by the IMF, OECD and the World Bank to encourage and facilitate discussion of tax matters among national tax officials and international organizations.

In order to overcome budgetary constraints an important first step would be an increased international tax cooperation to support domestic resource mobilization. It is well known that globalization can put constraints on tax collection. Moreover, offshore capital markets have increased the options for tax avoidance and made it harder to combat tax evasion. An International Tax Dialogue has already been launched by the IMF, OECD and the World Bank to encourage and facilitate discussion of tax matters among national tax officials and international organizations.

With regard to international taxation its primary aim should be to raise the necessary resources in order to achieve the MDGs and provide more resources for GPGs. International taxation would constitute exactly the sort of resource needed to finance human development, as being, simple, stable, predictable concessional focused on poverty. It would eliminate the hurdles of the annual inter-agency and inter-state negotiations solving at the same time the intricate and politically sensitive burden sharing problem. Last but not least, it would not create the financial backlog for future generations. What is often overlooked, no new institutional arrangement or international organization is necessary on top of it. International taxes would be easy to collect, difficult to evade, could be combined in an integrated approach development finance and be created for a limited period.³²

There is a variety of proposals for new taxes at the global level, many of them controversial. The best known are:

Taxes on financial transactions (with a special case on foreign exchange transaction taxes).

The Tobin tax, originally devised to reduce exchange rate volatility has met with different reactions but now seems to be embraced by NGOs and some governments just as a means to generate additional resources to development. If applied, the result would be by no means negligible because even a very small rate on a such a large tax base as the foreign exchange market would yield large returns. As estimated by Helmut Reisen a rate of just 0.01% applied on a global scale would generate an estimated 17–19 billion dollars in revenue³³.

There are some rough points and pitfalls too, such as the need to cover multiple transactions. Each of them would be taxed separately resulting in a shrinking overall size of the tax base of daily foreign exchange transactions. All in all, the major shortcoming is that Tobin tax would not, as it appears, provide a sufficiently stable and reliable basis to finance MDGs and GPGs.

Environmental taxes

“Green” taxes are not an academic concept but an instrument yielding on average 2.5% of GDP in the OECD countries. While introduction of the global environmental tax can not be excluded the prospects for introducing a carbon-related tax to obtain additional proceeds for development seem to be much higher.

A surtax on the profits of multinationals could be seen as a normal counterpart to the benefits they derive from globalisation.

³² Landau Report, Executive Summary. Note by the French delegation for the 24 November OECD Meeting “The New Financial Contribution for Development”. The report has been commissioned in November 2003 by President Chirac to a group of independent personalities with different backgrounds and representing a wide range of options.

³³ Helmut Reisen, *Funding the fight against global poverty* The OECD Observer No 244—September 2004 s. 18–19

A **tax on arms** would have to be levied on all purchases—whether domestic or international. Taxing armaments transactions belongs to lofty but so far unreachable goals of “beating swords into the ploughshares”.

After endless debates and multiple UN resolutions and programs the “peace dividend” is not forthcoming and the developing countries are stranded where they have always been. Even if the legal and documented trade in arms worth around 30 billion dollars per year was unaffected by taxation, a 5% tax would yield roughly 2.5 billion annually³⁴. The tax, unpalatable for much reason by the big brass an industry, might have also some predictable negative consequences since higher taxation could stimulate more illicit arms dealing.

A **surtax on the profits of multinationals** could be seen as a normal counterpart to the benefits they derive from globalization

An **international airport tax**, **taxation of ocean fishing**, a “**bit**” tax on computer use, and a **luxury goods tax** have also been proposed.

In order to increase the practicability of international taxes the issues of additionality, conditionality and governance would have to be addressed. First of all, new resources would have to be truly additional and not simply substitute existing aid flows. Moreover, forms of conditionality adapted to a stable financing of human development would have to be defined and devised. Finally, the management of any new stable resource would have to be discussed in order to define the role and interaction of all potential participants: IFIs, global funds and civil society (NGOs and private sector)

For all the needs to find innovative sources of finance, the legitimacy of international taxation is open to question. International taxation can only result from a sovereign decision by nation states to cooperate in order to achieve international common objective. There is nothing which might resemble a world parliament to decide and vote on global taxes. From a democratic and legal standpoint, new contributions would require the consent of nation states at least a high degree of convergence between them and by extension, of their citizens.

At the world level, there is no democratic process to determine what the extent of income redistribution should be. On the contrary, opposition runs deep in many countries to the principle of international taxation and they may prove difficult to negotiate and agree upon. The proposals for a pure and simple transfer of resources from the developed to the developing countries have been castigated during prolonged negotiations on the New International Economic Order in the 70's. It remains to be seen whether we have progressed much since then. Some developing countries do not hide their suspicions about international taxes and other innovative financial mechanisms and tend to see them as a diversion, or escape route used by developed countries to avoid fulfilling their obligations and meeting their 0.7% of GDP commitments.

Universal consensus on large-scale international taxation seems at present to be beyond reach. None the less the visible expansion of regional cooperation gives sufficient grounds to explore a possibility of creating regional taxes. This question can not be dismissed from consideration especially in the European Union which intends to expand its role in development assistance.

Realising that the resistance to international taxation is pretty stiff no effort should be spared to reach universally accepted goal in terms of poverty reduction. New international contributions would encompass a broader aspiration of greater global stability, more security and more solidarity and justice in global development, which should be translated into a better provision of GPGs.

The inescapable reality is that national contributions—financed by national revenue instruments of choice—are the *sine qua non* of global public goods finance. Of course, the chosen national

³⁴ Ibidem

revenue instruments can include one or more of the proposed “global” tax instruments, where the choice of a carbon tax, for example, would simultaneously help the country meet its emissions goals by discouraging domestic demand for carbon even while generating revenues for environmental and other worthy causes.

Other International Financial Contributions

- **The International Finance Facility (IFF),**

Significant recent proposal belonging to financial engineering to establish an International Development Trust Fund. Donors would make a series of long-term pledges for a flow of annual payments to an International Financing Facility (IFF). On the back of these pledges the IFF would issue bonds, turning the long-term income stream into immediately available development capital. The proposal, initially made by the United Kingdom and supported by France, seeks to raise the amount of development aid from just over US\$50 billion a year today to US\$100 billion a year up to 2015. This idea should be initiative is Worth pursuing provided the condition of additionality is met and it. There are however inescapable in any crediting form of negative by products pursued, provided it generates new resources in addition to existing commitments. However, as with any borrowing mechanism, the final burden would be shouldered by future generations, with no guarantee as to the return on expenditures that would be financed this way. The question arises regarding payments due after 2015, when a significant part of ODA expenditures in developed countries would have to be devoted to IFF repayments rather than being channeled to developing countries

The IFF initiative should remain in the limelight because this facility would enhance development aid to the level of 100 bln dollar per year in the 2010–2015 period, just in the “make it or break it” years for MDGs financing. Another advantage is that the IFF relies more on grant financing rather than loans to recipient countries which offers more concessionary treatment to governments in often indebted developing regions. Also donor coordination would be easier for both parties concerned than in the alternative solutions because the aid would be implemented in the existing structures making it possible, this time, to put aside the “Ockham’s razor”. It should also be borne in mind that the IFF and international taxes are complementary and might be used interchangeably depending on the time horizon and the type of expenditure.

- **Special Drawing Rights**

The idea to issue Special Drawing Rights (SDRs) for development purposes dates back at least to the 1970 Brandt Commission Report and has been surfacing ever since—recently thanks to George Soros.³⁵ It has never materialised although there are many premises to restart regular issues of Special Drawing Rights (SDRs) to increase liquidity in the global economy. These resources could be voluntarily allocated to developing countries, and so provide them with additional resources for investment. The already approved Fourth Amendment to the Articles of Agreement of the IMF should immediately be ratified, thus allowing the cumulative SDR allocations to double.

- **Topic-Specific Global Funds: private founding underpinning.**

Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) or the Global Environment Facility—are administered and financed by multi-actor coalitions of governments, International organizations, the private sector and civil society. The advantages of such funds, also

³⁵ George Soros, *George Soros on Globalization*, Public Affairs, New York

called “vertical funds”, are that they can serve as focal points for generating additional public and private resources to address urgent global problems. Such funds have a long history, starting with the United Nations Children’s Fund (UNICEF), established in late 1946, which has currently an annual income of \$1.5 billion, of which a third is contributed by the private sector.³⁶

The Global Fund finances a GPG that in principle is defined by not being provided by the market alone. Hence, in the case of funds which focus on funding global public goods there is unlikely to be a windfall profit as can happen with subsidies for private industries.³⁷

They are also other new initiatives which permit voluntary contributions to be used for international solidarity, such as the idea of a “Global Social Trust”³⁸.

Private funding seems to be still largely untapped source for finance development and further possibilities should be explored. The United Nations Children’s Fund (UNICEF) obtained in 2003 around one third of its income from NGOs and private-sector contributions. Programs like the Global Fund to Fight Aids, the Vaccine Fund and the Global Environment Facility are administered and financed by coalitions of governments, international organizations, private enterprise and civil society. Useful as an emergency response to some specific challenges they may weaken the coherence of global development policy by duplicating existing institutions and substituting ODA without sufficient “value added”. Realistically, private contributions, which can not be ignored and should be even welcome as a proof of involving various actors in global governance will not be sufficient to bridge at the time available the resource gap of the MDGs. On the other hand greater involvement of business in finding jointly with governments responses to major challenges like for instance, international financial instability as well as co-funding corrective measures in many areas is one of the most promising avenues for the future.

- A global lottery, or a UN lottery has also been suggested as a source of revenue.³⁹ One of the modifications is that the bonds issued under the IFF scheme could be sold as a lottery ticket which might make them more attractive and boost demand.

To ensure sustainability of GPGs the International Task Force on GPGs came up with the proposal of the GPG *Financing Framework* funded by developed countries. Allocations from the Financing Framework to individual developing countries would be based on the latter’s (i) net national benefits from the GPG Package; (ii) adjustment, transition, and capacity-building costs; (iii) level of development; and (iv) GPG policy and implementation performance.

³⁶ Helmut Reisen, *Innovative...*, op cit p.17.

³⁷ *Camdessus Report “Financing Water for All”*, issued in March 2003 by the World Panel on Financing Water Infrastructure, has emphasized the importance of public guarantees to stimulate private investment, local and foreign.

³⁸ This is an ILO proposal aimed at increasing voluntary support from industrialized countries for social security schemes in developing countries. See ILO: *Exploring the feasibility of a Global Social Trust*, GB.285/ESP/4, November 2002.

³⁹ *A Fair globalisation: creating opportunities for all*, World Commission on the Social Dimension of Globalisation, 2004, p. 104

It would be of course both possible and desirable to generate resources through reallocation of military expenditures to coherent development in both industrialized and developing countries. In the era sky rocketing world military spending which for 2001 has been estimated at US\$839 billion this is highly improbable. However, if the 15 largest military spenders agreed to divert just 5 per cent to ODA, this would generate US\$30 billion a year. This would, by all means make a great contribution to a GPG like global peace and security

Institutional challenge: global governance

Globalization has given rise to a broadening range of issues that cannot be effectively dealt with except through collaborative global action primarily on GPGs and RPGs. Examples of these include the problems of financial contagion, communicable diseases, cross-border crime, security concerns, tax havens and tax competition. More generally, there is a growing need to develop institutional arrangements to support and supervise global markets in the interests of all participants. This includes the need to ensure their smooth and equitable functioning, eliminate uncompetitive practices and abuses, and correct market failures⁴⁰.

The response to these new challenges so far has been haphazard. The plight of the developing countries and the evidence inadequacy of international institutions to cope with increasingly complex task became only too evident. What has emerged to date is a fragmented and incoherent system consisting of a patchwork of overlapping networks and agencies in the economic, social and environmental fields. There is a wide range of diverse arrangements including laws, norms, informal arrangements and private self-regulation.

The coverage of these arrangements is also incomplete. There are many important areas such as international migration and foreign investment where there are no rules or only partial and inadequate ones. While in a few areas the rules function well, in many they are too restrictive and often unfair especially the key rules having asymmetric effects on developed and poor countries. This creates a built-in tendency for the process of global governance to be in the interests of powerful players, such as major industrialised countries and transnational corporations to make things worse. Global governance spans a wide range of issues and many of these are of increasing technical complexity. This makes it extremely difficult the poorest countries to be even present at all negotiations, let alone represented at an adequate technical level as evidenced daily in WTO negotiations.

The evolving system of multilateral agreements and institutions is accused of a bias in agenda setting towards measures to expand markets. As seen by the developing countries another major weakness in global governance is the absence of global mechanisms and policies for ensuring socio-economic security. The recent creation of a World Commission on the Social Dimension of Globalisation, and the progress made by the ILO in promoting implementation of its fundamental conventions, have been recognized by EU as an important steps in rectifying this situation.

Despite evident progress the problem how to achieve GPGs like international financial stability is still unresolved, to recall only regional financial crises and near bankruptcy situation of certain countries like Argentina. Aware of it the International Monetary Fund has recently advanced discussion on a global bankruptcy framework. Enlisting the private sector in crisis management by introducing rollover clauses into short-term debt contracts and collective-action clauses into long-term debt contracts would be an important step to strengthening the international financial architecture.

The problems posed by the above structural inequities and loopholes are reflected in the democratic deficit in global governance. These problems are compounded by the low democratic accountability in the process of global governance. The strategy positions taken by governments in international fora are rarely subject to close and regular scrutiny by national parliaments, although there save visible signs of improvement

⁴⁰ *Globalisation and Governance* OECD Development Centre OECD 2003

The current structure of global governance has not kept pace with changes in the world economy and does not sufficiently promote development and poverty reduction. Therefore it does not come as a surprise that the present system is incapable to set priorities for the provision of GPGs and taking necessary steps in this direction. In most cases it lacks the authority to initiate finance and sustain such action. The under-provision of most GPGs remains a salient feature of the international system. In cases most success has been partial or worse. The more successful cases are probably UN peacekeeping and the WTO. WTO could be cited as a valuable rule-based system of international trade, despite all deadlocks in all negotiations, Doha included. Evidently, in the UN peacekeeping there is a wide gap between promise and performance but the only option is to keep on trying. The European Stability and Growth Pact and the Kyoto Protocol, are sometimes quoted as the least successful which in the latter case may not be fully justified, especially after Russia decided to undertake its obligations.

As seen by the European Commission “the contribution of the international institutions to socially sustainable globalisation is a prerequisite for progress⁴¹. The multilateral system needs to become more effective to cope with existing and emerging challenges to global governance and the rule of law.⁴² In relation to the UN there is a need to ensure policy consistency between ECOSOC, the Commission for Social Development and the Third Committee of the UN General Assembly. The Commission believes that serious consideration should be given to existing proposals such as the establishment of an Economic and Social Security Council”.⁴³

Strengthened multilateralism and international organisations

The scarcity of GPGs coincides then with the weaknesses of global governance which exerts a negative influence on development.⁴⁴ The global political economy is built on information flows and market exchanges, but it is also built on an intricate set of rules whose maintenance and enforcement require concrete institutions, both at the global and national level⁴⁵. Not that there is any shortage of international treaties relating to the global commons but many of these remain either incomplete or unratified.

Global governance will remain weak if multilateral institutions are unable to ensure effective implementation of their decisions and norms—whether in the ‘high politics’ of international peace and security, or in the practical implementation of commitments made in the social, economic and environmental fields. On the whole the current structure of global governance has not kept pace with changes in the world economy and does not sufficiently promote development and poverty reduction. In other words the major weakness of global governance, however defined, is the failure to put in place a coherent of international economic and social policies to achieve a pattern of globalization that benefits all people.

⁴¹ *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The Social Dimension of Globalisation—the EU’s policy contribution on extending the benefits to all.* s. 20

⁴² This position is both reflected in the Commission’s Communication on the EU and the UN: the choice of multilateralism (COM(2003) 526, 10.9.2003) and the Council conclusions concerning this, as well as in the European Security Strategy, adopted by the European Council in December 2003.

⁴³ *Communication from the Commission...* op. cit. s. 20

⁴⁴ Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobaton: “*Aggregating Governance Indicators*” World Bank Policy Research Working Paper No 2195 Washington

⁴⁵ Relationships between institutions, organisations and economic development are examined in depth by s. Borner, F. Bodmer and M. Kobler in “Institutional efficiency and its determinants. The role of Political Factors in Economic Growth”. OECD Development Centre Studies. OECD, Paris 2004.

What we are now faced with is a “global governance without global government”. Gaining currency are calls for a new global institutional order to step up multilateral cooperation, ensure more equitable distribution of the risks and benefits of globalization and to provide a better framework for the operation of global markets. Establishing the institutions and structures required to make GPG more available represents a formidable problem.

Expanding global governance in a way that might address the current failings of globalisation is a political and institutional challenge. New modalities are necessary for global governance, emphasising participation of stakeholders and a rebalancing of political power in global institutions. An increasingly urgent task is to attain greater coherence in international economic policy and coordination between regional and national policies aimed at the collective provision of GPGs.

Any reform of global governance must be inspired by democratic vision of a fair and inclusive globalization. It must promote universal values and norms endorsed by the international community such as the rule of law, respect for human rights and fostering of democracy. It should contribute to the achievement of social and economic goals embodied in the Millennium Declaration and other key international agreements. The reform proposals should strengthen the global legal and institutional infrastructure for promoting growth, equity, human development and provision of GPGs. They should seek to enhance the representative, participatory, transparent and accountable character of global institutions. They should mobilize the energy and commitment and sense of solidarity and responsibility of key actors of the global community and strengthen the role and capacities international organisation. The search for institutional change has produced a variety of proposals which might be labeled as radical (creating a new Bretton Woods system or new institutions of global governance), far-reaching sectoral reforms (reform of the international financial architecture) and adaptive (gradual reform and adjustment of international institutions).

On the international plane calls for fundamental institutional engineering such as occurred in Bretton Woods seem to be exaggerated, or at least not very likely. Those who expected a major overhaul of international institutions or a genuine reform of international financial architecture after Asian financial crisis may feel rightly disappointed. On the other hand, it should be admitted that the international organizations have scored remarkable successes in identifying or even predicting new developments and trends and are quite good in preparing global and regional programs of action. The point is that while the constituent parts of this universe function quite convincingly and in many instances very well the whole system leaves much to be desired. None the less, the time has come, as indicated also by the Secretary General of the United Nations, Mr. Koffi Annan, in one of his reports, to review again the criteria against which the international system must be judged as well as its capacity to offer co-ordinated and coherent response to new challenges.

In order to discharge its pivotal role effectively the multilateral system needs to be strengthened. A key requirement is a renewed political commitment to multilateralism. All countries must acknowledge their common interest in, and obligation to, a strong, effective multilateral system that can support a fair, productive and sustainable global economy.⁴⁶

To ensure a better availability of GPGs Europe should continue to set as one of its cardinal tasks the strengthening the multilateral system⁴⁷. Widely accepted and effective international agreements on environment trade, investment finance and taxation migration and many others are essential for the smooth functioning of a multilateral economic system. Internationally agreed upon rules of the game limit the scope for domestic regulations to distort transactions. Moreover, without

⁴⁶ *Ibidem* p. 133

⁴⁷ More on this issue to be found in Jan Bielawski “International Cooperation for the Provision of Global Public Goods”. *The Polish Quarterly of International Affairs*, Vol.12 No 1, Warsaw s. 30–58, Vinler 2003

such rules there is always a risk that countries might have a recourse to “selective reciprocity” and “race to the bottom” or opportunistically deviate from internationally agreed principles for short-term advantage through, for example, trade and investment distorting subsidies, arbitrary treatment of foreign investors, tax competition between governments, degradation in labour and environmental standards, bribery and corruption in international transactions. International terrorism and other requirements of the world economy, whether it be called “a new economy”, “science-based economy”, “digital economy” or security economy require swift policy responses and international regulation linked with the provision of GPGs.

The European Union’s commitment to multilateralism is a defining principle of its external policy. “*We need to build an international order based on effective multilateralism*” is one of the three strategic objectives contained in the Security Strategy presented by the EU High Representative for Common Foreign and Security Policy to the European Council in Thessaloniki on 20 June 2003. It also states that “*The fundamental framework for international relations is the United Nations Charter: Strengthening the United Nations, equipping it to fulfill its responsibilities and to act effectively, must be a European priority*”⁴⁸.

The European Council reaffirmed recently the deeply rooted commitment of the European Union to make effective multilateralism a central element of its external action. This approach is also reflected in the comprehensive Commission communication on ‘The European Union and the United Nations: the Choice of Multilateralism’⁴⁹. A series of practical proposals are put forward in the Commission as to how the EU might make a more effective contribution to global governance with the UN. The EU has recently demonstrated its willingness to take the lead with an ambitious approach to the implementation of measures in support of global (UN) goals across a wide range of issues⁵⁰. The EU has a particular responsibility in this regard and should attempt to act as a ‘front-runner’ in developing and implementing multilateral instruments and commitments as well as support, where necessary, the capacity of other countries to implement their multilateral commitments effectively.

A coherent approach to issues of social governance by and across all concerned UN bodies and a strengthening of the key institutions representing the ‘social pillar’ of global governance (notably the ILO) are needed as well as reinforced co-operation between the ILO and the WTO. Co-ordination concerns not just different actors, such as EU member states and the European Community, but also different policies⁵¹.

Negotiations on global governance take place in compartmentalized sectors such as trade, finance, health, social affairs and development governance assistance. International organizations focus on their specific mandates and, as a result, the impact of their actions on other important objectives is often lost sight of. However, actions taken in one field now increasingly affect outcomes elsewhere. For example, decisions taken on trade can nullify the good done in developing countries through aid. Mechanisms for ensuring coherence in global governance as a whole are either weak or non-existent.

The normal pressures in national politics to strike a compromise based on a trade-off between competing economic, social and environmental goals are typically absent in the global context. The evolving system of multilateral agreements and rules has revealed a bias in agenda setting towards measures to expand markets. In contrast, only limited attention has been paid to measures to

⁴⁸ Communication from the Commission to the Council and the European Parliament, *The European Union and the United Nations: The choice of multilateralism*, 13362/03, s.3.

⁴⁹ *Ibidem*, s. 9.

⁵⁰ *Communication...*, s.5.

⁵¹ The Tampere European Council set the European Union and its member states the objective of improving the “coherence of internal and external policies of the Union”.

achieve a more balanced strategy for global growth and full employment. These weaknesses in global governance have contributed to the uneven social and economic impact of globalization.

Efforts to negotiate a **Multilateral Agreement on Investment (MAI)** in the OECD have failed and are in a standstill which should be overcome. Efforts should then be stepped up to find a generally agreed forum, in which to work out a balanced development framework for FDI. In the absence of coherent multilateral rules, the present framework for FDI regulates this domain in a piecemeal and fragmented way through Bilateral Investment Treaties (BITs), regional agreements such as NAFTA and other WTO agreements (the General Agreement on Trade and Services (GATS), SCM and TRIMs). There is clearly a need to put in place a more transparent, coherent and balanced development framework for FDI so that, in addition to the overall benefits to all countries, entry into global production systems by developing countries can be a win-win process.

Similarly, it proved impossible to reach agreement on the **United Nations Code of Conduct on Transnational Corporations in the late 1970s and 1980s**. Strong opposition from trade unions, NGOs and other groups and was finally abandoned in 1998.

Collective action and leadership by the most powerful countries is essential to achieve progress in the economic sphere. The G-8 resolve to retain both the ability and legitimacy to exercise effective leadership on global economic matters will not be fully successful without addressing first and foremost, new requirements which have to be met.

Over the longer term, there may be a need to establish an **International Agency on Competition Policy** that would monitor concentration in global markets, facilitate national competition policy reviews, and provide technical assistance to developing countries and international dispute resolution in the event of contradictory interpretations by national authorities on cross-border antitrust issues⁵².

The issue of developing a multilateral framework to govern **international migration** should now be placed firmly on the international agenda. To eliminate the globalisation's missing link it would be wise to initiate a preparatory process towards a more general institutional framework for the movement of people across national borders. As a result a transparent and uniform system, based on rules rather than discretion, for those who wish to move across borders should emerge, similar to multilateral frameworks that already exist, or are currently under discussion, concerning the cross-border movements of goods, services, technology, investment and information. In contrast to their increased co-operation in combating illegal immigration, EU member states are making less progress in co-ordinating the management of legal migration flows. The Communication on "an open method of coordination for Community immigration policy", adopted by the Commission on 11 July 2001⁵³ and inspired by the co-ordinated strategy for employment, has not yet drawn any explicit response from the European Council.

Europe should also actively examine the feasibility of establishing a **global environmental agency**, which has recently been proposed by France.⁵⁴ The relationship between MEAs and WTO rules should also be clarified, with a view to enhancing their mutual supportiveness.

Interestingly enough the EU official view is that further reflection on the creation of an **Economic and Social Security Council (ESSC)** should be encouraged. This, otherwise old concept has resurfaced again without much fanfare but also without much convincing argumentation either.

⁵² Ibid 85–87

⁵³ COM (2001)387.

⁵⁴ The proposal has been put forward by the French Foreign Minister Michel Barnier at the session of the UN General Assembly in September 2004 *Le Figaro* 24 September 2004.

Although there are good reasons for an unbiased critique of the Bretton Woods system, to try to supplant this with another centralized system of rules and institutions, even democratized and better equipped to ensure common goods would only reproduce the same institutional deficiencies which sanctified present “profit above principle” functioning. Accordingly, the creation of the ESSC as a core of such a system would replicate all traps and points of contention which have beset the UN and many other international bodies for so long. In addition, the structure would not be workable as evidenced by less than successful efforts to reinvigorate the Economic and Social Council of the UN. A completely new optique and the way of thinking is necessary. What is needed instead is more deconcentration and decentralization of institutional power and the creation of a pluralistic system of institutions and organizations interacting with one another; guided by broad and flexible agreements and understanding⁵⁵ and supported by networking arrangements. This strategy would include strengthening diverse actors and international organizations, especially regional ones in a system in which diversity, whether it be cultural economic or institutional is considered as a virtue and not as presently, as a weakness, or at least a constraint for the markets. Support for the system much closer to the principles and policies of the European Union would be evidently in the interest of the Union and its position in the world.

Against this background one of the primary tasks should be:

- Ensuring an integrated follow-up to the major Global Conferences and the Millennium Development Goals, including monitoring of progress towards targets,
- Promoting greater coherence and balance between institutions of global governance—economic, environmental and social.

If the EU intends to belong to major players, it will be necessary, in the course of an examination of the governance of the Bretton Woods Institutions, to consider strengthening the EU representation in the World Bank and the International Monetary Fund.

Co-operation between the United Nations Environment Programme (UNEP) and the Secretariats of multilateral environmental agreements (MEAs) on one side and the World Trade Organization (WTO) on the other should be reinforced.

To succeed the EU should step up cooperation not only with the UN family⁵⁶ which is well under way but also with the OECD which intends to consolidate its role as a “global organization without universal membership”. Composed already of 30 states OECD has prepared and extensive strategy of enlargement and outreach which has been given a green light during the last Ministerial Session of Organization in 2004. Sooner or later and rather gradually than in a “big bang change” OECD will incorporate, large and small countries as new members which would necessitate the revision of EU and its member states coordination modalities. In particular, the EU should intensify its efforts to contribute to North-North cohesion in the OECD, indispensable in development policy and development cooperation, GPGs included. The EU should stronger regular interaction between OECD and G8 which would increase Group’s Legitimacy and hopefully, influence move agendas and outcomes of annouel summits⁵⁷.

⁵⁵ Walden Bello, *Prospects for Good Global Governance: The View from the South. A Report Prepared for the Bundestag FRG*. Submitted October 25, 2001 revised April 15 2002 p124

⁵⁶ *The Enlarging European Union...*, s. 22.

⁵⁷ This initiative has been launched by the Minister of Foreign Affairs of Poland Włodzimierz Cimoszewicz at the OECD Council meeting on 22nd April 2003

Tentative conclusions

Four conclusions can be drawn from the above: that there is a gap in the financing of MDGs and GPGs; that the search for innovative forms of financing in a spirit of solidarity is more intense than ever; that technical solutions are available which combine values approach and economic efficiency are available, and that the decisions on MDGs and GPGs are more political than technical.

Adequate provision of the GPGs is a major valid concern demonstrating the complex demands of the new, globalized system. Global governance today, seen not in abstract utopian terms but as an outcome of, imperfect as it might be, multilateral cooperation should include the provision of GPGs among its top priorities.

The road ahead is “bumpy” and difficult. Even cursory stocktaking of the GDPs record until now indicates that the concept of GPGs may prove politically divisive as it calls for determining the hierarchy of priorities and subsequent resource reallocation. Certain GPGs might be less attractive to some countries than to the others. One might quote “classical” example of developing countries preference to get out of the vicious circle of poverty as soon as possible which might be retarded by allocating sizable portion of their, otherwise, meagre resources to environmental protection yielding results only with a considerable time lag.

Financing is a central part of the supply story. To a large extent, the inadequate financing of global public goods is simply another way of looking at their undersupply in a voluntary context. Hence solving one of these problems—either the undersupply of global public goods or the inadequacy of their financing—is tantamount to solving the other as well. Without pretending that there is any magic formula to find easy consensus in North-South dialogue on GPGs it should be pointed out that structured provision of these goods with their broad “coverage” is a multiple process involving multiple actors and stakeholders. Probably the hardest nut to crack is not only to solicit the support of governments for GPGs but also to secure the involvement and accountability of all actors (multinational corporations and international institutions). This would conform with the definition of global governance as the system of rules and institutions established by the international community and private actors to manage political, economic and social affairs.

It goes without saying that all these appeals are not made in the vacuum. In retrospect, initiatives for the provision of GPGs through specific programs have been handled by the different sets of actors. In policy terms the sharper focus on these bodies is indispensable. The UN and its specialized agencies, The World Bank, the OECD (Regional development banks and certainly the EU) have masterminded and put into operation many programs aiming at the provision of GPGs and RPGs. There is still a vast area for improvement in their activities and cooperation. UNEP, in particular, can be singled out as apparently the weakest of the main “GPGs anchor institutions.”

At the national level, GPGs resources would be better targeted and utilised if they were distributed among the budgets of donor countries’ sectoral ministries from the amounts earmarked for the finance of international cooperation (e.g. in health ministries, the resources to finance a global fight against communicable diseases). To make headway and integrate better national provisions GPGs policies could be developed within the country’s National Strategy for Sustainable Development which governments are committed to begin to implement by 2005.

There is no and cannot be any single blueprint for an enhanced provision of GPGs nor a single recipe for success. The paths which are followed are product and country-specific and they evolve in various coalitions of stakeholders and in different frameworks like international

organizations, programs and projects. For moving beyond controlling “bads” to providing “goods” a positive approach as is needed in Europe and beyond it should consist in examining the best cases of “success stories” in providing GPGs and identifying key factors responsible for the success. Against this background it would be possible to start charting out a three-step procedure for enhancing the supply of a particular GPG:

First, assess the nature of the public good, of the countries affected by its undersupply, and of the incentives that causes of its shortage (preference and constraints identification). One of the simple pieces of advice which can be offered is to review and step by step remove—as the case might be—at least some of the barriers accounting for the underprovision of GPGs.

Second, devise strategies for redirecting incentives, and enhance the provision of GPGs by coalition building both at home and abroad (political bargaining and participation). It can be asserted that further policy oriented research could focus on GPGs packages encapsulating pure and “mixed” GPGs and other complementary factors.

Third, develop new institutions (or reform existing ones) in order to serve your international strategies and ultimate goal (institutional response). Despite multiplicity of political initiatives and elaborate designs for new broad institutional structures for GPGs provision they are either not entirely convincing, redundant or at best unlikely to be established. One of the exceptions is the proposal of the International Task Force on GPGs to examine the feasibility of establishing a small GPG Secretariat, which would conduct fund-raising negotiations with the UNDP, the multilateral development banks, and other partners. It would report and be guided and supervised by the Executive Committee subordinated to the international body such as the proposed UN Economic Social and Environmental Council.

There is no guarantee that the proposals for non-conventional forms of aid or new revenue-raising instruments will deliver sufficient or even significant financial flows by 2015. Under these circumstances one of the major conclusions emanating from the OECD research is that beyond 2006, if the estimates of aid requirements are to be met, there is a need for a significant further increase in ODA. In the light of the apparent success of the Monterrey commitments in mobilising additional ODA, a new set of targets for aid expenditure to 2010 would be a useful part of any decisions taken before or at the High-Level Session of the UN General Assembly in September 2005. Meeting of these commitments would bring the total ODA from DAC members up to USD 100 billion in 2003 terms by 2010, on conservative assumptions on the rate of economic growth⁵⁸. Increases of this order will not be easy because they signify for most European and other DAC members that ODA would be among the fastest rising public expenditure programmes, continually for the next six years.

Facing squarely these truths Europe in this crucial period can not accept palliatives and must earnestly try to pass on from international charity to more advanced thinking about imperatives of interdependence and the significance of GPGs in the shrinking world. In Douglas North's view, we have known for some time the conditions required for growth and poverty reduction, what we have not known is how to bring about such conditions⁵⁹. We should probably, to quote now Joseph Stiglitz, steer towards a new development paradigm. In the meantime we should progress visibly at least on one front—reduction of poverty where given all evidence the mix of “old” and “new” policy instruments and sources of finance add up in the battle which by 2005 will be won.

⁵⁸ 2004 Development Cooperation Report, Development Assistance Committee, Doc. DCD/DAC(2004) 36 06-Dec-2004

⁵⁹ Douglas North Institutions, *Institutional Change and Economic Performance*, 1990

LÁSZLÓ CSABA

EUROPEAN GOVERNANCE —THE CHALLENGES AHEAD

The enlarged European Union is facing a multiple of challenges in the 21st century. This has to do with the changed international environment, the ITC revolution, the processes of so-called globalization, but not least with the un-addressed challenges emanating from within the EU. The latter are multidimensional. Some of these, like ageing or the environmental challenge are rather long term and structural in nature. Others, like the ones to be discussed in this essay, pertain to immediate, that is medium term challenges and thus are becoming formative for delivering proper answers for the questions already put on the agenda by the policy processes, falling increasingly under the myopic policies following the daily trends in the popularity indices only.

In the following we shall expand upon six issues that may be of defining importance for the way the European Union will evolve in the future. These are the Lisbon Agenda, the Constitution, the Stability and Growth Pact/SGP, the defining new features of common and security policy/CFSP, the issue of further enlargement and finally the EU position in WTO negotiations. As seen from this preliminary list, our agenda does not aspire to be exhaustive, still, some of the issues of immediate policy importance, that will definitely have a bearing on the strategic choices and outcomes will definitely be covered. Depending on the type of answers given to these challenges the nature and efficiency of the common European institutional framework, and by implication, of economic and social dynamism, will be substantially different.

The topicality and importance of our subject is given by a number of considerations. First, the EU is not, contrary to many statements of intention, the most competitive community of the global economy, either in terms of finance, or in terms of innovation. Second, enlargement has taken place without any major reforms of the European structures of governance. This circumstance has already delivered first signs of over-stretching the decision-making capacity of the Community. Third, quite related to the previous point, there is not much agreement as yet, either among the EU organs, and even less among the member-states, about how to proceed, especially in terms of financing common measures and policies for the 2007–2013 period. Last but not at all least, the EU seems to have come to a fatigue in more than one dimension. While the process of enlargement is anything but complete, with several old and new candidates knocking on the door, the Union has not yet digested the enlargement by ten new members, even if the combined economic significance of these, in terms of GDP or trade flows, is actually less than the potential inclusion of Switzerland or Norway alone would mean. Moreover day to day management of various strains have replaced visions. Due to the dominance of short-term redistribution related issues of the agenda, no serious debate over reforms has become possible. Moreover the general public has grown increasingly skeptical vis-à-vis the European project in general and the enlargement process in particular.

This means, that contrary to the 1970s and 1980s visionary policy initiatives, if any, chances of implementation owing to limited acceptance by the general public.

In order to elaborate a better understanding of the alternatives in terms of thinking and potential policy alternatives let us therefore consider some major aspects of the focal areas of European governance and the implications of the insights for future development!

1. The Lisbon Agenda

Lot has been written upon the March 2000 decisions of the European Union on transforming itself into the most competitive community of the globe. The fact that the EU has become involved in soul searching, that it has come up with a critical self-assessment, and that it did formulate a detailed schedule and targets for further improvement can only be considered as a plus. Furthermore the so-called open method of coordination has constituted an important novelty in terms of management,¹ moving the Community away from the inherited Franco-German bureaucratic-administrative traditions that used to dominate the initiatives of the first decades. Likewise the idea that a long-term project needs continuous monitoring, preferably at the highest level, has been also institutionalized, to mention yet another innovation. Furthermore the move away from centralized procedures and opening up for diverse methods of implementation is also to be appreciated as a step in the right direction.

Meanwhile, it would be hard to deny, that the Agenda itself has been a strange mixture of economic and social goals, that were hardly synchronized. For instance the objective to enhance female participation in economic activity may well qualify as an objective on its own right. However it is hard to establish how exactly meeting this criterion contributes to global competitiveness. This matters in a number of ways. First the example clearly illustrates, that one of the basic principles of management sciences, that is the clear assignment of tasks, has been missed. Second, if we have multiple tasks, it might be next to impossible to set a clear standard, against which success or failure could be measured. This opens the door wide open to subjective evaluations. A recent analysis² has indicated not only the remarkable similarities of the Lisbon Agenda to previous experiences in Comecon, but also has highlighted, that by and large, social indicators tended to be met, while economic indicators/competitiveness in narrow sense/ missed. Therefore it is unsurprising that the reflection committee, set up by the Brussels Council of March 2004 under former Dutch Premier Wim Kok to evaluate progress, has been facing a next to insoluble task.

It may well be seen as a promising sign that the new president of the EU Commission, Barroso has retained responsibility for the Lisbon Agenda as his own competence. On the other hand, as commentators immediately noted³ that it may soon backfire. First, the Commission does not have the competence most needed to spur industrial innovation, venture capital financing and many other items, including budgetary funding or providing tax brakes. Second, in many cases not even national governments are in a position to be of assistance: innovation can not be declared by fiat. This holds particularly to issues of the ITC revolution and its management, where the state may contribute to, but hardly generate progress.⁴ Third, societies in Europe may

¹ A broad analytical assessment of this innovation is offered in the special issue of *Journal of European Public Policy*, vol.11.no.2./2004/.

² GÁCS,J./2004/:' Planing revidivuus—on the Lisbon Agenda of the EU'— paper presented at the 40th anniversary conference of Kopint—Datorg Institute of Economic Research entitled 'From Economic Reforms to EU Accession' Budapest, 8April.

³ See the editorial of *Financial Times*, 13 August,2004.

⁴ More on these issues in the recent monograph of SZALAVETZ,A./2004/: *Az információtechnológiai forradalom és a felzárkózó gazdaságok./The ITC revolution and emerging economies/*. Budapest: Kossuth Könyvkiadó.

or may not favor the idea of competitiveness. If one thinks about the scale of resistance brought about by recent German attempts to reform the labor market, similar Italian efforts to streamline public pensions, or the wild resistance of the French public to slim down civil service, the idea is anything but trivial.⁵

Without necessarily wanting to expand more on this controversial subject, the Lisbon Agenda has shown, in a nutshell, the paradoxes inherent in the current stage of European integration. On the one hand, outside observers⁶ rightly emphasize that the process, sometimes called ‘Europeanization’, has created inter-twinings and regulatory regimes that were considered unthinkable among former/traditional enemy states even a few decades ago. On the other hand, what the same author aptly baptized as inter-governmentalism, is still a defining feature of the EU. With the accession of states with newly regained independence, and strong concerns about intra-EU redistribution, this feature has only been strengthened. The Nice Treaty, though allowing for enlargement, fell short of making any steps transcending this traditional feature.

For this simple reason the EU, here and in many other policy planes, is confronted with a paradox. On one hand, the challenges it meets, such as terrorism, migration or technological change are global in nature. On the other hand, the EU is still mostly just a cap upon willful and extremely self-conscious national governments, anxious to safeguard their perceived or real sovereignty in each of these policy areas. Therefore the EU, as a limited regional government, is unable to manage in the full the tasks it has amassed, or that is expected from it by the member states. Furthermore, given the limited progress in the area of systemic and policy reforms, that is clearly observable in the Constitutional Treaty adopted in June 2004, it is unlikely to evolve on its own, in a quasi-automatic fashion in the directions the good intentions of the Lisbon Agenda would let us expect to move.

This state of affairs is burdened with the risk of further deepening the divide between expectations and realities. On the one hand, the European public, as well as much of the policy making elite continues to cherish the hope of immediate and sizable improvement even in the absence of unpopular reforms that would enhance market coordination, liberalize entry and turn the economy and society more competitive. On the other hand it is less than surprising to see that the relative lagging behind of European industries, science and technology and the entire quality of the European investment spot/locality is unlikely to change against American and Asian competitors. Facing these fact is relatively simple, both at the reflective/academic and at the everyday levels. Therefore the breeding ground for Euro-skepticism is continuously being provided, over and above the levels justified by actual performance of the European institutions and policies. The recent very low turnout in European elections, on average only 37 per cent, with the new member countries faring actually much worse is just as much a warning sign as the increasing strength and electoral support of radical parties and movements subjecting the fundamentals of European construction in doubt.⁷ This outcome is per se a critique of the way European policies are being formulated and communicated to the electorate—that is a major

⁵ These issues have been analyzed in broader context by the ‘four dilemmas’ of Antoni Kuklinski/2003, pp126–127/ in his: *The future of Europe. Four dilemmas and five scenarios. A challenge for prospective thinking.* In: KUKLINSKI, A. and SKUZA, B. eds: *Europe in the Perspective of Global Change.* Oficyna Wydawnicza ‘Rewasz’ for the Polish Association for the Club of Rome, Warsaw, 2003, pp125–137.

⁶ MORAVCSIK, A./2004/: *European Governance—still a Model for the Rest of the World?—*keynote delivered to the 3d international conference of the Munk Center for International Studies, University of Ottawa, entitled ‘*Canada and the New Europe*’ 24–27 February, 2004.

⁷ For the time being most of these protest movements, with some exceptions as the Czech Communist Party or the Front Nationale of France, or the Vlaamans Blok in Belgium, tend to be ephemeral in nature. However, from the point of view of Europeanization it is hardly consoling to see that one protest movement gives way to another one, the common denominator being the rejection of salient features of the European project as it has emerged over the postwar decades.

blunder in a democratic society/community. It also allows us to predict a slow rather than comprehensive movement in improving the present state of European policies.

2. The European Constitutional Treaty

A lot has been written on the European Constitution both in the academic and the daily press. However, in this essay we consider it in a narrow sense, only insofar as it is a possible constituent of a new, reformed policy framework, an instrument to achieve the Lisbon Agenda.

It is clear, not least from accounts provided by the insiders⁸ that the lack of confidence, that arose not least because of the different interpretation of the Afghanistan and Iraq involvement of the United States by the Paris-Berlin axis on the one hand, and by the London-Madrid axis on the other, has not allowed for any major step that would have transcended the compromises of 2000, enshrined in the Treaty of Nice. The latter, while being a typical compromise outcome not accommodating basically any of the parties involved, has still paved the way for enlarging the community by ten new members. It also has sustained the balance of power among European institutions and among European nations. That was a maximum to be attained under the circumstances, thus in instrumental terms it may have been seen as optimal, a point tirelessly emphasized by policy makers.

What is optimal from the diplomatic perspective, however, may well turn sub-optimal from a dynamic perspective. As could be seen by the negative vote of the Irish public on the first referendum on Nice, the drift between diplomatic talk and public discourse have widened into a deep split. At the end of the day, there was nothing to be sold to the Irish public. The very fact that the pressure from large member states triggered the Irish to organize the referendum anew has been a sign of the democratic deficit of the Union. Likewise the ever larger number of countries, starting up with Great Britain, that are to test the legitimacy of the Constitutional Treaty through a referendum, is itself an indication of deep distrust 'in Brussels' also in matters, that have not been produced by the bureaucracy, but by the convention composed of representatives of national elected legislators.

In view of the insiders/policy-makers the Constitution is no less 'optimal' than the Treaty of Nice used to be: it contains the maximum that was to be delivered under given constraints. However, this instrumental argumentation falls short of addressing the weak points that we have already listed in discussing the limited outcomes of the Lisbon Agenda. Furthermore it might well be advanced that not having a basic law at all might well be a superior option to having a poorly conceived Constitution. This is clearly so if one believes in some of the elementary insights of sociology and public administration.

In view of the latter disciplines basic laws normally set the rules of the game for many years to come. Therefore it goes without saying that not any time is appropriate for devising and adopting such fundamental arrangements. Experience of Great Britain with the system of common law, or the ever growing spread of *lex mercatoria*, the unwritten but observed law among merchants, created by business practice rather than by lawyers, are indicative of the validity of our point. If we take the constitutional Treaty as a guideline for future evolution, it is a very vague and imprecise one. It is redundant on issues it should keep silent, and is silent on matters it should provide guidance—this is the inevitable outcome of pushing an agreement among basically disagreeing and distrustful contracting parties. For this reason it may well be less than a tragedy

⁸ Haensch, K./2003/ 'Beschreiben was sein kann': der Verfassungsentwurf des Europäischen Konvents. *Zeitschrift fuer Staats- und Europawissenschaften*, vol.1, no.3. pp 299–312.

if the Britons, and perhaps the Dutch or the Swedes, the Irish or the Danes simply reject the artwork of diplomacy. It will be a loss of face for those involved, but a new opportunity for the Community to find better compromises at a later, more appropriate stage.

3. Softening Up the Stability and Growth Pact

The idea of softening up the rule based framework for common fiscal policy has been on the policy agenda ever since the SGP was born. There are a number of considerations that have led to this initiative of the Commission of the EU, submitted to the Ecofin council of finance ministers in September 2004. First, a substantial part of the academic literature considered the numbers of the SGP arbitrary and the interpretation by the ECB unreasonably rigid. Second, large member states have experienced a ‘consolidation fatigue’⁹, meaning that in good times of high growth no effort has been made to reach surplus positions, therefore at times of lull there remained no room for fiscal easing. As the analysis quoted below indicates, it were the big member states that failed to comply, while the small ones adjusted. Third, despite the ruling of the European Court of Justice of 13 July 2004 finance ministers agreed anew for France not observing the SGP targets, in the fourth consecutive year in a row. A similar situation is emerging in Germany. Last but not at all least, a populist consensus among right and left wing ruling parties called for more lenient interpretation of those rules that ‘nobody observes anyway’.

This is not the place to re-iterate the more technical argumentation behind the rationale of the SGP¹⁰. Let us just recall that the rules versus discretion debate is one of the evergreens of economics and politics over the past three decades. There are fairly strong arguments favoring rules-based behavior, including credibility, calculability, policy efficiency and many more, including transparency that is a major guide of democracy. On the other hand, nobody with experience in management would dispute the supreme role of judgement, discretion based on evaluation of circumstances.

The major issue thus is not if rules should ‘always’ be enforced, ‘at any cost’, irrespective of circumstances. The subject of the debate is if the circumstances observed in the two economies, accounting for over a half of joint GDP of the EU, such circumstances exist that could be remedied by fiscal easing. The latter claim seems to be strongly debated both inside the respective core EU economies and in international agencies, such as the OECD, IMF or the rating agencies. For this reason the Commission proposal is a long way from what it is called in a part of the daily press, the abandonment of the Pact. In reality, there is an attempt to bring the rules in line with existing practices, without however robbing them of their substance. For instance, the early warning mechanisms, including publicity of feedback of Commission evaluation of the convergence programs will be strengthened. Likewise governments in difficulty will have to produce credible adjustment programs, including the list of measures that are to be taken to remedy the fiscal imbalance. The softening of the interpretation of poor economic performance, from a recession of 0.75 per cent drop to below one per cent growth is in fact adjusting the rules to the practice of the past few years. The real problem is not so much the adjustment, but the consequence of it. The public, being mostly unaware of the complexities of fiscal sustainability, may sigh up, whereas the real problems, such as the non-payability of public pensions, the cost explosion in health care, and conditions that have brought about slow growth in Europe remain unattended.

⁹ Hughes-Hallet, A. et al.; *Fiscal Policy in Europe: an Evidence—Based Approach*. London: Center for Economic Policy Research.

¹⁰ CSABA, L./2004/: A non-stability and anti-growth pact for Europe? In> CSABA, L.: *The New Political Economy of Emerging Europe*. Budapest: Akadémiai Kiadó.

It may well be, at least for the short run, that this softening of the SGP will not translate into higher inflation rate in the euro-zone. The interrelationship between fiscal balances and inflation is an intricate one, and countries with a deficit may, for some time, easily enjoy the benefits of price stability. However a public deficit is always and everywhere involves a crowding out of private investment, therefore a lax public finance attitude is invariably a way towards slower growth in the medium and long run. This has indeed been the case in Europe, therefore there is no good reason to sigh up at seeing the softening up of the SGP.

What should we think of the interest of the new members? It is hard to spend a week without hearing a political personality speaking of the 'inevitability' of larger deficits in the new member states. These claims are based on the need to invest in physical infrastructure and in environmental protection.

It is beyond doubt that certain institutional and structural reforms have unfavorable ramifications for the fiscal balances, reflecting short term cash flow, rather than stock phenomena. Therefore, as could be seen in Hungary and Chile, introducing private pension funds do lead to temporary deterioration in public finances. However, in the case of the new member states, those who are struggling with fiscal imbalances, that is the larger ones, do so not because of their extreme reform zeal in such areas as health care or environment, where any move to rationality/sustainability will be costly. These deficits derive primarily from overspending on current expenditure items, mostly related to immediate consumption, not to public investment in general or financing structural reforms in particular. Governments of the Central European countries seem to have been trapped in an attempt to 'compensate' the public for the sufferings inherent in economic transformation. Whatever we think of the merit of the latter consideration, incurring debt for investment, and incurring debt for current consumption remain two different cups of tea. Weakening the status of the SGP thus may send the wrong signal to societies where the culture of fiscal prudence is yet to be established.

4. Common Foreign and Security Policy

It might well sound as only a slight overstatement to make the claim that the CFSP is not much more than a bunch of good intentions. However the reality of decision-making in the Community is such that regular and intensive cooperation up to the point of coordination has become a practical must also in areas where no common funding has become available. This has gone as far as setting up joint foreign representations abroad in some cases by some member states, or to the point of making decisions, say on environmental protection, under qualified majority, enforceable by courts against the will of local authorities.¹¹ For this reason the regular and intensive interaction, not only among ministries of foreign affairs, has shaped the *modus operandi* of European administrations in the past few decades. Also the working method of the Union, based on avoiding/pre-empting those embarrassing situations when one or a few members are voted down, has created a culture of intensive cooperation.

This situation has changed primarily due to the divergent assessment of the security risks and the emerging, largely unilateralist, American responses to these during the 2000–2004 period. But the differences in the assessment of US foreign policy constituted only one component of disagreements. Member states have remained split over a number of issues, especially ones relating to the future. What should be the speed and scope of further enlargement? How far should

¹¹ More on that in the classic collection of WALLACE, W. and WALLACE, H., eds/2000/: *Policy-Making in the European Union*. 4th edition. Oxford> Oxford University Press.

the Community proceed in centralizing decision making? What should be the policy relevance of the social agenda? What should be the terrain of European policies, as markedly different from those of the US in view of the enormous capability gap of European defense? What is the relative significance of Mediterranean policies against Eastern good neighborhood policies?

Without even attempting to be exhaustive, this list of disagreements is already long enough to illustrate, that the EU has come to a watershed. Either it will be able to formulate and not least operationalize policies and procedures, where issue areas of common interest are being treated jointly/even at the cost of giving up a part of national sovereignty, as understood in the sense of 19th century/, or take a different root. The latter would retain and even strengthen the component of national representation/intergovernmentalism, thereby relegating the EU into a small United Nations on the regional scale. The latter approach is, of course, severely interacting with the new line adopted by the net contributing countries. In their joint statement of January 2004 these advocated the capping of common funds to one percentage point of common GDP. While the latter may be justified on grounds of efficiency, the very fact that such a capping emerged as a major policy item is telling about the lack of enthusiasm currently surrounding anything that has to do with deepening integration. It is sad to observe that new member states, fell hostage to their mis-perception on the economics of the EU, thus keep on fixing on the balance of official transfers, have been instrumental in strengthening this line of minimalism.

In the broader perspective, however, it would be wrong to deny that the underlying commonality of interest and shared values inevitably help overcome those divisions within the European Union, that look unbridgeable at times of their emergence. The joint celebration of D-Day in June 2004, with the Germans and the Americans involved in what had traditionally been primarily a Franco-British event has been but one item of politics carrying unmistakable, but strong symbolic messages. Similarly, there have been observable signs of what economists like to call 'the benefit of crisis'. Faced with European inability to offer positive contributions to solving the dilemmas in a series of conflict areas, not only in Iraq, but also in Afghanistan, Kosovo, Bosnia and the Middle East, with Macedonian peacekeeping figuring as a minor point of success. Under this angle the defense planning of the European Union had to be confronted with the inescapable challenges, leading to a more positive and practical approach to ESDP, the European arm of Atlantic security.¹² Likewise, in a number of other areas, from the reform of agriculture to the adoption of modifications in the statutes and voting procedures of the European Central Bank, preparing it for enlargement by the new members have been indicative of the continued commitment of the member states, also at the level of hard core policy-making, to sustaining the European project and adjusting it to new realities.

In a way all this is supportive of the theoretical insight¹³ that the process of 'Europeanization' has indeed already transcended the boundaries conceptualized by the model of inter-governmental co-operation. While the dominance of the latter is a fact of life, over and below the central state level a web of inter-twinings has been evolving. The latter has changed the nature of the nation state. By the same token foreign policy can not and should not be conceptualized along the 19th century lines of the realist school, with non-state actors gaining more and more ground. Furthermore, not least due to the co-operative structures that have long transcended the competence of foreign ministries, CFSP has emerged as something very real, despite the obvious limitations due to limited funding and fragmentary institutionalization. In the future, not least because of the ambitions embodied in the Lisbon Agenda, this dimension of EU policies is likely to gather momentum and countervail the current trend of national egoism.

¹² MENON, A./2004/: From crisis to catharsis: ESDP after Iraq. *International Affairs*, vol.80, no.4, pp631–648.

¹³ LANGEWIESCHE, D./2004/: Zentralstaat—Foederativstaat: Nationalstaatliche Modelle in Europa in der 19 und 20 Jahrhundert. *Zeitschrift fuer Staats- und Europawissenschaften*, vol.2, no.2 .pp173–190.

5. The Challenge of Further Enlargement

Ever since the Helsinki Council of December 1999 has opted for the Big Bang type of enlargement and opened up the door to potential membership to countries of the Western Balkans and also Turkey, there emerged a large and controversial literature over the frontiers of Europe. Regrettably these discourses have been conducted on two unrelated planes. At one level a quite abstract theorizing emerged, whose parameters have tended to be set in terms of philosophy of history and culture, thus these remained to be quite disconnected with those strategic policy options that should have been the subject of deliberation. Parallel to these, a quite narrow technocratic debate has been conducted over potential costs of any further enlargement in terms of official transfer, redistribution of the net recipient position, or allocating seats to a close to a 65 mn strong country in the European parliament. The latter debate was no less immaterial than the first one, as long as any further enlargement would, by definition, presuppose changes. Therefore the *ceteris paribus* assumption employed by most analyses produced in official and semi-official think-tanks were simply missing the point. To give but one extreme example: why should Turkish farming be, even in abstract terms, be supported according to the principles and procedures elaborated by the French and the Germans half a century ago under different conditions?

It would be thus hard to overlook that the debate about further enlargement is not, as in the Council sessions, item no47 on a three day long agenda, in which nobody can take serious interest in any longer. If anything these complex, an in many ways open ended, issues bring back to the policy-making agenda the long forgotten basics about the European project. The EU is not, and has never been, an arena for bargaining over official transfers hardly adding up a percentage point of any recipient nation's GDP. The EU is about creating and sustaining a lasting order of peace. The road toward this supreme goal leads via economic, financial, organizational and diplomatic channels. However none of these, not even the Lisbon Agenda or SGP is to replace the original, higher ranking objectives. It is more than unfortunate that the media coverage of EU events has distorted its image to the degree that few analysts would venture to restate this platitude.

The ability to enlarge therefore is not a given that can or should be calibrated in any technocratic procedure under pre-set conditions. The ability to cope with larger numbers is of course a function of the decision-making structure that is in place. It also is a function on the amount of financial resources that are to be allocated to this purpose. The number of potential members is crucially dependent upon the degree of centralization versus the competition of legislations¹⁴: the more the room for diversity is institutionally secured, the larger number of preferences can be accommodated within the same community. Last but not at all least the opportunity costs of non-enlargement needs to be assessed. Are not the lasting crises on the Balkans as well as in the Middle East and in the Caucasus related to a lack of clear European perspective to these regions?

In my view these and similar long term issues should be discussed, and the prospective institutional and policy options should follow this normative path, rather than just cementing the status quo, as has been the case in Nice and Laeken. Following these deliberations the contours of a new European project, building upon the existing one, but extending it to new areas and under new conditions could be conceptualized. Once there is a fair degree of consensus over its salient features, a new set of rules, perhaps but by no means inevitably, in the form of a Constitution or a founding treaty could be adopted. In so doing the concerns of the newest, now prospective members, as well as the vision about the future global role of the EU could be formulated and

¹⁴ Van den BERGH,R./2000/: Towards a model of regulatory competition in Europe. *Kyklos*, vol.52,no.4.

spelled out in such detail, as was the case with the Single European Act or of the Maastricht Treaty.

The history of these two precedents, as well as of their implementation has been a thorny one. Nobody thought that these were easy choices, they also entailed costs and sacrifices. Still it is hard to ask why it should be a **realistic** proposition to extrapolate the current status quo, that does not show any signs of **sustainability**? Are not the signs of terrorism, of uncontrolled migration, economic slowdown, inadequate innovation, or the non-sustainability of welfare systems all signs of crisis rather than of equilibrium? And if so, is there more to the majority 'realist' school more than intellectual laziness and the inability/unwillingness to cope with the challenges of the new era?

All in all, without a wide ranging and broad debate over the future size, scope and nature of the European project no convincing/sound answer can be given to the question over the limits of Europe or to the potential costs and benefit of enlargement versus non-enlargement. For this reason many debates surrounding the Constitutional Treaty seem to have missed the point, as answers pre-empting future options tended to be formulated on an ad-hoc base, rather than relying upon the conclusions that could, even in theory, have been derived from the consensus based on the deliberations summed up above. Extrapolation of the status quo, working with *ceteris paribus* assumptions are, certainly of no avail.

What we do know for sure that no further enlargement seems feasible under the current arrangements, that were not reformed upon taking upon board the ten new members. We also know that the role of redistribution and centralized decision making is on the decrease. Furthermore we also do know that many countries need a European perspective to help overcome their developmental dead ends. The alternative option, such as building democracy from outside, has yet to prove its viability in the cases of Iraq, Afghanistan, Bosnia, Kosovo, Rwanda and Somalia alike.

6. The EU in WTO

Last but not at all least mention should be made of the so-called 'developmental round' of the World Trade Organization. This process, started with the scandals in Seattle in 1999 and still in a pre-negotiation stage following the debacle of the ministerial round in Cancun in September 2003 is perhaps the most influential process defining the contours of future EU legislation. In a nutshell, the evolution of WTO from a purely trade organization into a set of disciplines regulating the entirety of global interchanges except finance, has made the Doha Round of exceptional significance. The WTO, as a dispute settlement and norm generating structure, has been gradually intruding into a variety of areas traditionally thought to lay in the exclusive realm of national sovereignty. These areas include intellectual property, via the regulation of services the movement of people, IT and electronic trading, investment and trade promotion, taxation, public procurement, law enforcement, transparency criteria, state aids and their transparency, just to mention a few.

For the time being the EU is a major obstacle to improving the conditions of international trade, insofar as its policies, especially ones protecting selected producers and traders, do not accommodate legitimate claims of the poorest countries, not even to the degree, it has been accorded to them by the 1994 Marrakesh agreements. For this reason the cheerleaders of the South, China and Brazil have initiated a much tougher negotiating stance as before, thwarting the ministerial round in Cancun.

It is correct to recall that Cancun was yet another poorly prepared gathering, furthermore that commonality of trade interest is likely to trigger a reconvention of the talks.¹⁵ Still, the ability of the EU to give concessions in matters of farming is crucially dependent upon the progress of its internal reforms. For the time being a powerful new coalition of old farm lobbyists and of the new members adopted a 'conservative' stance of preserving the status quo, if possible even extending the support systems until 2013. Without concessions in farming, however, there is no hope for improvement of market access, of securing foreign investment and enforcing better protection of intellectual property rights—all on the top of the list of EU priorities—this is an un-ambiguous message of Cancun

At the bottom line here again the EU is confronted with similar challenges as in the preceding areas. The extrapolation of current myopic and vested interest dominated policies does not allow for any flexibility, thus conflicts of the future are already inherent in the agenda. By contrast, in order to be able to opt for a longer term strategy, such changes would be needed that are though feasible, however not on the agenda as set by the Constitutional Treaty and the financial guidelines for 2007–2014.

7. Instead of Conclusions

In short, EU has long been in need of reflection and action, perhaps in a much quicker pace than the current wave of thinking would allow for that. The issue of European governance, though somewhat abstract, is a very practical one. New and innovative answers to the global challenges and its own policy aspirations need to be found. And while we can suggest the contours of change, as we have at least implicitly tried, the split between our normative and predictive scenarios is marked, indeed. Let us hope that besides short-term interest and myopic politics, democracy and transparency will, again, prove its viability. This allows for a more optimistic assessment of the chances of major reforms than the currently dominant rational choice theories of political science would lead us to believe.

¹⁵ BHAGWATI, J./2004/: Don't cry for Cancun. *Foreign Affairs*, vol. 84. No.1. pp 52–63.

JAN OLBRYCHT

COHESION AND/OR GROWTH POLICY

The first years of our EU membership coincide with an exceptionally important period for the Communities. It is time when one has to give answers to a number of crucial questions regarding the future of the Union in both short and long-term perspective, including in particular in the next Financial Perspective of 2007-2013. The preparatory work with regard to the EU budget and its internal structure reflects the main themes of the debate.

This paper is not going to embrace the complexity of conditions determining the process of preparation for the new Financial Perspective. We intend to focus on the second biggest element of the budget i.e. the cohesion policy allocation.

The basic question of the discussion on the future of the cohesion policy is 'what shape it should have' and not 'whether it should exist'¹. It is, among others, a consequence of the debate initiated by the European Commission (naturally interested in maintaining one of its main forms of activity). Most importantly, however, it is a result of the consensus to preserve the solidarity principle as one of the basic principles the functioning of the European Union is based on. And finally, it stems from the conviction that social and economic cohesion is not only the target but also the indispensable condition for successful economic development.

What sort of cohesion policy?

The debate on the shape of the new cohesion policy reflects the key dilemmas of the accelerated EU development². Both old and new member states are faced with a number of basic questions related to the area of regional policy. It has to be decided whether the focus should be on reducing disparities and stimulating those regions which are economically lagging behind or on supporting strong and competitive regions, which would in turn motivate the weaker ones and thus get them to catch up with the rest. The essence of this dilemma is analysed by A. Kukliński, who distinguishes between a regional policy focused on the social aspect (assessed negatively) and a regional policy with an emphasis on global issues and increased competitiveness of the Union on a global scale (assessed as more efficient).³

¹ It should be noted that the first consultation meetings organised by Commissioner Barnier to discuss the new cohesion policy focused on "whether to maintain the cohesion policy", which however was a reaction to the suggestions of the renationalisation of regional policy made by some member states and concerned the question of "whether to maintain the EU regional policy".

² Compare: T.G.Grosse, Introduction in: T. G. Grosse (red.) *Polska wobec nowej polityki spójności Unii Europejskiej*. ISP, Warsaw 2004, p.22-24

³ Compare: A.Kukliński, *Rozwój gospodarki opartej na wiedzy. Trajektoria regionalna*. in: A. Kukliński (ed.) *Gospodarka oparta na wiedzy. Perspektywy Banku Światowego* Warsaw 2003, p.201

As the dilemma is not of an academic nature but has come out in the process of budgetary decisions preparations, one should expect strong reactions reflecting individual interests. We can assume that particularly in those member states where less developed regions are an issue, there will be more readiness to support any such models, which could guarantee those countries higher financial allocations. The same group would also be rather sceptical about cutting resources for reducing disparities and allocating money “as if saved in this way” to support the most competitive but at the same time better developed regions. In this case we will be dealing with support for the so-called **traditional regional policy**, which is often seen as ‘defence of national interests’. Such an attitude stems partly from a justified fear that allocating some resources to support the most competitive regions will not be coupled with a global increase of the total allocation. On the contrary, there will be a tendency to reduce to cut the financial resources on the whole.

Efficiency of the cohesion policy

While preparing for the new programming period the EU institutions verify again whether the cohesion policy, which is currently implemented, is effective with respect to the targets it was supposed to meet ⁴. If one assumes that its aim has been to reduce disparities in the level of development between member states’ regions i.e. to achieve better social and economic cohesion, the assessment made before the 2000–2006 programming period is not that positive⁵. It was on the basis of that efficiency assessment as well as forecasted consequences of the enlargement, which was to take place at the end of that period, that a change was introduced to the system of structural funds programming and implementation. It is characteristic that in general the policy was not changed due to its long term positive impact and expected radical growth of the level of disproportions in consequence of the EU enlargement.

Subsequent reports proved that disparities between regions within the EU were being reduced but at the same time differences between regions within individual member states remained the same or increased⁶. Despite critical remarks or even proposals to abandon the policy of reducing disproportions, numerous works consisted of evidence resulting from various analyses which led to a conclusion that cohesion policy was effective in the long-term perspective and thus must be maintained.⁷

In the light of the above, it is not surprising that the European Commission’s view expressed both in the Second and further developed in the Third Report on Economic and Social Cohesion is to maintain the EU cohesion policy. In practice, it means that actions aimed at reducing disparities between regions of the EU member states will be continued. The question which has to be posed is whether faced with a dilemma concerning the shape of the cohesion policy the

⁴ Compare: reports prepared by the European Commission:

First Cohesion Report—1996

Second Report on Economic and Social Cohesion —2001

First Progress Report on Economic and Social Cohesion—2002

Second Progress Report on Economic and Social Cohesion—2003

Third Report on Economic and Social Cohesion

⁵ Compare: TG. Grosse, *Polityka regionalna Unii Europejskiej i jej wpływ na rozwój gospodarczy*. ISP, Warszawa 2000, s. 24–31

⁶ Compare: Communication from the Commission: Second Progress report on economic and social cohesion, Brussels 2003

⁷ Compare: A.Castells, M.Espasa *Do Structural Actions Contribute to Reduced Regional Disparities In the European Union*. W:B. Funck, L. Pizzati :*European Integration, Regional Policy and Growth*, The World Bank, Washington, D.C. 2003, p.167–177

European Commission decided to focus exclusively on reducing economic and social disparities or if it is going to aim at targeting two priorities i.e. convergence and competitiveness at once.

Context of the debate—the Lisbon Agenda

In Lisbon, March 2000, the first year of the new financial period (2000–2006), i.e. following the decision on the rules governing regional policy and criteria determining which regions would benefit from structural funds and which countries would access the Cohesion Fund, the heads of EU member states signed up to a programme widely known as the Lisbon Agenda. The basic principle of the programme, as described by J. Szomburg, is “to aim at better use of the existing EU potential through deregulation and marketing as well as active building of new competitive advantages”⁸

The ambitious strategy assumed that spending public money should be more pro-development oriented. It also focused on the methodology of its implementation as well as on the kind of activities, which should receive financial support.

Since the Lisbon Agenda was drafted after the commencement of the cohesion policy implementation processes for 2000–2006, one of the key issues was to define the relationship between the two of them. It was particularly important to determine whether the Strategy could and should be implemented also through the cohesion policy. It was necessary to provide an answer to those questions as the new EU strategy could start raising concerns and suspicions that the policy of reducing disparities would be gradually abandoned to make place for the process focused on increasing competitiveness and accelerating growth.

The Lisbon Agenda versus cohesion policy—difference in methods

The Lisbon Agenda is based on a method of open co-ordination used earlier both by the OECD as well as the European Commission⁹. The method of open co-ordination is also known as “soft means of meeting common targets by EU member states”¹⁰, or “persuasive method for taking forward joint initiatives”¹¹. It is implemented through agreeing common targets and schedules of their realisation, accepting common indicators to measure the results, transferring common targets to national and regional programmes and carrying out regular reviews to exchange experience¹². This method, as its name suggests, is not based on executing certain Community laws but on decisions reached through consensus as well as co-ordination and best practice exchange. The method of open co-ordination does not pose any limitations to the independent status of individual member states. It does, however, require their active participation in the decision making process when it comes to agreeing common targets and deciding on the means of their realisation which best suit the reality of each member state.

The decision making process in case of the cohesion policy is entirely different and it was implemented together with redistribution policies. It is based on a *method of multi-*

⁸ J. Szomburg, Biała Księga 2003. Część I Polska wobec strategii Lizbońskiej. Gdańsk Warszawa 2003, p.9

⁹ Compare: L. Jesień, Otwarta metoda koordynacji, jej kontekst europejski i znaczenie dla Polski. Annex to J. Szomburg Biała Księga... op.cit. p.59–61

¹⁰ J.Ciechański, Otwarta metoda koordynacji w Unii Europejskiej, wpływ na politykę społeczną i zatrudnienia nowych państw członkowskich. Scholar, Warszawa 2003 p.9

¹¹ J.Szomburg, Biała Księga... op.cit. p.10

¹² Compare: J.Ciechoński, Otwarta metoda... op.cit. p.7

level management where there is a requirement that certain institutions are responsible for programming and implementation of structural funds, which creates an opportunity to designate appropriate management responsibilities to individual levels of administration from ultra-national through national and regional down to the local one¹³. Cohesion policy makes use of legal instruments (treaties, decisions) and financial instruments (structural funds, Cohesion Fund, EBI).

When comparing both methods one can observe that the key difference lies primarily in the fact that one is based on joint decisions with regard to targets and means of their realisation as well as consistency of actions taken to achieve those targets. And the other focuses on implementation of common policy defined in binding legal acts by means of common funds.

Are we then dealing with a contradiction or with different levels of programming? The question is not groundless as the opponents of the common EU cohesion policy (including the supporters of its renationalisation) use the implementation of the Lisbon Strategy as a kind of an argument in favour of abandoning the co-operation in reducing disparities. Instead, they propose a mechanism of collective decision making with regard to pro-development initiatives.

The supporters of the cohesion policy (including the European Commission) do not aim at exposing potential discrepancies. They are rather more interested in proving that the cohesion policy has a significant contribution to the implementation of the Lisbon Agenda¹⁴ and is among the key instruments for its realisation. This would mean that agreeing key targets, methods for their implementation, monitoring and evaluation would be done in compliance with the rules of the open co-ordination method. The financial resources for implementation of the cohesion policy can be used to support the realisation of the Lisbon goals (assuming of course, that the targets and priorities of the cohesion policy are consistent with those realised within the Lisbon Agenda framework).

One question still remains to be answered. The Lisbon Agenda declares that the focus should now be on clearly more pro-development measures with an emphasis on higher competitiveness. If put into practice, is it not going to result in the attempt to increase the level of economic growth in those regions, cities and areas which having better development capacity and being more competitive can play a significant role anyway? Such a solution would *de facto* result in the limitation of the scope of structural interventions, which are there to address the needs of less developed areas requiring more dynamic pro-development measures. It would thus mean that the appearance of the Lisbon Agenda clearly changed the character of the EU cohesion policy.

One could risk a statement that the Lisbon Agenda widened the framework of the EU cohesion policy. To be more precise, it strengthened those aspects which have long been developed but have not been included in the widely functioning scheme with the emphasis on reducing disproportions where they were most acute i.e. in the areas of technical infrastructure, in particular with regard to transport and environment. The Lisbon programme on the other hand, highlights the importance of knowledge-based economy, development of e-society, research and innovation. To be able to say whether this programme has so far been implemented through the cohesion policy one needs to verify where those aspects connected with building knowledge based economy fit within that policy.

¹³ Compare: L.Jesień, *Otwarta metoda...* op.cit. p.60

¹⁴ European Commission report: *Competitiveness, sustainable development and cohesion in Europe*. From Lisbon to Gothenburg. EC 2003 Brussels

Knowledge based economy within the cohesion policy

In the previous programming period of 1995–1999 decisions were taken to finance a number of innovative measures including particularly those connected with the promotion of technological innovations and e-society from the European Regional Development Fund. That allocation was to support the creation of Regional Innovation Strategies (RIS), Regional Technology Transfers (RTT) and pilot projects aimed at setting up Regional Associations for the E-Society (with additional resources from the European Social Fund). The regions implementing such projects belong to the Innovating Regions in Europe Network RIS-RITTS.

In 1997 the European Commission made a special announcement emphasising the need to take advantage of the possibilities the e-society can offer in terms of cohesion policy implementation, and declared even wider allocation of structural funds for actions aimed building the e-society. The text of the communiqué consists of recommendations for member states on how to widen the telecommunication networks, create strategic plans to support e-societies and encourage the use of Public Private Partnership¹⁵.

Preparing the cohesion policy for 2000–2006 the Commission envisaged the possibility to use structural funds for research, technological development and innovation both in the Objective 1 and Objective 2 regions. The draft version of the proposal of expenditure from the European Regional Development Fund (submitted to the Committee of the Regions and Social and Economic Committee for their opinion) can serve as an example. The document defines how the ERDF should support the development of the e-society and what requirements have to be met by potential beneficiaries¹⁶.

On the basis of positive experience from the period of 1995–1999 and taking into consideration the implementation of the Lisbon Agenda, in the first year of the new programming period, i.e. in 2000, the European Commission began to promote a new edition of support from the ERDF. The assistance was offered for innovative regional development measures 2000–2006. The Commission proposed three main themes around which the innovative programmes could be built:

- regional economies based on knowledge and innovative technologies
- e-society supporting regional development
- regional identity and sustainable development.

On one hand side, the above examples prove that knowledge based economy related issues were included into the scope of measures supported within the cohesion policy from structural funds. On the other hand, however, they demonstrate that the Commission promoted new initiatives aiming to support those measures that were in demand. The intention was also to encourage a wider best practice exchange as if such schemes were infrequent and not spontaneous enough.

The reason for that was the awareness of huge discrepancies between EU regions with regard to the level of involvement in research, technological development and innovation (RTD&I). And it was proved that there was a direct relation between the level of development in that area and the economic situation of the regions. It was estimated that the disproportion between the regions of EU 15 in terms of expenditure for RTD&I was twice as high as the disproportion in social and economic cohesion.¹⁷ The Second Progress Report on Social and Economic Cohesion consists of information on 176 regions from EU 15 where only in case of 17 the expenditure for R&D

¹⁵ European Commission Communiqué: Cohesion and the Information Society. COM(97) 7/3

¹⁶ It is characteristic that the Commission does not allow for the use of structural funds to co-finance teleinformatic networks at the same time encouraging to support those regions in building e-society and particularly in developing the capacity to efficiently use communication technologies among institutions and companies. The basic condition for a region to receive assistance from ERDF is to have an agreed strategy for the development of the e-society.

¹⁷ Compare: G.Crauser, Regional Innovation Policy under the New Structural Funds, speech made during the II Plenary Meeting—Innovating Regions In Europe (RIS-RITTS NETWORK) Madrid 15.06.2000

exceeded 3%GDP and in 86 regions amounted to less than 1% including less than 0,5% in 27 of them¹⁸.

If there is a correlation between RTD&I related measures and regional economic development, and if reducing differences in the level of development i.e. achieving better social and economic cohesion depends on pro-development measures in less developed regions one could justify a thesis that **diminishing disproportions in RTD&I development is a pre-condition for reducing discrepancies in social and economic development of European regions**¹⁹. In such sense, any initiatives aiming at reducing differences have a pro-development and pro-competitive character. If one looks at the data quoted above, the thesis seems to be true for both the new member states but also for the EU 15 regions.

One could thus draw a conclusion that **even a number of extensive, indispensable measures taken to diminish differences in the level of development and to improve the underdeveloped technical, transport, environmental and social infrastructure are not enough to boost the economic growth. They need to be accompanied by other measures aimed at bridging the gap between regions resulting from different degree of their involvement in the development of knowledge based economy.** In this case a different type of remedy is required if the gap is to disappear. A.Kukliński describes it as “a regional system of active management”²⁰ and it is that kind of activities that the Commission encourages by subsequent initiatives. In short, they could be characterised as creating demand for knowledge based economy.

Knowledge based economy is nowadays an area where the cohesion policy has a significant impact and reducing disproportions is to a lesser extent seen merely as catching up with the others and more often as leading to the increased economic growth. Such an attitude is of great significance for the new member states having a lot to catch up with and may raise certain fears as to the limitation of the range of support.

The cohesion policy is widening its scope and, in the opinion of its supporters, is far from getting expired—on the contrary, there is a growing demand for it and its ability to respond to new challenges. In its reports published in 2003 the European Commission proved that almost 90% of programmes financed from structural funds in Objective 1–3 areas might be considered as contributing to the implementation of the Lisbon Agenda. And that is despite the fact that their authors could not have been aware of the Lisbon and Gothenburg decisions when preparing them in 1999–2000²¹. That surprisingly wide interpretation (particularly important in the light of the debate on the future of the cohesion policy) was to prove that the cohesion policy fit within the main stream of changes the European Union was going through and should keep on playing a significant role²².

The Report on Social and Economic Cohesion —cohesion for growth

The proposals made in the Report on the new cohesion policy draw on two basic factors. It is enlargement with its serious consequences for cohesion and competitiveness, and new challenges

¹⁸ Compare: Second Progress Report on economic and social cohesion. COM(2003)34 final, Brussels 30.01.2003

¹⁹ Compare: G.Crauser, Regional Innovation... op.cit.

²⁰ A.Kukliński Rozwój gospodarki... op.cit. p.199

²¹ Competitiveness, sustainable development... op.cit p. 6–7

²² It is most probably not a deliberate intention of the information to cause an impression that the Lisbon Strategy is not an entirely new programme but to a significant extent an attempt to put the pro-development measures used so far in some structure.

the EU has to face i.e. the consequences of globalisation, trade liberalisation, technological revolution, development of knowledge based economy and society as well as ageing of the society and increased migration.²³

The key targets were defined in Lisbon and Goeteborg and in the next financial perspective certain measures have to be adapted to enable their realisation. The authors of the Report have assumed that there is a direct relation between cohesion and economic growth, which seem to be strengthening each other. In their opinion "...by reducing disproportions the Union helps to ensure that all regions and social groups can make their contribution and benefit from its economic growth"²⁴.

If, in accordance with the Lisbon declarations, the Union is to become the most competitive, dynamic, knowledge based economy, able to maintain a steady growth rate and guarantee more and better jobs as well as higher degree of social cohesion²⁵, which is to be achieved through pro-development measures, the meaning of the thesis the Report consists of i.e. that **cohesion policy must be treated as an integral part of the Lisbon Agenda** is self-explanatory²⁶. The targets agreed on the basis of a joint decision should be reflected in national and regional programmes and instruments used for the implementation of the cohesion policy should become the best means by which those targets should be met. It is significant, however, that we are dealing here with a much wider interpretation of "discrepancies". It is taking into account not only the level of development measured in the rate of GDP per capita but also, for instance, the level of allocations for RTD&I. Therefore, the cohesion policy is seen in a wider context and one would expect that it would embrace all EU regions and not only those which occupy lower positions in the tables prepared on the basis of GDP indicators.

With the EU enlargement a number of regions significantly lagging behind in terms of the average level of development has suddenly increased. There are all sorts of disproportions in case of those regions. To their advantage though, the criterion applied in the current financial period i.e. calculation of the GDP per capita at the regional level will be maintained (the regions with less than 75% of the EU GDP per capita will qualify for assistance). The key objective of structural interventions is **convergence**. It is, however, is not going to be the final target but means through which one could reach a higher level of economic growth and create more jobs.

One question becomes critical in this context: "what sorts of disproportions will the weaker regions decide to reduce with the funds they will have access to?" Will they simply decide to support what has so far been neglected or choose to spend a significant chunk of this amount to reduce development deficiencies i.e. concentrate on supporting research, innovative technologies and e-society.

Potential beneficiaries from the group of 'weaker' regions have to acknowledge that decisions have been taken to implement the Lisbon Strategy through the cohesion policy and that its impact so far has been positively assessed. Therefore, it has also been decided to extend the support within its framework to include those regions which do not qualify for assistance on the basis of their level of development measured with the GDP per capita criterion (none of the regions except those under the "convergence" priority has been excluded!). Thus, the cohesion policy will also cover those regions which despite reaching a higher level of development (measured objectively) require assistance to be able to cope with major problems in the light of the new challenges the EU has to face. They will be supported under the "competitiveness and

²³ A new partnership for cohesion. Third report on economic and social cohesion. Chapter: Conclusions- a proposal for a reformed cohesion policy . Brussels 2004

²⁴ Ibidem

²⁵ Presidency Conclusions: Lisbon European Council,23 and 24 March 2000,\$5

²⁶ Compare: A new partnership... op.cit.

employment” priority, which has a much smaller allocation (18%) and it is suggested that the co-financing proportions should be 50/50. Still, one has to bear in mind that the EU funds in this case will be matched with resources from areas of much higher co-financing capacities. The beneficiaries from those regions with long experience in structural funds absorption and an opportunity to retain access to the EU assistance will probably come up with more pro-development measures. And it is expected that they will be interested in promoting innovation and knowledge based economy.

It is important from the perspective of the new member states to use substantial part of their structural funds allocation for pro-development, pro-competitive and pro-innovative measures. This would be in line with the view that meeting the Lisbon Strategy objectives should from now on become the target of all EU regions. As it does not seem right to limit their scope for the time being to the stronger regions, and only when the disproportions are reduced invite the weaker ones to join in.

Linking cohesion policy with the Lisbon Agenda has proved the need for its continuation or even widening its scope. Simultaneously, its priorities have to be adapted to the targets agreed in Lisbon and Gothenburg.

In the light of the proposed solutions, the question “cohesion policy or growth” is not accurate and should be replaced with a new statement i.e. “cohesion policy and growth” in consequence of accepting a new relation between the two.

Comment

The first years of our EU membership will not only demonstrate the level of administrative capacity often regarded as the main condition for the efficient absorption of the EU funds. Above all, we will be offered an opportunity to get actively involved in preparation of strategic solutions for the entire European structure. It will soon become obvious whether the most important question for us is **“what we need the money for and what we should do to get as much as possible”** or **“what sort of shape, character and strategy of the European Union will guarantee its efficient functioning in the global perspective and what kind of Union is capable of creating wider development perspective for its new members (and in particular for Poland)?”**

We have to admit that the above questions are not self-contradictory and their simplistic juxtaposition is aimed at presenting two entirely different points of view functioning in our country, i.e. **“pragmatic”** and **“strategic”** thinking.

“The pragmatists” (both theoreticians and practitioners including some politicians) are mainly going to emphasise the opportunity to access significant financial resources and will be inclined to stress that one should support **any possible** solutions adopted at the EU level which increase our chances for higher financial transfers. It is they who will refer to the notion of fair distribution of resources and say that other less developed countries have already benefited from the assistance and that it is now turn for those whose needs are the greatest. The rhetoric of this group draws on a strong emphasis of particular targets achieved and initiatives realised by previous beneficiaries with the financial support they received, stressing above all the elements of technical infrastructure. “The pragmatists” with their accurate diagnosis of basic deficiencies and areas of negligence have a tendency to look for instant remedies and ways to use the financial resources to meet the basic needs, which, on the other hand, are also important for the country. Any attempts to modify the rules governing the system of distribution or areas covered with the assistance at the EU level are perceived as a threat if only they could lead to any limitation of funds for

reducing infrastructural deficiencies. In the debate on the relation between the cohesion policy and economic growth this group will be inclined to treat those two as alternative options and will be ready to support the cohesion policy.

Presentation of radically “pragmatic” views on the European forum may unintentionally provide evidence proving that less developed countries in their own interest would not object to reducing the pace of changes in Europe. Alternatively, they would accept the two speed Europe agreeing to be included into “the second speed group” leaving “the first” for the better developed countries.

“The strategists”—(a rare category in a country suffering from deficit of strategic thinking) realise and understand the changes taking place on the global and European scale. They also acknowledge that our membership begins in the period when some countries on their own and other with external support have made and are still making and incredible effort to offset their basic deficiencies. The strategists are aware of the new challenges the EU has to face. They know that to face those challenges new strategies as well as new financial and legal instruments are required. The national strategists also realise that it is not **“their challenges”** but in the entire sense of this word—**“our challenges”** and as long as we treat them as ours we will remain in the main stream of strategic planning. Representatives of this category of thinking and functioning will try to make their own creative contribution to the planning process at the EU level. They will thus prove that our country should support measures aiming at modernisation of the functioning of the European structure since our strong position among the leaders on the global scale will in consequence lead to the acceleration of the economic development in Poland. Despite numerous deficiencies, in their opinion Poland should not focus its development-oriented efforts on catching up with the others, although actions should also be taken in this respect taking advantage of all available financial resources. The emphasis should fall on trying to face the key challenges and thus remain in the main stream of changes. In the discussion on the relation between the cohesion policy and economic growth they try to point at interdependence between those two. They would do their best to secure the highest possible allocation for the implementation of the cohesion policy and then ensure that most of the money is spent on pro-development measures, and particularly on promoting knowledge based economy.

DARIUSZ MILCZAREK

FOREIGN AND SECURITY POLICY —A CHALLENGE AND A STRATEGIC CHOICE FOR THE EUROPEAN UNION OF THE 21ST CENTURY

Making decisions regarding development of consistent and efficient foreign and security policy should be included among the most important challenges and strategic choices faced by the European Union in the beginning of the 21st Century. Some politicians, scholars or public opinion representatives in the EU Member States underrate the importance of this issue as they tend to focus upon various aspects of home situation in their countries or in the EU as the whole. Such an attitude is certainly wrong. The area of the EU's broad relationships with the outer world has become more and more important. This is reflected in a number of dimensions, mainly in the growing role of economic and trade exchange in overseas relations which determines development of Member States economies to a significant degree—but not only. Issues concerning foreign and security policy have also gained importance, reflecting significance of the former problem. This can be seen clearly in the obvious weaknesses of the EU which, in many cases, proves to have neither political nor military measures to influence matters of greatest international importance (as in the Iraqi case). Nor it seems to be prepared to face symptoms of war against international terrorism that become more frequent and severe, already affecting Europe directly (as it happened in Madrid).

An analyse of that issue within the frames set for the present book prompts one to argue that, in general, the problem is about the need to make **a fundamental strategic choice between “weak and strong Europe”**. Regarding the foreign and security policy, this comes down first and foremost to a strategic choice: **should the European Union develop its foreign dimension at all** in order to gain position it deserves on the global arena? In other words: should it restrict itself to European dimension only or should it assume the global one? As argued further on, it takes an answer to another strategic choice to deal with the first one: namely that, **whether united Europe should rely to a greater degree upon solutions of a federal or rather confederal model?** The question is implied by the basic fact that adoption of either the two models largely determines the former choice, that between options of the European Union as a sort of power of global influence or as an international actor having just local or, at best, regional importance. The present chapter attempts to answer those dilemmas.

Respective methodological guidelines adopted in this study taken into account, one should point out that, regarding the EU's foreign and security policy, each of the following four concepts apply: **long durations, turning points, trade offs and strategic choices**. This is so since the

evolution of that policy and its potential directions include both processes and phenomena of long-term, evolutionary nature and relatively sudden turns that imply new attitudes and stages of progress. The same holds true in relation to decision-making processes under that policy. We have to deal, in this area, both with decisions made within long-lasting, fixed procedures and with genuine, landmark ones.

The following considerations seek to analyse the issue of a strategic choice regarding the EU's future foreign and security policy. It takes into account a specific nature of the EU as an actor in international relations, peculiarities of its foreign policy, potential for such policy development and, finally, conditions that should be met in order for the EU to gain position it deserves in an international arena.

1. The European Union as an actor in international relations

Inquiring what kind of an actor the European Union has been in international relations, firstly, an immense **complexity** and **uniqueness** of the very EU phenomenon has to be underlined. The Union, taking advantage of an overwhelming historical heritage of European cultural orbit that has emanated world-wide, constitutes the one and only instance, in the history of human race, of such highly integrated international community. It has been based upon ideas and political assumptions suitable thereto and referred to, more or less aptly, as European values. While some characteristic features of the European Union are neither unique nor particular to it, their combined presence in the same time and place makes up (as through a sort of synergy) a new quality. Seen this way, the EU has been a **unique entity**, with no equivalent to match over the whole history of international relations. This is illustrated, among other things, in a specific, unique status within such relations, a status that **neither responds to that of a State nor to that of a classic international organisation**. That makes the European Union (that features, at present, **no status of an international legal personality**)¹ a structure which is based upon assumptions of two basic models: that of **federalism** (also called the **Community method**) and that of **confederalism** (an **intergovernmental method**).²

The European Union's international position, defined by fundamental geo-political determinants, in particular economic ones, may be described as **one of the world's leading**. (This is justified, among other things, by such data as its first place in global export or its GDP similar to that of the USA.) And its distinguishing features do not end here since the EU's uniqueness also concerns **depth and scale of integration**. It should be emphasised that there is no other international community to have developed integration processes taking place therein to such a high degree. This regards both depth of solutions adopted (as evidenced, among other things, by exclusivity of the Community powers in certain areas) and a scale of activities undertaken

¹ Views on this issue differ considerably, yet most experts accord with the belief that at present the EU has no an international legal personality status (see: D.Milczarek, *Status Unii Europejskiej w stosunkach międzynarodowych* (*The European Union status in international relations*), "Stosunki Międzynarodowe", No. 3-4/2001). It has been given legal status only as late as in the Constitutional Treaty. See: K.Myszona, *Projekt Traktatu ustanawiającego Konstytucję dla Europy* (The Draft Treaty establishing a Constitution for Europe), "Zeszyty OIDE", Warsaw 2003.

² In a simplified way it can be explained that federalism treats the processes of European integration as supranational (assuming establishment of institutions empowered with competences of authority in relation to individual States), while confederalism basically restricts integration to intergovernmental co-operation in which individual States are involved preserving their sovereign rights and competences. While both concepts seem to have quite opposite assumptions and goals, in fact they are complementary making a genuine "mix" reflected practically in the way the European Communities/European Union operate. More on the same subject—see: M.Burgess, *Federalism and European Union: the Building of Europe, 1950-2000*, London-New York 2000.

for integration. Expanding gradually, such activities have ended up covering practically all areas of life, if to different degrees. They have been evident in economy, politics, defence, social and cultural matters, scientific studies and research, environment protection, *etc.* The same can be said about the way the EU has been organised or institutional and legal solutions applied. No other integration group in the world, even if numbering more Member States and including highly developed ones among them, managed to achieve such a high degree of consistence and, at the same time, efficiency of actions of its institutions.³

The above peculiarities taken into account, one comes at comprehensive conclusions about the position and the role of the European Union in international relations.⁴ It occurs that the effects of depth and scale of integration, cumulated in a synergetic way with other characteristics, bring interesting results. Namely, the EU stands out among other integrating communities, but even more importantly, it is in position to **gain peculiar advantages over them**. This may be illustrated with an example of achievements of the EU economy. Bringing economic efforts of its Member States together—thanks to mechanisms of the Single Market and the Economic and Monetary Union—it ranks at leading positions world-wide, being actively involved, at the same time, in processes of globalisation, as proven by basic macro-economic ratios. Interestingly, such ratios have been much better than one might presume from potential of the EU Member States resulting from their area, demography, raw materials, *etc.*

A huge, perhaps the most important attainment of the European Communities is that they have managed, throughout the post-war period, to **ensure peaceful development** not just to their members whose number gradually increased, but in fact to the whole continent. This was achieved with appropriate structures of security as well as political, economic and military co-operation established (with support from the American ally) On the one hand they provided conditions to prevent conflicts among Member States, while, on the other, they discouraged potential external enemies (for quite a long time identified with the Communist block countries).⁵

At the same time the European Union has played **a number of international roles**. Among them typical EU's roles related to provision of comprehensive aid to third countries come to the forefront, as well as to promotion of specific **system of European values**. Apart from consolidation of democracy, rule of law or protection of human rights, such values also include a particular model of social development. (A peculiar nature of the EU in this respect is evidenced as we compare it to the system of values and foreign policy of the United States, its principal ally but at the same time its competitor in international relations, as argued in more detail further on.)

Considering the EU's position and role world-wide in general terms one observes a **clear dichotomy**: on the one hand, in line with the above remarks, the European Union has all the potential to act as the leading player on the global scene, but, on the other hand, it seems unable to take proper advantage of its potential and powers. This mainly results from quite an obvious **unevenness in development of the two principal components in the area of the EU's relationships with the world: namely, foreign economic relations on the one hand and foreign and security policy on the other**. (In addition, a lack of proper co-ordination between the way two components work should be stressed.)

³ A separate issue is that to which degree differences in range and scale of integration processes result from conscious choices regarding particular models of integration. The following models are distinguished in literature: European (based upon EC/EU pattern) and American one, the latter assuming much looser integration bounds, predominantly basing on the free trade doctrine.

⁴ See: D.Mileczarek, *Pozycja i rola Unii Europejskiej w stosunkach międzynarodowych. Wybrane aspekty teoretyczne (Position and role of the European Union in international relations. Selected theoretical aspects)*, Warsaw 2003.

⁵ In fact the post-war Europe has experienced some armed conflicts, but only on a local scale, so this doesn't really change that positive opinion.

Foreign economic relations, almost entirely subject to competence of the Community bodies (and as such fitting in the logic of a federal model) have been well-developed since long ago. Moreover, they have everything it takes for further dynamic progress (especially after the launch of Euro and the EU Eastward enlargement) and to strengthen its international position and role, mostly on economic map of the world. Whilst nothing happens automatically in that area and one has to actively strive for maintaining such positive trends in a well-balanced way (which the EU does in fact), there is no reason for any major concern for further development of the economic component.

What is striking, instead, is a presence of undeniable deficiencies in the way the political-and-military component operates. The so-called EU second pillar, *i.e.* Common Foreign and Security Policy and Common European Security and Defence Policy that originates therefrom, have still relied upon intergovernmental co-operation, so it is based, in fact, on principles of confederal model. This is so in spite of an important community-wise evolution. As a result, the European Union's system of developing and, in particular, implementing its foreign policy remains imperfect. It seems even far-fetched to call it a truly common policy and the same relates, to even a higher degree, to the EU security policy which, in fact, remains at a very early stage so far. This means that, compared to economic integration, this component is relatively underdeveloped.

This leads to general conclusion which, put in metaphor, goes like this: despite an enormous growth of its importance world-wide over the past fifty years, the **European Union in international relations has been an economic giant and at the same time a political-and-military dwarf**. In other words, compared to other actors of international relations, the EU has neither developed nor applied in a fully effective way a comprehensive set of instruments it could take advantage of in the area of foreign relationships. This way, it hasn't used all of its actual or potential assets and as such is unable to secure protection of all its international interests. This mainly relates to its military potential, which, while already significant and showing promising signs for further growth, is nevertheless only at a very initial phase of development.

Taken together this goes to show that on an international arena the EU has been an actor to which a concept of the so-called civilian power fits. The core of that concept may be summed up as follows: *"a civilian power has been an entity which influences the international system using mainly economic, financial and political measures rather than military power"*.⁶ Characteristics of such an entity include, among other things, precedence of diplomatic actions in solving global problems and using mechanisms and structures of international organisations to this end.

2. Specific features of the EU's foreign and security policy

Therefore, the European Union has been a specific sort of power having a global range in economic terms while in other dimensions—political and military one in particular—it remains restricted to just regional scale. It should be emphasised at the same time that it is a very specific power also when compared to other ones. As mentioned above, special about it is that it has played a number of international roles among which those of conciliator, of promoter of democratic values or of proponent of peaceful solutions for international problems (in line with the concept of civilian power) seem most significant.

These roles deserve particular attention as they have much in common with the already mentioned peculiar philosophy which underlies the whole EU's international activity and which

⁶ S.Stavridis, *Why the 'Militarising' of the European Union is Strengthening the Concept of a Civilian Power Europe*, EU Working Papers no. 2001/17, San Domenico 2001, p.3-4.

may be roughly defined as supremacy of European values. Without involving in controversy over their precise definition, it is sufficient to observe here that those values clearly privilege dialogue, co-operation and development of comprehensive bounds, while retortion or repression measures of whatever kind are regarded less desirable of effective.⁷

In such an attitude, even as the so-called principle of conditionality is applied—as increasingly is the case—*i.e.* one that makes provision of aid by the EU to third countries dependant upon meeting of certain political conditions, the idea behind it is to achieve positive goals in the form of consolidation of democracy and protection of human rights. This should be made quite clear: isolating of recipient countries from assistance they usually need badly is not an aim behind such tactics at all. As aptly put by K.E.Smith: “*Integration, dialogue and trade should be used to root democracy, economic reforms and <good-mannered behaviour>*”, while sanctions only bring harm to people and generate politically unstable situations. Moreover, they make it more difficult or even impossible for the European Union to influence an inner situation or foreign policy of a given country.⁸

The real nature of such an attitude can be well illustrated as particular case studies are considered. Reaction to announcement of Marshall Law in Poland in 1981 is an example. Unlike the United States (that applied relatively strict economic and political sanctions both against Poland and the Soviet Union), response of the European Communities was more temperate consisting only in imposing—admittedly, under pressure from the USA—limited sanctions only against the USSR. This was justified by an urge to maintain, with neighbouring countries from the Central and Eastern Europe, good economic and political relations, better suited to the goal of maintaining détente and peace on the continent. In a similar way in 1995 the European Union at first reached for the principle of conditionality in order to exert pressure upon the Russian Federation (suspending, among other things, conclusion of a trade agreement) to contain it from repressive actions in Chechnya, but soon a policy of encouragement prevailed and the agreement was signed. Arguments given to justify that change in attitude mentioned the need to involve Russia in structures of European co-operation. Furthermore, contrary to the position of the United States that maintained an embargo on trade with Iran and Cuba, the EU carried on the so-called critical dialogue with Teheran and extended its economic bounds with Fidel Castro’s regime.

As seen in the above examples, an argument about specific features of the EU foreign policy is easier justified by comparisons with foreign policy of another global actor dominant in international relations, *i.e.* that of the United States. There is a fundamental difference not only between style but between the very nature of both policies. Without any in-depth inquiry into complex problems of transatlantic relations, one should point out that while the EU actions—with any potential critical remarks regarding their inconsistency, ineffectiveness and so on—basically fit into the canon of international political correctness, the same can hardly be said about their American equivalent. While steering clear of coarse anti-Americanism, it should nevertheless be observed that, according to Americans themselves (as R.Kagan), the Washington diplomats “*divide the world into good and evil; into foe and friend, while the picture Europeans see is more sophisticated. Confronting their enemy Americans prefer coercion to persuasion, give priority to policy of sanctions rather than encouraging others to behave in a right way, of punishment rather than reward*”. Europeans, on the other hand, “*attempt to influence others in a more indirect way, using more subtle methods (...) usually choosing peaceful solutions and preferring*

⁷ More on the same subject see: L.Stainier, *Common Interests, Values and Criteria for Action in: Towards a Common Defence Policy*, eds. L.Martin, J.Roper, Paris 1995.

⁸ K.E.Smith, *Paradoxes of European Foreign Policy. The Instruments of European Union Foreign Policy*, EUI Working Papers no. 97/68, San Domenico 1997, p.15.

negotiation, diplomacy and persuasion to coercion".⁹ Certainly, such evaluations border at cliché, however they seem to hit the point.

Anyway, **two very different political philosophies are evident: a "harsher" American one and "milder" European one.** The distinction went as far as to gain its name in literature: the U.S. policy was defined, with reference to the famous Cold-War doctrine, as "economic containment", while the EC attitude as "interdependence".¹⁰ Alternatively, terms as "asphyxiation" and "oxygen" are used.¹¹ This is related with the distinction into categories of "hard power" (a policy that exerts different sorts of pressures including the use of armed force) and "soft power", basing on application of conciliatory and peaceful measures.

Looking from perspective of past fifty years controversies in transatlantic relations are nothing new since views and positions of both parties in various areas of politics, economy or defence systems have always differed from each other and they still do.¹² It seems, however, that the situation we have to deal with at present is different in qualitative terms. Notably, fundamental differences have developed and become evident between the European Union and the United States over doctrine and practice, regarding both understanding and implementation of foreign and security policy.¹³ Specifically, this involves—among other things—a different attitude towards problems of modern world. To sum it up in a short and simplified way, Americans (in line with the above-mentioned Kagan's observations) tend to divide the world into good and evil the Manichaeic way, clearly prefer resolute actions consisting in pressing and forcing their way through rather than in persuasion and don't hesitate to make use of arms (as they have shown many times—lately in Iraq).

Moreover, U.S. foreign policy begins to reveal, to a growing degree, unilateral attitude which can be observed not only in political practice but also reflected in official strategic concepts. The so-called Bush's doctrine, announced in the autumn of 2002, has been just one example of such a one-sided attitude, resulting from eagerness to protect American interests and security.¹⁴ According to it, the United States afford themselves the right to evaluate the way global situation evolves independently (*i.e.* even in opposition to the UN or to their allies) and to take any measures they deem appropriate, including the use of military power against so-called rogue countries. What's even more important, such actions may be of preventive nature, so they hardly fit in the logic of modern international law whose rules provide for sanctions for breaking it *ex post* rather than *ex ante*. The best example one can think of is starting armed intervention in Iraq in March 2003.

All of this is contrary to the attitude represented by the European Union. The EU politicians see international problems in more nuance and certainly prefer persuasion and peaceful solutions using political and economic instruments. Also, they are clearly in favour of comprehensive, multi-faceted actions, preferably with official support from the United Nations or at least such as undergo consultation and agreements on a broader arena, for instance within NATO.

An appropriate example of those differences is found in a clearly different attitude towards one of the most important problems to have reached the global range recently, namely that of

⁹ R.Kagan, *Kowboje i barmani (Cowboys and Bartenders)*, "Gazeta Wyborcza", 17–18.08.2002.

¹⁰ Terms introduced by J.Zielonka, *Introduction: Eastern Europe in Transition in: After the Revolution. East-West Trade and Technology Transfer in the 1990s*, eds. G.K.Bertsch, H.Vogel, J.Zielonka, Boulder 1991, p.2–4.

¹¹ See: FL.Lavin, *Asphyxiation or Oxygen? The Sanctions Dilemma*, "Foreign Policy", Fall 1996.

¹² See: synthetic evaluations in: A.Krzemiński, *Burza nad Atlantykiem (Storm over Atlantic)*, "Polityka", 12.10.2002 and an interview made by PHassner, *Ta stara, dobra Europa (Good old Europe)*, "Gazeta Wyborcza", 15–16.02.2003.

¹³ One should not forget the difference between possibilities of carrying on an effective foreign policy by such a power as the United States and by the European Union which groups sovereign States and struggles to develop its foreign policy that rarely exceeds the level of just a compromise between the Community interest and interests of its Member States.

¹⁴ See: "Financial Times", 21.09.2002.

international terrorism. Leaving aside the fact that firm response of the United States following 11th of September 2001 was caused by a direct strike against their territory, it can clearly be seen that transatlantic allies have differing visions on how to solve the problem. Americans, as illustrated by their intervention in Afghanistan and then in Iraq, first of all reach for military measures using political ones to much smaller degree. Most EU Member States led by Germany and France, on the contrary, would undisputedly prefer an opposite sequence of actions, that is to use all political possibilities in the first place, especially within the United Nations, and to reach for military power only as a last resort. (Here, however, the United Kingdom has been a significant exception as well as a couple of other countries—such as Poland—that faithfully support the USA).¹⁵ It seems that in fact this rather stems from a different political philosophy, as outlined above, subscribed to by European politicians, than from the fact that military potential of the EU Member States is vastly weaker than American one so that the Europeans' scope of possible action is simply quite restricted.

Such differences in terms of attitude towards fundamental international problems seem to reach further than suggested by a superficial glance reducing them down to a “family quarrel” within the Western world. While it is not our intent to utter bleak prophecies, one nevertheless should see a threat that over time such dissimilitude may undermine the transatlantic alliance.¹⁶ Both the USA and the EU Member States have already begun pointing fingers at one another with serious accusations: Americans blaming it with passive or even cowardly attitude in the face of global threats, while reproaches cast the opposite way concern political and military irresponsibility and an urge to play a role of “global gendarme”.¹⁷ Both protagonists are right to some degree, although it seems that it is the American policy that raises more question marks and anxiety. Additionally, it is not irrelevant that in terms of culture and civilisation the United States have gradually become more and more remote from their European roots, reinforcing their liaisons with regions which feed them with principal streams of immigration: *i.e.* Latin America and South-Eastern Asia. Consequently, it is quite likely that America is going to lose its interest in Europe.

In spite of presence of the above-outlined controversy or dissimilar political philosophies it should be emphasised that, so far, foreign policy of the European Union as the whole hasn't become anti-American in any respect (neither in economic foreign relations nor in foreign and security policy). What's more, as follows from an analysis of the CFSP, it remains based upon the transatlantic alliance. Nevertheless, the EU politicians repeatedly stress the need to preserve their autonomy in relationship with the mighty partner. For example, Swedish Prime Minister G.Persson had argued before the Iraqi war began that “*the EU has been the only institution allowing us to counter-balance American dominance in the global arena*”.¹⁸ Also H.Védrine, the Minister of Foreign Affairs of France, the country that has traditionally revealed its lack of confidence regarding hegemonic aspirations of the USA, described the United States as a “hyper-power” “*whose strength entails a risk of its monopolistic domination as long as a counterbalance*

¹⁵ Additionally one should point out that transatlantic controversies have already influence Polish foreign and security policy and probably will increasingly do in the future—see: D.Milczarek, *Ewolucja instytucjonalnych aspektów bezpieczeństwa w związku z integracją Polski z Unią Europejską (Evolution of institutional aspects of security in the context of Poland's integration with the European Union)* in: *Polska w Unii Europejskiej. Początkowe problemy i kryzysy? (Poland in the European Union. Initial problems and crises?)*, eds. U.Kurczewska, M.Kwiatkowska, K.Sochacka, PISM, Warsaw 2002.

¹⁶ This has found a spectacular manifestation in NATO around granting, in February 2003, preventive aid to Turkey as part of American preparation to war against Iraq—see: “Financial Times”, 10.02.2003.

¹⁷ According to already quoted R.Kagan, Americans have globally played the role of sheriffs who actively fight bandits, while European not only restrict themselves to a role of passive watchers, but sometimes seem to be more afraid of rash sheriffs than of bandits.

¹⁸ “International Herald Tribune”, 24.01.2003.

is found thereto". The European Union is the only entity able to provide such counterbalance. To do so, it has to "gradually come to regard itself a power".¹⁹

3. European Union—where it bounds in an international arena?

Therefore a question arises whether there is a potential or chances to implement such an ambitious plan or; more broadly, what sort of an international actor the EU may become in the future?

It should be pointed out right at the beginning that any such forecasts are tricky. It isn't easy to describe the future shape of the EU's relations with the outer world, as general course along which the whole Union is going to proceed remains unclear. Then, prognoses regarding the EU foreign and security policy should be drawn with particular caution since this is an area abound with factors unknown and scanty in reliable and well-grounded studies.²⁰

This doesn't mean, however; that experts or politicians give up such an exercise altogether. Different variants are prepared describing how the situation is likely to unfold either in global or regional dimension. It should be firmly underlined that in many cases such attempts seem excessively abstract or theory-laden.²¹ Only studies prepared by serious scholars and institutions, featuring high methodological level and sensibly focused upon their subject-matter, can have real value. They are usually useful in that they reliably gather together, put in order and provide interpretation to data which, as such, were meant to build different types of scenarios or action plans (according to the formula: problem identification—proposals for solutions) rather than to draw forecasts.²²

Then, evaluations regarding the future global importance of the EU differ considerably ranging from bleak scenarios prophesying collapse of the European Union sooner or later to enthusiastic visions of potential replacement of the United States by the European Union in the role of global leader.²³ The latter prognoses rely—denying any prompt objections about their utopian nature—upon rational, scientific premises. Specifically, they are justified, among other things, by a concept of the so-called power transition.²⁴

¹⁹ Quoted from: M.Walker, *Europe: Superstate or Superpower?*, "World Policy Journal", Winter 2000/2001, p.5. See also his opinions (together with Z.Brzeziński) in: "Le Nouvel Observateur", 30.01.2003.

²⁰ See: *Europe in the Perspective of Global Change*, eds. A.Kukliński, B.Skuza, Warsaw 2003. See also: G.Andréani, *L'Europe de la défense: progrès récents et problèmes non résolus*, "Stosunki Międzynarodowe", special issue, June 2002.

²¹ An example is found in the following study: M.G.Roskin, *The Emerging Europe: Power Configuration for the Next Century* (<http://ehostvgw20.epnet.co/fulltext.asp?resultSetId...>). The Author, an expert from US Army War College, prepared a number of scenarios, each including several variables, for instance Europe: united or divided; Germany: weak or additionally strengthened; Russia: hostile towards the West or co-operating, and so on. A number of possible combinations of the variables reaches eight, some of them being quite unlikely (such as that in which all potential actors are hostile to each other) while some other ones are abstractive and useless.

²² Such an in-deep analysis with several variants has been presented by A.Z.Nowak, *Integracja europejska. Szansa dla Polski? (European Integration: an Opportunity for Poland?)*, Warsaw 2002. See also reports: one prepared by the Bertelsmann Foundation: *Enhancing the European Union as an International Security Actor*, Bertelsmann Foundation, Gütersloh 2000, another one being a periodic report by the European Commission experts: G.Bertrand, A.Michalski, L.R.Pench, *Scenarios Europe 2010, Five Possible Futures for Europe*, Forward Studies Unit, European Commission, Working Paper, July 1999.

²³ From very abundant literature on that subject, see: *Actors and models. Assessing the European Union's External Capability and Influence*, eds. P.Willa, N.Levrat, "Europa études" 11–2001, Genève 2001; *Europe in the New Century. Visions of an Emerging Power*, ed. R.J.Guttman, Boulder 2001; H.Sjursen, *The Common Foreign and Security Policy: an Emerging New Voice in International Politics*, ARENA Working Papers 99/34.

²⁴ More on the same subject see: T. Łoś-Nowak, *Stosunki międzynarodowe. Teorie—systemy—uczestnicy (International Relations. Theories—systems—participants)*, Wrocław 2000, p.149–159.

It is possible to prove that in the history of international relations so far we had to deal with alternate emergence and decline of subsequent powers which played, for some time, the leading role in either global or regional (mainly European) scale. During the last three hundred years more than a dozen of such powers may be identified, starting with Turkey and ending with the present superpower the United States. Each developed along several stages: initiating (an original, more or less prompt growth of power), transitional (dynamic consolidation of power) and full growth, when some symptoms of weakening of its power status already begin to appear. An exchange (transition) in the position of the leading power also comes in stages—first a challenger to play the leading role steps up, then he questions the present hegemony's status in order to take on the top position as a result of decomposition of the old power structure.

According to a number of scholars, some symptoms that indicate a fall or rather beginning of the end of the USA power in the global power balance have already begun to appear.²⁵ Even if facts seem to deny that at the present moment, then there's no reasonable grounds to negate the above, empirically demonstrable regularities. What they reveal are certain historical necessities rather than mechanical determinism of historic processes. Eventually, it is quite hard to imagine the power of the USA, unlike any other in the past, will remain dominant in the world forever! Sure enough, time-scale of a new transition remains an open issue, probably ranging over several dozens of years.

There is no doubt that there have been different scenarios for further development of global power arrangement. For example, a unipolar pattern may give way for emergence of bipolar one. However, as one admits the assumption—which seem rational in the light of historic experience so far—that next transition is inevitable, then one consequently proceeds to attempt to identify those players of contemporary international relations who could lay a claim to take the power position over from the United States. They are not many, as, realistically, a group of either actual or potential candidates to the superpower status has been limited to just a couple of countries (notably China, possibly Russia or India) and to one peculiar new-type of participant of international relations in the person of the European Union. Leaving aside an important question to which degree it can act as a uniform, single global actor, one should seriously consider its strengths in this respect.²⁶ Both a very strong international position of the EU (especially in global economy) and relatively abundant catalogue of various important international roles it plays taken into account, one can argue that the **European Union is at a very good starting point to achieve the status of the world's leading power in the future.**²⁷ Whether such a scenario comes true, this depends, naturally, on whether a number of factors pop up or not and on certain conditions being met.

Looking at the EU potential (broadly understood as the whole set of measures rendering it in position to operate on an international scale) it is evident that, as far as some elements constituting the status of power are concerned, the European Union has already got them. This mainly relates, of course, to the enormous economic potential (comparable, taken together, to the American one) as well as capabilities of exerting political influence, especially by playing a role of a civilian power that promotes European values: democracy, rule of law, protection of human rights. Additionally, immense potential of Europe can be mentioned in the area of influences regarding culture or suggesting proven social solutions. These factors, however, do not suffice for

²⁵ Such a view is presented, among others, by a French historian E.Todd—see his study: *Après l'empire. Essai sur la décomposition du système américain*, Paris 2001 and an interview with him in: "Le Figaro", 05.04.2003.

²⁶ It should also be remembered that strongest EU Member States (such as Germany, France, the United Kingdom and Italy) rank at high positions in various global rankings independently.

²⁷ As viewed by a commentator: "Europe is going to become the principal competitor of America and there's no turning back on that road" (Ch.A.Kupchan, *Koniec Zachodu (The End of the West)*, "Forum", 24.02.2003.).

the EU to become global superpower as it seems that in order to achieve that goal, another basic conditions needs to be met.

Undeniably, **to gain a status of power, the European Union has to have a complete set of instruments, including a relevant military potential.** Unless this condition is met, the EU can be an important player in international relations, but with no ability to take real advantage of its significant position and international role. In other words, it is not going to be a full, consummate power.

The EU top decision-makers have been well aware of the above requirement despite notorious controversy among Member States regarding development of the Common Foreign and Security Policy. As put by the French President J.Chirac: *“The European Union cannot exist to the full unless it enjoys autonomous possibilities of action in the area of defence”*.²⁸ Lord G.Robertson, the former General Secretary of NATO, backed him with an apt metaphor: *“without military potential Europe is going to be but a paper-made tiger”*.²⁹ Not dissimilar are positions assumed by the Community institutions. The European Commission was it very clear about it in one of its official documents as early as in mid-Nineties: *“The EU foreign policy suffers from its inability to use reliable military force”*.³⁰ The Commission endeavoured, also at a later time, to unfold *“debates regarding European security and defence policy, which is of crucial importance for political position of the Union”*.³¹

It is on such occasions, however, that clashes of opinion or at least different accentuation regarding the way the goal is to be achieved become evident. Should this happen through reinforcement of Community scope of competence or through intergovernmental co-operation? So, for instance, British Prime Minister T.Blair stated in his address held in Warsaw in October 2000 that he sees united Europe as *“super-power rather than a super-State”*.³² This way he referred to debate on presence of elements of federalism and confederalism in processes of European integration, in which Britons have traditionally supported confederal solutions.

There have been different proposals emerging within that debate in which both politicians and scholars are involved. Among the most interesting is the idea of military criteria of convergence, patterned on the already-known criteria used in relation to the Economic and Monetary Union.³³ Development and implementation of such criteria would complement and at the same time foster implementation of the idea of Common European Security and Defence Policy, first creating a set of conditions whose fulfilment would be necessary and then developing a clear scenario of military development of the European Union. Among proposals put forth in this respect a catalogue of criteria prepared by A.Missiroli seems most interesting.³⁴

The catalogue in question provides for introduction of two categories of criteria: economic-and-quantity-based as well as military-and-functional. The first includes, above all, the requirement that European States belonging to both NATO and the EU have to bear expenses for military spending in the amount of at least 2% of their GDP. While this has been, on the average, met by a group of the EU Member States belonging to NATO, not each of them fills that condition

²⁸ Quoted from: M.Walker, op.cit.

²⁹ See: an interview in: “Le Monde”, 04.10.1999.

³⁰ *Reinforcing Political Union and Preparing for Enlargement*, (COM/96/90 final), 28.02.1996, p.13.

³¹ *Adapting the Institutions to make a success of enlargement: a Commission contribution to the preparations for the Inter-Governmental Conference on institutional issues, 10 November 1999* (IP/99/826).

³² See: “Gazeta Wyborcza”, 08.10.2000.

³³ Such criteria would have been used, among other things, to form a so-called Diplomatic and Military Union (DMU). This was postulated in 1999 by Commissioner E.Bonino.

³⁴ A.Missiroli, *European Security and Defence: The Case for Setting ‘Convergence Criteria’*, “European Foreign Affairs Review”, no. 4/1999. See also: K.Schake, A.Bloch-Lainé, C.Grant, *Building European defence capability*, “Survival”, no. 1/1999 and F.Heisbourg, *LEurope de la défense dans l’Alliance atlantique*, “Politique étrangère”, février 1999.

(Germany being particularly evident exception). Other requirements would regard inadmissibility of further cuts in *per capita* investment ratio (which have been very different), making the army totally or at least partially professional as well as creation of an efficient pan-European military industry fostering further standardisation of military equipment. (The latter postulate has been largely included in provisions of the Constitutional Treaty.)

Another category of military-and-functional criteria would include a fundamental requirement regarding integration of military forces of individual States reaching much further and, above all, being much more effective. This concerns both functional aspect (creation of common units or groups, preferably specialised, *e.g.* in landing operations) and regional one (organisation of forces directed to, for instance, Mediterranean or Central-European area of operation).³⁵ Anyway, provision of a special institutional and legal infrastructure would be required to that end, an embryo of which was established in 1999 during the EU summit in Helsinki, in the form of plans to create European rapid deployment forces.

Such conditions met, it would be possible to implement subsequent stages of the Common European Security and Defence Policy. According to postulates of the Bertelsmann Foundation report, following the first, already initiated stage of that policy, *“its second stage would consist in transition from focusing only on provision of common security and ability to use military force to create a collective and wholly common defence system”*.³⁶ At the same time this would mean fulfilment of Maastricht and Amsterdam Treaties provisions, which provided for establishment of “common defence” for the European Union, whose assumptions—which needs pointing out—would rely, in line with those postulates, on markedly federal principles.³⁷

Therefore, deeply rooted disputes among Member States have not so much been about a **goal** to make a full-size power out of the European Union and consolidation of its position and role in international relations, as about **ways** to achieve that goal. The essence of the controversy seems to consist in a need to make a **choice between an urge to gain a military power status and that to maintain a non-military power status**. In spite of a relatively strong opposition from some scholar circles, public opinion and governments of some countries, the former option seems to take momentum and prevail. Gradually more and more experts and politicians subscribe to it and its justification can be found in an apt statement: *“If the EU intends to take its own aspirations seriously, namely those stipulated for in the EU Treaty and regarding playing an important role on the international arena, rendering it in position to undertake preventive actions and other specific activities, then (...)the only way for it is to equip itself in its own European defence system”*.³⁸

However, one should also remember about limitations and threats in that area. M.Keens-Soper warns that *“Europe must not prepare to the future seen according to just one scenario since developing a reliable list of potential scenarios of global future, if only the most ponderous ones,*

³⁵ Missiroli includes a list of more than forty common military units of different types, formed by different European States (op.cit., p.494–495).

³⁶ *Enhancing the European Union as an International Security Actor*, op.cit., p.73.

³⁷ According to a report of the Bertelsmann Foundation *“during the 2nd stage (to take place in the years 2015–2030) gradual transfer of national competence in the area of decision-making, command and control is foreseen towards a common structure, in which some sort of voting by qualified majority of votes would be adopted, on the basis of jointly agreed legal rules”* (p.74).

³⁸ B.Ch.Ryba, *La Politique Etrangère et de Sécurité Commune (PESC). Mode d'emploi et bilan d'une année d'application (fin 1993/1994)*, “Revue du Marché commun et de l'Union européenne”, janvier 1995, p.31. Such opinions are closely echoed by Polish authors, such as M.Sulek, according to whom *“a decisive growth of the EU's political importance is not going to be possible without a serious increase in armaments and tightening military bounds”* (M.Sulek, *Wielkie jednostki polityczne w świetle syntetycznych miar potęgi (Great political units in the light of synthetic measures of power)* in: *Współczesne problemy globalne a bezpieczeństwo europejskie (Modern global problems and European security)*, Toruń 2001, p.140).

is simply impracticable". Consequently, "it would be more reasonable (if more troublesome as well) to consider as many possible situations as workable".³⁹

Moreover, one should take into account that results of actions undertaken in the area of foreign policy are, in fact, unforeseeable. As justly observed by C.D.Walton, "no matter how laudable are intentions of those who promote common European foreign policy, potential emergence of Europe as superpower may affect global order in a way wholly contrary to that intended".⁴⁰ This, would undermine the balance in the global balance of power in the first place. A situation in which the European Union would become a very serious or even the only true competitor of the U.S. power could (or already has, according to some experts!) prompt the United States to undertake measures in response, putting general stability of the international system at threat.⁴¹ This could, for instance, take form of trade wars intended to weaken European economic strength.

In order to mitigate such a bleak vision one should point out that concepts regarding traditionally conceived international balance of power seem to give way, at present, by to a more modern attitude. The latter one is based on an observation on gradual decay of reasons that have caused perpetual clashes among influences and interests of big powers. As expressed by H.H.Nolte, "if we assume that the EU doesn't intend to compete with the U.S. hegemony, this suggests that rivalry among countries in the area of playing a role of leading power within the global system came to an end (provided, however, that China or Japan do not enter the game)".⁴² Even if we regard that belief too idealistic, it nevertheless deserves attention, at least because it emphasises an important traits of the EU foreign policy, already pointed out above: the fact that it shares with the United States—all disagreement and controversy aside—a catalogue of values and principles common for the whole Western world.

4. Conclusions

There's no doubt that at present the European Union does not play the role of a full-size global power: (The most one can admit thereto is a regional power status.) This is inadequate both to its true potential and to the aspirations it claims, expressed in treaties and repeatedly announced by the EU authorities. First of all, however, this situation does not ensure—as mentioned above—relevant protection of its international interests. The basic reason for that is not as much a lack of means as that of **political will** strong enough, mainly on the part of Member States, to develop the military component of European integration. (Although one should emphasise, at the same time, considerable progress made in this area in the Nineties, when some turning points in that development have begun to appear.) Such lack of political will results, in turn, not only from an irritating nature of the matter, namely Member States' indisposition to give up their sovereign rights in the area of foreign and defence policy.

³⁹ M.Keens-Soper, op.cit., p.75–76.

⁴⁰ C.D.Walton, *Europa United: The Rise of a Second Superpower and its Effect on World Order*, "European Security", Winter 1997, p.51.

⁴¹ As described by one of experts: "As one observes political construction of global society, emergence of another superpower taking a crucial position and controlling resources sufficient to compete with the United States may give rise to serious problems" (H.H.Nolte, *The European Union within the Modern World-System in: The European Union in the World System Perspective*, ed. R.Stemplowski, Warsaw 2002, p.38). According to another commentator, rivalry between the USA and the EU may give rise to a threat that "the next clash of civilisations will not be that between the West and the rest but between conflicted parts of the same old West" (Ch.A.Kupchan, *Koniec Zachodu (The End of the West)*, op.cit.).

⁴² H.H.Nolte, op.cit., p.38.

To a certain degree this is also related to reception of some theoretic concepts that negate the necessity to use military measures in the EU foreign policy, such as the above-mentioned concept of civilian power. While not overestimating influence of such theories upon political practice, one should add, however, that they have brought a certain climate that favours a kind of “pacifism” in the EU foreign policy. This finds additional support in policy of certain Member States (neutral countries in particular) which haven’t been enthusiastic about reinforcing the EU’s foreign and security policy.

Despite such trends, the postulate of growth of the European Union importance in an international arena has been mentioned more and more frequently by both scholars and politicians. There’s no agreement among them, however, as to which measures should be used in order to achieve such growth.⁴³ It seems that the concept of a civilian power—with all its correctness and political attractiveness in the context of promoting European values—cannot consist an adequate solution, mainly due to pragmatic reasons. Examples of Japan (as the country that has been an economic power without political-and-military influence) and Russia (which has been, contrarily, military power with no sufficient economic fundament) make it clear that **it is most appropriate for such power as the EU to have a complete set of foreign policy instruments: economic, political and military ones.** (Such as in the case of the United States that have been a universal power.) Only having full set of instruments renders one in position to response in a flexible way, relevant to a given situation and provides an adequate space to undertake efficient actions in an international arena. As expressed by High Representative for the CFSP J.Solana, “*The EU has already got very important instruments for carrying on legitimate foreign policy in areas of economy and trade. At present it intends to develop such tools as—if need be—enable it to exercise power to protect its vital interests*”.⁴⁴

All this means that the **European Union should tend towards further consolidation of its international dimension**, which means—the first fundamental strategic choice outlined at the beginning of this Chapter taken into account—that the **EU should become a power on the global scale.** It should be emphasised on that occasion once more that this is dictated by the **necessity to protect its various interests** of political, economic, military or social-and-cultural nature, rather than just by an urge to satisfy its political ambitions and the need of prestige.

This assumption made, we are led to another conclusion: **from the point of view of interests of the European Union as the whole, it would be desirable to control as far as possible or even eliminate disproportion in development of both basic components in the area of its relations with the abroad**, namely foreign economic relations and foreign and security policy.

The basic justification for that postulate is that only its fulfilment can put the European Union in position to gain an even higher position it deserves and playing an even more significant role globally, to which it has all the assets it takes: both in objective (economic power) and potential (abilities in political and military area) terms. The lack of an adequate co-ordination among components of the EU foreign policy, evident at present, and, most of all, deficiency of underdeveloped political and military tools, seriously undermine the EU’s abilities to act effectively in the international arena. More precisely, it can be said that **unless it has a well-balanced and co-ordinated economic, political and military potential at the same time, the European Union is going to be limited, at best, to a role of a regional power** (that it undisputedly plays at present). On the contrary, **fulfilment of that postulate would open up its way to gain in the future a global power status**, comparable to the role and position enjoyed today by the United

⁴³ The debate on that subject is presented more extensively in: K.E.Jørgensen, *Three Doctrines on European Foreign Policy*, “WeltTrends”, no.42/2004.

⁴⁴ “International Herald Tribune”, 26.01.2000.

States. This way—in line with the essence of the strategic choice defined above—it would be able to secure its vivid interests.

In order to meet this postulate in practice it would take to seriously reinforce a political-and-military component and this, in turn, would result in limitation or even elimination of the most important barriers (political, institutional, legal and so on) in its development. There have naturally been a number of reasons for such deficiencies, however it seems that **the Common Foreign and Security Policy having an insufficient Community-wise nature** has been the most important single barrier. In other words, this means a **lack of a single effective decision-making centre**. Such a centre should initiate, co-ordinate, implement and supervise actions undertaken in the area of foreign and security policy or—still better—in the whole area of relations with the outer world. This lack of proper co-ordination within that policy has become a deficit more and more painfully experienced by politicians and the EU institutions. In this context proposals appear to increase a level of consistence of the EU's foreign policy, among other things through merging positions of the High Representative for the CFSP and the commissioner for external relations. Such proposals have been put forth, among others, by the European Commission as well as a number of European politicians⁴⁵ and they found implementation in the provision of the Constitutional Treaty establishing the position of the EU Foreign Affairs Minister. Additionally, such a single decision-making centre should have actual, adequate competence of authority in relation to Member States and to Community bodies.⁴⁶ Anyway, the barrier in question is going to last as long as the EU Member States, afraid of losing their sovereign competence in so sensitive areas, remain unwilling to give up at least a part of it to supra-national Community-level bodies.

This way we come at dissolution of **the second fundamental strategic choice**: that of establishment of decision-making centre in the area of the EU foreign policy, meeting the above-mentioned conditions, would only be possible provided **acceptation of federal solutions**. Admittedly, it is evident that the mixed model that has been in place so far, doesn't work properly and going any further in confederal solutions basing upon intergovernmental co-operation would aggravate the present unsatisfactory situation even more.

One should add in this context that proposing such a postulate is only meant here as a politological diagnose taking only a criterion of effectiveness into account. (Of course, both different analytical attitudes, advocating development of confederal model⁴⁷ and different political postulates favouring more prudent practical solutions are possible.)⁴⁸ Nor is the above postulate

⁴⁵ See: *Communication from the Commission. A Project for the European Union*, Commission of the European Communities, Brussels, 22.05.2002, COM (2002) 247 final. It is argued in that document that the EU's "policy has to become more consistent", and "an individual representation of collective interests is of key importance" (p.12, 14). Similar postulates were submitted in 2003 by the French President Chirac, German Chancellor Schröder and Danish Prime minister Rasmussen—see: "International Herald Tribune", 03.03.2003.

⁴⁶ As put by the former Commissioner H.van den Broek, "the voice of Europe over global matters is going to be audible only provided this will be one, common voice" (H.van den Broek, CFSP: *The View of the Commission in: The European Union's Common Foreign and Security Policy. The Challenges of the Future*, eds. S.A.Pappas, S.Vanhoonacker, Maastricht 1996, p.23).

⁴⁷ Such an opinion is presented, among others, by R.Kuźniar, according to whom "the most desirable for a meaningful international identity of the EU would be an intergovernmental model with a strong command. A community model, considering membership profile of the EU, would suffer from an insufficient political and social legitimacy for the EU to play a strong international role" and "would be of more advantage only from the point of view of inner integration of the EU" (idem, *Międzynarodowa tożsamość Europy (UE) (An international identity of Europe (EU))* in: *Unia Europejska nowy typ wspólnoty międzynarodowej (The European Union—a new type of international community)*, ed. E.Haliżak, S.Parzymies, Warsaw 2002, p.29).

⁴⁸ The European Commission believes, in the above quoted statement, that "evolving the EU foreign policy Community-wise using traditional Community procedures is out of the question", although, on the other hand, "nor should we bend our foreign policy towards an intergovernmental model..." (*Communication from the Commission...*, op.cit., p.12).

meant to suggest that it promotes any particular political/ideological option as direction of further EU development remains unclear after all.

Among a very large number of views on that subject there have also been those (expressed by prominent politicians)⁴⁹ that reject the strategic choice favouring development of the EU international dimension and call to abandon aspirations for the EU to play any major role in the world, let alone its ambitions to become power. Such voices call for limitation or giving up building the EU's autonomous military potential altogether. This, however, doesn't affect the fact that regarding as important an area as the European Union's relations with the outer world the **federal model is more useful**, while maintaining any sort of middle-course solutions or implementation of confederal vision would only preserve the present unsatisfactory situation.

All that issue has been closely related to an enormous challenge having crucial importance, regarding the future of all processes of European integration. No matter how differently this issue is presented, essentially **the European Union has already faced the need to make a historic, strategic choice**—either to develop its supranational structures further on and rebuild its Community-level competence in all areas, including foreign and defence policy (which implies adoption and implementation of federal model) or to preserve or possibly only improve the existing procedures of intergovernmental co-operation based upon a confederal model. What depends on making of that historic choice is not only the future of the European Union itself (including its international dimension) but the future of European integration as well and—therefore—of all our continent. The worst attitude possible it would be to wait passively and make no choice at all. As rightly observed by A.Z.Nowak, “*a failure to solve these issue may seriously hinder the process of integration deepening*”.⁵⁰

There has been much evidence suggesting that the present formula of European integration taking advantage of elements of both models has ran out, especially in conditions of the EU Eastward enlargement. This enlargement of membership and potential of the EU, unprecedented in all respects, is not only going to provide immense opportunities for growth but also to become a serious trial for the EU institutional and legal structures and for political consistence of all members of that qualitatively new European Community.⁵¹ Are they going to be able to cope with such a challenge and to clearly define the shape of the future united Europe?—it's hard to tell yet. As pointed out before, any attempts at forecasts in this area may easily undergo sceptical judgement and experience from both the work of the European Convent and from the Constitutional Treaty developed thereby haven't managed to solve all problems and dilemmas.

Nevertheless it seems that no matter which further difficulties are encountered in this area, development of the European Union's foreign and security policy has been a long-lasting and well-rooted process. Furthermore, it fits well with the logic of integration processes that take place in the Old Continent.

⁴⁹ See a debate in: *O przyszłości Europy. Głosy polityków (On future of Europe. Politicians opinions)*, Warsaw 2000.

⁵⁰ A.Z.Nowak, *Integracja europejska... (The European Integration...)*, op.cit., p. 36.

⁵¹ An early symptom of troubles that are quite likely to appear in this context can be seen in the above-mentioned controversies resulting from the fact that the EU Member States as well as countries-candidates to the accession had proven unable, early in 2003, to develop a uniform position regarding the American armed intervention in Iraq.

KOLJA RAUBE

EFFICIENCY AND DEMOCRACY IN CFSP/ESDP—THE INSTITUTIONAL SET-UP OF THE CONSTITUTIONAL TREATY

Introduction:

How efficient and democratic is European governance?

Two ingredients have influenced the policy-making in the European Union especially: efficiency and democracy (Scharpf 1999). Whereas the one ingredient “efficiency” was linked to the „output-legitimacy” of governance, “democracy” was linked to „input-legitimacy”. The theoretical concept clearly showed that „output-legitimacy” was assumed to be as much a factor of legitimation in a political system like the European Union as the “input” side of it. Indeed, efficiency has been the primary interest of policy-making for a long time (Mayntz 2004).

If we exit the policy-making level and enter the constitution-making level of European governance¹, the same can be imagined: problem-solving-capacities of the EU can be linked to *efficiency* as an ingredient of the constitution as well as polity-legitimacy to *democracy* (see table 1). The division between policy-making and constitution-making is made, because the level of governance between the two is assumed to be different. Whereas policy-making might be called 2nd order governance, constitution-making might be called 1st order governance. This differentiation shows clearly that constitution-making processes and their results of constitution-making (constitutions) influence policy-making as 2nd order governance, because they set the institutional frame of policy-making. However, in the past “input” and “output” of either policy- or constitution-making were not linked (Mayntz 2004). One of the proponents of the linkage between „input”- and “output”-legitimacy wrote:

“Models of inclusion such as public debates, involvement of those affected, involvement of experts only, etc. can be justified functionally on the grounds that they help enhance problem-solving (e.g. through the utilization of additional societal grounds) and acceptance, or help facilitate implementation (Wolf 1999: 351).”

The point to be made in favour of such a linkage is that “input”- and “output”-legitimacy belong together. Efficiency cannot be assumed without democracy and the link between the two is provided by methods of deliberation as advocates of this claim show (Wolf 1999). Clearly, the

¹ Governance shall be defined as processes of political action that lead to the formulation of common legally binding rules. For a closer discussion on governance see Mayntz 2004.

results of decision-making processes are more efficient if they are inclusive. That means the decision-making processes have to be open, representative, transparent and accountable as well as communicative and argumentative if the results shall be accepted by a large majority within the constituency. The assumption is that only if decision-making includes such forms, the constituency is willing to accept the policy-results taken (Wiener 2003:10-11).

Table 1

Efficiency and Democracy as two ingredients on two levels of governance in the EU

| Ingredients of Governance Level of Governance | Efficiency | Democracy |
|--|--------------------------|-------------------|
| Policy-Making | Problem-Solving | Legitimacy |
| Constitution-Making | Problem-Solving-Capacity | Polity-Legitimacy |

In this paper I try to claim that such a view is as well policy- as polity-oriented. That means if we talk about efficiency as the only way to solve problems in policy- and constitution-making the institutional background cannot be neglected. This is true for the Common Foreign and Security Policy (CFSP), too. In the process of European constitution-making it might become necessary to talk about the “Constitutional Foreign Policy” or the “Constitutional Law of European Foreign Policy” (Krajewski 2003). Then, looking at CFSP on the constitution-making level as “Constitutional Foreign Policy” means to test it against its problem-solving-capacities and its function of legitimating the polity in the context of CFSP on a daily basis (see Table 1).

Whereas the European Union is based on democratic values (Art. 6 I TEU), institutions have to follow the claim: “Democratize, now!” Of course, as we know from the ongoing debate about democracy in the European Union, democracy might be the leading concept from a normative point of view (Føllesdahl 1998; Dahl 2000), but speaking from a point of European Law the European Union is still nothing else but an organization of states which have their final say on the developments of the organization.

The newspaper campaign of Habermas and Derrida in 2003 clearly pointed into the direction of a transnational European Union—a European Union connected through national (but Europeanized) publics as the basis for a European democracy of many European demoi. After since Jürgen Habermas has not become tired to mention that the Constitution for Europe might become the initial momentum of different European publics which lead to the premises of a European democracy (2003). He is not alone. Quite many researchers mention that the Constitution could provoke a “constitutional moment” (Eriksen/Fossum/Menédez 2003; Landfried 2004a). Such a constitutional project moves the people and the peoples of Europe into the centre of attention rather than the member states.

I will structure my paper as follows: First I will introduce how the concept of “input” and “output” legitimation can be linked and how this might work on the policy- and constitution-making level of the European Union. Second, I will show that the Constitutional Treaty (CT) would make the European Union more transparent and democratic, if it was implemented.² Decisions could be taken more easily and with new modes of input in many areas of policy-making. This might have crucial influence on efficiency. Third, this is however not true for the field of the Common Foreign and Security Policy (CFSP). Although CFSP remains not a mere intergovernmental, it is at least a “brusselized” institutional arrangement (Müller–Brandeck–Boquet 2002), which still incorporates elements of non-democratic and non-efficient governance. Third, I will argue that in cases of non-agreement the prospect of a two-track-Europe might emerge (Warleigh 2002). The Constitution lowered the margins to foster such undertakings. However, especially in the field of CFSP the so-called “Enhanced cooperation” the margins have not been lowered and still miss input-democratic elements which might likely lead to non-efficiency.

I. The Linkage between “Input”- and “Output”-Legitimacy

So far, studies on European governance have mainly focussed their view on “output”-legitimacy as a guiding principle of European governance. In this regard, the argument was made that legitimacy in the European Union can hardly be achieved through the non-democratic institutions of the European Union (Scharpf 1999: 19–20), but rather through the output of European governance which had to be efficient enough to solve problems that the member states of the European Union could not have solved on their own (Scharpf 1999: 21). Somehow, this concept is very similar to the concept of subsidiarity which enables the European Union to act only if such a measure cannot be taken on the member state level. However, Scharpf himself argues that the subsidiarity principle is not sufficient enough in certain cases, because governance has to move beyond the member-state level in matters of problems that member states cannot solve on their own (Scharpf 2003: 58). In this perspective the only way to legitimize the European Union was through its output-results. To a large degree European governance has been observed from this point of view. Additionally to the lack of democracy within the European Union, differing interests within the European Union have been observed as a major obstacle for further integration (Warleigh 2002, Scharpf 2003). Indeed, flexible integration is seen as the only way of overcoming the “dilemma” that there can be no sufficient solution as long as Europe wants to go at the same speed (Scharpf 2003: 58). In other words: Scharpf advocates a model of flexible integration, perhaps a “two-track” Europe. And clearly, this model is looking for efficient governance in the first place. However, what happens when we also link the „output”-legitimacy with “input”-legitimacy?

“Input”-legitimacy is basically linked to the democratic ingredient of governance. Democracy is mainly—among other features—about equal participation in a political system:

“[...] We are all equally qualified to participate in discussing the issues and then deciding on the policies our association should follow. Consequently, our constitution should be based on that assumption. It should guarantee all of us the right to participate in the decisions of the association. To put it plainly, because we are all equally qualified we should govern ourselves democratically (Dahl 2000: 36).”

² In the following text I still use the articles as numbered by European Convention in its final draft. However, I will also mention changes that occurred when the Intergovernmental Conference looked over the proposed draft.

Democratic decision-making is important to make different views heard. In the consequence, a policy-decision will be more acceptable that was proofed by many representatives and other actors (such as the civil society). The decisions taken in an open, transparent and equal process are more efficient than others because these decisions are accepted more widely among the population.

The process should not only be pluralistic, but it actually should enable us to enrich the the debate about policy-options through taking propable solutions from the richness—the difference—of the political system itself (Beck/Grande 2004; Landfried 2004b). Difference in the European Union is no longer seen as something bad regarding the decision-making process of the European Union. Quite differently, the European Union does have the opportunity to be efficient in certain cases if it takes difference seriously to come up with efficient policy solutions that have been democratically and communicatively debated (Landfried 2004b). Bringing in the example of European Foreign Policy in the case of the war against Iraq, a policy that would have accepted the difference of policy-making might have been more efficient by including different stands on this issue. This could have been the case as well on the level of member states (decision-making within the member states) as on the level of the European Union (CFSP).

The inclusiveness of a policy relying on difference does contradict with the version of exclusiveness as we know it in the case of „flexible integration“. If you like, the case of the war against Iraq is an example of flexible integration on a non-legal basis in the European Union before the enlargement process has already started (“letter of the eight”). Let me just briefly line out that still both concepts might be combined by: if we assume that flexible integration is a concept that enables Europe to go further in a field of policy, then one has to look at the consequences: the longterm problem of flexible integration might be that the European Union drifts apart, that means: the flexible integration might lead to a constant two-track Europe which does not find its common way. These uncertainties have to be dealt with. Therefore, it is important to embed the concept of democracy that enables us to discuss differences in European institutions. In more precise terms that means that the procedure that enables Europe to come up with a flexible reponse towards a policy, must be delt with democratically and communicatively.

II. More Democracy and Efficiency through the CT?

The CT has improved the democratic situation of the European Union. The row of democratic improvements within the CT is quite long. They range from the “Principle of Participatory Democracy” (Art. I-46CT) to an extended number of majority-decisions to one of the major improvements: the Commission’s President must be chosen by the European Council by “taking into account the elections to the European Parliament”(Art. I-26 CT). Moreover, the democratic principle is extended to the national level of parliaments which are embedded in the decision-making process by the “Protocol on the Role of National Parliaments in the European Union” and the “Protocol on Subsidiarity and Conditionality”. If we assume, that democratic institutions lead to more efficiency, we might say that the CT might be not the best, but a good step forward regarding democratic life in the European Union. Of course, overall democratic deficits are still part of the construction of the European Union. This problem will not be overcome as long as the competing principle “equality of states” vs. “equality of the people” make up the constitution of the European Union (Føllesdahl 1998: 43–44). The best example is the European Parliament which still is not an equally composed institution when it comes to the distribution of seats. Clearly, the principle „equality of the states“ is still more influential than the principle of “the equality of the people”. Of course, the major question legitimizing the principle of the “equality of the states”

is how majority decisions can be taken in the European Union if the European Parliament was represented equally by the majority of the people? Would a minority outvoted by German, French, British and Italian and other parliamentarians accept such a majority decision? Of course, if you like this is not only a problem of the European Parliament. Even more so, the whole European Union is composed by the two logics of the „equality of states” and “the equality of the people”. Within all policy areas where decisions are still taken unanimously in the Council, a democratic decision is still not wanted, because there is perceived to be no way how the minority could live with a decision taken by a majority of states.

III. Efficient and democratic governance in the CFSP?

Now, let us have a view on the institutional changes in the field of CFSP. Again, we will use the concept which I outlined in the first part of my paper (Table 1). Is the Constitutional Treaty able to provide a) problem-solving capacities and b) polity-legitimation within CFSP? In order to solve problems that the European Union faces and that cannot be solved by individual member states alone, the European Union must try to make decisions that are effective and that are democratically legitimated.

The institutional setting of the European Union should not neglect the influence of “input-legitimacy” which might influence „output-legitimacy” in European governance—also in CFSP. This point of view clearly points to the fact that difference within the European Union must be communicated democratically. Difference must no longer be seen as an obstacle to efficiency. Rather, in a European Union of many different member states difference must be seen as a pool for efficient policy-making solutions.³

Non-majority decision-making in the field of CFSP is a major obstacle for efficient decision-making in the Council (Art. III-201 I CT).⁴ Qualitative Majority Voting (QMV) is not seen as the general rule in CFSP and it can only be used in some cases (Art. III-201 II CT). It has been argued that in a growing Union unanimity cannot guarantee foreign-policy action. However: As long as the European Union is believed to be an organization that is made of its member states based on international treaties, the right to stick to national sovereignty cannot be taken away from the member states and unanimity seems a logical consequence. Unanimity is especially viewed as the best decision-making procedure in ESDP, where lives of soldiers and other conflict-managing personnel are at stake (Art. III-210 II CT).⁵ The decision cannot be taken against the will of any government. Democratic legitimacy derives from the national constituencies rather than from the European Parliament or the Council. However, as we will see in the case of the “Structured Cooperation”, also in ESDP qualified majority voting has been envisaged lately.

Unanimity can also be seen as a procedure through which decisions are only taken on the lowest common denominator. Research has shown that through mechanisms of Brusselisation and social-interaction decisions are not necessarily taken on the lowest common denominator in CFSP over the years. It has shown that through processes of socialization decision have rather been taken on the median level (Smith 1998).

The Foreign Minister can clearly become an engine for vertical and horizontal consistency in CFSP (Art. I-27 II, III CT) and further determine decisions in CFSP beyond the lowest

³ Thomas Risse has argued that the major problem within the European Union and the accession countries was during the Iraq crisis that they did not communicate—that there was no „agreement to disagree” (2003: 564).

⁴ See the debate on the CFSP in the Convention on the Future of Europe on 11th of July 2002 and Working Group VII Final Report (CONV 459/02), p.24.

⁵ See debate on the ESDP in the Convention on the Future of Europe on 12th of July 2002.

common denominator.⁶ Expectation towards such a development within CFSP have been quite high because even before the Convention it was expected that there would not be a decision towards abandoning unanimous decision-making within CFSP. Thus it has been argued that the present High Representative must be empowered (Crowe 2003:544). With the creation of the Foreign Minister a step into this direction has been taken. The Foreign Minister will wear a so-called “double-hat”. The minister’s presidency in the Council of Foreign Affairs (Art. I-23 II CT) and his vice-presidency within the Commission (Art. I-27 III CT) are major expressions of this. Moreover, his task to guide the CFSP (in the realm of the former 2nd column of the treaties) and the External Relations (in the realm of the former 1st column of the treaties) within the EU further contribute to the strengthened role and the amalgamated role of the High Representative and the External Relations Commissioner. One might ask whether perhaps the Foreign Minister is even an institution which is too much employed on the “inside” of the CFSP (regarding consistency) and the “outside” of CFSP (regarding representing the EU in international affairs).

Additionally, the Foreign Minister will compete with the President of the European Council as the competencies are still not divided clearly enough (Art. I-21 II CT). Experiences from the past showed that the High Representative rather competed with the Council and the member states than with the Commission or the European Parliament (Crowe 2003: 541). Quite differently to the new reading of the CT, “back then” the Presidency was charged with managing CFSP and the High Representative was only installed to assist (Crowe 2003: 542). However, there might be still an influx of intergovernmental influences in foreign affairs through the President of the European Council. But it can also be the case that the President of the European Council will rather be an autonomous institution than a symbol of intergovernmentalism. Additionally, it might be likely that the co-existence of the Foreign Minister and the President of the European Council is to be dependent on the individual personalities fulfilling these institutional tasks.

The emergence of an “Enhanced Cooperation” is more likely to occur than ever in many policy-fields of the European Union (Art. I-43 II CT). The Convention on the Future of Europe lowered the margins to enter such an Enhanced Cooperation (Art I-43 II CT). However, the institutional setting in the CFSP does speak a different language. Unanimous decision-making on “Enhanced Cooperation” is still required in the Council after the Convention’s draft to have a majority-decision on such an issue had been dismissed by the IGC (Art. III-325 II CT).⁷ However, in certain instances pressure will grow on the governments to decide whether they want to take action through the “Enhanced Cooperation” or in the setting of the EU-25. Even compared to the process on the installation of an “Enhanced Cooperation” in other policy fields, it seems noteworthy that the “Enhanced Cooperation” in the field of CFSP has democratic shortfalls. The European Parliament is not able to decide on such an installation as compared to the Council.⁸

In ESDP, “Enhanced Cooperation” has not been launched as an constitutional institution. Instead, the co-called “Structured Cooperation” (Art. III-213 I CT) faces the problem of building up a security system within ESDP that may not be open for any member state. The exclusiveness of this cooperation should not lead to a cleavage between well-equipped and less-equipped member states which to further tensions in the EU (Diedrichs/Wessels 2003: 15). On the other hand, capabilities are prerequisites for effective military action. The efficiency of such a “Structured Cooperation” is underpinned by a majority voting procedure to let this flexible integration more easily begin.⁹ However, the majority-voting is not coupled with a veto possibility of the European

⁶ For the concept of “vertical” and „horizontal consistency”, see Karen E. Smith 2003: 65–66.

⁷ See document CIG 85/04 of the Meeting of Heads of State or Government, Brussels, 17/18 June 2004.

⁸ See Art. III-325 I CT.

⁹ Compare Art. III-312 CT (New Draft of the Intergovernmental Conference).

Parliament (Art. III-312 CT (New Draft of the IGC)). Instead, there is a veto option for member states in the Council (Art. III-312 III (New Draft of the IGC)).

“Missions” within ESDP (Art. I-40 I CT) are likely to become an effective instrument if capabilities are provided, used and if decisions to let such missions go are taken. Lately, the Council has decided to provide sufficient capabilities within the member states to make such missions work efficiently. It seems noteworthy that even countries from outside the EU like Norway have already decided to be a part of such missions. This shows clearly the attraction of such missions.

The “Closer cooperation” (Art. III-214 CT) points to the EU’s future defence policy which is supposed to be structured by another flexible cooperation within the CT. The goal of this “closer cooperation” is to invite all the member states that are interested to join and contribute to the defence capabilities of the EU and to provide mutual defence in case of an attack against one member state (Art. III-214 II CT). However, this part of the Constitution has been skipped by the Intergovernmental Conference. In fact, it might be argued that such a “Closer cooperation” was seen as a critical attempt to come up with a substitute to NATO. Following this stream of thought, the summit of Luxemburg, France, Belgium and Germany has been widely criticised, because its conclusions included the goal of a flexibly integrated European Defence Union. The participants of this summit, however, said such measures would strengthen the European pillar within NATO.¹⁰ Moreover, in the post-Convention phase it has been widely debated whether a head-quarter of EU missions should be based outside or inside NATO. This question was important because the EU can use NATO capabilities in such cases. A compromise between those who preferred close relations with NATO—such as Great Britain—and others who were in favour of an EU based head-quarter was found in December 2003.¹¹

Although the “Structured Cooperation” as a mechanism of flexible integration failed to get through the bargaining procedures of the IGC, the so-called Solidarity Clause (I-42 CT) ensures the mutual aid among the member states in the case of a terrorist attack or natural catastrophe.

Matters of security and defence policy still must be decided on in the member states. It is up to the member states to provide sufficient capabilities. It seems worth noting, that military capabilities in the European Union do only make sense if they are developed through a cooperation of the member states in technological matters. Here, the installation of a “European Armaments, Research and Military Capabilities Agency” (Art. I-40 III CT) seems to be an instrument that can be very valuable to converge the different member policies.

Action seems to be only available in CFSP and ESDP matters if an identity within the European Union can be shaped. Such an identity can be established by the norms developed by the Convention on the Future of Europe (Art.III-193 II CT). Even though the CT does not talk of the external identity of the EU anymore,¹² norms like “democracy”, “human rights”, the strengthening of “international security”, “multilateral cooperation”, etc. are able to provide a catalogue from which collective action can derive rather than from national interests. However, national interest is only to be overcome if there is a general shift towards the perception that the CFSP does have a larger influence than individual action taken by the member states. Perhaps the envisaged European Foreign Service (Art. III-197 III CT) helps to develop a common understanding of the advantages of EU’s action. The Foreign Minister will be assisted by the European Foreign Service.

The ESDP should not be recognized as a counterweight to the US or even the NATO, but as an option to take European action whenever the US does not want to take action in the field

¹⁰ See Neue Zürcher Zeitung, 29.4.2003, S.2. Frankfurter Allgemeine Zeitung, 30.4.2003, S.1.

¹¹ See Neue Zürcher Zeitung, 13.12.2003, S.1–2.

¹² See for a closer observation of the external identity of the EU from a judicial point of view Bruha/Rau 2004.

of international security (Crowe 2003: 540). However, the European Union can enforce its role as an international power being especially concerned with the implementation of universal norms (like human rights) in world affairs while its military role will be strengthened (Sjursen 2004: 70). That means that conflicts with the United States are under way. They should be solved in a communicative way of finding consensus between the two powers. This requires a multilateral engagement on both sides of the Atlantic Ocean.

However, the European Union's influence is the largest if it combines its instrument in economic external action, human rights policies, humanitarian aid, development policies as well as action stemming from CFSP (Smith 2003). This mixture of policy instruments clearly makes the European Union an influential player in world affairs.

Finally, especially in CFSP and—as an integral part of it—in ESDP the European Union suffers from a large democratic deficit. I pointed to some democratic deficits earlier in this paper. The deficit is especially true for the European level of decision-making, but also within the member states (Wagner 2004, Koenig-Archibugi 2004). The European Parliament, e.g., will only be consulted with regards to CFSP and ESDP. It has no right to vote or even block a decision in CFSP or ESDP (Art. I-39 VII CT; Art. I-40 VIII CT). Of course, such a democratic deficit stems from the perception that foreign policy is not a matter of the legislative, but rather the executive process. The absence of the European Parliament's ability to decide on Foreign or Security policy is also based on the argument that crucial decisions (like military missions where lives are at stake) have to be taken on the national level simply because there is no European identity which could allow a democratic decision (see above). Who can take the responsibility of such a decision except the European governments and/or parliaments if actually conflict personnel could be dying as a consequence of it? As a consequence, decisions are taken within the Council and national parliaments hardly have the time (if they constitutionally have the right at all) to decide deliberately on the issue (Wagner 2004:6). However, the lack of parliamentary and public debate on foreign policy does not make it easier to develop a common identity in the EU's foreign policy. This idea stems from the argument that decision-making-bodies form so-called "strong publics" where a European public could be shaped (Eriksen/Fossum 2002). In the end, the consequence of such publics could be the emergence of a European identity.

IV. Conclusion

CFSP lacks clearly efficient and democratic structures. Thus, the constitution-making has not been sufficient if we assume that the CT can neither provide general problem-solving-capabilities nor elements of polity-legitimacy. I have to admit though that such a view on the CFSP is very pessimistic. The linkage between "input"- and „output“-legitimacy seems to have worked out in other parts of the CT as I have tried to show. However, the area of CFSP/ESDP is different. Here, elements which might strengthen the debate about difference are not obvious. Indeed, I have shown that parliamentary involvement is restricted in CFSP. Although there might also be democratic communication in the Council, too, the idea was to provide structures through which a multitude of positions can be heard. In my analysis I have tried to show where the problems might be situated when it comes to efficiency, democracy and the linkage between the two in CFSP/ESDP. However, the CT is only an institutional frame in which the actors of CFSP/ESDP will play a vital role. As I have tried to show in the paper, too: they can still make a difference.

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KLAUS WITTMANN

THREATS AND EUROPEAN SECURITY POLICY IN THE TRANSATLANTIC PERSPECTIVE

3 x 10 Theses¹

I. Trends

1. With the development of the “industrial” society towards an “information” society and with the parallel developments of globalisation and fragmentarisation, the security landscape is changing rapidly.
2. One drawback of economic globalization is the aggravation of inequities between rich and poor within and among nations as well as the loss of social cohesion. This as well as ecology, resource scarcity, demography etc. has security policy implications.
3. After the monocausal and one-dimensional paradigms during the East-West conflict security provisions must be multidimensional—therefore the “broad concept of security”, where the military is not at the centre—and global, because threats transcend national borders and regions.
4. In addition to actors at state level, more and more non-state actors are gathering influence, many of whom do not strive for government in the traditional sense and often pursue their goals outside the framework of international law viz. the influence of governments.
5. One particular species are warlords, who satisfy their needs and those of their clientele and secure their power by use of violence, by networking with organized crime, by the exploitation of the weak structures of failing states. They are not interested in peace, because war is their business.
6. Information technology and progress in communications change the importance of “classic” factors such as space, forces and time. They are used in “Network-centric warfare”, but they also serve the adversary.
7. Asymmetrical threats highlight the vulnerability of our modern societies. The aspects of asymmetry are manifold and deserve close scrutiny. The main and permanent asymmetry: The adversary does not respect international law—we must.

¹ The following paper is an amalgamation of two papers presented at the Polish-German Workshops of the Club of Rome in December 2003 and in November 2004, which were meant as a “short-hand” basis for discussion. They reflect the author’s strictly personal assessments and opinions.

8. Threats to vulnerable modern societies are exacerbated into apocalyptic dimensions by the prospect that radical dictators and extremist groups might acquire weapons of mass destruction (WMD).
9. In sum, the phase of transformation is characterized by interdependent security threats, which cannot be managed by military means alone, but only in a multidimensional way and at multinational and interdepartmental levels. Even the sole remaining superpower has clear limits to what it can achieve on its own.
10. Terrorism is not “the enemy”, but a means, a method, that is only new in its global dimension and lethality. And with the diversity in interpretations and definitions of “terrorism” (one man’s “terrorist” is another man’s “freedom fighter”) it would be useful not to attempt “definitions”, but to focus on global and transnational terrorism.

II. Institutions

1. In the fundamentally changed security landscape **NATO** remains the basis for transatlantic security, firmly anchoring the United States in Europe. Its core security tasks are: (1) guaranteeing security and stability, (2) serving as the transatlantic forum for consultation, (3) deterrence and defence, and (4) securing stability through crisis management and partnership, dialogue, cooperation.
2. NATO’s relevance has been maintained through continuous adaptation shown by its Summit meetings since the end of the East-West confrontation:
 - London 1990: Strategy review
 - Rome 1991: Strategic Concept
 - Brussels 1994: CJTF, Partnership for Peace, Mediterranean Dialogue
 - Paris 1997: NATO–Russia Founding Act
 - Madrid 1997: Enlargement (3 new members), NATO–Ukraine
 - Washington 1999: new Strategic Concept, Defence Capability Initiative (DCI)
 - Prague 2002: Enlargement (7 new members), NATO Response Force (NRF), NATO Command Structure (NCS), Prague Capability Commitment (PCC)
 - Istanbul 2004: Consolidation, Istanbul Cooperation Initiative (ICI)
3. NATO must be used with its strengths and as the **“organisation of first choice”** in the event of a security crisis. Its use as a “tool box”, the growing predominance of “coalitions of the willing”, Secretary Rumsfeld’s dictum that “the mission determines the coalition” damage NATO’s strength as a permanent alliance. The facile advantage of not having to forge a consensus is dearly paid by the US in not having support when unilateral action does not achieve the goal.
4. It is true that **consensus** was more easily to achieve when there was still a common adversary binding the Allies together. In the face of much more diffuse threats and dangers the views are more diverse, and the temptation bigger for the sole remaining superpower to “go it alone”. On the other hand, the Europeans who want to “co-decide”, must also contribute to a larger extent: military capabilities, alternatives, political will, sufficient defence budgets, cooperation in the interest of “smarter spending”.
5. NATO does not see itself as the “solo player” on the international security stage. The UN, the EU, the OSCE each have their special tasks and capacities. The capabilities of these **“interlocking institutions”** must be further developed and their cooperation and coordination improved.

6. The **European Union** has since several years started on the road to become a serious actor in security policy, with the European Security and Defence Policy (ESDP) being a consequence of the Common Foreign and Security Policy (CFSP). The respective Summit meetings at Maastricht, Cologne, Nice etc. have made important decisions with regard to goals, structures, procedures, which are in the process of being implemented.
7. The ESDP must be seen as **complementary** to NATO, not in competition or as a “counterweight” to NATO or the US. “Emancipation” from the US or “autonomy” are not sufficiently strong motives in themselves, rather the natural responsibility of the Europeans to take on more responsibility for security and stability in and around their own continent.
8. If this process is found to be slow, one has to compare what has been **achieved** within 5 years with what had not been achieved in the preceding 50 years in the field of European defence. And the EU has already commanded its first operations and is about to take over the Bosnia mission from NATO’s SFOR. Also, for the first time it has agreed on a “European Security Strategy”.
9. There are **two sides** to the ESDP process: the structures, procedures, committees etc. and the political will to act and to spend sufficient money. Former British Defence Secretary Portillo said about the ESDI (the European Security and Defence Identity within NATO, i.e. the “European Pillar”): “You can have only as much identity as you have capabilities.” But the existence of structures and procedures is also important—in order to help the political will to materialize.
10. Still, serious problems remain regarding commonality in foreign policy, readiness to give up sovereignty or to cede economic interests in favour of less costly armament cooperation, unanimity in the threat evaluation etc.—and certainly with regard to the Europeans’ **military capabilities**, with deficiencies in strategic intelligence, long-range transport, air-to-air-refuelling, CSAR (combat search and rescue), C4ISTAR (Command, Control, Communications, Computers, Intelligence, Target acquisition, Reconnaissance—so complex good old C2 = Command and Control has become!) with problems for interoperability with US troops.

III. Issues

1. It can be taken as a fact of contemporary history that in the **Iraq crisis** disunity across the Atlantic and inside Europe encouraged Saddam Hussein and reinforced the unilateralist forces in the US Administration. So the war became almost inevitable. An honest “manoeuvre critique” on both sides of the Atlantic would be desirable, but at least a “strategic dialogue” between the USA and leading European nations, preferably within NATO, is absolutely necessary—with the aim of narrowing down differences on the following central issues.
2. Joint analysis and evaluation of “asymmetrical” **threats** and the development of an awareness of such threats in light of the fact that Europe is located much closer to the crisis regions than the US.
3. **Strategies** against such threats with potentially apocalyptic consequences (e.g. “dirty bombs”)—with the “broad concept of security” valid for the risks as well as for the strategies. None of the present dangers for security and stability is of a purely military nature, and “military solutions” are not feasible. But the sources of conflict—such as resources, demographic developments, poverty, AIDS, lacking perspectives for ever younger populations, migration, Islamism, failing states) **combine** with weapon arsenals, proliferation, organised crime, privatised military force, and terrorism as a transnational strategy, which is out to achieve “media-effective mass murder”.

4. **Prevention**, which in the long run has to go to the roots of problems, cannot be of a solely civilian nature. When it is said that “civilian conflict prevention must have precedence over military crisis reaction”, one must beware of flawed dichotomies. What is needed is an integral concept for civilian and military instrument of crisis management.
5. **“Deterrence”**, even if useless against suicide terrorists, must be thought anew, and in the face of hitherto unknown threats, a discussion about “preemption” must not be avoided (acknowledging that often the adversary’s “address” is not known).
6. **International law** must be further developed in two regards:
 - a. There are two exceptions from the UN Charter’s prohibition to use military force: a mandate by the UN Security Council or self-defence. But under the new circumstances “imminent danger” and “defence” acquire a new meaning
 - b. in spite of the hitherto absolute validity of sovereignty and non-interference there is a development towards the call—or even moral obligation—for “humanitarian intervention” (see the UN report “Responsibility to protect”).
7. The question of the absolute requirement for a **UN Security Council mandate** to legitimize the threat or use of force has to be seen in the light of antiquated decision structures, the democratic deficit of many member countries and national interests. What legitimizes military force: institutions or norms or the prospect of success?
8. The **US attitude towards NATO** is in question (see above: “tool box”, “coalitions of the willing”, “the mission determines the coalition”), there are American doubts vis-à-vis “war by committee”, the difficulties of consensus-building, the discrepancy between political declarations and their materialisation—and doubts whether the Europeans are willing to pay sufficient attention to the “arc of crisis” from Tanger to Teheran (and beyond) and offer solutions and engagement for its problems.
9. Iraq (but also Bosnia, Kosovo and Afghanistan) demonstrate the problems with stabilisation, post-conflict operations, **nation-building**. Realism is needed about the “transferability” of Western democratic models.
10. For such tasks a **type of troops** is required that is between military and police (type Gendarmerie, Carabinieri, “constabulary soldier”), and their tasks must be defined. Also, political leaders must not leave the job to the soldiers when prospects for a political solution remain in limbo like in the Kosovo.

IV. Conclusion

In today’s “world disorder” threats are multifaceted and multidimensional, and security policy must be global, multilateral and interdepartmental. It must follow the broad concept of security that forms the basis of NATO’s strategic philosophy—with military force as but one of several instruments.

NATO combines many respected democracies in a transatlantic community of values and common interests. It is not the solo player; but its unique features (military forces, integrated command structure and much experience in multinational military cooperation) make it the—presently—only organisation “with teeth”. It respects the importance of the UN and the prerogative of its Security Council and supports the United Nations.

It is the solid bridge between North America and Europe. After the end of East-West confrontation, it has adapted to new challenges. It is the guarantor of a large area of peace, stability, mutual confidence and military stability. Through its peace missions as well as through

its Partnership for Peace program, Mediterranean Dialogue and Istanbul Cooperation Initiative it expands this stability to and beyond its periphery.

NATO should also be the venue for a thorough and intense dialogue about salient issues of security policy, strategy and international law that are posed by the new security environment and by the “asymmetrical” threats. By jointly tackling these issues, the transatlantic rift as well as a potential rivalry with the European Union could be overcome—and also the American tendency towards unilateral military action and the European temptation to rely mainly on multilateral diplomacy. Conflict prevention and crisis management require a sound mixture of civilian and military instruments - and an integral concept for their role and use.

Part Three

The Challenges of the European Space

WILHELM KRULL
SIMON SOMMER

OPPORTUNITIES AND PROBLEMS IN A NEW EUROPEAN RESEARCH AREA

The name of the Portuguese capital has become a symbol for one of the most ambitious European political projects. The *Lisbon Declaration* of the European Council in March 2000 set a daring political goal: the member states of the European Union (EU) decided to develop the EU into “the most competitive knowledge-based economy in the world by 2010”. Subsequently, at the European Summit of Barcelona in 2002 European Heads of State and Government agreed to increase investments in R&D across the EU from today’s 2% of GDP to 3% by 2010, and to substantially raise the share of research funded by business.

To help reach this target, the European Commission has recently presented an action plan on ‘Investing in Research’, and subsequently issued a communication on ‘The Role of the Universities in the Europe of Knowledge’ which is intended to start a debate on the role of universities within the knowledge-based economy in Europe, and on the conditions under which they will be able to effectively play that role. In 2004 another communication on ‘Europe and Basic Research’ followed which took up the debate on basic research which had so far essentially taken place within the scientific community, in the form of thinking about the need for an enlarged Basic Research Fund and a European Research Council (ERC). Extensive benchmarking exercises are accompanying the European quest towards becoming a globally competitive knowledge based economy. There can be no doubt that on the European level there is a strong political will and some serious dedication to make the concept of a European Research Area (ERA) become reality.

However, the closer the year 2010 comes, the more criticism is heard: European rhetoric faces strong opposition from national realities. On the national, regional, and institutional levels we are far from moving towards the Lisbon goals: In fact, in most European countries, higher education and research institutions are heavily hit by public cost-cutting programmes. Business and industry are in almost all European countries still suffering from economic stagnation in most European countries and decrease their activities in research and development. The acceding countries, although some of them are rapidly developing and making considerable efforts to catch up with the EU standards, will most probably not be able to contribute significantly to achieving the Lisbon and Barcelona goals. In the recent edition of the ‘Key Figures’—a set of indicators on science, technology, and innovation in the European Union annually published by the European Commission—the responsible Commissioner, Philippe Busquin, writes that

“While the EU’s investment in R&D grew at close to the same rate as in the US during the period 1997–2001 (4.5% per year in the EU versus 4.8% in the US), the proportion of its wealth devoted to R&D is still too low (just under 2% compared

*with 2.8% in the US). EU business R&D increased by about 50% between 1995 and 2001, but growth was much more substantial in the US (130%). EU research investment needs to grow considerably and more rapidly, if we are to reach the Barcelona targets. At the same time the EU's performance in converting knowledge into new technologies and economic success still gives cause for concern. It trails well behind the US in terms of patenting in key-technologies for the 21st century, while its share of the export market for high tech products stood at 20% in 2001 compared with 24% for the US.*¹

As we will try to show, these political challenges as well as the changes in the research environment at large call for joint responses and a mutual development instead of the currently prevailing system of political action and institutional reaction. We are convinced that all institutions actively involved in the production of knowledge constitute and construct their own research environment. Being part of such a comprehensive knowledge producing system, institutions themselves can shape the challenges that they have to meet concertedly. A discussion of opportunities and problems in ERA should, therefore, start by specifying the changes and challenges which create these problems and opportunities. The awareness of these changes and challenges should then serve as a basis for actions, where possible, and for reactions, where necessary.

The changing research environment at the beginning of the 21st Century

At the beginning of the 21st Century we are experiencing an unprecedented pace of social, environmental, and technological change. The ongoing transition in the international division of labour from hands, tools, and machines to brains, computers and laboratories as well as the increasing importance of electronic communication for international networking make it imperative for researchers, research policy-makers as well as public and private funders of research and technological development (RTD) to enter into a process of assessing strengths and weaknesses, reviewing funding modes and institutional structures, and subsequently adapt to the changing environment of knowledge production.²

The contribution of RTD to economic growth and competitiveness has become vital to the socially, environmentally, and culturally sustainable development of Europe. The quality and accessibility of new knowledge and relevant RTD expertise are decisive for the future well-being of our societies. This puts even more emphasis on the training of excellently qualified researchers who can take over leading functions not only in our universities and research organisations, but also in business and in other sectors of society.

Against this background we will focus on six major changes and challenges—and on six consequently arising questions. The tentative answers and illustrative examples we will give are coming from a private research funder's perspective: new ideas, developments and initiatives of the Volkswagen Foundation, to be understood as paradigmatic examples for private initiative in the area of higher education and research.

The six major changes and challenges are the following:

¹ European Commission, Directorate-General for Research, "Key Figures 2003–2004", p. 5.

² cf. Wilhelm Krull: "Towards a Research Policy for the New Europe: Changes and Challenges for Public and Private Funders". In: *Minerva*, 421 (2004), pp. 29–39.

- The impact of electronic communication on the creation, distribution, and absorption of new knowledge—how are we to bridge the gap between the rapidity of change and the time-lag of institutional responses?
- The increased emphasis on transdisciplinary approaches—how can we stimulate the implementation of transdisciplinary institutional structures, in particular in our universities?
- The move from bi-, or trilateral internationalisation towards network approaches and strategic alliances in higher education and research—how can we meet the growing demand for interculturally competent personnel?
- The changing public private interface and its consequences for the division of labour in our RTD systems—how can we succeed in initiating a process of deregulation, mutual learning, and of gradually building trust in each other's intentions and capabilities?
- The need to integrate evaluation, foresight and priority-setting, and to increase public involvement—how are we to provide valid and coherent information for the decision-making processes?
- The need for new policy and management approaches—how are we to create more research-friendly institutional structures at the European level?

The Digitalisation of Knowledge and the Rapidity of Change

The societies at large as well as research and higher education institutions experience a phase of tremendous technological and social change driven by an accelerating convergence of information and communication technologies. Terms like 'the information society', 'the knowledge based economy', 'e-commerce' and 'the knowledge society' suggest that the 'digital revolution' is still on its way. The enhancement of electronic communication via e-mail and the internet is affecting not only our daily lives, but also the conditions of teaching and research. Without the tremendous advances in computing, neither the mapping of the human genome, nor the application of non-linear dynamics to the natural and engineering sciences would have been possible (or, at least not at such speed).

At the same time, the digitalisation of knowledge is having an impact on the method and mode of communicating ideas. For example, since the late 1990s, there has been a trend towards 'virtual colleges', and 'internet universities', the largest being the University of Phoenix with some two hundred thousand subscribers (it appears to be inadequate to call them students, because this virtual approach to 'learning anytime, anywhere' is in many respects developing into a new mode of interactive learning). Sylvan Learning Systems, which those having studied in the USA probably know as the place where they had to do their GRE or GMAT examinations, very successfully exports its organizational knowledge as well as teaching content to their virtual and real campuses all over the world. Traditional models of distance learning, using material sent out by regular mail, such as the open universities or the German 'Fernuniversität' become more and more outdated, i. e., these (formerly innovative) institutions have to respond to these challenges and develop new concepts, courses etc.

Moreover, academic papers are increasingly being written solely through electronic media. Often, in particular in theoretical subject areas, researchers never met each other personally. Because electronically stored information can be accessed from anywhere, more and more students are making use of lectures and interactive study materials from outside their own universities. Even those who criticise such concepts as 'the new production of knowledge', 'post normal science', and 'the triple HELIX' admit that fundamental changes are affecting the ways in which research and teaching are performed, decision-making and management regimes, traditional research policy

instruments, and more generally the interaction between governments and funding agencies, industry, and the scientific community at large.

In a number of European countries—including Denmark, Finland, the Netherlands, Norway, the United Kingdom—reforms reflect the new role of funding agencies as well as universities and research institutes in contributing not only to competitiveness and wealth creation, but also to the national capacities for coping with the dynamics of an increasingly globalised world. In other countries (including France and Germany) evaluations of major research institutions have been conducted to assess the performance and adaptability of funding agencies and research organisations. All in all, these evaluations and reforms have demonstrated the willingness of research institutions throughout Europe to respond to the challenges. In order to avoid sclerosis, research institutions are experimenting with more flexible temporary structures, as well as ‘centres without walls’; and funding agencies are providing new incentives for medium- to large-scale inter-, and transdisciplinary approaches as well as for international collaboration. Nevertheless, in many of our research systems a structural conservatism of institutions, processes, and funding modes prevails. This makes it difficult to adapt to rapid change at a commensurate pace.

Therefore, the answer to our first question—how are we to bridge the gap between the rapidity of change and the time-lag of institutional responses?—can only be: Be proactive: action instead of reaction! The institutions themselves have to create and promote change instead of only trying to respond to the changes imposed upon them. The only way not to lag behind a development is being a leading part of it. The principle of action instead of reaction is, no doubt, connected with a certain risk of failure. However, mutual risk taking is one of the most important, if not the crucial institutional response to the changing research environment.

The Need for Transdisciplinary Approaches

For decades, if not centuries, it has been taken for granted that, throughout Europe, publicly financed universities are the stronghold of discipline-based teaching and research. The results achieved in improving our knowledge base, seemed to justify the increasing tendency towards specialisation. As far as the eighty-five German universities are concerned, the catalogue of disciplines published by the German University Teachers’ Association registers more than 4,000 subjects. This is an alarmingly high figure (as Jürgen Mittelstraß has stated: ‘eine beängstigende, für Unübersichtlichkeit im Hochschulbereich sorgende Zahl’).³ Owing to the fragmentation of disciplines into thousands of sub-disciplines, institutional barriers to interdisciplinary research, and a variety of other obstacles, the universities have lost in research status and importance. As ‘emphasis has moved away from free inquiry to problem solving and, more generally in the direction of problem-oriented research’⁴, the need for a realignment between a university’s own values and society’s needs has become more obvious. And yet, many universities find it difficult to combine disciplinary substructures with institutional settings that stimulate interactions between researchers from different departments. This holds true even though research policy wisdom has been telling us for some time that new knowledge is usually formed at the boundaries of established fields—i.e., in ‘the transition to neighbouring fields and neighbouring disciplines, not at the disciplinary core where textbook knowledge has its seat.’⁵

³ Jürgen Mittelstrass, ‘Die Stunde der Interdisziplinarität’, in Jürgen Kocka (ed.), *Interdisziplinarität: Praxis—Herausforderung—Ideologie* (Frankfurt: Suhrkamp Verlag Frankfurt, 1987), p.152.

⁴ Michael Gibbons et.al., *The New Production of Knowledge* (London: Sage, 1994), p. 71.

⁵ Jürgen Mittelstrass, ‘15 Truths about the Future of Universities’, in J.A. Dormandy and J. Mittelstrass (eds.), *The Future Role of the Universities in the Scientific and Academic System* (Berlin: Ernst Schering Research Foundation, 1998), p. 12.

In most European countries, universities are still characterised by a strong disciplinary orientation towards coursework as well as research. Although in recent years, quite a number of inter-, and transdisciplinary centres have been established, especially in generic technologies and environmental research, there still seems to be a lack of dynamics, vigour and scope when compared to the United States, in particular to the major research universities such as Stanford (the Bio-X project), UC Berkeley (health sciences), and Harvard (the new Center for Genomic Research, and the Center for Imaging and Mesoscale Structures). Furthermore, the predominantly subject-oriented, departmental organisation of European universities and the corresponding career patterns do not work in favour of problem-oriented research approaches. All too often, the marked emphasis of universities on discipline-based specialisation prevents postdoctoral researchers from committing themselves to inter-, and transdisciplinary research.

In future, it will be vital to provide new stimuli and incentives for the creation of adequately designed transdisciplinary institutional structures, and to strike a balance between the urgently needed commitment of researchers to interdisciplinary projects and the openness of academic institutions to consider these researchers as equally suitable candidates for professorships as their colleagues who have stayed in the mainstream of their respective field. The second question—how can we stimulate the implementation of transdisciplinary institutional structures, in particular in our universities?—is far more difficult to answer than the first one, and we could give positive as well as negative examples. Again it is crucial that we are willing to take risks, but that this risk is spread—to say it in a rather German way—“on several shoulders.”

Research funding institutions have a particular responsibility in paving the way for interdisciplinary research careers: if we encourage young researchers to leave the beaten track in order to enter interdisciplinary research, truly ‘an undiscovered country from whose bourne no traveller returns’ (William Shakespeare, *Hamlet*, Act III, Scene 1), we have to ensure that they are not left alone and without prospects after the end of three or five years of project funding.

Taking this into consideration, the Volkswagen Foundation has developed new funding initiatives tailored to the demands and needs of young researchers willing to engage in interdisciplinary research:

The funding initiative ‘Postdocs in Tandem: Programme Supporting Cooperation in Transdisciplinary Projects’ is designed to support junior scholars seeking to gain experience in transdisciplinary cooperative research. The objective is to provide young postdocs with the opportunity to gain this experience at an early stage in their careers, in this way qualifying them for leading positions in research groups or for junior professorships. The programme addresses academics in all disciplines who—ideally—obtained their doctoral degrees within the two years prior to submitting their application. In view of the interdisciplinary scope of this funding initiative, the Foundation requires the tandem partners to have received their doctorates in different fields. One applicant may work in a European country outside Germany. Funding can be provided for two—possibly three—postdocs intending to work in close collaboration on projects dealing with a topic which encompasses more than simply a continuation of their M.A./M.Sc., or doctoral theses. The nature of the topic to be dealt with should break new scientific ground beyond the boundaries of conventional interdisciplinary cooperation and reveal the potential for methodological, or topical innovation within the participating disciplines.

Another obstacle for interdisciplinary research careers is the lack of interaction between academia and practice, marked by mutual exchange and permeability between the two spheres. The “Bridging the Gap” initiative of the Volkswagen Foundation is intended to contribute toward breaking down the conventional partitioning of career patterns already at an early age in favour of “interface-biographies”. Successful cooperation between academia and practice can and must be approached from both sides. Therefore, this funding offer on the one hand aims at researchers,

who, as a follow-up to thematically relevant research work, are now interested in gaining in-depth experience in suitable government and non-government organizations. On the other hand, suitably qualified staff belonging to such organizations will also be given the opportunity to develop a deepened or new orientation by undertaking work at research institutes engaged in issue—related fundamental and strategic research.

Finally, in order to permanently establish interdisciplinary structures in the German research system and to give young scholars an attractive perspective, the Volkswagen Foundation conceived the Lichtenberg-Professorships which are designed to combine support for both persons as well as institutions. Within this funding initiative the Foundation provides support to outstandingly qualified academics in connection with innovative fields of research located between the disciplines as well as new teaching concepts within the respective research environment. The funding which will be made available for a period of up to eight years is expected to pave an interesting new path in higher education. Young scholars will be offered a future perspective on a kind of “tenure-track”, and at the same time, institutions will gain a better basis for planning—both from a strategic viewpoint with respect to content as well as concerning personnel planning.

The main target group comprises daring junior scholars who obtained their PhD at least two or three years beforehand. This group is to be given the opportunity at an early stage in their career to independently pursue research in new and interdisciplinary areas. Candidates should be under 35 years old with a proven research record and preferably with some experience in working abroad. Since obtaining their PhD they should have published some outstanding papers. The main selection criteria comprise the applicant’s qualifications together with the thematic focus which should be in a daring field of research, as well as the scientific environment, and how the new professorship is embedded in the university. Additionally, the initiative also aims at outstanding young scholars who obtained their PhD at least four years before. In single cases successful, “five-star” researchers and scholars up to their mid-forties from non-classical disciplines with an international reputation may be considered; to avoid undue competition within Germany such applications will be accepted solely from applicants living and working abroad. Applications for the W2-and W3-professorships will not be considered in the case that research interests are in the established areas of their respective discipline.

The shared risk is an essential characteristic of this funding initiative: A prerequisite for the allocation of funds is that the university enters into a firm commitment to progressively assume the successful professorship and its infrastructure, i.e. upon a positive mid-term evaluation. The institution must also guarantee that a regular professorship will be included in the university’s budget for the period following expiry of the funding. The Foundation expects that the university will make a significant contribution from the outset, which should consist of a basic share from its own budget and the use of resources. But this is not the only risk the university takes: it also lets an external institution participate in one of its genuine decision-making processes. Applications will be evaluated on their merits by the Foundation in cooperation with international reviewers. At the end of the fourth year, or at the beginning of the fifth year, an assessment is to take place, conducted jointly by the university and the Foundation with the participation of external referees to be chosen by the Foundation. The evaluation will provide the basis for the ultimate decision on tenure.

Internationalisation: Strategic Alliances in Higher Education and Research

By its very nature, research and its communication of results are internationally oriented. Neither historically, nor politically defined boundaries can prevent the research community from exchanging news and views across borders and from questioning, or supporting the validity of claims made by colleagues from other countries. Some cite evidence for the 'denationalisation of science'⁶, but others see that institutional frameworks and basic funding structures are still predominantly governed by national or even regional authorities. Within the European Union, large-scale mobility programmes support the creation of a European research community, be it the ERASMUS programme on a student level or the Marie Curie Activities for young researchers, just to name two of the more prominent examples. However, we are far from having established a common identity, as the Communication by the Commission 'Towards a European Research Area' states, an important obstacle is:

*"[...] the lack of familiarity of European researchers with the research "cultures" that exist in other countries, and the lack of attraction that they feel for them. There are also obstacles of an administrative nature. Application at national level of Community directives on free movement and right of establishment, social or pension cover, is not always straightforward and requires an effort from interested parties which can be dissuasive."*⁷

The European Commission has reacted to these challenges with two Communications: 'A Mobility Strategy for the European Research Area' in 2001, and, more recently in 2003, with 'Researchers in the European Research Area: one profession, multiple careers'. This Communication aims at analysing the different elements which characterise the profession, and defines the various factors which condition the development of researchers' careers in Europe. It reveals structural weaknesses as well as marked differences concerning each of these elements, but also draws attention to a number of examples of good practice at national level. It demonstrates that initiatives are being launched in several countries in order to alleviate the effects of the differences. It proposes a series of practical initiatives in order to foster dialogue between the different stakeholders at European level, and attempts to launch a series of specific actions aimed at providing a better overall co-ordination of efforts in favour of the recognition of the researcher's profession.

Once again, however, there seems to be a discrepancy between the European political will and the different national realities. Far more emphasis on European networking is needed to achieve a level of integration similar to the United States, while paying attention to new developments in other parts of the world. Although European mobility programmes have considerably enhanced exchanges of students and researchers between universities and institutes across Europe, there is increasing scope for international collaborations, also not involving EU-funding.

It is encouraging to see that several national agencies have moved away from funding only projects located in their respective territories, towards cross-border, or even Europe-wide links between the best research and teaching. Gradually, we are moving towards the creation of centres of excellence which will help to make European universities and institutes more attractive to students and researchers from overseas. However, we also recognise that, in many research areas, the channels of co-operation and communication between Europe and the United States

⁶ Elisabeth Crawford, Terry Shinn and Sverker Sorlin, 'Denationalizing Science: The Contexts of International Scientific Practice' (Dordrecht: Kluwer Academic Publishers, 1993).

⁷ European Commission, "Towards a European Research Area" COM (2000) 6, p. 16.

are of greatest importance. We should welcome new opportunities for international co-operation, especially in graduate and postdoctoral training, such as the European Young Investigator Award.

The European Young Investigator Awards (EURYI), developed and promoted by the Heads of European Research Councils in collaboration with the European Science Foundation (ESF), is designed to attract outstanding young scholars and scientists, in all research domains including the humanities, from any country in the world to create their own research teams at European research centres. The aim of EURYI is to enable and encourage outstanding young researchers from various parts of the world to work in a European environment for the advancement of European science and humanities, and to build the next generation of leading European researchers. EURYI works through a two stage selection process. The first step consists of application to and selection by the participating agency from the proposed host country. The second step is carried out by the ESF through a series of European panels which results in the final selection of awardees. Given the fact that about 750 applications were filed, it is really a pity that only 25 awards can be made in 2004 with a value of between 150 000 euros and 250 000 euros per year for 5 year periods in any research discipline.

How can we meet the growing demand for interculturally competent personnel? By providing young people with incentives, also financially, to develop intercultural competences. These competences are not an end in themselves—they are core qualifications to meet future challenges. A good example for such an incentive could look like the proposed initiative 'European Foreign and Security Policy Studies—a joint research and training programme' which has just been launched by three European foundations (Compagnia di San Paolo, Torino/Italy, Riksbankens Jubileumsfond, Stockholm/Sweden, and VolkswagenStiftung).

The participating foundations are convinced that the national views which dominate academic and practical approaches towards a Common Foreign and Security Policy (CFSP) should recede in favour of a transnational perspective. The envisioned research and training programme aims at developing such a perspective by young researchers and practitioners in their further qualification. The programme also aims at mobility across borders and between the academic and practical spheres. The candidates can work at academic institutions of their own choice and appropriate (European) organizations engaged in CFSP.

Candidates for funding are young researchers and practitioners who aim at postgraduate or postdoctoral research in the field of CFSP. They should be selected according to personal qualification and the expected quality of the proposed piece of research. Disciplines, nationality or belonging to an EU member state should not be essential. Candidates who have passed the research and training programme should be able to work at universities, as analysts for policy institutes, or in "think tanks", the media, the civil service, or in NGOs.

It is a crucial task not only for universities and research funding institutions to open up these career perspectives to young researchers. For far too long university education and training in academic research has been viewed as proceeding within 'pipelines' that produce new researchers within the respective disciplines. However, this formerly successful model increasingly shows signs of inadequacies: it is failing to meet central demands imposed by the complex social, economic and academic environment.

More adequately, research training and careers should be seen as a growing tree—a highly permeable network with a wide range of opportunities.⁸

A tree, as wide as it is high, which clearly shows that the formerly unidirectional, narrow path has changed into a labyrinth of branches and possible careers—only some of them directly

⁸ Cf. Human Frontier Science Program and European Science Foundation, 'Toward a New Paradigm for Education, Training and Career Paths in the Natural Sciences', Report on a meeting held in Strasbourg, France, November 29–30, 2001.

associated with science and research, opportunities to be found in industry, schools, administration, government, the media, business and so on. Mobility, envisioned as one of the core aims of the ERA, does not only mean mobility between countries—it also means mobility between different sectors and fields of work.

The Changing Public—Private Interface

In many European countries, citizens are used to carrying a high tax burden, and therefore expect governments to cover the costs of public institutions. However, the interface between domains which have been publicly financed, and those which have been part of the private sector is becoming blurred, as both shift towards a stronger involvement of private sponsors in higher education and research. Policy makers and university rectors are stressing the need for new ‘public private partnerships’, and are practising new modes of financing, involving linkages between publicly financed universities and research institutes and privately run research laboratories and companies.⁹ This has been by no means an easy development; rather it turns out to involve a difficult process of mutual learning and trust-building. Nevertheless it seems a necessary, more or less inevitable step for both sides.¹⁰

Until the 1970s and early 1980s, there was to be a dividing line between publicly financed universities and research institutes dedicated to the creation of new knowledge as a public good, and industry which had to produce marketable goods financed by private capital. Although conflicts of interest still do occur, the borders between the two different domains have lost in importance. In many areas the distinction made between, on the one hand, the results of basic research and their contribution to the advancement of our knowledge base, and, on the other hand, the development of new solutions to practical problems which can be transferred into new products and processes is no longer valid. Especially in biotechnology, computer sciences and materials research, the innovation process has turned into a simultaneous, interactive process. Private investments in publicly funded research laboratories, joint ventures between directors of research institutes and major companies, the outsourcing of long-term basic research activities by industrial R&D divisions, the joint establishment of professorships for research and training in entrepreneurship: these are just a few of the changes occurring at the public private interface which require not only new regulatory policies, but also new approaches to the production and distribution of new knowledge.

How can we succeed in initiating a process of deregulation, mutual learning, and of gradually building trust in each other’s intentions and capabilities? This is one of the core questions still to be answered. And it is probably impossible to find a solution acceptable to all parties involved during a time (like nowadays’) of economic stagnation and financial shortages. Public private partnership is by no means only a way to save money: It is a way to increase quality and output. If we merely use it to cut costs we are misjudging its potential and creating distrust among the institutions involved. The same applies to the next set of issues: evaluation, foresight and priority-setting.

⁹ Wilhelm Krull, ‘Potentiale, Probleme und Perspektiven’, in Stifterverband für die Deutsche Wissenschaft (ed.): *Public Private Partnership. Neue Formen der Zusammenarbeit von öffentlicher Wissenschaft und Privater Wissenschaft* (Essen: Stifterverband für die Deutsche Wissenschaft, 1999), pp. 6–9.

¹⁰ Günther Stock, ‘Viele Fähigkeiten bündeln’, in Stifterverband für die Deutsche Wissenschaft (ed.): *Public Private Partnership. Neue Formen der Zusammenarbeit von öffentlicher Wissenschaft und Privater Wissenschaft* (Essen: Stifterverband für die Deutsche Wissenschaft, 1999), pp. 10–15.

Evaluation, Foresight and Priority-setting

One of the most ambitious descriptions of the changing research environment is 'Re-Thinking Science' by Helga Nowotny, Michael Gibbons, and Peter Scott.¹¹ Although this is not the place to discuss their ideas in detail, their concept of a science that moves into the *agora*, the space in which societal and scientific problems are framed and defined, and a *society that talks back*, calls for a well founded discourse on priority-setting and accountability. This demand for improved accountability has led to the development of methods and techniques to describe, measure, and forecast outputs and outcomes. At the same time, they have also led to an increased awareness of the complexities and pitfalls that are likely to occur in evaluation and foresight schemes. This applies in particular to basic research, as the US Committee on Fundamental Science observed:

*Tracking the many aspects of fundamental science is a daunting challenge which must capture quantitative, qualitative, and institutional dimensions. Agencies must develop techniques that achieve the support and understanding of both the scientific community and the public.*¹²

Although assessment exercises are becoming increasingly popular, we are still far from providing coherent and integrated information for political priority-setting. In this respect, it seems neither necessary nor desirable to squeeze the wide variety of procedures and approaches into a scheme of uniform requirements. However, we should see to it that evaluation and foresight reports can be used for a structural assessment of achievements, and for refining priorities, prospects and potentials.

There seems to be widespread agreement that informed decision-making requires reliable inputs from evaluation and foresight exercises as well as technology assessment studies. However, there is no coherent set of principles that enables us to make the right choices. This is due partly to the fact that the diversity of European systems has produced a wide variety of different approaches and techniques, and partly to the difficulties involved in producing methodically sound and contentwise useful results. Against this background the development of a 'new open method of co-ordination of RTD policies' was called for at the Lisbon European Council in March 2000, and as one of the core activities the first benchmarking exercise of RTD policies at EU level was launched in order to compare processes and performances, identify best practices, and establish a continuous process of mutual learning.

This means that EU-benchmarking activities in the field of research and technology are generally double tracked: on the one hand they observe the performance of the EU compared to its main competitors, i.e. the US and Japan, and on the other hand—and supposedly more importantly—they analyse intra-EU differences in performance and practices. In its recent publications the European Commission uses two different main composite indicators to measure development and progress towards the knowledge based economy. These indicators attempt to capture the complex, multidimensional nature of the knowledge-based economy by aggregating a number of key variables, and expressing the result in the form of an overall index. The composite indicator of *investment in the knowledge-based economy* addresses these two crucial dimensions of investment. It includes key indicators relating to R&D effort, investment in highly-skilled human capital (researchers and PhDs), the capacity and quality of education systems (education spending and life-long learning), purchase of new capital equipment that may contain

¹¹ Helga Nowotny, Michael Gibbons, and Peter Scott 'Re-Thinking Science: Knowledge and the Public in an Age of Uncertainty. London, Polity Press, 2001.

¹² Committee on Fundamental Science, 'Assessing Fundamental Science. A Report from the Subcommittee on Research' (National Science and Technology Council, 1996), 1, Washington, D.C.

new technology, and the modernisation of public services (e-government). The second composite indicator regroups the four most important elements of the '*performance in the transition to the knowledge-based economy*': overall labour productivity, scientific and technological performance, usage of the information infrastructure, and effectiveness of the education system.¹³

The results presented in the 'Key Figures 2003–2004' are showing that all over Europe growth of investment in its knowledge base slowed down in 2000–2001. All Member States except Sweden registered a declining growth rate in this period compared with 1995–2000. In Germany, investment growth even became negative in 2001. Roughly speaking, in terms of investment into knowledge, one can distinguish three groups within the EU: Greece, Portugal, Spain and Italy are still lagging behind the EU average, and the pace of their catching up has even slowed down recently. The second group consists of France, the United Kingdom, Germany, Austria, Ireland, Belgium, and the Netherlands, all of them having more or less average growth rates. The champions in European research and higher education are clearly the Nordic countries, namely Finland, Denmark, and Sweden, with strikingly above average investment and growth rates. Although there is no clear linear relationship between an increase in investment in research and development and its outcome, one has to state, that this division in three groups is also valid as regards scientific and technological performance, with the Nordic countries again in a clear lead.

Results like these are easy to be used to denigrate national research systems. However, any approach to defining and financing scientific and technological activities based on input-output relations runs the risk of reducing the complex interdependencies between the various parts of the system in an inadequate way. Meaningful comparisons can only be undertaken where numerators and denominators are selected in the context of a proper understanding of the research and innovation systems being compared and where they have been chosen in full accordance with the objectives of the benchmarking exercise and the appropriate level of analysis.

How are we to provide valid and coherent information for the decision-making processes? The usual key figures, such as scientific publications and patents are only intermediate outputs of research. Their measurement cannot be more than a partial proxy for the achievement of broader goals in the advancement of knowledge and achievement of social and economic progress. Their usefulness as indicators needs to take account of these limitations. Careful and systematic international comparison allows countries to ask questions about the configuration of their research and innovation systems—not necessarily to answer those questions.

Research-friendly institutional structures at the European level

Apart from necessary institutional responses at the micro-, and medium level, the most important European response to the changing research environment is the active creation of a new research environment—in other words: the implementation of Europe-wide research-friendly institutional structures. European research needs institutional reforms at all levels to keep pace with the rapid changes mentioned earlier. However, it is particularly and increasingly desirable, even urgent, to establish pan-European funding structures capable of creating both a cooperative climate for the development of new ideas, and an institutional environment to produce more cutting-edge results through enhanced competition among the best researchers throughout Europe.¹⁴

¹³ cf. European Commission, Directorate-General for Research, "Key Figures 2003–2004", pp. 9 ff. for details on the indicators and for the results described in the next paragraphs.

¹⁴ Cf. Wilhelm Krull, 'A fresh start for European science', in "Nature" 419 (2002), pp. 249–250.

The envisioned European Research Council (ERC) could act as a spearhead of institutional reform, a catalyst of new inter- and transdisciplinary research activities; a creator of new transnational funding opportunities for young researchers; and last but not least, as the provider of a more research-friendly administrative and organizational environment urgently needed to attract more foreign researchers to European institutions.

Since the introduction of the ERA-concept, the discussions on whether research in Europe would benefit from having an ERC have been intensified. Although no generally accepted definition of such an ERC has come forward yet, the main feature of an ERC should be to distribute funds on a very strong European competitive basis, to top class projects in interdisciplinary research in all fields of science, including engineering, the social sciences and humanities. This competition would enhance the quality of research across Europe, while at the same time stimulating strategic research co-operation in Europe, resulting in more critical mass, less duplication of efforts and better results.

Important reasons exist to justify the need for establishing a research council at the European level:

- Create medium to large-scale facilities beyond the scope of one country, and make better use of existing large facilities.
- Set priorities in transdisciplinary research, and provide incentives for picking up new areas of innovative science and scholarship.
- Add a clear European dimension to the competition for some of the most prestigious grants and awards.
- Establish leading-edge collaborative research centres of appropriate size in basic and strategic research areas that call for integrative approaches from different disciplines.
- Offer additional funding opportunities and new career structures for young postdoctoral researchers,

Of course, these broadly defined areas of activity need to be specified in more detail, but they are a first set of indications of funding needs and priorities which are neither adequately covered by national research councils or respective agencies, nor by the European Commission and its multifaceted, albeit predominantly precompetitive, industry-oriented R&D programmes. These developments cannot just be added to existing funding structures because they require both a different way of strategic thinking and of interacting within the spectrum of disciplines concerned (as well as more widely). They also need a more research-friendly, less bureaucratic, but nevertheless well-organized and rigorous selection process, which obviously cannot be grafted onto any existing mechanism.

Denmark, during its EU Presidency in the second half of 2002, organised a conference dedicated to the ERC-subject. On the basis of subsequent Presidency conclusions from the Competitiveness Council in November 2002, the Danish research minister Helge Sander set up an ERC Expert Group, led by Frederico Mayor, the former Director General of the UNESCO. In December 2003 its final recommendation was:

“A European Fund for Research Excellence should be established by the Union. The Union should further create a European Research Council (ERC) to manage the Fund. The first and main task for the ERC should be to support investigator-driven research of the highest quality selected through European competition.[...] The ERC should primarily be a funding body for basic research and should cover all fields of science, including the social sciences and humanities, using a flexible approach suited to the various fields of research. It should base its funding decisions on scientific criteria and use a rigorous and transparent peer review process in deciding which research proposals to fund. It should encourage interdisciplinary

*and risk-taking projects, especially in emerging research areas. In designing the governance structure of the ERC it is imperative that it has full autonomy in research matters, granting decisions and funding policies, while being accountable for finance and mission to the Union and other sponsors. [...] In order to have the desired impact, the ERC should during the first 3-5 years reach a grant volume of at least 2 billion a year. The purpose of the ERC will only be realized when the effects of its work are visible and evident in the member states.*¹⁵

In November 2002, the European Research Advisory Board (EURAB), called for by the European Commission, had published an advice in favour of the creation of an ERC. Advisory bodies, organisations and associations all over Europe have discussed the need for an ERC, its advantages and drawbacks (e. g. EURAB, EMBO, ALLEA, EUROSCIENCE, EUROHORCs, or the Royal Society). With its report 'New structures for the support of high-quality research in Europe' by a working group chaired by Sir Richard Sykes and published in April 2003, the European Science Foundation (ESF) has also participated in the debate on the modalities of an ERC. It specifically addressed issues related to the remit and basic principles of the ERC, its mode of operation, institutional development, funding sources, and principal funding mechanisms.¹⁶

An effective and efficient governance structure will be vital for the overall success of an ERC, in particular in assuring its autonomy and accountability. It is of the utmost importance that both researchers and politicians can equally have confidence and trust in the new body. The legal framework for an ERC will ultimately depend on the outcome of negotiations between the Member States, the European Parliament, and the Commission. Nevertheless, in any case, the following requirements have to be met:

In view of the ERC's mission and objectives it is of great importance that it can operate as freely and independently as possible, and thus establish both its reputation as a high quality research funding institution, and its credibility vis à vis the European research community and society at large from its very beginning. All of the ERC's decisions on research policy and funding issues need to be protected from any outside intervention. Priority-setting at programme level as well as individual funding decisions will have to be based solely on quality and merit-related assessments. With excellence and leadership at the global level as the ultimate goals of an ERC, the Board of Directors must be in a position to appoint committee members, advisors and evaluators irrespective of their country of origin, or other non-research related considerations.

Even if almost all of its funds will be provided by the EU, ways must be found to ensure that the ERC does not have to apply the usual administrative rules and regulations of the Commission. It will be vital for the success of an ERC that it can operate in a research-friendly, non-bureaucratic manner. It must in any case be ensured that the ERC can be established and operate as an autonomous institution.

Final Remarks

The wide spectrum of opportunities and challenges described in this article begins on a rather small scale: it starts in the mind of a single researcher who has to be daring enough to engage in interdisciplinary research; it continues with governance structures and decision making processes

¹⁵ Danish Ministry of Science, Technology and Innovation, Copenhagen, 'The European Research Council. A Cornerstone in the European Research Area. Report from an expert group,' Copenhagen 2003), p.4.

¹⁶ European Science Foundation, 'New structures for the support of high-quality research in Europe', Strasbourg 2003.

in universities enabling high quality teaching and research, with funding structures and legal frameworks that allow for international cooperation, new ways of knowledge production, and more productive ways of public private partnership. The picture ends on a systemic level, depicting foresight and evaluation systems and future models of research funding in Europe, last, but not least the creation of an ERC.

In such a picture not a single blot can be made without affecting all the other parts of it. In other words: when designing the funding principles for the envisioned ERC one has to look at the state universities and research institutes are in, and at the same time keep an eye on the individual researcher reflecting on his career prospects. This is just one example showing that the challenges on the way towards the ERC can only be tackled in a concerted action including all stakeholders in the process.

The few examples we gave were meant to show that private initiatives, and in particular those by foundations, can significantly contribute to this process. They can help research and higher education to tackle the challenges and seize the opportunities by encouraging risk-taking, by stimulating new developments, redressing imbalances, creating role models for an effective change of research strategies or institutional structures, and by contributing to the creation of a more research-friendly society.

Today, research and higher education in most European countries suffer from fragmentation and obstinacy on the one hand, and from dirigism and bureaucracy on the other. All parties involved have to move in order to bring the whole system forward, and every effort should be made to encourage this movement. If the European Union finally accomplishes its goal to become the most competitive knowledge based economy of the world by 2010, is of secondary importance. For the time being it would already be a success if it came to terms with the challenges it faces on its way toward realizing the potential of ERA and started by becoming a reconfigured and effectively performing knowledge based economy.

GILBERT FAYL
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INNOVATION AND CIVIL SOCIETY IN THE 21st CENTURY

Strategic Vision for Regional Development and Integration in Central and Southeast Europe

- In the 21st century, more than ever before, informed members of civil society—individuals and interest groups—have opportunities to contribute to innovation. These opportunities should be fully realised.
- Regional-level innovation often results from measures initiated locally. In this way targeted trans-border co-operation also becomes a reinforcing element to strategies of regions in Central- and Southeast European countries.
- Supported by civil society initiatives, regions should address in joint projects, their “own” issues identified locally and regionally. This will mobilise and combine dispersed efforts, and realise synergies of expertise and resources that might otherwise not be achieved.
- Such co-operation will enhance the involved regions’ innovation potential. It will: (i) lead to more and better job opportunities; (ii) help the new EU Member States and countries with accession status to efficiently contribute to the successful implementation of the Lisbon Agenda; and (iii) assist the future EU enlargement by facilitating the accession countries’ participation in regional and European innovation projects and activities.
- The non-political initiative presented in this article, contributes to the establishment of a “Central- and Southeast European Innovation Area”. The initiative will actively support the involved countries’ catch-up process to become strong partners in the European Union.
- The initiative is: (i) inclusive—open to all relevant individuals / organisations; (ii) responsive—being able to provide advice / direction in a timely manner; and (iii) forward looking—sounding board for new / innovative ideas. It is already being implemented.

Civil Society—driving innovation

1. The European Union’s (EU) economic dynamism and growth is weak. The Union needs to enhance its competitiveness vis-à-vis its rivals.

Public authorities, industry, agriculture and service providers in the EU must be more determined to introduce innovative measures. Without innovation, economic progress slows down and stagnation results.

Society-driven demand for innovative products and services enhances the drive for innovation. Thus, society-driven demand is essential for progress.

2. Innovation is not a straightforward linear process (*J.-P. Contzen*). It often appears in a somewhat chaotic way.

Strong entrepreneurial spirit, high-quality education and research are all vital for innovation. In a complex manner, national and international regulations, and rules of free market all play vital roles.

As customers of high-quality products and services, the behaviour of public authorities and members of civil society directly influence the extent and direction of innovation. In an indirect way, civil society can exercise pressure upon innovation as it demands high-quality public services.

3. Innovation is too important for a nation's wealth creation, economic growth and progress to be left in the hands of any Government or Government officials—alone.

In the 21st century, more than ever before, informed members of civil society, individuals and interest-groups, have the opportunity to take initiatives that have potential to positively influence the innovation capacity of their local communities. This, in turn, has the potential to spill over to regional level-innovation—maybe also to the level of a country or the EU.

4. This article presents an example of a non-political, civil society initiative¹. It aims to enhance the innovation potential of regions in Central- and Southeast Europe. Thus, to help establish an “innovation area” that includes the new EU Member States and applicant countries in this part of Europe.

Central- and Southeast Europe —driving an economically strong EU

5. A strong and economically competitive Central- and Southeast Europe is important for the EU as a whole (*P. Jungen*):

- The sooner the new Member States improve their economic performance, the faster the EU can reduce the transfer of funds to these countries and focus on other pressing global issues (e.g. support of “third world”). In turn, the growth and increased spending power of the new Member States should ensure additional market access and jobs for the old ones.
- A globally competitive EU is only possible if its Member States and their regions compete and co-operate effectively with each other. Decentralised decision-making and the gradual transfer of resources to regional and local authorities would contribute to a more effective implementation of Lisbon strategy. This would enable regional and local authorities to develop and adapt their own strategies through competition, for instance in deregulation and public services. The role of civil society in this process is obvious.
- Several of the new Member States seem to have developed a strong entrepreneurial spirit, most likely because of their still relatively small and more developing economies.

6. More specifically, there are several crucial economic reasons for the development of a Central- and Southeast European Innovation Area:

- The region's economies need more market-access if they are to perform optimally.

¹ The article's authors established the basic principles of the initiative a few years ago. The European Academy of Sciences and Arts supported the proposal from the beginning. Subsequently, colleagues—Prof. G. Pethes, Prof. I. Hronszky and Dr. I. Bilik—provided useful advice. Early 2003 G. Fayl invited a group of individuals—representing organisations of various types and sizes—to participate in the CEIA concept realisation, see Point 17.

- The existing EU markets are already relatively saturated. The goods and services from the new Member States have to compete head-on with existing goods and services already established on the EU market and fulfilling EU norms.
- The amount of disposable income from consumers inside the EU (private, industrial and institutional) is finite. Any inroads by new products and services into the existing EU markets would have to result from spending substitution. The consumers' measurement criteria will include price, perceived quality, perceived knowledge content and perceived after-sales service.
- The main potential for market development in Europe for the foreseeable future will be in Central- as well as Southeast Europe. The old EU Member States are well aware of this fact. The enlargement is not solely due to EU's sense of "solidarity", as can be witnessed by their marketing efforts in Central- and Southeast Europe. EU—and overseas—companies are already aggressively targeting these markets.
- Countries in Central- and Southeast Europe must pay due attention to the potential contained in the development of their home-market. These countries' economic actors would do well to establish a firmer foothold here in order not to be left behind by EU and overseas players.

7. A Central- and Southeast European Innovation Area will lead to more dynamic progress towards a knowledge-based economy and society. In addition, the possibility to produce high knowledge-content goods and services, rather than cheap labour cost, will raise confidence in the region and attract further foreign and domestic investments.

8. Equally, if not even more, important is that the process of establishing a Central- and Southeast European Innovation Area will:

- promote direct and non-political dialogue in the region. Together with rising living standards, this would promote regional stabilisation and full integration into the EU.
- mobilise and combine dispersed efforts, and realise synergies of expertise and resources that might otherwise not be achieved.

Innovation—driving regional development and European integration

9. The conclusion of the Lisbon Summit (March 2000) is currently one of the EU's main policy-drivers. It laid out the objective of Europe becoming "*the most competitive and dynamic knowledge-based economy in the world by 2010*".

However, without pioneering thinking and significantly increased domestic innovation potential, the EU will be unable to reach the challenging objective laid out in the Lisbon Agenda.

10. Innovation is a dominant factor for market success. It leads to enhanced productivity, higher quality, and more and better competitive goods and services. Thus, innovation is key for improving the competitive position of individuals, firms, regions and nations.

11. Sustained innovation often results in more and better job opportunities. It has the prospect to improve living and working conditions and ensure the economic basis for high-quality public services. All these are significant contributing factors to political stability.

12. The current trend of globalisation necessitates new forms of co-operations—even between previously competing groups—in order to gain and/or maintain competitive advantages at a global

level. The enlargement of the EU is a real opportunity for increasing Europe's position in the process of globalisation.

13. Direct co-operation between regions is a novel possibility for more active and better competitive participation in the globalisation process. Even co-operation beyond national (including "Schengen") borders. Regions with high potential for knowledge creation offer particularly attractive prospects for such initiatives. These regions should house high quality universities and/or public and private research centres. These need to jointly possess appropriate complementarities in human resources and research infrastructures.

14. Optimal conditions should be created for cooperation at regional level that would occur on a voluntary basis². To be most efficient, co-operation should be handled directly among universities, research centres and (in most cases micro- and small size) enterprises, including incubator plants, regardless of national borders.

Whenever possible, the participants should take full advantage of the support mechanisms offered through the EU framework for co-operations between regions across national borders. These measures include relevant parts of the RTD Framework Programme, in addition to the Structural Funds (the main instrument to promote social and spatial cohesion within the EU).

15. With adequate public and private economic underwriting, and sustained political endorsement, enhanced co-operation could evolve between regions that fulfil the criteria highlighted in Point 13. Illustrative examples in Central Europe could be (i) Kosice / Krakow / Miskolc; (ii) Cluj / Debrecen / Oradea; (iii) Arad / Beograd / Novi Sad / Szeged / Timisoara; (iv) Koper / Ljubljana / Maribor / Pécs / Zagreb; (v) Bratislava / Brno / Győr / Komarno / Sopron / Vienna.

16. Transfer of expertise from neighbouring regions in current Member States (notably Austria, Germany, Greece and Italy) is necessary. Whenever appropriate and possible, joint projects will include regions from other parts of Southeast Europe (Albania, Bosnia-Herzegovina, Macedonia and Serbia-Montenegro), and centres of excellence in Byelorussia, Moldavia, Russia and Ukraine.

Thus, our initiative helps to establish a **Central- and Southeast European Innovation Area**.

The CEIA Initiative —driving targeted regional trans-border co-operation

17. In early 2003 an informal dialogue was initiated to agree on the operational principles (see footnote 1). It was based upon the aforementioned analysis and experts were invited to develop an initiative with wide ranging potential.

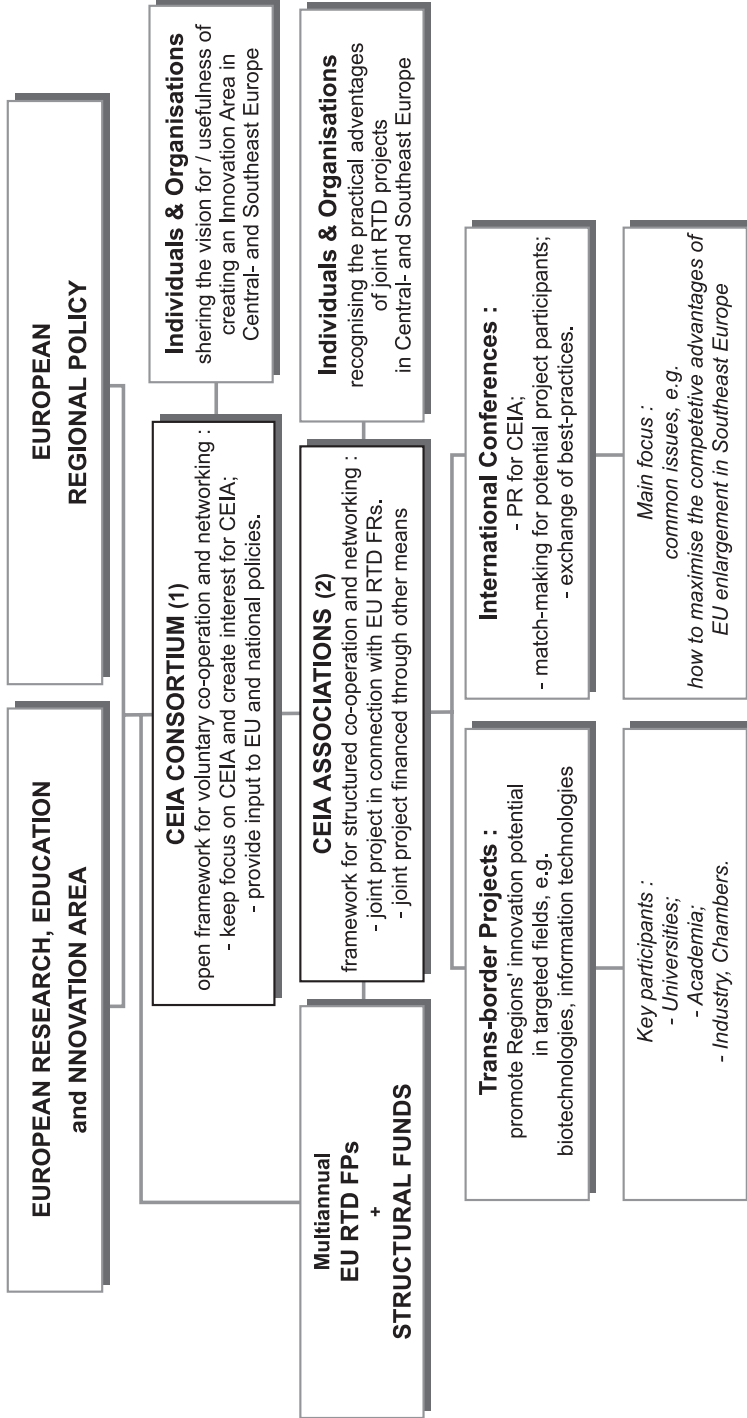
² Political wisdom would dictate the following pro-active approaches by public authorities:
at **EU level**: promoting the establishment and further development of regional research infrastructures (including electronic networks, comprehensive databases and large installations) and their integration into the European research main streams.

at **national level**: encouraging the development of innovation potential in targeted fields (biotechnologies, information technologies...). This would ensure an efficient combination of the advantages offered by higher education, basic research, and technology development, transfer and application. The latter would require the presence of relevant industries or close links to them.

in **less-developed regions**: supporting the development of physical infrastructures (high-ways, railroads, telecommunication). High-quality infrastructures are key contributors to mushrooming business activity, networking and generating new development poles.

NOVEMBER 2004, G. FAYL

Central- and Southeast European Innovation Area (CEIA) initiative



(1) The **CEIA Consortium** is: (i) **inclusive** - open to all relevant individuals / organisations; (ii) **responsive** - being able to provide advice / direction in a timely manner; and (iii) **forward looking** - sounding board for new / innovative ideas.
 (2) The **CEIA Associations** (legal entities) should be able to: (i) **operate** in the CEIA interest - helping to maintain the regional focus; (ii) **co-ordinate** projects in the CEIA spirit—putting the concept into practice; and (iii) **demonstrate** financial viability / attractive track record - underpinning the credibility of the CEIA initiative.

A year later the initiative entered the implementation phase, to promote joint projects with high relevance for local and regional development. The overall structure for co-operation has been agreed, and organisational matters and project preparation are progressing.

18. The initiative's relation to the most important EU activities, and its flexible organisational set-up is illustrated in the figure *Central- and Southeast European Innovation Area (CEIA) initiative*.

The organisational set-up consists of two main elements:

- **The main thrust: formulating policy- and strategic advice**

The **CEIA Consortium** ensures this function. The consortium assembles those who share the vision for a Central- and Southeast European Innovation Area.

The Consortium is an open, non-legal framework for dialogue and voluntary co-operation and networking. Its main aims are to: (i) keep focus on CEIA and create continued interest for it; (ii) promote networking between regional offices, research institutes, innovation centres, higher education establishments, and industry (micro-, small- and medium size enterprises) including incubator plants; and (iii) provide input to EU- and national RTD- and regional development policies.

The Consortium-agreement with the first participants (11 organisations) was signed in March 2004 (*EASA Press Release*). Currently the Consortium includes 17 organisations of various sizes.

The Consortium remains open to all relevant individuals and organisations from the regions and beyond.

- **Putting into practice: implementing cross—border regional—level projects**

“**CEIA Associations**”—appropriate independent legal entities—constitute the frameworks for structured co-operation around the individual projects. Respecting the broad policy- and strategy orientation formulated by the CEIA Consortium, the CEIA Associations adhere to a fully un-bureaucratic, decentralised and bottom-up approach.

The first CEIA Association was registered in September 2004 in Hungary.

19. The CEIA Associations will, in particular:

- monitor public calls (EU, national, other) closely and inform members about opportunities that could provide financial support for joint trans-regional projects;
- suggest joint projects in targeted fields with high innovation- and/or job creation potential.
- act as a “match-maker” for joint project application. Focus is on the new Member States and applicant countries. Whenever appropriate and possible, relevant regions of the old Member States and Southeast Europe is invited to participate, as well as centres of excellence in Eastern Europe;
- organise international meetings about regional innovation initiatives, strategies and policies. Senior EU- and national policymakers will be invited;
- promote exchange of best-practices (EU, national, other) with relevance to joint regional projects; and
- keep a record of joint initiatives and use of their results. Help maximise the overall beneficial effect of the joint initiative.

20. Practical implementation of the CEIA initiative is in progress. An important criterion is that projects implemented under the initiative must have clear value-added. Unnecessary duplication of projects carried out under other schemes is avoided.

The following are examples of CEIA work: (i) in the context of open consultations³ the CEIA Consortium provided input to EU policies; (ii) responding to an IST related call by

³ (i) New Innovation Action Plan of the European Commission; input submitted in May 2004 (<http://europa.eu.int/comm/enterprise/innovation/consultation/index.htm>);

the European Commission, the CEIA Association participates in two EU projects⁴; (iii) an international workshop⁵ was organised together with the Information Society Directorate-General of the European Commission.

The CEIA concept has been presented at several international conferences and in various publications (e.g. *G. Fayl; G. Horváth; T. Kállai*).

21. It is also worth mentioning that several organisations have extended their moral support to our initiative. These include the “Hungarian Commission for the UNESCO” (www.unesco.hu), the “Association of the Local Democracy Agencies” (www.aldaintranet.org), and the “EuropaBio” www.europabio.org.

Innovation and Civil Society—the way forward

22. Governments, politicians and most economic actors are falling over each other to embrace the concept of globalisation. Anti-globalists and other demonstrators are kept firmly away and outside the respective security perimeters.

23. Governments, countries and regions will have to start thinking and acting like economic players. As such, they are no longer deciding on whether they can afford to engage in certain activities. Rather, they have to assess the risk of not doing something: “Can we afford not to do this”. They now face the same questions that are facing companies in the globalised environment—how far they can and will allow the competition to pull ahead.

Informed members of the civil society should follow the above development and provide voluntary support to it. Foresight studies could offer useful guidance. To be constructive, foresight studies should focus on neighbouring regions as indicated in Points 15 and 16.

24. In the context of the current wave of EU enlargement, it is interesting to observe that applicant countries instinctively understood the importance of not being left outside the EU. Although it is far from certain that EU membership will bring the expected economic benefits in the short term. However, the potential cost of remaining on the “outside” and not moving with the “insiders” was and is readily recognised by all.

25. The authors of this article express their hope that the advantages offered in the medium to longer term by the Central- and Southeast European Innovation Area initiative will become apparent for economic actors in the new EU Member States.

26. The authors equally express their hope that informed members of civil society will be inspired by the present initiative to embark on pioneering ways to support regional innovation strategies.

(ii) High Level Group reviewing the Lisbon Strategy; input submitted in July 2004
(http://europa.eu.int/comm/lisbon_strategy/group/index_en.html);

(iii) Future of the European Union Research Policy; input submitted in Oct. 2004
(http://europa.eu.int/comm/research/future/index_en.html).

⁴ The participants are from old and new EU Member States and Applicant Countries.

The proposals were handed over to the European Commission in September 2004.

From the CEIA Association, Ms. T. Kállai is in charge of the co-operation.

⁵ Ambient Intelligence at Work and New Member States, Budapest, 13-15 May 2004.

From the CEIA Consortium, Dr. I. Bilik and Dr. É. Nagy were in charge of the co-ordination.

Our main message is that:

**Civil Society needs to become
a Key Driver of Innovation in the 21st Century.
—Therein lies the Challenge—**

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HERMAN BAEYENS

EUROPEAN STRATEGIC PLANNING IN THE XXI CENTURY

A. Kukliński stated in his editorial note on the strategic choices of the XXI century that the development processes in Europe of the XXI century will have a double nature:

- primo: the nature of a spontaneous process driven by the global market forces,
- secundo: the nature of a guided process driven by the decisions of the grand actors of the global and European scene.

Cohesion Policy of The European Union

One of the grand actors in Europe is the European Union, since 2004 enlarged to 25 member states. In the history of the EU this is undoubtedly the most challenging cohesion effort ever undertaken. According to the “catch-up scenarios” it will take several decades or for some accession countries even half of the century in the most realistic scenario before the transition towards “**convergence**” will be completed¹. This implies an enormous unprecedented regional development planning and policy effort at least for the first half of the XXI Century in order to reach one of the most fundamental Community’s overall objectives of “reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions’ as laid down in the Treaty establishing the European Community.

The **Guidelines for programmes in the period 2000–06** have been updated in 2003 in order to take fully account of **Community priorities** in order to promote the Community dimension of economic and social cohesion. Reference is made to the Lisbon Council of 2000 on the “most competitive knowledge based economy”, the Gothenburg Council of 2001 on the “sustainable development strategy for the EU”, the Sevilla Council in 2002 on the Information Society and the e-Europe Action Plan, the new European Employment Strategy, the EU Enterprise policy based on the EU Competitiveness Reports, etc... In this way about 500 existing regional programmes had to be revised in order to take fully account of the Lisbon and Gothenburg priorities. These priorities were not known to regional actors in 1999 and 2000 when planning for most of the regional programmes was completed².

The repartition of regional aid will change completely during **the next programming period 2007–2013**. According to the Legislative proposals by the European Commission for the reform of cohesion policy for the period 2007–2013 EUR 336,1 billion or approximately one third of the

¹ EU (2004) Third Cohesion Report, p16

² EU (2003) Competitiveness, sustainable development and cohesion in Europe, p6.

Community budget will be allocated to cohesion policy. The indicative repartition of this amount among the three priorities of the reformed policy would be as follows:

- Around 78% (EUR 264 billion) for the “**convergence**” priority (less developed regions, cohesion fund) with the emphasis on help to the twelve new member states (Bulgaria and Romania included).
- Around 18% (EUR 57,9 billion) for the “**regional competitiveness and employment**” priority.
- Nearly 4% (EUR 13,2 billion) for the “**territorial co-operation**” priority.

With the exception of Prague, Bratislava and Cyprus, the whole territory of the new member states including all other capitals belongs to the first category of Objective 1 areas or regions with a GDP per capita that is below 75% of the EU average. **This simple but effective tool has been the key criterion maintained during several decades of regional policy of the European Union.**

A wide variety of development strategies are being prepared and permanently reviewed at the local, regional and national levels and particularly those eligible for the Cohesion and Structural Funds of the EU. The most interesting laboratory today is the drawing-up of the National Development Plans of the new member countries in view of their challenging cohesion effort needed within EU25. Also the EU is now regularly reviewing and updating European strategies as the Lisbon Strategy of 2000, the “sustainable development strategy” of the Gothenburg European Council of 2001 with ongoing monitoring and adjustment. This means that enormous strategic planning and public management efforts have to be undertaken at the beginning of the XXI Century **both for reaching the Lisbon and Gothenburg priorities in order to obtain sustainable competitiveness of the EU on world scale and at the same time for reducing regional disparities within Europe.** These are both examples of the “centre versus periphery” dilemma and of the “equity versus efficiency” dilemma because the main “islands of innovation” in Europe are in fact the strongest metropolitan regions.

My main thesis is that **the development planning profession** did not sufficiently take profit of this huge strategic planning challenge as it is the case with **the experts in evaluation research** in Europe. Even the **spatial planners** have been able to obtain a European platform (ESPON) for the exchange of experiences, which is not yet the case for **strategic development planning.**

After the example of the European Spatial Planning Observation Network (ESPON) and the regularly organised European Conferences on Evaluation of the Structural Funds, **there is no European wide platform available for the exchange of experiences in the field of the CONCEPTION and the ELABORATION of DEVELOPMENT, COHESION and STRATEGIC PLANNING PRACTICE with as major objectives the reduction of regional disparities in Europe.**

Mainly the new member countries and the accession and candidate member countries are confronted with an increasing need for preparing systematic Structural Fund programmes, Community Support Frameworks (CSF), Operational Programmes (OP) and Single Programming Documents (SPD), but all public authorities at different levels in the EU may profit from such an exchange of experience and best practice for improving a European wide development planning culture inspired by the planning and programming efforts for the EU. This has been illustrated recently by the overwhelming success with more than 2000 participants at the “OPEN DAYS” on “Managing Regional Development” organised by DG REGIO and the Committee of the Regions in Brussels on 28–30 September 2004.

Evaluation of Structural Fund Programmes

Evaluation is an important step in a comprehensive planning process starting with the conception and formulation of a development strategy based on sound analysis, the consultation and participation phase, the identification and elaboration of projects, the decision making phase, the implementation—and finally the evaluation phase. Therefore not only “evaluation capacity building” is needed but mainly broader **planning and policy formulation capacity building in different phases of the strategic planning process.**

“Whereas in 1988, the emphasis was mainly on auditing the operation of the Funds, the focus broadened over time to the results achieved from the expenditure carried out. While all Member States observe the requirement to undertake evaluation of the use of the Funds, and in some cases have introduced the practice in other policy areas, the way that it is implemented still varies considerably across Member States, reflecting different traditions and cultures.’³ In this way the EU followed the example of the United States of America, where all public programmes are the subject of evaluation. Evaluations are now required to be undertaken at an ex-ante stage by Member States, at mid-term by Member States in cooperation with the Commission and ex-post by the Commission. Most of the evaluations are “external evaluations” carried out by consultants, but gradually “internal evaluations” are becoming more important with the establishment of internal evaluation departments.

A distinction is made between **project evaluation** of large infra-structural or industrial projects, **programme evaluation** of Operational Programmes or Single Programming Documents, **policy evaluation** of regional development strategies and **impact evaluation** of Structural Funds programmes. Evaluations became an important activity in the EU thanks to which a “European Evaluation Society” could be established.

The European Conference on Evaluation of the Structural Funds in Budapest on 26–27/06/2003 with as title: “Challenges for Evaluation in an enlarged Europe” was the fifth in a series which started in Brussels in 1995 with the overall objective of contributing to the development of a European “culture of evaluation” in relation to the Structural Funds⁴.

Several contributions are directly relevant for the planning profession and reference is made here only to two interesting examples from the same source.

First an inspiring contribution of V. Valovirta and R. Karinen (2003) from Finland in their stimulating paper entitled: “Providing Genuine Strategic Knowledge for the Regions: Moving beyond the current limits of Programme Evaluations by a Regional Contextualisation”. Inspired by institutional economic theory and communicative planning theory and the need for interactive bottom-up planning approaches, they explore eight components of regional competitiveness in order to grasp the realm of strategic knowledge from a regional perspective. They state: “...programme evaluations should aid and speed up learning especially at the more disadvantaged regions, where the only genuine ‘competitive advantage’ might be regional decision-makers’ ability to learn faster than other decision-makers at more advantaged regions. The pertinent challenge for evaluators is answering the question to which extent do the policy measures employed contribute to the increase in regional competitiveness”. These are strategic reflections that go beyond strict evaluation but belong to the broader field of strategic planning thought. It is a “Theory of Action” perspective which is the core concern of “Planning Theory”.

Another contribution to the Budapest Conference of J. Bradley, J. Zaleski and P. Zuber concerning “The role of ex-ante evaluation in CEE National Development Planning based on Polish administrative experience with NDP 2004–2006” is for several reasons very inspiring. It broadens

³ EU (2004) Third Cohesion Report, p 167.

⁴ Source: http://europa.eu.int/comm/regional_policy/sources/doccont/budapeval/index_en.htm

not only the horizon of “evaluation” (‘learning from and using evaluations’) towards national development planning processes in general, but because they formulate also recommendations for improved national-regional planning methodology in the future relevant for other countries. The suggestions for future Polish NDP evaluation research not only include recommendations for future national modelling research based on the new Polish HERMIN macro-model, recommendations for regional policy analysis and modelling, but mainly wider frameworks for Polish strategic analysis. Reference is made of Vernon’s Product Life Cycle (PLC) framework explaining the sequential nature of the different stages of industrialisation, trade and foreign direct investment (Vernon, 1966); Porter’s diamond of competitive advantage with the different stages of competitive development (Porter, 1990) and Michael Best’s “capability triad” based on the interaction of three core elements: a business model, production capabilities and skill formation (Best, 2000). May I quote further where they comment on Porter’s stages of national competitive development comparing with the example of Ireland:

“Porter’s competitive framework—the current business strategy orthodoxy throughout most of the developed and developing world—suggests that a country like Poland could implement a strategy in a sequence of separate stages: factor driven, investment driven and innovation driven. In the case of Ireland, the first stage lasted almost 25 years, from the late 1950s to the mid 1980s and was ‘factor’ driven, based on policies of low rates of corporate tax, low wages and subsidized capital formation. The second stage has lasted from the late 1970s to the late 1990s, during which there has been massive public and private investment in plant, infrastructure and human capital, co-funded through EU regional aid from 1989 onwards. Policy makers are now seeking to shift to Porter’s third (innovation driven) stage. But this has exposed some of the limitations of an industrial strategy that came to be based largely on foreign direct investment. Poland has come to this process much later and careful consideration needs to be given to how it can exploit the various stages of development.”

As Bradley (Economic and Social Research Institute-ESRI-Ireland) and his Polish colleagues conclude: “Conceptual frameworks and policy design, implementation and renewal usually evolve in parallel with each other. Frameworks are like maps that tell you where you are, where you need to go and the direction that you must take in order to get there. ...the intelligent combination of economic policy and business strategy can generate huge synergies in terms of rapid national growth and convergence”.

In any case this is a type of strategic analysis which is more sophisticated than only using the SWOT analysis as a basis for strategy formulation in situations where statistical material is lacking or where insufficient qualitative analysis is available. In several National Development Plans of the new member countries, SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) is still used as the main analytical method for strategy formulation.

European Spatial Planning Observation Network (ESPON)

The ESPON Programme was launched after the preparation of the **European Spatial Development Perspective (ESDP)**, adopted by the Ministers responsible for Spatial Planning of the EU in May 1999 in Potsdam (Germany) calling for a better balance and polycentric development of the European territory. This programme is implemented in the framework of the Community Initiative INTERREG III and adopted by the European Commission on 3 June 2002. With the ESPON 2006 Programme the Commission and the Member States expect to have at their disposal⁵:

⁵ ESPON: www.espon.lu

- a diagnosis of the principal territorial trends at EU level
- a cartographic picture of the major territorial disparities
- territorial indicators and typologies for European priorities for a balanced and polycentric enlarged European territory
- some integrated tools and appropriate instruments (databases, indicators, methodologies for territorial impact analysis and spatial analyses) to improve the spatial coordination of sector policies.

In December 2003 a Mid-Term Evaluation of the ESPON 2006 Programme was undertaken. In the recommendations reference is made to connect ESPON to people and organisations carrying out spatial development as e.g. practitioners (Recommendation 7). Also Recommendation 8 is interesting because it states that: “Specific action is needed to create a theoretical framework for the longer term development of ESDP policy analysis”. In Recommendation 10 it is explicitly mentioned that: **“Networking and building a European spatial development community is not working well and should be further developed”**.

This Programme has a long historical background also because of different meanings and objectives of spatial planning in different countries. The main objective and concern of spatial planning in the most urbanised countries of north-western Europe has been the control of urban sprawl and the improvement of spatial quality of the urbanising space, while the major objective of the EU is the reduction of regional disparities, which traditionally has been the subject of regional economic policy in the Member States. That is one of the main reasons why several Member States originally have been reluctant to leave competence in the field of spatial and town planning to the EU. Because in the French notion of “*Aménagement du Territoire*” and in the actions of “*la DATAR*” (Délégation à l’Aménagement du Territoire et à l’Action Régionale) the notions of spatial planning and of development planning are combined, a breakthrough took place during the nineties and the preparations started for the elaboration of the European Spatial Development Perspective (ESDP-1999). Recently Faludi A. (2004) observed: “The European Spatial Development Perspective (ESDP) is the product of a north-west European planning tradition... concepts like territorial cohesion and territorial management may become functional equivalents to that of spatial planning, for which the Community is said to have no competence.”⁶

Gradually however since the second Cohesion Report in 2001, the spatial or territorial dimension has been taken into account more explicitly in EU regional policy next to the economic and social cohesion. Territorial cohesion and European territorial cooperation are proposed now for the period 2007–2013 as one of the three main objectives for a reformed cohesion policy. Even in the project of constitution for the EU, territorial cohesion is mentioned together with economic and social cohesion. The work undertaken by ESPON will be an important contribution to the emergence of a European spatial planning culture as it was the case with the emergence of a European evaluation culture at the end of last century.

Towards a European Strategic Planning Culture in the XXI century?

Why did a European Strategic Development Planning Culture not yet emerge, despite the huge strategic planning efforts needed in an enlarged Europe?

One of the main reasons is probably the fact that strategic development planning is spread over **many disciplines**. The ideal during the sixties of evolving from an inter-disciplinary towards

⁶ Faludi A. (2004) p 391.

a trans-disciplinary approach in planning has apparently not been fully materialised. Planning theory has been mainly developed in an interplay among different disciplines. Originally mainly sociologists (Karl Mannheim's sociology of knowledge and societal guidance (1950), Amitai Etzioni's "Active Society" known at that time as the "New Sociology"(1968) followed by spatial planners and economists dealing with the business-sector and interested in management and marketing theories. The OECD Bellagio Declaration on Planning in 1968 with mainly representatives of Management Schools at the end of the sixties is an example in case (Jantsch E.1969).

Other explaining factors are the **cultural and language barriers**. The French school of "La Prospective" has been very influential and inspired mainly a French style of thinking about planning and the future. The group "Futuribles" with their monthly revue "Futuribles" is the example in case. Most of the well-known French strategists including M. Godet with his recent publication "Manuel de Prospective stratégique"(2004) belong to this group of reflection about the future.

Belief in strategic planning in the public sector inspired during the fifties and sixties by private sector management and marketing theories and methodology disappeared gradually with the energy crisis and the subsequent economic crisis during the seventies. But the methodology continued to be improved by the private sector and in particular by Trans-national Corporations (TNC)⁷. The famous "Strategic Planning Society" in London seems largely private business oriented and probably predominantly Anglo-American in membership. Just at this very moment the—according to their publications and activities—very competent and high standing "**Strategic Planning Society**" seems to be in difficulties due to a decreasing membership. With their network of over 2000 organisations, 3.250 individuals and an additional 6.500 strategists in 35 countries, promoting 'research and best practice in strategic thought and action', they seemed to have the potential to become one of the leading organisations in this respect in Europe⁸.

Friedmann J.(1998) states that "From the beginning, (after the last world war) planning theory was being conceptualised as a bi-continental, Euro-American enterprise. And as such it has remained."⁹ In the US however the American Planning Association APA is representing more than 33.000 practicing planners of which sixty five percent work for state and local governments. APA publishes several publications of which the quarterly "Journal of the American Planning Association" is the best known among planning students in Europe¹⁰. In Europe the planning profession did not succeed to organise itself, apparently due to the disciplinary and language barriers mentioned before. Archibuggi F. (2004) is even more dramatic in the formulation of the title of his recent contribution: "Planning Theory: Reconstruction or Requiem for Planning?"¹¹ He makes a plea for a renovated theory of planning with an agenda for research.

What are the possibilities for arriving at a European strategic planning culture and possibly the establishment of a "European Strategic Planning Community"?

Both the **European Evaluation Society** and the participants in **ESPON** are a potential basis for the emergence of a European Strategic Planning Culture. The Evaluation Society because most of the actual expertise in EU regional and cohesion policy formulation based on evaluation is available there. ESPON because they will probably try in the future to offer the spatial planning results at a European scale to a wider audience and try to build in this way a "**European spatial planning community**" as stated in their recommendations of the Mid-Term evaluation. In this respect it is important to make the bridge between economists and management experts,

⁷ Source: www.quickmba.com/strategy/

⁸ Source: www.sps.org.uk

⁹ Friedmann J. (1998) p.245.

¹⁰ Source: www.planning.org

¹¹ Archibuggi F. (2004) p.425.

etc... of the “evaluation community” at the one side and predominantly architects, town-planners, geographers, etc... of the “spatial planning community” at the other side. Also making the bridge with strategic thinking in the business world would be very important.

A revival of “strategic planning” and “foresight thinking” in the public sector seems to re-emerge again in Europe since the middle of the nineties and mainly since the beginning of the XXI Century. In the UK the Strategy Unit (SU) was set up in 2002, bringing together the Performance and Innovation Unit (PIU), the Prime Minister’s Forward Strategy Unit (FSU), and parts of the Centre for Management and Policy Studies (CMPS)¹². In France a new programme of prospective reflection “Vers Territoires 2030” has been launched by the DATAR with a “Conseil de prospective et dynamique des territoires” and with M.Godet as their president including participants of the EU, OECD and of some other countries¹³. Also in the new member countries of the EU “strategic planning” is starting up again mainly in view of the EU Structural Funds with Hungary as one of the most active according to a recent overview of the “Commissariat Général du Plan” in France¹⁴.

However it will not be an easy task to bring together **the most crucial partners at the supply side for building up a European Strategic Planning Community.** At the demand side we have the impression that there is an important interest and need, mainly of intermediate levels of government, both in the new EU member countries and in the countries and regions of the former EU15 for exchange of experiences in the field of strategic planning practice. This is illustrated by a personal experience of the author.

With the NUTS I Region Flanders as the lead partner and thanks to Haviland, a NUTS III Intercommunal organisation of 35 local authorities around Brussels, an Operation idea was launched on the website of INTERREG 3C with as title: **“Methodology for the Conception and the Elaboration of National, Regional and Local Development Strategies and Plans”**. It attracted the attention of more than 40 interested partners from more than 20 countries all over Europe and in particular from South Europe. Most of the interested partners are from Spain, which probably can be explained by a move at the end of last century from traditional types of physical and master-planning towards new types of development planning, city marketing and “City Strategic Planning” inspired by strategic management in the private sector according to Granados-Cabezas V (1995).

Partners from Germany (Decision Support Network for Strategy Development, Technikzentrum, Lübeck), Ireland (South East Regional Authority), Poland (Marshal Office of the Malopolska Region) and Spain (Diputacion de Granada) offered to host one of the seminars in order to discuss different approaches and methods for strategic development planning. Also the well-known Leontief Centre in Sint-Petersburg¹⁵, active in the field of strategic planning in cities and regions of Russia is ready to participate from the moment the new EU Neighbourhood Instrument will be accessible.

Four main topics have been selected for in-depth discussion:

1. The main factors of competitiveness inspired by the “Study on the Factors of Regional Competitiveness” prepared by Cambridge Econometrics in 2003 as background study for the Third Cohesion Report. But in different countries the debate on regional competitiveness is going on and efforts are made as e.g. for “Creating a UK Competitiveness Index: Regional and Local Benchmarking” Huggins R. (2003). Also Valovirta and Karinen (2003) refer to the theoretical frameworks in discussion in Finland in order to grasp the different factors of area competitiveness.

¹² Source: www.strategy.gov.uk

¹³ Source: www.datar.gouv.fr

¹⁴ Le Plan, Les NOTES d’ALEPH, No 24/ 20 October 2004, p 3–4.

¹⁵ Source: www.citystrategy.leontief.ru

2. Methods for strategy conception and elaboration: What are the alternatives for the use of SWOT analysis still recommended by the Commission as a key tool to explore economic possibilities and potentials, but by others considered as too superficial? Can the updating of the MEANS collection of DG REGIO aimed at improving methods of Evaluating Structural Policies published in 1999 offer new inspiration for improved strategy conception and elaboration¹⁶? This is the case as e.g. with Benchmarking, Peer Pressure, Balanced scorecard, Logical Framework analysis, Model building, Scenario building, etc... largely used by the private business community.

3. Knowledge Management, Evaluation and Use of Indicators:

How to arrive at an optimal regional information system using EUROSTAT and other international and national information systems, but at the same time building up from the bottom a locally based regional information system using the most recent ICT and GIS technology for planning purposes including a set of INDICATORS for ex-ante, mid-term and ex-post evaluation.

4. Institutional development with multilevel and multi-sector coordination: In most countries regional development is permanently searching for the most optimal horizontal and vertical coordination of plans and projects at different levels and in different sector of government. The institutional design of the intermediate levels between national and local government and their cooperation with the private business community, can play a crucial role in successful regional development.

The advantage of Flanders and Brussels is their location at the crossroad of different planning cultures and traditions in Europe both in spatial planning and in strategic development planning. Both in Wallonia and in Flanders, the time horizon for strategic development planning is 2010. The “Contrat d’Avenir” in Wallonia is since 2003 using the REMI model (Regional Economic Models, Inc.) in view of identifying the best employment policy for Wallonia in the context of the Lisbon social targets for 2010¹⁷.

In Flanders it is called “Pact van Vilvoorde” because of the closure of a large plant of Renault in the town Vilvoorde with large unemployment as a result and the conviction of the social partners and the government of Flanders that a more long term strategic vision for the future was needed. The yearly follow-up of the 21 objectives of this plan is being carried out by the Administration for Planning and Statistics of the Ministry of the Flemish Community¹⁸. A move is being prepared now in order to put strategic planning till 2010 in the frame of “transition management” with a longer time perspective of 25–50 years using Integrated Assessment (IAS) in cooperation with ICIS (International Centre for Integrated Studies) of the University of Maastricht¹⁹. As a follow-up of “FLANDERS TECHNOLOGY” the Region of Flanders (Nuts I) was recently launching “FLANDERS CREATIVITY”²⁰ inspired by R.Florida’s (2002) 3T’s (Talent, Technology Transfer and Tolerance). Because of the increasing interest also in Belgium and particularly in Flanders in “strategic planning” and because of a new legislation in preparation for regional development and employment policy, Flanders is interested and ready to take the lead for such an INTERREG3C initiative.

Such an Interreg3c network could be a useful contribution in identifying different strategic development planning styles and cultures with different methods used in EU countries. In this way it could be a modest start for identifying common approaches among European countries and in building up gradually a “**European Strategic Development Planning Culture**” without neglecting the wide diversity and variety of planning styles and cultures and different methods of thinking for the creation of a better future in the XXI Century.

¹⁶ Source: www.evalsed.info/frame_about.asp

¹⁷ Source: www.remi.com

¹⁸ Source: www.vlaandere.be/aps

¹⁹ Source: www.icis.unimaas.nl

²⁰ Source: www.flanders-de.net

Strategic Planning and Transition Management

During the last decades however an awareness is emerging that strategic planning must be situated in the larger frame and longer time perspectives of “sustainable development” and “global change” with methods of Integrated Assessment (IAS) inspired by the Club of Rome.

Therefore a new concept has been launched by Rotmans J.(2003) under the name of “**transition management**”. Inspired by biology and demography (demographic transition) the new guidance concept is innovation and sustainability oriented with an integrated approach (multi-actor, multi-level and multi-sector) in a long time perspective of 25–50 years.

Again the EU can be considered as the “grand actor” taking the lead in this respect with the example of its regional policy thanks to its continued cohesion efforts over several programming periods of seven years, which in turn are part of a larger integration effort for reaching “The Acquis Communautaire”. The example of East-Germany, but also of the Mezzogiorno in Italy, some regions in Greece, etc illustrate that this is not an easy task, which cannot be resolved by some “strategic planning” efforts during one programming period. The more successful cases of Ireland and Finland illustrate on the contrary that continued long term efforts are needed over periods of at least 25–50 years.

The example of Ireland as described by Bradley (2003) is confirmed by Breathnach P. (1998) and many interested authors describing the strategic combination of different factors including EU funding for explaining the apparent economic miracle which took place in Ireland during the second half of last Century.

Also for building up the **Knowledge Economy** in a region a longer time perspective is needed as illustrated by the case of Tampere in Finland (Kostiainen/Sotarauta—2003). The history of the second largest city—region in Finland from a small village into the leading industrial town and afterwards during the last decades into one of the pre-eminent cities of the knowledge economy, is an interesting case study. It illustrates the gradual process of building up a regional KBE from the birth of the Knowledge Economy during the period 1960–1990 by creating new Educational and Research Institutes and by the emergence of new fields of expertise and the development of Institutions for Technology Transfer into the systematic institutionalisation of the knowledge economy during the period 1990–2001. In their conclusion the authors stress the importance of different factors such as the “capacity for bold and fast decisions”, of “brave and visionary individuals with innovative coalitions formed by them” and of “creative tension” mobilising individuals and groups to pursue change and the “spirit of times” shaping the development view of many actors²¹.

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HANS VAN ZON

THE NEW DIVIDE IN EUROPE AND THE THREATS OF MARKET SOCIETY

Any discussion about the design and function of EU institutions should be related to its ambitions and strategic challenges. However, the recent debate about the EU constitution and the future of Europe was more about what ambitions the EU should not have and the only strategic challenge that was discussed extensively was the future of the strategic relationship with the United States and the eventual need for an independent European foreign and defence policy.¹

The American secretary of defence Donald Rumsfeld fuelled debates about this issue with his remarks in early 2003 about divisions between the old and the new Europe. By 'Old Europe' he meant France, Germany and a few other continental EU states that opposed the war in Iraq and want a better integrated EU as a counterweight to the USA. The 'New Europe' is the Atlanticist EU countries led by Britain and the eight new member states in Central Europe that want a loosely integrated, free market EU as a (junior) partner for the USA in an American led uni-polar world. The New Europe also wants enlargement far beyond the present candidate countries while the old Europe is much more reluctant about enlarging the EU.

Apparently there is a connection between the way EU member states are looking at the relationship with the USA and the way they are seeing the future of the EU. It seems that there is also a link between visions about how society and economy should be organised, what the strategic challenges for the EU are and how to deal with them. There are shifting alliances between EU countries on a variety of issues but there is roughly a divide between those countries for which the Anglo-Saxon model is the one to copy and those countries that have developed a distinct continental European model.² The former usually prefer a Europe of sovereign nation states while the latter, in most cases, prefer a 'Europeanised Europe' with a strong federal component.

The continental European countries have also made adjustments in the direction of the Anglo-Saxon model that were highly unpopular and for which governments were punished during the last elections for the European parliament (2004). Within European elites a broad consensus emerged about the nature of reforms to be implemented in Europe. It implies, among other things, 'labour flexibility', longer working hours, less state interference in the economy and the

¹ The 'strategic challenge' of making the EU the world's most dynamic and competitive economy in the world by 2010 (called the Lisbon strategy, 2000) can be considered as a symptom of 'market fundamentalism' that is treated here as one of the major problems the EU is facing nowadays. This is of course not to say that the EU should not develop a competitive economy.

² However, both Denmark and Sweden are often reluctant in supporting steps aimed at deepening EU integration while among the EU founder states The Netherlands and Italy have been recently closer to the New Europe than to the Old Europe.

privatisation of a number of hitherto strategic public sectors. It also affected their thinking about the nature and future of European integration.

First we will discuss the connection between the emergence of neo-liberal thought in Europe and its impact on the project of European integration. Secondly we will discuss how the process of Eastern enlargement changed the terms of the debate about the future of Europe.

We will argue that the EU can only survive as a viable political entity if a strong group of core EU countries leads the EU. This core should eventually develop outside the present institutional framework of the EU and in a later phase becoming part of it. Only such a *Europe à la carte* can face the strategic challenges of the 21st century. Another precondition is the giving up of market society as a strategic goal. The trend towards market society and market fundamentalism undermines European integration and its ability to cope with strategic challenges.

Subsequently we will single out one of the most strategic challenges, that of economic globalisation, and will argue that a strong and better integrated EU can cope better with many negative aspects of economic globalisation.

1. How market fundamentalism changed the debate about the future of Europe

The emergence of the American right deeply affected the debate about market and state across the Western world. Ronald Reagan and Margaret Thatcher symbolised the beginning of the new era in global capitalism. The coming to the fore of neo-liberalism³ and the erosion of the Keynesian welfare state also affected the debate about the future of Europe. The foundation of an independent European Central Bank that has as its main goal monetary stability but not growth and the stability pact with its strict limits on government spending marked this shift. Although many EU leaders, among which Jacques Delors, considered the introduction of the single market and monetary union as a crowbar for further integration in other areas, nowadays the single market is often seen as the end point of integration. Only with great effort the UK succeeded with the discussion about the Maastricht treaty (1991) to get rid of the federal option and the European Communities was transformed into a union of states that strived after ever-closer cooperation. Nowadays there are few EU leaders who defend the federal option. The dominant idea is that the EU should be an organisation in which sovereign states decide how to cooperate with each other. The draft constitution that EU governments accepted (but have not yet ratified) returns the EU to the nation state while the goal of free trade and free markets is enshrined in the text.

The changing terms of the debate should not only be seen in the context of the surge of the American right and global neo-liberalism but also in relation to the crisis of 'really existing socialism', the end of the cold war and the end of the belief in the ability to steer social developments. Economic globalisation, that was largely 'man-made', constrained economic policy options of government. But economic globalisation was also used as a *deus-ex-machina* to explain the end of the Keynesian welfare state. The 'developmental' state moved to the background while the 'facilitative' and 'minimalist' state moved to the fore. The era of 'great narratives', including the social democratic and Christian democratic 'narratives' about solidarity, cohesion and the social contract were undermined by neo-liberal and post-modernist thought. In this process the idea gained ground that more and more societal problems could be solved by the market mechanism.

³ Neo-liberalism is understood here as the liberalisation and deregulation of markets including the labour market, combined with an exclusive focus in macro-economic policies on curbing public expenditures and price stability.

The ideology of competition, implying that enhancing the nation's competitiveness in the global economic arena should be the central goal of government, became dominant. Here the economic logic of competitiveness is placed against the idea of a social Europe.

This epochal shift in thinking about society and markets had a deep impact on the debate about the future of Europe. For example, the concept *subsidiarity*, ensuring that issues are dealt with at the most appropriate level, became central. It reflected the tendency to shift a minimum of competencies to Brussels. The ambition of a social Europe faded away and especially the UK succeeded in slowing down progress in this field. The EU pushed member states to privatise and liberalise public services that had been hitherto considered as the sacred domain of the state: liberalisation of electricity networks, railways, postal services etceteras. At the global level, the EU wholeheartedly supported the privatisation and liberalisation drive of the institutions of global economic governance. It fully supported the very restrictive Trade Intellectual Property rights of the World Trade Organisation. The thinking about the distinction between 'private' and 'public goods' changed fundamentally and nowadays industries that were hitherto considered to be strategic or inherently public are being privatised. For example, in the UK public safety is being compromised by privatising air traffic control. Strategic defence industries are being sold to American companies and there are government plans to privatise prisons.

This all did not go unnoticed by European citizens. What to think about a EU that imposes a privatisation of railways while citizens see that in those countries that already did so the result was that prices went up and the quality of services down. How to trust a EU that allows GM crops to be grown and GM food to be sold in the EU while the overwhelming majority of the population is against. And what about pollutants that obtained the green light in Brussels although it is considered as harmful and forbidden in many member states?⁴

It seems that the EU institutions have been increasingly captured by corporate interests, primarily represented by the European Round Table of Industrialists, while the voice of citizens, primarily reflected in the European Parliament, is only weakly represented.⁵

With the creation of the single market and the introduction of the euro, the EU has the economic potential to create a counterweight to the USA and an alternative development model. However, since the establishment of economic and monetary union the EU spearheaded a neo-liberal offensive in the EU countries, therewith undermining the European social model.⁶ The EU institutionalized monetarism in the Maastricht criteria and an independent European Central Bank. In today's EU, Keynesianism is forbidden.

⁴ The European Commission's Standing Committee on the Food Chain and Animal Health voted in October 2003 to include the herbicide Paraquat in a list of authorised pesticides, despite the fact that it is banned in seven EU countries. Sweden took the European Commission to court for doing so. 'We know that Paraquat is highly toxic and extremely hazardous to health' said Swedish environment minister Lena Sommestad.

⁵ The European Round Table of Industrialists, founded in 1983, has got an extraordinary influence on Commission Policies. Its 45 members represent a turnover of 550 billion euros (see Susan George in *Manière de Voir*, January–February 2002, p. 29). Another major player is the UNICE (the Union of Industrial and Employers Confederation of Europe).

⁶ Despite the neo-liberal character of EU policies since the mid 1980s, the EU is putting emphasis on its social cohesion policies and countries like Ireland and Spain are catching up with the EU core countries. Also, Germany's huge transfers to East Germany do not fit into the neo-liberal model. Another example: in France wage inequality decreased during 1972–84 and 1990–96 and in 1996 wage inequality was less compared to 1984 (Rueda and Pontusson, 2000, 'Wage inequality and Varieties of Capitalism', *World Politics*, 52, p. 354). In Finland, Greece and Belgium wage inequality declined continuously during the 1980s and 1990s. The average working week in France was shortened while it was made longer in the UK. Nevertheless, there is a trend in the EU of a beggar-my-neighbour policy through competitive tax cuts and weakening social protection in order to compete with other EU states. Individual EU countries try to protect their models in defiance of EU pressure to de-regulate and liberalize.

The Council of Ministers of the EU, then dominated by social-democratic governments, stated in 1998:

Globalization requires economic reforms with the aim of creating a just and socially acceptable system (...). To adhere to this, the economy must be made more effective, the market must rule, and the obstacles for free trade must be removed... The free flow of capital has been positive for the newly integrated countries of the world economy. It is a precondition for economic growth and development that each country chooses a strategy aimed at opening their markets for foreign companies.⁷

The International Herald Tribune commented 'There is not much left of the left'.⁸

It seems that the EU is increasingly captured by market fundamentalists and negative integration predominates. According to Fritz Scharpf⁹

European integration has created an institutional asymmetry between policies promoting market efficiencies and policies promoting social protection and equality. National welfare states are legally and economically constrained by EU rules of economic integration, liberalization and competition, whereas efforts to adopt EU social policies are politically impeded by the diversity of national welfare states.

The EU became increasingly associated with big business and bad news.¹⁰ Of course, there has been undeniable progress and, for example, everyone profited from the introduction of the Schengen arrangement. Nevertheless, it seems that the EU is increasingly seen in predominantly negative terms. The legitimacy crisis of the EU was highlighted with the EU parliamentary election (2004) in which 56 per cent of the electorate stayed at home. Only 26 per cent of the electorate in the new member states voted.

The emergence of market fundamentalism and other societal trends that seem to occur independently of this, led to the emergence of 'market society' across Europe. One trend is the weakening of traditional interest representing organisation, like trade unions and political parties, across Europe.¹¹ It was one of the factors enabling a shift of resources from 'labour' to 'capital' over the past two decades.

⁷ Quoted in Wahl, E. (2002) 'European Labor: Social Dialogue, Social Pacts or a Social Europe?' *Monthly Review* Vol. 54, nr. 2, June, pp.45-56.2002, p.47.

⁸ Ibidem.

⁹ Scharpf, FW. (2002) 'The European Social Model: Coping with the Challenge of Diversity', *Journal of Common Market Studies*, Vol. 40, Nr.4, November, p. 645.

¹⁰ A typical example of 'corporate capture' is the preparation of the EU's Registration, Evaluation and Authorisation of Chemicals System. When the idea was outlined in a White Paper, in 2001, the proposal was to gather crucial safety information about tens of thousands of potentially dangerous chemicals used in everything from carpets to children's toys. More than 100 000 substances circulating in everyday consumer goods are strongly suspected of being harmful to health and environment. But the chemical industry launched a formidable lobbying campaign. All 20 commissioners were personally lobbied, as were their officials. Out of the 100 000 potentially harmful chemicals only 6000 will be tested and only 1500 chemicals 'of very high concern' need licensing (*The Guardian*, 5 November 2003).

¹¹ In most European countries membership of political parties has declined steadily during the past two decades. According to a survey in 15 West European countries in the early 1980s 8.2 per cent of the electorate were members of political parties, by the mid 1990s membership had decreased to only 5.2 per cent (International Institute for Democracy and Electoral Assistance). Membership of trade unions increased during 1993-2003 in most EU-15 countries (Belgium, Denmark, Finland, France, Ireland, Sweden, The Netherlands, Norway and Spain) (see European Industrial Relations Observatory online). However, the leverage of trade unions declined in most EU countries because of the declining importance of big industrial enterprises, i.e. the traditional power base of trade unions.

There is the transfer of responsibilities for a range of services from the state to the citizen. An example is pensions. Another example is the declining importance of social housing. Increasingly, instead of 'solidarity' came 'individual responsibility'.

The transformation of the question of social justice, implying a shift of responsibility from the state to the individual and the disintegration of the social contract at the national level, is undermining the social fabric as such. Although living standards gradually improved (at least in the 'old' EU countries), inequality increased in most EU countries as did existential uncertainty for a growing number of people faced with joblessness or the threat of losing a job. More people got temporary jobs, often without job protection. More started living outside the frame of the traditional family. Although the individual is celebrated in market society he is increasingly marginalized. Also, with the emergence of market society dominant value systems are affected. Hedonism, greed and financial fraud have become more acceptable and status ascribed to professions changed: less esteem for teachers and civil servants, more esteem for celebrities, managers and financial professions.

The dichotomy of 'spiritual versus material values in the future of Europe' can be seen in the context of the emergence of market society across Europe (see Kuklinski, 'Towards a dichotomic model of strategic choices', 2004).

People became increasingly alienated from politics because there seems to be less choice and many governments increasingly saw their tasks as administrating society (and implementing neo-liberal-reforms) rather than steering society while containing negative externalities of the market. This has been expressed in declining number of citizens that want to vote.¹² Also the media landscape changed that was increasingly dominated by media tycoons. This was especially visible in the UK where the tabloids *en masse* opposed any move towards further EU integration.

The British journalist Martin Jacques observed the following changes in British society after a prolonged period abroad. According to him, the market has become all-pervasive accompanied by a trend towards individualism:

'...this has transformed us all. It has enormously expanded our personal freedom and opportunity. Much of it has been for the good. It has brought a new sense of openness and tolerance. It is also totally out of control. Every society depends on rules, on constraint, on balance, on enduring values, on a sense of morality that cannot be reduced to the do-it-yourself and the contingent. All have suffered grievous harm in the face of the advancing army of personal freedom. We may live in the age of freedom, but it should more properly be described as the age of selfishness. The result is that the myriad ties that hold society together have been seriously weakened. We live in a world of increasing impermanence, transience and ephemerality, where little or nothing is forever, and individual gratification is the highest priority' (The Guardian, 5 October 2002).

'The combination of marketisation and unrestrained individualism are profoundly corrosive and are undermining the social ties that bind us together. We work the longest hours of any OECD country; longer hours at work mean less time for family and friends. Our public services are characterised by deprivation and squalor because for decades society has chosen personal consumption above investment in social goods. Public spaces have become increasingly scarred by anti-social behaviour.' (The Guardian, 5 October 2002).

¹² An example is Saarland (Germany): 85 per cent of citizens voted in 1985, 83.5 per cent in 1994 and 58.5 per cent in September 2004 (regional elections, *Der Tagesspiegel*, 6 September 2004).

Similar processes occurred in other European countries albeit, maybe, less pronounced. These processes fundamentally altered European society and changed also the terms of the debate about European integration.

2. Undermining European identity

During the 1980s there was an intensive debate about the nature of Europe, related to the widely perceived need to construct a European identity in order to underpin the process of European unification, but also related to the debate in the socialist Central European states where a discussion emerged about 'a return to Europe' and the distinction between Central and Eastern Europe. However, since then talk about European identity moved to the background.

In the new climate of market fundamentalism the belief in the possibility of constructing a new Europe has faded. Nowadays EU leaders are even denying the crucial ingredients of European civilisation. This has been shown in the European constitution in which a reference to the Christian inheritance was blocked by a majority. This is not only related to sensitivity for non-Christian minorities and a majority of non-believers but also born out of collective amnesia. Is it not remarkable that almost no one noticed that with the 2004 enlargement Protestant and Catholic Europe were re-united?¹³ Nowadays the link between religion and culture is denied.

For most Europeans, especially in the elite, 'Christian inheritance' is almost meaningless. But one does not need to be a Christian to acknowledge the role of Christianity in the formation of Europe and European identity. Also, a reference to Christianity does not imply discrimination of non-Christians.

In the present climate of post-modernist aversion towards 'big narratives' the very idea about talking about European identity makes no sense. With every typical feature of Europe one can say that it is also shared by non-European nations. Where is not Europe? The experience of Enlightenment and Renaissance? It has become a universal legacy. Judean-Christian and Greek roots? One will point to the new settler countries in America and Australia.

The problem in the present conjuncture is an absence of political will to create a European identity. Without political will there will not be a European identity. An 'imagined community', or a European 'foundation narrative', has to be created.

According to relativist multi-culturalism the market space in which we are living is inhabited by individuals and sub-cultures that all have their own preferences that should be respected. In present-day European market society it is the sub-culture and the individual that are the basic building blocks of society. Overarching concepts such as the social contract are relegated to an outdated past. 'Society does not exist' as Margaret Thatcher used to say. Individuals are often also seen apart from their social and historical context. Neo-liberal thought is based on the self-interest as the guide to social progress. But, Europeaness also means 'solidarity in destiny', i.e. accommodating pluriform society with a social contract.

Also, plurality is one of the defining moments in European identity as well as the autonomous and federal pluralisation of society that started already in the middle ages. But this plurality was in the context of a fundamental unity.

Another defining moment is our shared history of 20th century totalitarian movements and the devastating effects of two world wars that started on the European continent. The founding

¹³ Catholic Croatia is not in yet, but will soon have candidate status. Greece is the only EU member state where orthodox Christianity is the dominant religion.

fathers of the EU had the idea to create a Europe that would constrain violence through shared interest and concrete solidarity between former enemies. 'Avoiding violence is in everyone's interest' became the leading idea. In European integration Kant's idea of perpetual peace in which power is balanced by right and enlightened self-interest constrains the state to use force. It is probably this shared history of violence that made Europeans so much more opposed to the doctrine of 'pre-emptive strike' than Americans. The massive demonstrations against the war in Iraq across Europe (March 2003) and the majority of Europeans in all major European countries opposing the US led war in Iraq symbolised the unity of popular sentiment in Europe.

Also, pragmatic bureaucratic cooperation in Europe, creating a common network of interdependence, might have contributed more to peace in Europe than 'great narratives' ever could have achieved. The 'perpetual peace' through European integration started with the European Community for Coal and Steel!

The contours of a European identity that gradually emerged are however hardly recognised by the great public and the larger part of the European elite. Rather, there is a move away from building upon our common historical experience. In post-modernism and neo-liberalism, it is mainly the here and now that matters, not the great narrative of European unification and not what distinguishes Europe with regard to the rest of the world. It seems that historic amnesia is grasping the whole of Europe. But are we not standing on the shoulders of our forefathers and are the dominant culture and belief systems not the product of an age-old gestation process?

In the so-called 'war on terrorism' a new thinking came to the fore with respect to 'Western values', especially in relation to the Muslim world. In this context also the discussion about the 'clash of civilisations' can be placed as well as the crisis of multi-culturalism in the poorer neighbourhoods of big West European metropolitan areas. Especially in the predominantly Arab ghettos it becomes clear that there is some degree of incompatibility between main-stream European thought and strong currents within the Muslim community about gender, religious tolerance and the state.

The social drama of non-integrated ethnic communities in the big towns across the EU pushes a part of the electorate towards right wing populist and nationalist parties while main-stream parties are ignoring and belittling the problem of non-integration. However, it is not European identity that is strengthened by the problems with non-integrated minorities but reactionary nationalism. Neo-liberalism and reactionary integrationalism are two sides of the very same process. As Neil Ascherson argued, Western urban multi-culturalism cannot be a destination.¹⁴ However, the 'salad bowl' mixed metropolitan areas should be accepted as a starting point towards an end-point that will look like a hybrid but will at least have common codes of civility and that functions as one society.

It is only under popular pressure that most EU governments have tightened immigration rules although they are saying at the same time that due to the ageing problem most European countries need a steady inflow of immigrants. They are presumably needed to pay the pension bill. For the immigration specialists, immigration is not the problem but the solution. Not so for the native population of the European neighbourhoods where they have become a minority and where unemployment is high.

In neo-liberal multi-culturalism, ethnic groups live besides each other, not with each other. It is not 'unity in diversity', another crucial idea of European integration.

However, it is not the interface with non-European civilisations but market society that constitutes the greatest threat to European civilisation. Because the US is the world's most

¹⁴ See Neil Ascherson, 'From multiculturalism to where?' in *Open Democracy*, 19 August 2004.

marketised society and with the preponderance of American culture world-wide this threat is often associated with Americanisation. European market fundamentalists see the US model as the one to follow. With the commercialisation of culture and the media the dominance of American culture becomes even bigger. It is not only a question of the bombardment with Anglo-Saxon films but also of the proliferation of the Anglo-Saxon model and values.

Especially European elites are being Americanised. Better mastering of foreign languages meant above all better knowledge of English.¹⁵ The 'Europeanised' elites are mainly reading, apart from the newspapers of their own country, the Financial Times, the Economist, the Wall Street Journal and other Anglo-Saxon news outlets. If watching foreign films and reading foreign books it is above all Anglo-Saxon films and books. The foreign literature used in European universities is in English. The prestigious scientific journals are published and edited mainly in the USA and Great Britain. Due to diminishing knowledge of other languages than English, access to non-Anglo-Saxon cultures is hampered. The Americanisation of European elites helped to spread the neo-liberal gospel.

Above all European elites are affected by neo-liberal thought, less so the masses who are increasingly alienated from these elites which is reflected in absenteeism during elections and declining membership of political parties. Neo-liberalism is the creed of the elite, not of the masses.

Americanisation also means celebration of markets, market society and consumer choice. It means that enterprises are primarily seen as profit making entities that can be bought and sold at will rather than a community of people that works together. It is in the USA where free trade is elevated to one of the foremost moral principles.¹⁶

In neo-liberal thinking society is reduced to economy, economy to market economy, and market economy to financial markets.

Neo-liberalism also means the degradation of education into an adjunct to the market and only preparing for business. It means the commercialisation of culture and the exclusion of the poor and weak. It means the celebration of the abstract individual while cultivating his needs, so creating a culture of hedonism. It means abolishing solidarity through the state while solidarity becomes the domain of private charities. It also means a criminal justice policy that is based upon revenge and not towards the re-socialisation of offenders. It also means an environmental policy that is subordinated to the interests of big business.¹⁷ Neo-liberalism means the pre-eminence of short-termism over long term planning.

The shift towards neo-liberalism since the late seventies, away from ideologies underpinning the European social modal, has meant a turning away from the construction of a federalist European Union that could function as a counterweight towards the United States and that would

¹⁵ In the Central European countries (new EU member states plus Bulgaria and Romania), three out of four students in secondary school learn English. Only in Romania English is the second foreign language (80 per cent of students, against 88 per cent of students learning French) (*Knack*, 18 August 200, p. 87).

¹⁶ In the National Security Strategy of the USA (September 2002, p.22) is written '*The concept of 'free trade' arose as a moral principle even before it became a pillar of economics. If you can make something that others value, you should be able to sell it to them. If others make something that you value, you should be able to buy it. This is real freedom, the freedom of a person,—or a nation—to make a living*'. Alan Greenspan, chairman of the Federal Reserve wrote '*markets are an expression of the deepest truths about human nature and... as a result, they will ultimately be correct*' (quoted in Wade, R.H. (2002) 'US Hegemony and the World Bank: the fight over people and ideas', *Review of International Political Economy*, 9:2, p. 201).

¹⁷ In the environmental performance score for the period 1980–1995, the UK and Ireland scored worse among 13 EU nations while Austria, Germany and The Netherlands were among the best performers (*British Journal of Political Science*, October 2001, p. 688).

be a driving force behind a sustainable and environmental friendly European economy. Eastern enlargement contributed to this epochal shift.¹⁸

3. Further enlargement means a diluted and weakened EU and an end of a European EU

Eastern enlargement transformed the EU in many ways. The expansion from 15 to 25 member states made the weight of small states bigger and the French-German motor of European integration ceased to be effective. Geographically Germany moved to the heart of the European Union. At the same time, Germany is surrounded with states that are eager to diminish German influence. Also, Eastern enlargement means that the EU becomes far more unequal with the new member states having an average per capita GDP that is only 47 per cent of the EU-15 average (2002).

More importantly, with Eastern enlargement the point of gravity within the EU shifted from those states that favour deeper integration to those that perceive the EU above all as an extended free trade area. Also, the new member states are in foreign and defence policies much closer to the United States as was shown in the war against Iraq. In the new EU the Atlanticist current is far stronger than the European current.¹⁹ With enlargement the number of states favourable to further enlargement increased drastically. For example, Poland is now the major defendant of Ukraine in its bid to become an associate member.

The new member states also were pushed by the European Union and the institutions of global economic governance to adopt the prescriptions of the Washington Consensus, meaning a market fundamentalist approach.

With the 2004 enlargement and other foreseen enlargements the question is raised about the nature of EU integration. It is not only about the question of cohesion and European identity but also the about compatibility and coexistence of modern and pre-modern societies in an enlarged EU.

In the Copenhagen criteria for accession it has been mentioned that new member states should respect the rule of law, have functioning democracies and market economies. But the question is whether this is the case for some new member states and associate member states. Will South Eastern Europe become, with the inclusion of Bulgaria, Romania, Croatia, Turkey and, eventually later, Serbia, Bosnia-Herzegovina and Albania, the *Sicily of Europe*? These countries have predominantly pre-modern or traditional societies. They can also be considered as (neo-) patrimonial societies. Their states are to a large extent captured by oligarchic clans and the judiciary is not independent from political power. Index tables measuring administrative corruption, state capture, bribe frequency and economic freedom all show worse scores for these countries, compared to the old (and also new) EU states.

Can we imagine a Schengen zone in which part of the borders will be policed by corrupt customs officers? Can we imagine a country within the Euro zone that is not sticking to the rules and pursues an inflationary policy at the expense of other Euro zone countries? Can we imagine

¹⁸ There is a strange convergence between how public opinion looks at the EU (against more power in a neo-liberal Brussels) and neo-liberals, who want the same (less power for Brussels in a free trade Europe).

¹⁹ Although EU guidelines foresee in consulting the EU with respect to major foreign policy initiatives, Poland and the Czech Republic are negotiating with the USA over the establishment of American advanced radar stations as part of the missile shield project. The radar sites could be declared extraterritorial while becoming a sovereign US base (*The Guardian*, 13 July 2004)

a EU country that introduces authoritarian rule?²⁰ Can we imagine a EU that comprises failed states in which organised crime has free play?

Neo-liberals belittled the cultural factors in economic development and therefore expected that, once the right policies are adopted, all transition economies would swiftly transform into prosperous market economies.²¹ Also, within the EU there were many illusions as regards the swiftness and nature of the transition process in Central and Eastern Europe. But history re-appeared to the surprise of neo-liberals. In the transition process it appeared how heavy the weight of history is. In Central Asia, rather than introducing parliamentary democracy, Sultanistic authoritarian regimes were introduced. In Ukraine and Belarus, dominant economic and political practices rather remind one of Soviet and Tsarist times than of modern market economies and Western parliamentary democracies.

Nowadays, the geographical pattern of socio-economic inequalities within Central and Eastern Europe very much resembles that of the early twentieth century. Apparently, the equalising experience of socialism has been rather superficial. In many respects socialism had imposed a façade modernisation.

It is remarkable that present socio-economic divides within Central and Eastern Europe largely coincides with the sixteenth century divide between Western and Eastern Christendom and Western Christianity and Islam. It also coincides with the borders of the former Tsarist and Ottoman empires. East and South East of the new socio-economic or civilisational divide are neo-patrimonial societies that differ fundamentally from the modern (in the Weberian sense) EU societies. East of the civilisational divide societies did not have the feudal decentralisation of political authority that Western Europe had known. To the east of the border there always had been one exclusive overarching authority. Related to this are differing and much more constrained perspectives on individualism. Nowadays, transitional societies west of the civilisational divide all perform much better than those east of this divide. The former are the 'transition hopefuls'.

In this context it should be noted that in the discussion about the possible EU accession of Turkey, the question of the compatibility of Turkish and mainstream European societies has hardly been raised.

4. The formation of a core EU

The enlarged EU became further subordinated to the US while the EU is likely to be used even more as an instrument to impose neo-liberalism upon EU member states, thus dismantling the European social model and undermining European identity.

Due to deficient decision making procedures progress in the EU-25 it will be impossible in a number of crucial areas: in the European constitution with taxation policy unanimity is retained for indirect, company and environmental taxation. In defence and foreign policies the veto right is maintained. In social policy progress has become almost impossible because the veto right is maintained while further liberalisation and privatisation has become relatively easy with the requirement of just a qualified majority. The heterogeneity of the EU condemns it to inter-governmental cooperation on the basis of the smallest common denominator.

²⁰ In the new EU constitution there is a stipulation (article 58) according to which EU membership can be suspended under certain circumstances.

²¹ A study of the IMF, OECD, World Bank and EBRD stated in 1990 that 'A recovery from the reduced level of output should be able to get underway within two years or so ...further, strong growth of output and rising living standards could be expected for the remainder of the decade and beyond' (IMF et al, 1990, *The Economy of the USSR*, pp. 18-19)

However, in the new EU constitution enhanced cooperation offers a possibility for a group of EU member states to move ahead. It is the mechanism whereby a group of member states may be allowed to use the EU framework to develop policies which would only be binding for them. This mechanism has first been introduced with the Amsterdam treaty. Enhanced cooperation between a group of EU countries is envisaged in the constitution if at least one third of EU member states agree to do so. For example, if Germany and France take an initiative in this direction, they need to have the support of at least seven other EU states. This is obviously an obstacle for enhanced cooperation.

However, the challenges facing EU member states are demanding a strong and viable EU. There is the challenge of global environmental pollution that contributes to climatic change and manmade 'natural' catastrophes like floods and desertification. There are the social and political turbulences in Europe's periphery, from North Africa through the Middle East to the Balkans and the area of the former Soviet Union. Related to this are mass migration and the activities of global criminal networks.

The only way to move forward is to create a strong EU core along the scenario of the formation of the Schengen zone. The point of departure should be the *fait accompli* that the present EU is divided beyond repair. The creation of a core EU might further deepen the present divide because the laggards will block any advance in the EU-25+ framework. It means that there will be a EU core that is accelerating with integration while the large EU is degrading into an incapacitated free trade zone. Of course, no money will flow from the EU core to the EU laggards.

The proposed strategy will only succeed if the configuration of social forces in the EU core is such that a radical break will be made with neo-liberalism and a choice is made for the development of a European social model, a European model of sustainable economic development and a choice for an independent European voice in the international arena. There is not much of a problem with regaining popular support with such a progressive cause. The question is how to translate popular support into political leverage and power.

It is important to keep Great Britain far from the construction of a EU core. However, many in the EU core countries think that a viable EU can only function with Great Britain being fully part of it. After all, the UK has the most powerful military potential within the EU and it has the biggest financial centre with the City of London. But, on the other hand, the UK is blocking any progress in European integration and the UK traditionally behaves like the 'Trojan Horse' of the USA in the EU.²²

²² After the UK joined the US attack on Iraq that was sanctioned by the UN and during Blair's visit to the US, the commentator of the International Herald Tribune (24 July 2003) wrote the following '*The Blair government has turned the 61 year old Anglo-American security alliance into an unprecedented subordination of Britain's security and foreign policy to the USA. This was the unspoken message of Tony Blair's emotional address to a joint session of Congress last week. Defence Secretary G. Hoon had already announced, in late June, that British military forces are to be reconfigured so as to function henceforth as Pentagon auxiliaries. In Europe, only France now will have the capacity for sizeable independent military operations. All other non-neutral European forces have been turned into specialised units of an American commanded NATO army, Britain, under Tony Blair, has sold its principal aerospace manufacturer BAE systems to the US. The Blair government has agreed to extradite British subjects to the US on demand, without need for prima facie evidence. Why does Tony Blair with this slow suicide of one of Europe's greatest nations, whose independent legacy to modern Western civilisation... is so immense. 'Where is his electoral mandate for so enormous a decision.'*

Chancellor Gordon Brown said '*For centuries, the US and Britain have been linked by the ideals that we share: a passion for liberty and opportunity; a belief in the work ethic and in enterprise for all; a commitment to being open, not isolationist; and our shared conviction that economic expansion through free trade and free markets is the key to growth and prosperity*' (The Guardian, 15 November 2003). In a speech for the Confederation of British Industry, Brown said '*Europe's economic future depends on a ever-deeper and closer economic relationship with the US*' (The Independent, 17 November 2003)

Unfortunately, it is not *bon ton* anymore to talk about a strong core.²³

5. The challenge of economic globalisation

Nowadays governments often say that as a result of economic globalisation and in order to compete globally employees have to accept more hours, less remuneration and more flexible labour markets, meaning less job protection. Also, high levels of environmental and social protection are undermining national competitiveness. But, most EU leaders are promising that in the end everybody will profit from economic globalisation.

Economic globalisation is also portrayed as an unavoidable supernatural event that makes the Keynesian welfare state impossible. One wonders why the Finnish economy can perform so well and is chosen as the most innovative economy in the world and why Argentina, that has been the model pupil of the IMF and integrating into the global economy, is not performing much better. German labour costs per hour are 32 dollar while in Britain they are 19 dollars. Why then did German exports increase by 5.4 per cent on average per year during 2000–2004 while British exports only by 3.2 per cent?²⁴ Few know that Germany recently has surpassed the USA as the leading global exporter.

If the US model should be the one to copy, why has the increase in labour productivity in the EU been substantially higher than in the USA during 1985–2001?²⁵ Higher GDP growth rates in the USA can be explained to a large extent by Americans starting to work more hours, higher population growth and other methods to calculate GDP growth.²⁶

One seldom hears the argument of how the EU can, in principle, protect itself against many negative externalities of economic globalisation if the EU member states choose to do so. Unfair competition within the EU by lowering corporate tax levels could be avoided if the same taxation policy were accepted across the EU.²⁷ The same applies with respect to competition through social dumping by harmonising social policies across the European Union. Also, the sheer size of the Eurozone protects against currency speculation.

The EU could be instrumental in developing a European social model instead of breaking it down.

Nowadays the national framework of the development of EU member states is broken down, as political decisions are moved from the national to the supranational level and from political institutions to the market. According to Ulrich Beck, globality means that the unity of national state and national society comes unstuck. According to him, societies cannot be seen anymore as

²³ For example, the reflection group about the future of Europe at the Institute of Human Sciences in Vienna, founded at the initiative of Romano Prodi and that counts politicians and intellectuals from all over Europe concluded that 'a core Europe, an avant-garde Europe, is no longer an option. The same holds true for the opposite: the British preference for the model of a loose political framework with a common market' (Newsletter IWM, nr 84, Spring 2004, p. 2)

²⁴ *The Economist*, 26 June 2004

²⁵ See *European Competitiveness Report 2002*, p. 20. Only during 1995–2001 did labour productivity in the USA rise faster than in the EU. If we take productivity per hour in Britain as 100, labour productivity in France has been 125, in Germany 123 and the USA 122 (2002, *The Economist*, 24 January 2004).

²⁶ GNP per capita growth in the EU during 1990–95 was 1.19% per annum while in the USA 1.35%; for the period 1995–2002 figures are respectively 1.98% and 1.93% (*European Competitiveness Report 2003*, p.22).

²⁷ Germany and France have high corporate tax rates (38.3 and 34.3 per cent respectively) while Poland reduced its rate from 27 to 19 per cent, Slovakia from 25 to 19 per cent while in Hungary it is 16 per cent (*The Economist*, 24 July 2004).

territorial units that are separated from each other. *'In the container theory of sociology, societies both politically and theoretically presuppose 'state control of space'.*²⁸

It has major implications for issues of social and economic justice. According to Beck, the transnational corporations are bidding farewell to the framework of the national state and refusing further loyalty to its actors. He argues that this, however, lowers the degree of internal social integration. Transnational corporations are picking up the best cherries, (1) by gaining the best possible access to quality infrastructure, (2) by picking up various subsidies, (3) by reducing their tax burden and (4) by externalizing the cost of the unemployed.

*As the national framework loses its binding force, the winners and the losers of globalization cease to sit at the same table. The new rich no longer 'need' the new poor. And so it becomes increasingly difficult to even out the differences between them, because there is no framework in which the overarching conflicts could be represented and regulated'. '...national modernity was conceived and organized within a particular cultural identity (a 'people'), a territory and a state. At the same time, however, no new unity of humanity, planet earth and world state has become visible or even desirable to large number of people'*²⁹

This view presents a trend as an accomplished fact and over-estimates the scope of maneuver of trans-national corporations with respect to the nation states. Trans national corporations have captured the state to the extent that the subject populations have allowed them to do so. It ignores the fact that capital still operates from and in the context of nation-states. But it rightly points to the transformation of the social question. According to Gorringer '...in the world of competing international states and vast crowds there is a necessary reduction of the range of duties we owe to others. Social justice is fine in the face-to-face society.'³⁰ As Hayek, the propagandist of free markets noticed in his 'Open Society', older ethical rules no longer obtain. One reason for the dismissal of social justice, according to Gorringer (1999, p. 18) is 'that in a market society allocation decisions are not made by individuals; it is the impersonal operation of the market which allots goods and services to people; and according to market fundamentalists this can be neither just or unjust because the results were neither intended nor foreseen'.

Globalisation does not only mean a much more interconnected world, in all respects. Globalisation means above all corporate globalisation because it frees corporations from numerous regulations at the national and international level. The competition for the favour of investors has led, according to some observers, to the privatisation of profits and the socialization of losses for global corporations. These corporations can, with the help of accounting giants, make profits globally, but escape the law and taxes locally. Globalisation also means an acceleration in the world-wide process of concentration and centralization of capital. Globalisation also means a financialisation of the world economy with a much more pronounced role for globally operating banks and the institutions of global finance, such as the IMF. It meant a shift towards the pre-eminence of financial capital over industrial capital. Concomitantly the volatility of international financial markets has increased by liberalising capital accounts, the emergence of huge amounts of speculative capital and the highly increased debt burden of a large number of countries. Characteristic of the present epoch also is that processes of financing, research, production and distribution are integrated and concentrated in the hands of corporations that spread their influence all over the world. Due to the under-regulated nature of global capitalism globalisation also frees criminal activities.

²⁸ Beck, U. (2000) *What is Globalization?* Polity Press, Oxford, p. 21.

²⁹ Beck, 2000, p. 8

³⁰ Gorringer, T. (1999) *Fair Shares—Ethics and the Global Economy*, Thames and Hudson, London, p. 17

Globalisation was also a political project furthered primarily by the US government, while the autonomy of US government in formulating economic policy has not at all been affected by changes in the global economy. Present economic globalisation can also be characterized as Anglo-Saxon led globalisation. Above all the Anglo-Saxon liberal market economies profited from the specific mode of globalisation that has been pushed by the US led institutions of global economic governance.³¹ Economic globalisation is in many respects the results of conscious strategies and not the necessary outcome of technological and organizational changes.

The present transformation of the global economy can equally be described as a Great Transformation.³² It comprises the universalisation of markets all over the world while causing increased inequalities and uncertainties that threaten the sustainability of social and economic development world-wide. Concomitantly with the spread of markets is the spread of a new and stricter regime of property rights.

One of the major challenges in the decades to come is to regain political influence over economic and social processes. The point that can be made here is that the EU could be a major instrument in redressing the imbalances brought about by economic globalisation with respect to the social question. It could well be that we are approaching a new phase in the development of Western capitalism in which 'negative externalities' of the market are counterbalanced by a series of measures that embed market forces in a social market economy that has a more balanced relationship between various forms of economic coordination, a similar process as described by Karl Polanyi for Great Britain in his 'Great Transformation' (1944).

Reform and democratisation of the EU as well as the formation of a EU core seem to be precondition of making the EU a vehicle for the development of a European social model of sustainable development that can be a beacon for the rest of the world. This is a vision that might appeal to many, unlike the 'vision' of the EU being the most competitive economy in the world.

And with respect to competitiveness: the EU can develop a knowledge-based economy that is highly competitive only if it exploits the national innovation systems that emerged across the EU. Governments have to play an active role in this process and should make sure that the benefits of the new economy spread over the whole of society. While over the past decades the element of competition has been highlighted by politicians and economists, now the right balance between cooperation and competition should be found.

Lier, 8 September 2004

³¹ The trend of financialisation and marketisation of economic life world-wide is favouring those countries that are ahead with these trends. In 1990, among the top 15 financial firms, in terms of capitalisation, were 11 Japanese firms and 2 German. In 2001, among the top 15 financial firms were 13 from Anglo-Saxon countries (US and UK), one German and one Swiss firm. In 2003, among the top 25 banks by capitalisation, 8 were from the US and 5 from the UK (*The Banker*, July 2004, p. 167). The deal value for global mergers and acquisitions was during the first half of 2002 for the USA 186 billion dollars, for the UK 80 billion dollars, for Germany 43 billion dollars, for France 29 billion dollars, for Italy 23 billion dollars and for Japan and Canada 22 billion dollars (*The Economist*, 6 July 2002).

In 2001, the UK and the USA together accounted for 40 per cent of cross-border bank lending (20 and 10 per cent respectively), 73 per cent of equities turn over (44 and 29 per cent respectively), 47 per cent of foreign exchange dealings (31 and 16 respectively), 63 per cent of fund management (13 and 50 per cent respectively) and 71 per cent of corporate finance (11 per cent and 60 per cent respectively). London and New York are the world's truly global financial centres. The international significance of Tokyo rests primarily in the strength of the Japanese economy itself. Also, London and New York are the major centres of corporate headquarters. The predominance of London in the hierarchy of European financial centres contrasts with the meagre performance of the British economy in European perspective. In 2002, of the 500 largest companies, in terms of capitalization, the Anglo-Saxon countries all together accounted for 303 companies, that is more than 60 per cent (*Financial Times*, 28 May 2003).

³² See Karl Polanyi (1944) *The Great Transformation*. Beacon Press.

BRUNO AMOROSO

THE FUTURE OF THE EUROPEAN UNION: The European Union between enlargement to the North and the Mediterranean

The state of the European Union up to the Barcelona Conference in 1995

The two main objectives characterising the policies of the European Union from the 1970's have concerned European construction and relations with external areas. The first makes reference to the process of enlarging the Union and to a host of back-up policies that should allow internal social cohesion. The second refers to the ensemble of European countries still outside this first circle (the Great Europe or enlarged Europe) and to the rest of the world.

The content of these elaborations up to the end of the 80's, a reflection of the welfare state culture that inspired economic policies of the member states, constituted the foundation of what was defined as the "European social model". A model of society distinct from other forms of government of the capitalist market both in the United States as well as in industrialised Asian countries like Japan, South Korea etc...

The characteristic of the European social model was to propose and apply an original solution to the problem of the existing contradiction between capitalist market and market, and between capitalism and democracy. A proposal aimed at replacing the automatic production and distribution mechanisms of the market, with a new "political policy" system, decisional and participatory, to reunite market and society, making the former the economic tool at the service of the objectives of the latter.

A proposal construed on the binominal "state and market", having at its core as principal instruments of regulation both the system of industrial relations in production, administered by entrepreneurial and union organizations, based on participation, as well as economic policies (of labour, social, education, health, culture, etc.) run by the state, based on a principle of democratic choices. The inspiration and the common objectives have found application in a polycentric system of forms and institutional systems, corresponding to the cultural and political diversities of the various European countries.

The new prevailing orientations of the Union's policies in the 90's, with their increasing falling into line with those dictated by institutions of globalisation, and a general institutional and

structural “fitting” into the new forms assumed by the capitalist market from the 70’s onward following the thrust of globalization, strongly redefined the contents and the institutions of the EU’s policies. The logic of democratic participation and internal cooperation have been replaced by that of concerted planning between strong players and competition in all sectors of society; that of international co-development based on the principle of synergies among countries and distinct and diverse productive systems, by the requirements of homologation of globalisation to the new triadic strategies of capitalism.

Social and political cohesion of the European Union

These new guidelines, gradually but inexorably superimposing themselves onto previous ones of internal cohesion and co-development, have assumed great importance for the member states of the Union. They have gradually produced a process of substitution of national laws for European ones. At the moment, more than 80% of the laws in force in the member countries were elaborated and approved in the context of the Union and its representative and institutional bodies. What rests to single governments and parliaments are “subsidiary” functions and the approval of the rules of implementation.

However, this has happened in a context of strong resistance by citizens of the member countries of the Union and, in some cases, of the same governments, to accept the gradual weakening of the nation state. This is a problem one has never wished to face seriously in most countries as demonstrated by the scant willingness to implement national referenda on the decisions to be taken.

Another two aspects should be highlighted. The first is that it has been hoped to resolve the complex relationship between Union institutions and national institutions, lying at the heart of the problem of democratic participation and democracy in general, with the rhetorical formula of “*ever closer union*”, namely with the dogma, therefore not critically elaborated, of “*ever growing integration*”. In the shadow of the this credence there has been the desire therefore to reduce a strongly political theme in the face of the diversity of the economic structures, and existing social and political systems in Europe, to a technical and institutional engineering problem.

Against the unarguable need for institutional and political reform of the Union, made necessary by its gradual enlargement, and of the same rhetoric on innovation that has contaminated any European debate and research for twenty years or so, there has been the response by continuing on the inexorable path marked by an obsolete Eurocentric and western approach in European integration, become ever more paradoxical and unsuitable in the face of the great events of the “fall of the wall” in 1989.

The contradictions that all this has produced within the European Union are traceable to these directions and the persistence of strong dissent on the ways to be followed. Regarding the decision to continue to build, in the light of new international and internal factors, on the foundation of the historical and cultural specificities of what has been defined the European Social Model. Or implement an integration that means the homologation of this model of generic principles of democracy, international competition, and organisation of markets on the capitalist market model with which comparison is made in an increasingly obsessive fashion with that of the United States.

This ambiguity is at the base both of the recurring difficulties in the process of European integration in the geographical areas with outstanding cultural and social profiles (the Scandinavian areas among these), as well as of the still unhealed contrast between Great Britain and the other countries of Western Europe due to the inalienability by the former for its Atlantic vocation with respect to a continental orientation and thus European of the latter.

Co-development in international relations

In its relations with “third countries”, the direction of the European Union has understood how to evolve gradually over the course of thirty years (1960–1980) from conditioning represented within by the old colonial and Eurocentric spirit of a number of its greater member states, toward a polycentric and multilateral idea of international relations.

Some institutions have contributed in particular to this emancipation, such as the Economic and Social Committee of the European Union, enabling to evolve the guidelines of the international and cooperation policies of the Union from the ambiguous and marked concept of “development”, to that of co-development: from the old bilateral politics of the European Community toward the Mediterranean countries to the “new Mediterranean policy” of the 80’s and, lastly, to the politics of “partnership” and “shared welfare” of the 90’s.¹

Nevertheless, there has been a lack of the necessary compliment of policies to this elaboration of policies and strategies, both by the nation states as well as the very same Union. In the same way that the activism in some areas and some sectors, promoted through important cooperation programs, has proved weakened both for reasons intrinsic to it as well as contradicted repeatedly by the economic scenarios and recurrent wars in these areas.

The historical roots of today’s problems until Barcelona (1995)

The “end of the cold war” reopened the debate on the European scenario with a view to the Great Europe. The “wall” had split Europe in two and forced the institutions of the European Community and the process of integration into a corner, its western corner of countries of old industrialisation. The “fall of the wall”, for the multiplicity of new inputs that were made possible, could not but push towards a federal institutional form among its greater parts: Western Europe, Mediterranean Europe, Northern Europe, and Central Europe. The debate at the beginning of the 90’s focused on this question, and important studies and proposals were made in this direction. Of merit were the contributions made by the Fast Monitor Program of the European Union directed by Riccardo Petrella, and by the Franco-German group coordinated by Peter Treuner and Michel Foucher sponsored by the French DATAR and by the German ARL, that drew important indications toward a federal and polycentric Europe from the analysis of problems in the various economic, social, political and historical dimensions.²

Among the obstacles already present for a real process of innovation of European policies, besides the already mentioned bilateral and Eurocentric habits, should be counted the contradictions and ambiguities of the preceding path in which the economicism of the process of integration had sown the seeds, or the poisoned fruit if one prefers, which were then to be called upon for the imposition of the new order. The course was in part already marked by the path of the process of European economic integration, whose forms of implementing agricultural policies (PAC) and the single market (1992) are a clear example.³

But what proved to be the greatest obstacle was the by now advanced process of economic and institutional transformation set in motion by capitalist globalisation, whose infiltrations into structures and minds had already corroded the possibility of giving space to alternative thinking. Besides, in those years, the awareness of what was happening in the economy and in global politics remained limited to narrow groups of thinkers and scholars (*The Group of Lisbon*, *The Group of Lugano*, for example), in the total absence of important movements of civil society that were to show themselves from the following decade.

¹ Amoroso, 1996, Chap. 2.

² Amoroso (1998), Chapt. 8. *The Group of Lisbon*, (1995). Treuner & Foucher (1995).

³ Amoroso and Gallina, 2004

The debate was closed brusquely by the president of the Commission of the European Community at the time, Jacques Delors, with the publication of the renowned *White Paper* on: "Growth, competition, employment. The challenges and ways ahead to enter the XXI century", in 1993.⁴ The report started off by affirming the need for: "a new synthesis between the objectives that society is pursuing (work as a factor of social integration, equal opportunities) and the demands of the economy (competition and the creation of jobs)" (*Ibidem, Premise*). But a glance at the content clearly reveals its boundaries: aimed at a concentration of the richest development areas of the member countries and orientated towards systems of infrastructure and consumption coherent with the *global apartheid* plan of globalisation. The European choice to become one of the three table legs of globalisation (of the Triad) in the hope of managing to save the European systems of welfare for this path was branded by those choices.

The realization of the "internal market", of the Maastricht Treaty with its "parameters" for the admission of new countries and the successive Stability Pact, the introduction of the single currency (Euro) are all the outcome of the line taken in the *White Paper* by Delors, and have successively found a new frame in the *Agenda of Lisbon* in 2000 (Presidency conclusions Lisbon European Council, 23 and 24 March 2000)⁵ that reaffirmed the driving objectives for European policies of growth and competition and traced the guidelines of what was then to become the "international dimension of the European space" on openly declared Eurocentric lines and cultural colonialism. These are the actions that laid down the basis for the dismantling of the European Social Model, the affirming of capitalist globalisation in Europe, for the violence and arrogance of the neo-liberalism in the European and national institutions.

A black thread departing from Delors and then unravelled with patience and coherence up to the presidency of Romano Prodi (see the *Sapir Report* ⁶) and the current one of Barroso. All the laws that are being debated and that we have fought over for a decade play a part along this path. The optical illusion of being able to lead them back to national responsibilities is strong, but their European stamp is very evident and incontrovertible. As regards Italy, the two presidents, of the Union and of the Italian government, are perfectly in tune: liberalisation, privatisation, the "knowledge society", etc. If anything, the irritation of the former toward the latter perhaps arises from the fact that the scant cunning of the latter risks highlighting the real and deep meaning of the "reforms" that the Union is imposing on all member countries.

In this context the Barcelona Conference of 1995, for the new Euro-Mediterranean policies, became at once both the high point of the Euro-Mediterranean policies pursued up to then, but also the turning point toward their decline. The high point for the rhetoric of cooperation, that even went beyond the elaboration put forward of co-development, proclaiming the "partnership" and the "shared welfare" between Europe and the Mediterranean. The beginning of the decline because it was based on the geographical delimitations of the area and on the ambiguity of direction due to the internal weaknesses of the Union in which, even between member states and within each of them, the declared objectives were evaded for the growing alignment of the European Union with the international policies of the Triad.

This new fact strongly influenced the understanding of what has happened in the Euro-Mediterranean relations in the course of fifty years and in the experience of Euro-Mediterranean co-development before and after the 1995 Barcelona Conference. The starting point is that the seven years elapsed after the beginning of the partnership, roughly half way along the path envisaged toward the building of area of "shared welfare", have not produced the foreseen effects of welfare, stability and dialogue. Instead, a paradox is being built up: proceeding toward

⁴ European Commission, 1993.

⁵ European Commission, 2004

⁶ Sapir A. et al. (2003).

integration produces growing conflicts and a parallel separation between the various political, social, economic and military objectives, that it was hoped would be united in a common strategy of growth. A possible interpretation is that sustaining the scarcity of the available resources, reaffirming the justness of the chosen way and the objectives. It is, however, in my opinion, a theory that undervalues the dimensions and the dramatic nature of the problems to be faced and ends up obscuring the true nature of the problems.

On the morning after the “collapse of the wall”, as already noted, the scenarios were drawn from many quarters for the new Europe that, having overcome the division between East and West that had led it to level out on a solely western and Atlantic dimension, could finally find its continental place again by deploying itself to the North (Baltic), East (Central and Eastern Europe) and South (the Mediterranean). The importance of the Mediterranean dimensions appeared immediately evident for the strategic value of this area, the breadth and the wealth of these societies and their markets. From a geographical point of view, one of the reports written in those years on behalf of the European Community highlighted the importance of a co-development link (“the ring of Euro-Mediterranean solidarity”) between the European countries as a whole and the ensemble of Mediterranean countries in their greatest areas: the Balkans, Middle East and the Maghreb. In that vision the entire Arab world and Iran was included. Two specificities still present today were singled out: Turkey and Israel. The first to be resolved with a joining up of Turkey and Greece in the European Community, and the second seen as a problem of protecting minorities within the Arab world.

The consequences of this approach were multiple and on many of these there was a strong convergence: 1) the north-south relationships in the Mediterranean were to be managed with a dialogue between regions: the European Community on one hand and the sub Mediterranean regions (Maghreb, Balkans, Middle East) on the other, overcoming the old tradition of bilateral relations aimed at creating fragmentation and division. Therefore reciprocal recognition, territorial integrity and national sovereignty, the renouncing and opposition to any form of external intrusion. Coherent with this objective the European Union has repeatedly affirmed the concept and the practice of regional dialogue, namely between regional aggregates precisely to overcome the limits of the old bilateral national approach. 2) Starting a great dialogue between Europe and the Arab world, in its various articulations, as the main reference. The political path was that of a gradual enlargement to the north by the European Community up to and including all the European countries, and a gradual broadening of the relations to the south to include in the Euro-Mediterranean co-development the rest of the Arab countries, up to Iran; 3) The objective of co-development was to be pursued with a growing cooperation between diverse areas, integrating that is the diversities, but to enhance and reinforce them rather than cancel them out. The unity of direction of the social, cultural, political and military strategies should serve to come out of the logic of interpreting and of intervening in the Mediterranean driven by emergencies (emigration, environment, conflicts, oil, etc.) and create a reference frame over the medium and long term.

These trains of thought were formally approved at Barcelona in 1995, but then disregarded and distorted in the following years. What was affirmed is a different orientation. The process of enlargement of the European Union to the north has happened, with the enlargement of the countries of northern and central Europe, while the process of expanding to the south has been blocked and regressed with prejudicial questions toward Libya, Algeria, and the whole series of Arab countries imposed by reasons prevalently external to Euro-Mediterranean interests. European integration then extended itself to comprise the Balkans where it would have favoured regional scattering, and tendencies emerged to integrate countries from the southern shores in the European block (Israel, but also Morocco and Tunisia), with devastating effects for the internal cohesion of these areas. Still more serious was that a conception narrowing the ambient

for the south to countries of the “Mediterranean shores” was affirmed, cancelling out in such a way the North-African and Arab world context, and leading to emerge instead the priorities and importance of two countries (Turkey and Israel), supported by the strategic-military interests of the United States. Lastly, the articulation of the process of co-development was reduced, for the economy, to the creation of the “free trade area” and thus to the economic integration in a strict sense, and in the cultural-institutional dialogue on the formulation of the catechism on “human rights” and “democracy”, badly copied by western constitutions. The failure of the Barcelona process arises from here: from the affirming of the strategic interests of capitalist globalisation in Europe and in the Mediterranean whose two main scourges are the liberalist policies in the economy and the American military presence.

A different basic conception, still foreign to the European agenda, is one that calls on a polycentric idea of development, on a basis of participation created by the multiplicity of civil society movements from the Arab and European world rooted in their “agriculture and culture”, in their “land” and in their “Communities”. A basic conception that wishes to seek out all the possible forms of other modernity and other modernisation, bonded by a common path that must be one of knowing how to build economies of peace as an alternative to the delirium of the United States economy of war; alongside which it is hoped to flank the European army.

The affirmation of capitalist globalisation and the renewal of debate in Europe

The European Union between globalisation and regional integration

The events of the last years affecting the Euro-Mediterranean relationship confirm the persistence of the contradictory nature of the existing thrusts:

1. The widespread awareness of the failure of that ambitious proposal of Partnership launched by the European Union at the Barcelona Conference in 1995, on which the capacity of European countries to carry out an autonomous role with respect to the large areas that surround them and that affect their own internal balances, is measured.
2. The three bombs announced for more than a decade by studies on the Mediterranean and that threaten the survival of Europe—demographic, environmental and Islamic—are exploding and the possibilities to disconnect them are becoming more complex and difficult. This situation proves those mistaken, who, like me, had read and interpreted the demographic, environmental and Islamic challenge, as great occasions for Europe to come out of from its own imbalances—demographic and environmental—and from fundamentalism.
3. The Mediterranean has become the place of direct conflict between the strategies of globalisation pursued by the United States and those of co-development desired by the European Union. This throws into crisis all those policies and institutions erected on the myth of a single and united West created during the “cold war” years. The challenge set by the United States toward Europe assumes the forms both of military intrusion as well as the establishment of a free exchange area between the United States and Arab countries.
4. The enlargement to the east has contributed, for the moment, to stabilise the countries of the European Union bordering on these areas (Germany and Scandinavian countries). But the problem of the Mediterranean, unresolved, leaves the southern belt of the European Union countries open, exposed to all the counteractions coming from “political destabilisation” and “economic marginalisation” of these regions provoked by the globalisation process.

5. The construction of the “solidarity links”, which should have created an organic system of solidarity relations within the European Union, and balanced between the European Union (western Europe) and the large adjoining areas (the Baltic area, central Europe, the Balkans, the Middle East and the Maghreb), is proceeding with little solidarity—owing to the crisis of the welfare systems—and much unevenness because of the contents of these agreements. It is, obviously, a difficult and winding path that is causing not only the border lines and possible clashes and encounters between the European Union and the other global areas to emerge with more clarity, but also the shadow zones and the contradictions that are lingering within it.

The marked acceleration toward extending the area of dominion of globalisation toward the East, begun with the wars in the Balkans and with the first Gulf war, reveals by now the fragility of a European position that has never clarified the placing it wishes to assume in the global scheme of things. The moment of greatest approaching to the formulation of a European strategy and policy for the Mediterranean was realised with the Declaration of Barcelona in 1995, but the renewal of United States aggression toward countries in the area and finally the war against Iraq and against the Palestinians rendered these intentions vain.

The weakness of a European role in this region is not a new theme, for some time present and debated in specialist literature, but unresolved and repeatedly brushed aside from the political agenda. The frequent recall to the absence of a European “foreign policy” only apparently hits the mark, since it invokes an initiative before defining the contents. In such a way the concrete steps made in this direction, even if small and contradictory, end up being towed by the strategic choices made by the United States or other countries.

The roots of the absence of coherent European Union policies are buried in its dual identity and belonging. On one hand the European Union is pursuing a model of economic growth and political organisation oriented to the “economic and social cohesion” between member countries and regions, and to the objective of “co-development” towards the bordering regions and the Third countries in the framework of a broader process of economic cooperation.

On the other hand, the European Union is one of the three poles of the capitalist Triad (together with the United States and Japan), that constitute the engine of globalisation. The objectives of the Triad are growth concentrated at a few poles of development within three areas, and the creation of a system of economic and political dominion at a global level (“global apartheid”).⁷

Belonging to the Triad forces Europe towards abandoning the politics of economic and social cohesion (therefore of its own model of *welfare*) and the creation of a “banana Europe”⁸, well defined by Riccardo Petrella as: “an archipelago of high technologies in rich city-regions, evolving in the middle of a sea of impoverished humanity. The transnational societies, in their tireless research for new customers, are creating this network, which goes beyond the traditional framework of the nation state.”⁹

These strategies are being pursued through “political destabilisation” and “economic marginalisation” of the countries and systems that oppose this design. The facts of the last decade offer rich empirical material of proof to this end.

⁷ *Global Apartheid*, 2004, pp. 128.

⁸ Datar, 1989.

⁹ Petrella, 1993.

The Two Wests

The aim of these notes on the Mediterranean, developed in broader analysis contexts and published recently¹⁰ is to individuate some old and new knots to be untangled, deriving both from the tendencies underway on the themes of greatest importance for the populations of these areas, as well as from the political and institutional toil of recent years. If the message of globalisation is to “think global and act local”, the approach inspiring the reading and interpretation of the essays proposed here is overturned: “think local to act global”.

Namely, starting off from the everyday needs of people, families, of the communities to seek to understand the dynamics of the states and the new forms possible of solidarity and communication. The solution to the problems regarding the life of the communities, their future, namely the “common future” of humanity, cannot but start from the sum of their problems, not from the synthesis of something definite and measurable from the outside. For this reason the affairs of each are the affairs of all, contrarily to what the “universalists” of globalisation would have us believe, that their business is the problem of everyone.

There are, therefore, no “good practices” of behaviour and life beyond the specific and historically determined context of the communities, and of the institutional frameworks created by them with the nation states. If this is the case, and this is not about a truth but a choice of life and relationships, there is no other road apart from the one of dialogue between communities, that of reaching common feeling and common growing, together but different and apart.

The reaffirmation of the principle of autonomy of the communities and national sovereignty against the delirium of the “world government”, of particular rights against the arrogance and violence of “human and universal rights”, constitute the sole possible basis to depart from for a truly democratic and participatory global reorganisation. Paradoxically, we have to affirm that it is the diversities that unite us and push us to dialogue, while the claims of universalism and homologation force us to conflicts and disaster. These affirmations, these value choices, if accepted, should then be translated into the behaviours and choices of politics and economics.

The idea of the relationship that must exist between “agriculture, culture and nature” is for me born out of the very reflection on the Mediterranean. A relationship that, necessarily, takes on different forms and characteristics in the diverse territories and social contexts and that with great difficulty may be domesticated and reduced to *one* model of growth and society. The concept of sustainability has meaning only within such frameworks and is therefore also a plural concept.

The changed international context, following the decision of the United States after 11 September 2001 to proclaim “war on terrorism” as a front for the already advanced military action towards the East, albeit remaining that of capitalist globalisation, saw emerge new contradictions, distilling old ambiguities and confusion by restoring a more transparent picture, accompanied by the evident failure of euro-Mediterranean policies.

One of the ambiguities overcome concerns the concept of the West itself. On the morning after the first war against Iraq, in 1991, the division was still between “west” and “outside of it”, as articulated also in a reading of the time¹¹. With the second war, that of 2003, the concept of the West was finally split apart, leading to the emergence of an internal division, between “Atlantic West” and “European West”.

Whoever believes this split a contingent phenomena, due to divergences in political line and government, or military strategy, values a possible and useful sowing up of the dissent. On the contrary, who like me believes this rift to be the explosion of a fundamental diversity on the way of conceiving modernity and the processes of modernisation, on the ends and means at the basis

¹⁰ Amoroso and Gallina, 2003.

¹¹ Asor Rosa, 1992.

of our society and Community, sees it as a division to be explored in depth (and not only in its conceptual significance) in all its possible articulations.

This new fact strongly affects the understanding of what has happened in the Euro-Mediterranean relations in the course of fifty years and in the experience of euro-Mediterranean co-development, before and after the Barcelona Conference of 1995. The departure point is that the seven years passed from the start of the partnership, roughly halfway on the path envisaged towards the building of an area of “shared welfare”, have not produced the foreseen effects of welfare, stability and dialogue.

Instead we are going along by building a paradox: the procedure of integration produces growing conflicts, and a growing separation between the various political, social, economic and military objectives that are hoped to be united in a common strategy of growth. A possible interpretation is that which sustains the dearth of available resources, reaffirming the justness of the chosen path and the objectives. This is nevertheless, in my view, a thesis that undervalues the dimensions and dramatic nature of the problems to be faced.

Recent tendencies in the process of integration and co-development

The agreement reached at the Barcelona Conference between the European Community countries and the 12 countries of the southern shores (among which Turkey, Cyprus, and Malta were set alongside Israel to reduce the burden of Arab countries) was presented as the first step towards a broadening of the agreement within the Mediterranean region.

These lines of thought were formally approved at Barcelona in 1995, but then disregarded and distorted in successive years. What was affirmed is a different orientation. The process of European Union co-development to the North with the formation of Baltic Region with its own institutions was replaced with the integration of the countries of northern Europe and of the Balkan area in the same European Union.

This introduced elements of division in this region, with Norway remaining outside the Union, a position of partial adhesion by Denmark and Sweden, still outside the system of the Euro and strongly divided within. The same line was adopted by the countries of central Europe, whose co-opting in the European Union is a clumsy attempt to fill the void of identity created by the “collapse of the wall” with an idea of Europe cloned on the image of “Occidentalism”. An inconsistent attempt since it is difficult to fill a void with nothing, and following the Atlantic choice made by these countries on occasion of the war against Iraq, it is already proving to be at odds with the indications furnished by the European Union.

European integration then continued to expand to comprise the Balkans, where it favoured the breaking up of the Yugoslavian federation, and tendencies to integrate single countries from the southern coast into the European block have emerged (Israel, but also Morocco and Tunisia), with devastating effects for the internal cohesion of these areas. The process of regional integration of the Mediterranean sub-regions has been regressed, introducing elements of division between the EU countries and the Arab Maghreb, and of the cooperation of the Middle East countries.

In this way a conception has been affirmed for the South that restricts the ambient to countries of the “Mediterranean shores”, cancelling out the context of North-Africa and the Arab world, and causing to emerge instead the priorities and importance of two countries (Turkey and Israel), supported by the strategic-military interests of the United States.

Lastly, the articulation of the “co-development” process, by definition a pluridimensional phenomenon, has been reduced, for the economy, to the creation of the “free trade area” and therefore to economic integration in the strict sense, and in the cultural-institutional dialogue on

the formulation of the catechism on “human rights” and on “democracy”, homologated on western constitutions.

A different conception calls on a polycentric idea of development, a participation created by the multiplicity of movements of civil society of the Arab world and of Europe rooted in their “agriculture and culture”, in their “territories” and in their “communities”. A basic conception that wishes to seek out all the possible forms of other modernities and other modernisations, bonded by a common path that must be one of knowing how to build economies of peace, as an alternative to the delirium of the American war economy, to which it now hoped to set the European army alongside.

A hostile position to this reading is that of subordination to capitalist globalisation, not as necessity or defeat but as a positive value, of globalisation not as a mat to be trampled on, but as a flag to be “raised from the dust into which the national bourgeoisie has thrown it” and placed at the head of no-global movements (Toni Negri). A position behind which fall in line all those who, by a contested pretext of alternative proposals, insist on speaking of “globalisation from below”, “alternative globalisation”, and “new global”.

To stay within the game of globalisation, renouncing all identities and territorialities, transforming the movements into an indistinct “multitude”, in an army of disobedients that challenge the “Empire” but not to bring it down, as perhaps Spartacus thought, but to seize control of it. This is in my view the most dangerous attempt, since it is deadly efficacious, of recuperating the control of social movements and of civil society by the part of globalisation, bringing it back inside its own modules of behaviour and its own dialects.

A dialectic that is aware of being able to contain, integrate and if need be destroy the game of the oppositions, but which remains allergic to the risk for global capitalism represented by the persistence of autonomous and alternative ideas on possible futures. A path of thinking hostile to us, that reduces the problem of the opposition to capitalist globalisation to a problem of power, whose landing points are well known to us from past experience: the benevolent integration in the *elites* of power for the *leaders*, the violent diversion of movements towards forms of struggle that reduce the alternative to “terrorism”.

In conclusion, the thinking of *Globalisation*, as reality and immanent truth, marries with that of the *Empire*. This is about two forms of widespread thinking, united by the attraction of power and the fascination for new technologies, with a propensity for dialogue even if in the dialectic of clashing, since it aims at the same objective: the control of the mega-machine of contemporary capitalism.

Occidentalism

Having individuated the origins and the course of current policies, it is now necessary to turn our attention to the roots of contemporary political thinking. To this end we may bear in mind the studies by Edward W. Said on “Orientalism”, on the way that the West has negated the self-representation furnished by the easterners of their societies and cultures, replacing this with its own story: namely the Orient as a mirror of the problems and the viewpoints of the West.

Edward W. Said writes: “In a word, it is about orientalism as a western way to exercise its own influence and domination over the East.¹² “I start from the assumption that the East is not a natural given entity, something that simply *is there*, just as the West isn’t. (...). Therefore, just like the West, the East is an idea that has a history and tradition of thought, mental images and language that have given it reality and presence for the West. The two geographical entities sustain each other and to a certain extent reflect each other reciprocally.” (p. 15).

¹² Said 2002, p. 13

Edward W. Said's work is focused on the emancipation of this portrayal, from this straitjacket in which western culture has enclosed the East, or at least part of it, to discover once again its own capacity for self-representation, the prerequisite for a renewal of critical thought, both autonomous and national. That same "Culture" that urged Franz Fanon to write: "It now happens that when a colonial subject hears talk about western culture, he pulls out his billhook or at least makes sure it's at hand"¹³.

We must take note that next to "Orientalism" the West has also produced "Occidentalism" ("Westernism"), namely a false representation of itself and its own needs. The real nature of the problem of "alienation" highlighted by Marx, with reference to industrialisation and machines, is perhaps precisely here. In having replaced the capacity of self-representation, of the analysis of ourselves, with the idea of capitalist modernisation; the real life of communities and people (affection, needs, social ties, aspirations) with a virtual and juridical world (the individual, rights, institutions, constraints etc.) working for the needs and aims of the "system".

For this reason, the "cultures" of the West, whether of *Globalization* or of the *Empire*, are the product of a clone of the same gene, capable of following different paths of thought and existence, but only to reach the same result, namely that of global government by the forms of social and production organisation that exist today.

Pulling out of globalisation means above all leaving behind the "discourse" on the West produced by western culture, from the spider's web that encircles us with myths, aspirations and a tale of our own history. But not with another "discourse" or another "narrative". Getting out of globalisation means breaking the compass of Westernisation, which prevents us from growing and flying. Leaving behind the dominant "discourses" and "narrations" not to put forward others, even if of a different hallmark, but to set off again on a course based on the practice of daily life, inserted in the pathways of community growth; coming out of history to be history, leaving aside the big story to become the tale.

Just how far these needs are urgent and dramatic concerning Europe and the Mediterranean is shown by the most recent document produced by the European Commission. The prospects of enlarging the Union, are still subordinate to the needs of expansion and military control by the United States. In the speech by the President of the Commission, Romano Prodi, on 17 May 2003, he proposed the end of the process of enlarging the Union along the lines already drawn up, the completion of the European Constitution without any rethinking toward a federal articulation of the Union, the subordination of European policies to the plans of control of the larger countries in the Middle East (Iraq, and Syria) and Iran. The highest ambition of the European Union today, from being an alternative model of social organisation and international cooperation to that pursued by the United States and by the old colonial powers, is that of becoming "the most competitive economy in the world" in the next decades, to replace the role played by the United States today. An unrealistic as well low profile objective, indeed. The nightmare of competition and power still seems to be the dominant inspiration for European leaders.

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CENTRAL-EASTERN VERSUS WESTERN EUROPE

One or two interpretations of values and development goals?¹

1. Introduction

In this essay I would like to look at how—in the moment of the enlargement of the European Union—societies of the “newcomers”, i.e., Central-Eastern Europe countries (including their intellectual elites and in particular their social scientists) perceive and evaluate present social processes (and broader tendencies of social development) in their own countries against the background of what is happening in the societies of the “old members” representing the center of the Western civilization zone (cf. Huntington 1996).

These perceptions and evaluations are not a simple, automatic reaction to social reality, they refer to and are guided by some social and moral ideals and values, nurtured by some desired or expected goals of development. They comprise spontaneous individual reactions and judgments, but are most of all a complicated collective accomplishment, they are shaped up in social debate and constitute an important element of social discourse. In Central-Eastern Europe, like in other regions of contemporary world, people feel the need to make their reality meaningful, patterned and organised, and the ongoing reflection and knowledge production about social processes have become an institutionalized part of social practice and a driving force of social change (cf. Giddens 1990).

An important part of this knowledge is formulated by social theories of the development tendencies of contemporary world. These theories are (as we all know, although some of us are reluctant to admit it) “as much myth as science, as much narrative as explanation” (Alexander 1995: 9), they are not only a research program but a generalized discourse. They are to a large extent “moral constructions” aiming at instructing people how to live and to provide them with meaning and motivation.

There exists an internal tension in contemporary sociological conceptions of the world. Today’s social scientists are well aware of the dangers of ethnocentrism and incorporate the lessons of the

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“linguistic turn”; they are nevertheless still looking for broader (and even universal) patterns of social development and do not give up the universalizing scope and intent of their theories. This universalizing intent is even more visible in the moral (or axiological) aspect of their conceptions, in the advocacy of social and moral ideals like choice, liberty, tolerance, democracy, participation, or multiculturalism.

For several centuries, societies of Central-Eastern Europe constituted a playground for both universal and particular patterns of development; which was also reflected in their scientific descriptions and in their moral disputes. In the history of the world, however, Central-Eastern European countries almost never constituted the “cutting edge” of social development. The only important exception was first the introduction and development, and then crisis and ultimate fall, of state socialism. The defeat of what had been considered by many a viable alternative path, had an important influence on theoretical and moral debates on the present state and possible future developments of the world as a whole. In general, however, the region was and still is but a mere reflection and a delayed repetition of processes that had already taken place elsewhere. The region has seldom spoken with its own voice, more frequently it has followed—more or less successfully—Western development tendencies. Also at the level of social discourse, its values and value dilemmas have only in part been determined by local problems and experiences; both topics and proposed solutions of the region’s moral debates reflect to a large extent Western disputes. Even when proposed solutions are different, the problems that are being debated are usually taken over from without, a phenomenon that could be dubbed “international agenda setting of moral debates”.

In Western debates, there are many irreconcilable sociological diagnoses of the contemporary world and many opposing and mutually contradictory value systems. These debates originated in a specific social and intellectual context; they comprise elements of authentic scientific theoretical-empirical disputes; more often, however, they express different social ideologies, formulate goals and ideals, include the changing norms of political correctness, or reflect fleeting intellectual fashions. It is really striking to observe to what extent the Central-Eastern European debates have used and have been determined by these different and mutually excluding Western ideas. The impact of Western patterns on the Central-Eastern European societies was even strengthened after the fall of communism and prior to the entrance of the latter into the European Union. At a scientific description level, a partisan of the left in the region will—say—fight Rostov or Inkeless with Bourdieu’s, Wallerstein’s or Frank’s arguments, and the opponent to liberalism will use Walzer against Rawls. At an axiological level, the arguments for or against homosexual marriages or euthanasia are usually taken over straight from the West. In the whole region, both imitated moral values and imitated moral debates become more and more frequent.

2. Cultural imposition or “hellenization” of Western values

About two thousand years ago the Romans conquered a large part of Europe Western Asia and Northern Africa, introducing also their civilisation: their language, values and ways of life. The conquest was achieved by military might and organisation, the Roman values and ways of life were partly imposed and partly willingly accepted by the indigenous populations (or their remnants). The Roman civilisation and culture was propagated as a package; what was taken over were both these elements that unquestionably made life easier, better and more just (like civil law or aqueducts), and those (like gladiator fights) which were rejected as too bloody and cruel by some more sophisticated people (especially in the Eastern, Greek part of the Empire) but were attractive for many others looking not only for *panem* but also for *circenses*. It is

sometimes said that among various ancient sources of today's Europe, besides Judeo-Christian values, there are two distinct layers of culture which seem to have a different nature and different diffusion mechanisms: Greek scientific, moral and aesthetic ideas, and Roman law and organisational patterns. The former were accepted more because of their intrinsic value, the latter more by the strength of Roman legions, the Roman state and Roman material civilisation. Irrespective of the fact whether such a clear-cut distinction is historically true, I would like to use the term "hellenization of culture" (a metaphor of Claudio Veliz, quoted by Berger 1997) to refer to those values and cultural patterns which are propagated more thanks to their inherent qualities and less to the worldly power of their carriers.

The theoretical formulation of the above historical distinction can be found in Margaret Archer's juxtaposition of two levels of cultural integration: Cultural System integration and Socio-Cultural integration. The former, axiological level is based on the logical consistency and/or other inherent properties of a given set of ideas or other components of culture and therefore clearly corresponds to the "hellenization of culture". The latter, causal level refers to the degree of cultural uniformity produced by the imposition of ideas by one set of people on another through the whole gamut of familiar techniques—manipulation, mystification, legitimation, naturalization, persuasion and argument, and is thus intimately allied to the use of power and influence (cf. Archer 1996: XVIII). To express it in still different terms, it is a distinction between power of arguments and arguments of social power and influence.

The above double (i.e., both historical and theoretical) distinction can be applied to the process of diffusion of Western values, development ideals and moral dilemmas to other regions of today's world and in particular to Central-Eastern Europe. The basic question is to what extent Western values—and which Western values—are being spread because of their "hellenization", i.e., their inherent qualities. This, of course, is closely linked to the problem to what extent these values can be viewed as universal.

It is obvious that the case of values diffusion between Western centre and Central-Eastern Europe is relatively simple, as both regions belong to the same Euro-Atlantic civilisation zone (cf. Huntington 1996), based to the large extent on the same "thick" cultural traditions (including those of Greece, Rome and Christianity), devoted to the same ideals, and subject to similar historical development processes. Within this zone, many values appear to be universal only because they are "zone-universal". Even in this case, however, there are many differences in the interpretation of the seemingly same principles, and tensions and frictions abound. These tensions and frictions grow radically in magnitude when values move from one zone to another, even if the vision of the imminent civilisation clash is exaggerated.

3. Central-Eastern Europe on the search of ideology of development. Modernization, its virtues and discontents

Within two decades, the state socialism in Central-Eastern Europe fell down and the whole region passed from the status of a "province of the communist empire" to the position of a semiperiphery of the world capitalist economic, political and cultural system. Communism proved to be—as a popular Polish saying goes—the longest, most winding and bumpiest road from capitalism to ... capitalism. The societies of the region live already in "real capitalism" and "real democracy" and begin to treat both as something natural and unavoidable, even if they notice their many shortcomings, reject, or strive to improve some of their attributes and dislike others.

The first—both scientific and popular—ideology of the changes was the ideology of transformation or transition. In the beginning it was more “transition from”—concentrated on how to overcome the negative legacy of the *ancien régime*; gradually it became more “transition to”, as it became obvious that transition does not have to go in one, predetermined direction. People became aware that there exists, indeed, the multitude of possible forms of real democracy and real capitalism, and even the question of whether the whole region is going West or, perhaps, is rather going South (i.e., e.g., veering towards Latin America where there is capitalism and sometimes even democracy)—was not altogether absurd.

It has gradually become more and more clear that the fate of Central-Eastern Europe should be seen in the new context—that of the development and dynamics, but also of differentiation and internal tensions of the global capitalist system. Even in the centre of this system the vision of a unilinear pathway of development has been already seriously undermined and Central-Eastern Europe has joined the system at a time when the system itself is struggling with a number of dilemmas and is confronting new challenges.

Despite all these problems the dominant theory and ideology of the changes in the region has become and unquestionably still is the concept of modernization, (which is also, in a sense, the *genus proximum* for the concept of transformation). While real socialism may be viewed as an attempt at selective, extremely expensive, and eventually aborted modernization (cf. Holmes 1993), the present changes in the region are believed to follow a more “regular” form of imitative modernization. Beside economy, social structure and politics, this modernization involves also the level of consciousness, culture and especially values (cf., e.g., Sztompka 1996).

The Central-Eastern European countries espoused the ideology of modernization at the very moment when, in the world as a whole and in particular the West, the notions of modernity (modernism) and modernization were seriously questioned, partly reinterpreted and partly rejected altogether. As we all know, the notion of modernity went through ups and downs in the 20th century. In the fifties and sixties modernity signified social progress and constituted the positive “sacred” side in the binary opposition traditionalism-modernism. At the end of the sixties, however, “modernity and modernization moved from the sacred to the profane side of historical time” The binary opposition traditionalism-modernism was consecutively replaced first by the opposition capitalist modernism-socialism and then by the juxtaposition modernism-postmodernism (Alexander 1995: 21, 26). With the fall of state socialism in 1989 and the weakening of postmodernism in the nineties, the ideology of modernity and modernization partly regained favour. It was visible in the rehabilitation of the market (as the nonmarket allocative systems were discredited), not only as a condition of economic development but also as a factor of social emancipation, and especially in theorizing about transition to and consolidation of democracy and the rise of civil society, human rights, social capital and trust which started once again to be considered a sort of universal tendency on “the sacred side”.

The Central-Eastern European societies are largely “imitating” or “mimetic” societies, attempting to succeed at “imitative modernization” and to catch up with the “leading” societies. The process of imitation involves different mechanisms. It is partly a result of the necessary adaptation to the objective, inevitable change in the region’s position in the world, partly it is due to the cultural diffusion mainly through mass media; it may result either from a deliberate effort to establish new institutions and new habits or through unconscious imprinting of new patterns.

The model which is being imitated is, however, complex, not unequivocal and sometimes even internally contradictory. There are at least three dimensions of differences within capitalism. First, there are differences between more liberal (e.g., American), and more socialdemocratic (e.g., European, Swedish or “Rhein”) models (cf. Lipset 1996). Second, as several both East Central European and Western writers pointed out, the whole region, after having left the communist

empire, is now returning to its previous status in the world system which it held ever since the origins of the world capitalism in the sixteenth century. Even if we are to consider the opinions of the advocates of dependency theory as too extreme (e.g. Frank's (1992) gloomy predictions for the region have clearly not materialized), it is nevertheless obvious that in many domains the East Central Europe newcomers have to take over not those dreamed-of solutions which had been adopted by the core countries but rather those which are suitable for a relatively backward semi-periphery. Third, and in a way the most importantly, the postcommunist societies try to imitate and are influenced simultaneously by the models of institutions, ways of behaving, values and cultural patterns that belong to distinctive phases of development of capitalism which in the Western World emerged gradually in a chronological order but are to some extent still functioning today. There are at least three phases which are being imitated; phases, which can be dubbed (drawing—in a somewhat eclectic way—upon different conceptions) (1) “early modernity”, (2) “middle modernity” and (3) the most recent and most incoherent and ambiguous phase, which is itself differently interpreted as “late modernity” (cf. Giddens 1991), “neomodernity” (cf. Alexander 1995: 32), and “postmodernity” (cf. e.g. Inglehart 1997: 69–81).

The first phase, “early modernity”, represents the ideology of Enlightenment, industrialisation, original accumulation, occupational specialisation, rationalisation, mass education, secularisation, bureaucratisation and the growth of a modern national state. It propagates the “old middle class” values: entrepreneurial motivations, ethos of thrift and frugality, investment and reliable work, utility, efficacy, self-restraint, “inner-directedness”, and delay of gratification; waste and excessive consumption are sinful. It seems, however, that not only Franklinian or Weberian asceticism, but also the spirit of greed and acquisitiveness (described e.g., by Sombart and Bell) rule that phase. This is the ideology of reason, production, economic growth and hard individual work.

The second phase, “middle modernity”, corresponds to the postindustrial, service society, with growth of bureaucratic organisations, monopolies and multinational corporations. As Bell (1976) has convincingly shown, in this phase, there appeared tensions between the rules of (1) the productive-technological order; where the axial principle of frugality and striving for productivity is still in force, and (2) political order where the axial rule is equity understood as equality before the law, equal civil and later also social and economic rights, and finally, (3) the cultural order which is a field of striving for unlimited self-expression and self-gratification. At the work place, this phase propagates also the values of the “new middle class”, “outer-directedness”, ability to seduce and instigate clients, art of impression management. What is the most important, it is linked with the ideology of increased affluence, more leisure time, and, often conspicuous, consumption. Consumption patterns, and consumption aspirations (as the demonstration effect is much stronger), are much more easily imitated than the production ethos. According to the principle “I purchase therefore I am”, consumption not only provides group identity, but becomes the instrument of individuation and self-definition, the best acceptable way of manifesting one's acceptance of certain values (healthy food, vegetarianism, refusal to buy furs).

The third, most recent phase is the most complex and torn apart by different tendencies and internal contradictions. This complexity is well reflected in the various names given to this phase by different theoreticians. Categories like “unfinished project of modernity”, “late or reflexive modernity”, “disorganised capitalism”, and numerous variations of “postmodernity”, conceal not only different descriptions of the actual tendencies but also different values and ideals. Let us name but a few of these contrasting tendencies. On the one hand, there is further increase of the role of consumption, which is giving in more and more to fleeting fancies and distancing itself more and more from basic needs. As J. Baudrillard has shown, the media are creating their own hyper reality, “copies without originals”; just as producers are providing overabundant consumer goods, so too are the media producing overabundant information, both influencing their consumers

by seduction and “internalisation via pleasure”. On the other hand, according to R. Inglehart, an opposite tendency is also emerging: since material needs have been satisfied, a post-materialist orientation is coming to the fore. Globalization and the weakening role of the nation-state is accompanied by a sharp increase of the significance of new, “sub-national” types of diversities, “tribes”, groups, and social movements (regional, religious, ethnic, and cultural) and alternative life styles, followed by an increased acceptance of pluralist values and behavioural patterns. The most crucial in this phase of development of Western society seems to be the further ascent of individualism; individuals are given greater freedom of choice in almost every domain of life.

Today’s vision of modernity differs strongly from the one-sided optimistic vision of the fifties. It has incorporated many criticisms voiced from different angles. We are now aware that modernity can contain elements liberal and emancipatory on the one hand, and on the other bureaucratic and repressive, that it creates differences and inequalities, that today’s world moves like a juggernaut, that it is full of risks. The concept of economic growth was substituted by the idea of sustainable development. Postmodernism was one of the responses to the decline of excessively optimistic expectations. It has sown the seeds of doubt, put emphasis on subjectivism, individuality, and differences between cultures. Many of its ideas have become popular especially in some “intellectual enclaves” in Central-Eastern Europe. On the whole, however, postmodernism, especially in some of its versions, seems to be too fatalistic, critical, and resigned; as it contains some elements of “a deflationary narrative frame” (Alexander 1995: 26). It can, therefore, hardly be conceived as a mobilising imitated ideology of development.

All the reservations notwithstanding, a more critical, more reflexive and more “human” version of modernization ideology retains its potential as a narrative frame for the Central-Eastern European region. It is a vision full of images, and despite the fact that some of them are threatening, others are still glittering with promise. The latter were recently strengthened by the hopes of “modernization by accession” as the whole region, with a vast popular support (as the series of national referenda has convincingly shown), joined the European Union.

It must be stressed that in the region, the dominant approach to modernization is rather peculiar. It is not viewed as a final stage in the fulfilment of the evolutionary potential common to all societies (cf. Eisenstadt 1987: VII), because it is obvious that in some parts of the world (e.g., Africa), it can hardly be considered a success. Instead, people in the region hope that even if it is not a universal phenomenon and universal promise, it is still broad enough to embrace also Central-Eastern Europe, all the more so that the region belongs to the same Euro-Atlantic civilisation zone, that is so close to the centre. Ideology of modernization is closely connected to the propensity of “seen-as-legitimate-upward-comparison”. Modernization may be not a universal, all-human myth; in the Central-Eastern Europe, however, it still remains a bit egoistic, particular, regional myth: “May be it is true that present historical processes do not bring equal profits to all people in the world, may be it is even true that some other people loose in that game; but we can be on the winning side, and we have deserved it. We have joined the privileged club, we will be safer and better defended in *Festung Europa*, the Stronghold Europe”, even if we remain relatively poorer members of the club”.

4. Selected social and moral dilemmas in Central-Eastern Europe and the question of the hellenization of Western values

The value system of Central-Eastern European societies is determined by the interplay of their traditional culture, their communist patrimony, and the various above-mentioned layers of

Western ideology and values. (cf. also Schopflin 1993, Sztompka 1996). While the role of Western values is still increasing, both these values themselves and their regional interpretations are differentiated and sometimes even contradictory. In the remaining part of the paper I would like to point out some selected axiological problems and especially moral dilemmas provoked by the clash between Central-Eastern Europe historical experience and its present living conditions on the one hand, and imposed and imitated Western values on the other.

At this point I would like to distinguish three independent general dimensions of values pertaining to three different aspects of the social order: political, economic and cultural. Political dimension opposes democracy and different forms of political authoritarianism, and its poles are political freedom and emancipation versus political totalitarianism. Economic dimension opposes free market to state interventionism and its poles are economic freedom versus economic equality. Cultural dimension opposes authoritarian values to libertarian values and its poles are order (based either on authority or on tradition) versus cultural freedom defined by pluralism and tolerance for different life-styles. (cf. Janda, Berry, Goldman 1989, Kitschelt 1992, Fuchs, Klingemann 2000).

Values pertaining to the political dimension are definitely the less controversial. The concepts of political and civil rights, liberal freedoms of every individual, and especially democracy have been accepted as obvious general ideals not only in the Western World and in the Central-Eastern Europe, but also in many other regions of the world. In the Central-Eastern Europe the systemic transition started by political changes which could be most rapidly implemented and were in a sense a necessary condition for any other changes. It was precisely in the political sphere that the *ancien régime* was most rapidly and most fully overcome. The firm acceptance of democracy as a general value is independent from the ongoing discussion about its "broken promises" (Bobbio 1987), its instrumental effectiveness, and its best possible forms (e.g. deliberative democracy). There are also debates on to what extent Western democracy is practically suitable for all regions of the world, but by and large the waves of democratization (cf. Huntington 1993), transition to, and consolidation of, democracy are viewed as a positive universal tendency on "the sacred side" of historical time. Democracy, as befits an idea which had originated in Greece, has become—at least in both parts of united Europe—a "hellenized" value.

Values on two other dimensions are much more differentiated both in the Western and Central-Eastern European societies. Some basic axiological dilemmas pertaining to these dimensions can be discussed in the context of Inglehart's theory of a shift from materialist (survival) to postmaterialist (well-being) values, later interpreted by its author as only one of the elements of a much larger syndrome of modernization and postmodernization. (cf. Inglehart 1990, 1997).

I would like to use Flanagan's (1982, 1987) interpretation of an earlier Inglehart's thesis, according to which in the Western societies there are two independent tendencies. One tendency is a shift from inhibiting, authoritarian values to libertarian values, i.e. a shift on the cultural dimension. Second tendency is a change from materialist to postmaterialist values; in this case, however, there is no shift in specific value preferences but less importance is attached to the whole economic dimension, there is "a decline in the salience of economic issues or materialistic concerns" (Flanagan 1982: 412).

While these two tendencies seem to adequately describe the situation in most advanced capitalist societies, the developments in the postcommunist states do not fully fit into this scheme and in some regards seem even to run against the tide. Beyond any doubt, value orientations in East-Central European countries are presently clearly dominated by materialist concerns which have gradually become even more and more important, producing a pragmatic, materialistic shift in social consciousness.

The pragmatic shift seems to result from a combination of two factors. (1) To a certain extent it is a delayed transition from pre-materialist to materialist values, which is linked with

the (re)introduction of market economy with its ideas of working hard and growing rich, the universalization of the role of money, increased opportunity of personal gratification but also increased individual responsibility. (2) Much more importantly, it is a result of the painful social consequences of generally successful economic transformation: initial decrease of average economic standards, the weakening of the safety net, and—even in the situation of resumed economic growth—much more intense and still continuously growing economic cleavages and relative pauperization of a vast fraction of society. Such a combination is bound to bring about not only a bigger relative salience of economic issues but also a polarization of the assumed ideals of the economic order; along an Economic Right—Economic Left dimension. It must be emphasized that—despite the fact that, in the economic sphere, the region has generally rejected communism and accepted “real capitalism”—private ownership, market, and free economic competition are viewed not as values *per se* but only as purely instrumental devices for reaching prosperity and abundance, acceptable only conditionally as long as they do provide such benefits (cf. Sztompka 1992: 17). Besides, a large majority of the population clearly prefers a socialdemocratic variety of capitalism to the liberal one, and even the idea of the “third way” has many supporters. The disillusionment (or *desencanto*) with the economic outcomes of the transformation expresses itself also in the “postcommunist nostalgia” and especially in results of consecutive elections in all countries of the region: a high abstention rate, rejection of the incumbent reform forces, a rather vast support for the postcommunist political parties.

The first form of the pragmatic shift—much the most widespread—consists in focussing all of one’s activity on the defense of the threatened own social position, standard of living, and social security; these are unquestionably “survival values”. The second form, which is characteristic for only a minor portion of society, consists in aspiring to upward mobility and financial success—a pattern similar to the American Creed described by Merton (1957). While in general positive and beneficial, it may also take on some egoistic and ruthlessly instrumental aspects, representing a variant of “economic Darwinism”, striving for efficiency at all cost, by using all possible means of achieving one’s economic goals. The third form consists in the orientation toward consumption. The newly found abundance and overabundance of goods, strengthened by the overwhelming impact of Americanized media diffusing new consumption patterns have created new needs and new desires, new life styles and new comparative reference points in the social prestige ladder. Even the poorest groups are continuously offered the cheap substitutes of consumer goods suddenly defined as necessary. For the more affluent groups the satisfaction of still new and conspicuous desires—unaffordable for the rest of society—is a matter of social prestige and the proof of belonging to the new financial elite.

The domination of materialist goals makes all other values seem secondary and subordinate. The latter are only recognised if they can be effective as instruments of the realisation of economic and social security values. This concerns also above-mentioned political values such as individual freedoms and rights, freedom of speech, rule of law, self-government and, last but not least, democracy.

Only some groups—usually the more educated and prosperous—view democracy as a value in itself and associate it with increased individual freedom and life opportunities, defining it as democracy of equal opportunity and equal access. They are, however, still a minority. Other groups—those which are much worse off—feel that the basic duty of democratic (assumably “better”) system is to provide for the basic needs of the people, particularly with respect to social welfare, security, and equality. These groups view democracy as democracy of equal conditions and equal results. Thus, in the former case, democracy means an increase of individual activity, while in the latter it means a growth of individual and collective claims and as soon as it ceases to be an efficient channel for the articulation of claims it becomes an object of criticism. N. Bobbio

(1987: 40) seems to be right when he observes that „democracy is good at generating demands and bad at satisfying them”.

Visions of the ideal economic order are still very much differentiated, in the West, as well as in Central-Eastern Europe and across the world. The fall of the state socialism in Central-Eastern Europe discredited to a large extent nonmarket systems of distribution, all the more so that it became clear that nonmarket economy gives too much power to the state and almost inevitably leads to political authoritarianism. Market capitalism started to be considered the only viable economic alternative that can secure not only economic growth and standard of living but also emancipation of the masses. There are some basic and very general principles of economic (and, in fact, any other) activity—like loyalty and trust—which reduce transactional costs and may be viewed as universally valid and positive. But market capitalism is a very general “blanket” ideal, and there are many—very different—varieties of “real capitalism”. Moreover, market capitalism is more an instrument than a goal in itself, and some economic solutions are very detailed, and more technical than ideological. Some partial, mostly technical measures are imposed—also on Central-Eastern European countries—by multinational corporations and international organisations like the IMF or the World Bank, but there is also an on-going debate on other possible systemic economic solutions, including those which have a clear ideological importance (like tax system). There is, therefore, apart from the most fundamental principles, no single vision of the economic order which can be viewed as a universal ideal or even universal panacea to present economic problems of the whole world and its different parts (centre, semiperiphery and periphery). In other word, there is no single ideal vision of the economic order that has achieved (or is likely to achieve in the foreseeable future) a status of a “hellenized” value.

One of the most important values in contemporary Western societies is the growth of the possibility of individual choice. This growth is first of all a description of a real trend, but it has also become a normative ideal and an instrument for comparing (and evaluating) other societies, a sort of litmus-paper of social development (and sometimes even social progress). This growth of the possibility of choice pertains to all three above-mentioned dimensions of social order. (cf. Wetzell, Klingemann, Inglehart 2001). On the political dimension, the development of liberal democracy eliminates external limitations to individual choice making, thus enabling men and women to win the “freedom from”. On the economic dimension, economic growth ensures the growth of individual resources and a better chance of spending money on self-selected targets. Finally, on the cultural dimension, change consists in creation and promotion of different life styles, needs, desires and aspirations, passing on, therefore, to use R. Merton’s (1957:133) categories, from prescription and proscription to preference and permission.

In contemporary Western societies, Western social theory and Western social ideology, the most emphasised is the change along the cultural dimension. This change is described and evaluated in many ways and its negative aspects are also acknowledged. To quote Flanagan, this change from inhibiting, authoritarian values to libertarian values goes in the direction of weaker social and moral constraints and involves four sub-dimensions: “(1) from austerity to self-indulgence; (2) from piety and self-discipline to secularism and permissiveness; (3) from conformity to independence; and (4) from devotion to authority to cynicism and self-assertiveness” (Flanagan: 1982:408). This shift towards more cultural choice, although not supported by all fractions of the population and all intellectuals, is welcome by a clear majority of the general public, and in particular advocated by two intellectual groups which in other respects have been staunch adversaries—liberal all-time supporters of market capitalism and its radical critics, disillusioned by the fall of socialist utopia and looking for the new “sacred” side of historical time.

In the Central-Eastern European societies, the picture is much vaguer. First, the actual tendencies in the region are not so pronounced, and in some aspects once again run against the

tide. Second, the attitudes of Central-Eastern European societies and their intellectuals toward this cultural change, viewed both as an actual trend in the Western societies and a propagated ideal of social development, are rather complex and not unequivocal.

Libertarian cultural values are expressed by representatives of various social movements and groups, struggling for sexual equality, freedom for “moral minorities” and new life styles, environmental issues, vegetarianism, nonviolence against animals, equal rights for ethnic, language and religious minorities. These groups, however, are still relatively small and frequently generational (involving mostly youth groups). When they achieve a bigger scale, they are usually based on transient mobilization rather than long-term disciplined activity. Cultural libertarianism in Central-Eastern Europe is, therefore, in a double sense, still “enclave-based”: statistically it concerns a limited number of people (though some of them are socially visible and culturally influential), and is usually linked with only some, not necessarily the most vitally important activities of the adherents of those values, while having only a limited impact on their basic everyday-life activities and—so far—their political behaviour. In a statistical sense, apart from the growing recognition of ethnic “exterior” neighbours and ethnic “interior” minority groups, there is virtually no change from inhibiting to libertarian values; to the contrary—as a reaction to the growing objective threats and especially crime rate, some opinions became even more authoritarian (like growing support for the death penalty, or for the opinion that “the courts don’t deal harshly enough with criminals”) (cf. Ziolkowski 1999). The general value orientation of postcommunist societies in Central-Eastern Europe is, therefore, characterized by the continuous domination of traditional and inhibiting values over libertarian values on the cultural dimension.

The above domination may be treated simply as a clear symptom of a cultural lag of the whole region in relation to the more developed West. The situation, however, seems more complicated. There is a continuous discussion in the region about the moral ideals and goals of cultural development, discussion that reflects both actual (historical and present) experience of the peoples of the region and Western ideological debates. While the most general ideals in the cultural sphere, like choice, liberty, tolerance or multiculturalism seem to have acquired the status of the “hellenized” values, there appear also some fundamental moral and cultural dilemmas over the desirable ideal shape of the future. Let me point out some of these dilemmas.

The first obvious dilemma concerns the limits of individual choice, the question whether gaining the “freedom from” is tantamount to winning a “freedom to”, and the difference between (to use John Locke’s expression) individual liberty, which poses no threat to the liberty of other individuals, and license, which can only be realised by restricting the liberty of other individuals. Many are those in Central-Eastern Europe, who, e.g., express their doubts as to whether euthanasia, adoption of children by homosexual couples, or Love Parade in Berlin or elsewhere, is indeed an embodiment of moral development and individual emancipation, despite all the arguments of some organizations of “missionizing maximalists” (Walzer 1994: 49), making themselves into a kind of global vanguard. This dilemma is also closely connected with the basic problem whether and how to control the choices and preferences of free, autonomous agents. As A. Touraine (1998) puts it, the major conflicts of the present are fought over “the appropriation of individuation”, that is over the ways how to control and influence sovereign decisions of individuals e.g., as citizens, parents, but also consumers and media watchers, so easily “seduced by pleasure” and wheedled by commercials into desires-turning-into-needs.

The second dilemma concerns a certain tension between choice and inheritance (i.e. between achievement and ascription). An equal opportunity society is surely a “hellenized” social ideal. The implementation of this ideal is, however, limited from two sides. On the one hand, all individuals are economically and culturally “rooted”, and all their further choices are to a large extent determined not only by their economic and but also cultural capital. This is visible not only

within national states but even more so from the international perspective. Choice is easier for those already privileged, having both financial means and appropriate cultural competence and values. The role of differences in the inherited initial cultural competence is not diminishing but even growing. Knowledge of English as the mother tongue gives a native speaker an immense advantage difficult to make up for. Not just in New York or in London, but also in the capitals of Central-Eastern Europe, more opportunities are offered to people with knowledge of the English language and American culture, and less to those who know the subtleties of their own local stuff. In fact, only relatively few make use of the increased possibility of choice and the potential global equality of opportunity.

On the other hand, a strong emphasis on the individuals' right to make individual choices of lifestyle, system of values, place of habitation, citizenship or national affiliation is not fully compatible with the natural tendency of all human communities to ensure their biological and social continuity. The growing push for promotion and the increasing chances for self-development quite frequently require attempts at gaining the membership of different, new groups or communities ("I can not succeed in my own native country in Central-Eastern Europe so I will try to look for better chances in England or the USA"). At this juncture the individual faces a question: what features should one have or achieve, at what cost and at what expense, in order to succeed by becoming a member of a new cultural group (especially an ethnic one). Often the problem is whether the new features will be an enrichment of the hitherto possessed identity (e.g. learning a foreign language) or whether achieving them will require sacrifice or loss of identity features possessed so far, and an attempt at changing it for a new social identity. The optimistic, currently much publicised answer is that an individual may have several layers of identity, connected to the membership in different groups and communities. The more realistic answer is that the former social identity will be at least much weakened. This dilemma is reflected in the most general argument between liberalism and communitarianism (or, rather, between different version of these two viewpoints), with the liberals stressing human beings privilege to decide who they want to be, and the communitarianists underlining their obligation to discover who they are (cf. Szacki 1994, Szahaj 2000). From the Central-Eastern European perspective, too much individual mobility toward more prosperous countries adds to the problems of their collective ethnic cultures which confronted with globalization, global mass culture, commercialisation and—last but not least—the second demographic transition are already subject to erosion.

This dilemma is also reflected in a different understanding of ethnicity and nation. For many Western scientists (e.g., Greenfield, Chirot 1994: 123) and a large section of the Western public, "nationalism" has become an embodiment of the "profane side of the historical time" and a negative antinomy of the civil society, equated with the 'irrational', 'conspirational', and 'repressive', and portrayed as the main successor of communism (cf. Alexander 1995: 38). Despite all the recent atrocities that have been committed under its name, for Central-Eastern European societies, the notions of "nation" and "nationalism" have, however, also a very positive value. In the region "nation" is understood more as a community of culture (which is largely inherited and must be defended and developed as a main layer of collective identity, but can as well be adopted by individual newcomers) and less as a political community, the membership of which is but a question of choice. One may say the Central-Eastern Europeans clearly prefer the ethnosymbolic concept of nation to the modernist one (cf. Smith 201: 52–53, 57–58, 45–48, Ozkirimli 2000: 64–74, 85–86, 167–170).

In more general terms, the Central-Eastern European experience seems to support Michael Walzer's (cf. 1994: 7) thesis that universal, i.e., "hellenized" cultural values (like choice or tolerance) can be only "thin" and must be differently elaborated in different "thick" cultures, and that it is impossible to impose a complete set of moral principles across the range of cultural difference.

What I have been trying to say far is, in fact, nothing new. We all seem to believe that human development depends on the proper equilibrium of three very well known principles: *liberté*, *égalité*, and *fraternité* (understood today more as *solidarité*—solidarity and linked with *communauté*—community). This equilibrium as such is a “hellenized” value. In the contemporary Western world, *liberté* clearly dominates and is sometimes viewed as the universal panacea for all social problems. Central-Eastern Europeans truly love and respect *liberté*, they have also fought and died for it. They would like, however, to experience also a bit more of *égalité* and *fraternité*, both within their national societies and in the international relations, including the relations within the recently enlarged European Union.

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BOLESŁAW DOMAŃSKI

THE DEVELOPMENT OF EUROPE AND ITS CENTRAL-EASTERN PERIPHERY

It seems to be almost taken-for-granted that Europe is at the crossroads, it has reached another turning point in its history. At the same time, there is no consensus on the nature of challenges, even less on the desirable lines of action. Antoni Kukliński (2004) outlines them in the form of a number of dichotomic strategic choices.

In Central and Eastern Europe, the debate on the future development of Europe is inevitably related to the interpretation of the radical transformation of post-socialist societies and their prospective place in Europe. The paper represents a modest contribution to this debate.

We may begin with a brief discussion of the contested notion of 'development' and the changing understanding of the concept of 'place' in recent years.

The pitfalls of 'development' and its critique

Throughout much of the last two centuries, development was by and large treated as modernization and progress, the ideas deeply rooted in the Enlightenment era and the 19th century organicist, evolutionary notions of growth. In such perspective, countries and regions appeared to follow a universal path leading to higher stages of development.

The modernist notion of development offered an attractive model of the world as an organized entity ruled by universal laws. It was part of the broader view of reality based upon pairs of diametrically opposed, value-laden situations: the new versus the old, the modern (progressive) versus the traditional (backward), the developed versus the underdeveloped, the industrial versus the agricultural, the postindustrial versus the industrial, etc. This could be accompanied by a determinist interpretation of development. Social and economic changes were basically a sort of 'normalization' process, where regions approached some optimal state. Countries and regions categorized as 'developed' served as models of future development for other areas and a basis for the evaluation of phenomena and processes in all societies. Hence, in the geographical perspective, such a view of development was related to dichotomic representation of space in terms of developed core and underdeveloped periphery. Public policy was a technical task of selecting appropriate means in order to achieve well-defined ends.

This also found expression in the approach to transformation of Central-East European countries after the fall of communism. The process of transformation could be reduced to modernization understood as making them similar to Western Europe. Societies of Central and Eastern Europe should simply catch up and adopt features and views the West European core has

embraced before (Domański 2004a). The development in postsocialist countries was a process of 'Europeanization'. The term 'European' have become a synonym of progress and modernization, distinguishing processes, phenomena, people and places (countries, regions, towns) assessed positively from those evaluated negatively. The paternalistic view of Central-East European societies can be seen as another form of the old belief in the superiority of cultural, political and economic features of Western Europe as a universal model for the rest of the world.

Recent decades have brought a massive critique of the concept of 'development' as a teleological, singular, linear, normalizing and instrumental process making backward regions similar to the 'developed' ones (see Krasnodebski 1991; Cowen, Shenton 1996; Krzysztofek, Szczepański 2002; Domański 2004c). What is questioned are attempts to ignore regional specificity and standardize development processes, treat them as linear and leading to a predefined end state. As a result of instrumental approach inhabitants of less developed areas become a passive object of development imposed from above. Development as a top-down normalizing intentional project is perceived as destroying regional capabilities and activities. From the point of view of neo-liberal critics it undermines human responsibility and resourcefulness, for postmodernist left it is a form of imperialism. In the latter perspective, 'underdevelopment' and 'backwardness' are simply reflection of the European, modernist conceptualization of development (see Escobar 1995; Rahnema, Bawtree 1997; Hart 2001). A common feature of conservative anti-modernism and left postmodernism is strong emphasis on the importance of culture, the local and regional in contrast to the global, mobilization of endogenous potential in contrast to dependence on external aid, capital and technology.

Postmodernist critique may reject any evaluation of development trajectories of regions, there are no universal solutions, which could be applied to many regions, there are only parallel narratives of development. The underdeveloped regions disappear from our discourse.

However, the postmodernist rejection of the notion of development does not change the objective features of the regions, where various human needs cannot be met. The practical effect of the celebration of differentiation and traditional activities can be further marginalization of many areas.

It seems possible to avoid major shortcomings of the modernist concept of development without following the extreme postmodernist path. Development is an open-ended process, which does not aim at some predetermined final state defined by the attributes of the developed core regions. There are many models and trajectories of development, which can rest on different combinations of factors. Consequently, regions do not need to follow the same stages of development.

At the same time, the comparison and evaluation of development processes of various regions is important. It is possible to learn from the earlier experience of other regions without falling into the pitfall of excessive, ahistorical and aspatial generalization of development.

The question is which properties of the developed core can and should regions of the periphery imitate? To what extent this has to be a top-down intentional project and what is the role of bottom-up processes? And could the core learn anything from the periphery?

As Zarycki (2004) says Western and Central-Eastern Europe are now witnessing the long process of mutual rediscovery. Ziółkowski (2004) emphasizes that it is important to what extent Western values—and which Western values—are being spread because of their inherent qualities. This is closely linked to the problem to what degree these values can be viewed as universal.

There is undoubtedly an element of modernization and a process of becoming more similar to West European societies and economies, but first this is only part of the story, and second it does not explain current and future development trajectories of Central-Eastern Europe. We cannot ignore the vital role of local agency and capacity for action in this specific place.

The changing meaning of 'place'

Place can simply be treated as a limited part of geographical space, where phenomena are situated and events occur. In such perspective, the world appears as a mosaic of distinct places. Places differ not only in their objective natural, cultural, economic and political characteristics, but also in the subjective meaning and emotional ties, expressing their *genius loci*.

There is a growing trend to perceive places rather as 'nodes' or 'switching points' in various networks of linkages (Castree 2003). In recent years, 'networks' have become one of the most popular terms in social and economic studies. Still, there is also a concept of a nodal region, which has a very long tradition in economic geography. The nodal region as a type of place, for example a city with surrounding interconnected areas, is distinguished on the basis of its connections rather than characteristics that make it different from other places (regions).

All this means a shift towards emphasis on linkages and relationships among various places (regions). Interconnections and interdependencies become a major focus of interest. The economic development of regions can be interpreted both as an outcome and a cause of changes in linkages and relationships at various geographical scales.

In this context, we may now discuss some aspects of the position of postsocialist countries as a specific place in Europe as well as prospects for their development.

Central-Eastern Europe as a place: changing relationships and prospects

Contemporary perspective on place shifts our attention from the static properties the region have acquired over past decades and ages to its relationships with other places and the contemporary dynamics of this relationships. They can be examined from the point of view of three major types of actors who shape these relationships: enterprises, people and public authorities.

Transnational corporations have begun to explore new opportunities in the postsocialist European space relatively early, attracted by new growing markets, labour attributes and geographical proximity to Western Europe vis-à-vis Asia or Latin America. Flows of West European and American capital to Central and Eastern Europe create new relationships. The analysis of the behaviour of large corporations since 1990 indicates that their strategies tend to evolve gradually on the basis of the experience achieved at earlier stages. Many companies began production in Central and Eastern Europe with modest plans, testing quality standards, productivity, reliability and adaptability of the labour force of the newly acquired or built factories, before they decided to enhance the role of these establishments. This often means a change from assembly to broader manufacturing, from simple to more advanced products and sometimes R&D functions, from the initial orientation towards domestic market to exports to Western Europe. The change in company perception of the region and hence in corporation strategies reflects their learning of the new regional environment. This shows the complex and changing interdependencies between corporations and places (regions) as well as between Western and Eastern parts of the continent.

Extensive networks of stable relationships and non-tradable know-how can be seen as a vital element of sunk costs, which make foreign investors embedded in Central and Eastern Europe. Accumulated sunk costs include 'initial set up costs, the costs of learning over time about particular environment, and the costs of building reputation, gaining acceptance among government, employees, and other firms regarding their reliability as producers, employers and

suppliers in each market' (Wade 1996, 81). It can also be argued that sunk costs include skills of local labour force. In fact, labour force with its specific mix of attributes (cost, skills, and adaptability) is a critical asset seized by transnational corporations in Poland and other Central European countries. Investor's effective learning of how to use this asset and convert it into desired product quality and satisfactory productivity constitutes transnational corporation's localized capability, which determines success of investment in the post-communist land. This know-how is both company and location-specific, that is it can not easily be transferred to another firm, even less to another national territory (Domański, forthcoming).

The embeddedness of foreign companies is related to the position of their affiliates situated in Central and Eastern Europe within the entire corporation and in the broader European division of labour. This reflects the character of activity, for example high/low-value added, specialised/standardised, type of customers, the extent of intra-firm supplies and imports. The majority of foreign-owned subsidiaries are what Hamill (1993) calls 'miniature replicas', that is they supply products and services similar to those supplied in other countries. The question is whether the trend to upgrade competences of affiliates located in Poland, the Czech Republic, Hungary and other countries of the region will be continued, by making them principal company suppliers of more sophisticated, skill-based products and services for the entire European market. This could be accompanied by broader marketing, design, and R&D functions. At the same time, the role of manufacturing of simple labour-intensive goods and assembly activity may gradually decrease. All this finds expression in the economic relationships between enterprises and consequently Western and Eastern parts of the continent on the whole. In this context, one may note that exports of manufacturing goods from Poland, Hungary and the Czech Republic to Germany have already exceeded similar exports from the United Kingdom, the population of which is the same as the total population of the three Central European states.

The relative economic success of several new members of the European Union in the last 15 years partly rests on the expansion of transnational corporations, but even more on the activity of indigenous enterprises. The endogenous growth of Central and East European economies reflects the vital role of bottom-up development of economic structures and local markets. This has filled the gap created by the destructive influence of the state socialist regime and had roots in phenomena and relationships shaped in the past.

It is interesting to note that, contrary to opinions about a uniform neo-liberal recipe imposed by the international institutions (World Bank, EBRD, EU), the economic development rested on different combinations of factors in individual postsocialist countries. They differed not only in terms of the level of economic development, economic structure and market properties, but also in entrepreneurial culture, democratic tradition, openness of the system under socialism and strength of economic and social linkages with the West. The latter included long-term migration patterns and labour mobility, which influenced social attitudes and practices. Long-term linkages with Western Europe and North America especially underlay readiness to change.

Widespread belief in political and economic crisis of the 'old' system in Central European societies like Poland and Hungary in the late 1980s made people more open to radical changes. When many people believed profound changes were inevitable and/or necessary, acceptance and expectation of change prevailed and affected people's behaviour.

There is no doubt that attitudes and activities of the inhabitants of Central and Eastern Europe are vital for its future. They are precondition for both endogenous growth based on local small and medium-sized enterprises and investment by large transnational corporations. The latter may find a 'labour package' with relatively good skills and adaptability together with low cost, which allows to achieve high quality standards and healthy increase in labour productivity. What matters are future trends in the quality of human capital and labour mobility within Europe.

The development of Central and East European countries, regions and towns depends on how far they will be a 'sticky' place for young and educated people—a place capable of attracting and retaining human capital. Attitudes to places, and to the place of residence in particular, as well as propensity to migration are determined not only by pay differentials, but also cultural factors and expectations. To what extent hope for better individual and collective future is located in the home region? This is related to *genius loci* of Central and East European regions and towns as well as one of the dichotomic choices of Kukliński (2004): spiritual versus material values.

There is a danger of adopting a claimant attitude among citizens and politicians of Central and East European countries. This can be nurtured by a sense of having being wronged as victims of previous regimes and exclusion from the post-war West European prosperity. The role of recipients is facilitated by the ideology of 'catching-up' and 'adjustment', which is a specific form of conceptualization of development as modernization and Europeanization (becoming similar to Western Europe), as well as by the very representation of Central and Eastern Europe as periphery. The European Union may primarily be regarded as an bureaucratic institution with vast redistributive powers, to which demands for greater subsidies and transfers of resources are to be directed.

There are several reasons why Central and East European societies need to escape their roles as claimants (Domański 2004b). First, such a role means acceptance and reproduction of the old European division into core and periphery, with enhanced dependence on the West. Second, claimant attitudes entail passive behaviour of governments, self-governments, companies and society at large, freeing them from responsibility for their own situation. Third, this means short-term orientation of policy-makers and ineffective governance in the contemporary global economy, which requires strategic thinking and bold action on the one hand, and regionally-tailored solutions on the other. Finally, the overemphasis on 'our' rights hardly leads to solidarity among European nations. This may foster suspicious attitudes towards 'the outsiders' remaining outside the new boundaries of the European Union.

There is a clear normative dimension in the debate on social and economic relationships between Western and Central-Eastern Europe as well as the position of the latter. What are the rights and obligations of 'old' and 'new' members of the European Union? What is the responsibility of the European Union as a whole for the non-member societies of Europe as well as those in other parts of the world? As David Smith (2000) convincingly argues responsibility for distant others is a fundamental moral question in the contemporary world. This finds expression in the debate on Europe as a fortress and/or self-centered entity in the domains of migration, economic and military policies.

Conclusion

Overcoming the peripheral status of Central and Eastern Europe can be achieved by challenging its passive role as a recipient of external influences and the wealth generated in the West. Central and Eastern Europe can contribute far more than providing new markets, raw materials and cheap labour. It is crucial to foster social mobilisation and create opportunities for individual and collective self-realization at home.

Growth versus cohesion is another of the strategic choices related to the future of Europe outlined by Antoni Kukliński (2004). The economic growth in Central-Eastern periphery would increase European cohesion. The question is whether support for this growth would stimulate or hinder the growth of Europe as a whole versus North America and Asia, for example according to Lisbon Agenda. This is largely contingent on the fact whether the development of

the former socialist periphery combined with the West European stable institutions and capital can create the synergy that would bring new dynamism. Complementarity of various parts of Europe is a condition for their interaction, which may stimulate future growth. The relationships between European countries will and should include both competition and cooperation. National and regional ambitions may lead to better utilization of place-specific capabilities, greater social mobilization and new relationships, rather than being reduced to the celebration of the past, the self-perception as victims or some destructive nationalist tendencies.

The countries that joined the European Union in 2004 have, at least formally, advanced from the status of 'periphery' to 'semi-periphery', Romania and Bulgaria are to follow soon. The enlargement of the European Union may express the sense of responsibility of the 'core' members reaching beyond the old geographical divide of Europe, if it is not ruined by supposedly 'natural' paternalistic and claimant attitudes and practices in West–East relations. The cornerstone of European integration was the idea of the solidarity of large and small nations, strong and weak regions. If we accept the role of weaker countries as clients of core states and claimants participating in 'the rat race' to secure the European Union money, we discard the idea of European solidarity, coherence, trust and dignity. Respect for human dignity cannot be replaced by improvements in material conditions, although the latter affects the former. People want to be members of a community, where they are treated as partners rather than objects of paternalistic provisions (Domański 2004b).

Central and Eastern Europe may bring its new aspirations and dynamism together with the experience of cultural borderland. Further and stronger economic and cultural relationships can be forged contributing to greater integration of Europe as well as the economic and cultural development of all its parts, not necessarily following the same trajectories. The new Eastern periphery beyond the new European Union boundaries cannot be ignored. The dramatic events in Ukraine challenge the old thinking in terms of zones of influence, which allows shunning responsibility for some parts of Europe. All this requires closer links among Western societies, the new EU members and the residents of Eastern and South-Eastern Europe, who remain outside the European Union.

What is needed is a strategic vision, which can provide hope for Europeans living in all parts of the continent. There is room for a serious dialogue on European values and future, which should involve various social participants in all European countries and entail learning the complex experience of entire Europe. In this way, it will contribute to better understanding of the great challenges of globalization, knowledge economy and transformed welfare state (see for example Kukliński (2003) and Möller (2003)). The alternative is the reproduction of old core–periphery divisions, development of pathological patron–client relations and lost opportunities for making Europe stronger.

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ANNA SOSNOWSKA

DEVELOPMENT AND DIVISIONS OF EUROPE Historians' Debate and a Sociologist's Conclusions

Does history matter in development?

The conclusion of this paper is rather pessimistic. I will refer here to serious historical processes that lately have often been relegated from the Polish collective memory. Dealing with consequences of the past relationship between Eastern and Western Europe, the paper emphasizes that economic development and catching up have been historical exceptions rather than a rule. The chances of catching up remain quite mysterious and do not follow either academic or ideological receipts. Douglas C. North, an economic historian and international economic adviser, admits with easiness what only Nobel Prize winners can afford:

I spend lots of time travelling around the world and—as I call this—‘playing God’. In other words, I visit various countries and pretend that I advise them and tell them what to do (...) The more I get involved in this activity, the more I know about problems and dilemmas of the various economic systems and the more I am aware how little we know about what is happening. We know that wealth growth results initially from the increasing efficiency and investment. We know from the new literature in developmental economics that the growth is a function of technological changes, investment in human capital, etc. We know the algorithm but this does not mean that we can provide economic growth. Something significant is still missing. (...) We should be painfully aware of our limits in using past experience while trying to solve the present and future problems.¹

History classes are usually useless to those who analyze the present for the conditions of economic activity have changed so much. Economic history is useful to a development economist or a sociologist not with a view to deducing universal rules of how rich and poor regions develop or finding a receipt how to produce development here and now. History can teach us a lot, however, if we want to predict which regions are likely to be rich and poor; which are likely to belong to the world economic core and which—to the periphery.

The first lesson is that relations between regions tend to last long and change—if at all—slowly. Famous Fernand Braudel's observations on the *long durée* character of economic relations in the

¹ D. C. North, *Pojmowanie zmian ekonomicznych i wzrostu gospodarczego* [in:] G. W. Kołodko (ed.), *Globalizacja, marginalizacja, rozwój*, Warszawa: Wydawnictwo Wyższej Szkoły Przedsiębiorczości i Zarządzania im. Leona Koźmińskiego, 2003, pp. 137, 150.

Mediterranean Sea area in the modern age became popular not only with economic historians. Once placed in the context of their social and economic history, post-1989 economic changes in Eastern Europe including the efforts to integrate with the European Union look less bright than economists-politicians try to present them. Economic historians would stress continuity rather than a change in the relationship between the developed West and backward/underdeveloped East of Europe.² Tony Judt, an American specialist in European history, writes about this without beating around the bush. “We just need to notice an exceptional continuity between the external borders of Karolings’ monarchy, the border between the Austrian and Hungarian territories in the Habsburg empire and the Western end of the ‘real socialism’ area after 1947 to conclude *territorium non datur*”.³ Social and economic structures in Eastern part of the continent have been for the last several centuries less favorable to development than in its Western part. That is why, countries of the East “will never join the Union on the same ground. On the contrary, no matter how unpleasant it sounds, integrating Eastern European countries on such conditions in the predictable future would make, economically speaking, the act of charity”.⁴

Secondly, history teaches us that there are exceptions to the principle of continuity. (Judt’s categorical statement ignores this lesson.) The most obvious ones in the modern age include Scandinavia, Japan and later on other countries of the Far East. In the history of the integrated Europe, Ireland is the most spectacular example of catching up.⁵

Thirdly, history teaches us that, so far, the development success stories in peripheries have been marked by a combination of technological import or imitation, and political and social innovations.

Fourthly, at least till the 1970s, economic historians indicated the following correlation: the later industrialization (then equated with developmental efforts) was successfully undertaken the more important the role the state played in it.⁶ A comparison of the economic engagement of the state in the history of consecutive industrial giants (England, USA, Germany, Japan, the Soviet Union) seemed to testify to the increasing role of central planning and protection of national manufacturers against the competition of the imports. Crises in the Soviet block and Latin American countries, which experimented with an import substitution model, indicated, however, how devastating results could bureaucratization of economy and lack of competition bring.⁷ Both logical and empirical propositions support an opinion according to which the role of the state is a very sensitive factor of development—none country has flourished under the weak state but many have failed because the involvement of bureaucracy was too extensive.

A differentiation between an institutional and a structural approach helps to realize the dilemmas of what to learn from the development studies. The Eastern European region has

² I. Berend, *Central and Eastern Europe 1944–1993: Detour from the Periphery to the Periphery*, Cambridge: Cambridge University Press, 1996, A. C. Janos, *East Central Europe in the Modern World. The Politics of the Borderlands from Pre- to Postcommunism*, Stanford: Stanford Un. Press, 2000, T. Judt, *Wielkie złudzenie? Esej o Europie*, tł. R. Włodek, Warszawa: Wyd. Nauk. PWN, 1998, E. Hobsbawm, *Wiek skrajności. Spojrzenie na krótkie dwadzieście stulecie*, tł. J. Kalinowska-Król i M. Król, Warszawa: Politeja, 1999. Zob. także J. Kochanowicz, *Transformacja polska w świetle socjologii historycznej. Między Trzecim Światem a państwem opiekuńczym*, “Kultura i Społeczeństwo” nr 1, 1998, J. Staniszkis, *Postcommunism. The Emerging Enigma*. Warszawa: ISP PAN, 1999 presents a similar approach, however, she is far from systematic in drawing historical analogies.

³ T. Judt, *Wielkie złudzenie?*, p. 41.

⁴ *ibid.*, p. 100.

⁵ See *Nad Wisłą w Europie*. Rozmowa “Przeglądu Politycznego” nr 65, 2004.

⁶ A. Gerschenkron, *Economic Backwardness in Historical Perspective. A Book of Essays*, Harvard University Press, Cambridge 1962, W. Kula, *Zacofanie gospodarcze w perspektywie historycznej and Przewrót przemysłowy. Historia i perspektywy* w: tenże, *Historia, zacofanie, rozwój*, PWN 1983. A. Hirschman, *A Dissenter’s Confession. The Strategy of Economic Development’ revisited* in: G. Meire, D. Seers (eds.), *Pioneers in Development*, Oxford Un. Press for the World Bank, 1985, C. Furtado, *Development and Underdevelopment*, Berkeley: Un. of California Press, 1964.

⁷ L. Csaba, *Transformacja a rozwój* in: G. Kołodko (red.), *Globalizacja, marginalizacja, rozwój...*

already gone through the top-down modernization several times. The state—imperial and then the nation-state—has been undertaking reform attempts since the mid-19th century. These have included late state-socialism, post-1989 transformation and integration with the EU. In each of these cases, ‘institutions’ included clearly articulated rules, especially legal ones and conditions of their execution as well as typical social attitudes that favor or impede modernization. ‘Structures’, on the other hand, could be understood as an international context for institutions.⁸ The difference between the institutional and the structural approach and, in consequence, estimating chances for catching up, depend to a great degree on which level of analysis is chosen—‘internal’, national or ‘external’, often transnational or even global. The structural approach would emphasize a continuity of international relations and civilization borders. A Hungarian-American historian Andrew Janos characterizes weaknesses and—indirectly—strengths of both approaches in the following way:

*If institutionalism ignores external constraints and the sheer weight of statistical evidence that dims the prospects of development, structuralists fail to account for obvious exceptions from the law of averages, ignoring the countries that, external constraints notwithstanding, have been successful in moving from poverty to prosperity.*⁹

* * *

This paper aims at presenting sociological conclusions that I have drawn from analyses of the post-war Polish historians’ debate on borders and sources of developmental differences within Europe.¹⁰

The Polish debate both influenced and was influenced by the Western leftist historiography of the time. Its main theoretical inspirations came—no surprise—from Marxism, competing theories of social development, empirical and archive research. In the époque of post-1956 liberalization it was also shaped by a Western economic historiography, especially the leftist but non-Marxist French *Annales* school with its director Fernand Braudel. The debate built itself around the models that Witold Kula, Marian Małowist, Jerzy Topolski and Andrzej Wyczański proposed in the 1960s and 1970s. Also Hungarian economic historians—a team of Iván Berend and György Ránki as well as Jenő Szűcs—played an important role in this exchange. In the Western historiography, on the other hand, an image of Eastern Europe and broader—of European divisions, was a by-product of studying what has become known as ‘the rise of the West’ or ‘European miracle’—capitalism and overseas expansion. Perry Anderson, Fernand Braudel, Robert Brenner and Immanuel Wallerstein were most important figures of the 1970’s studies.

⁸ The main figure of institutional approach is an economic historian, a Nobel Prize winner in economics, D.C. North. He proposed explaining developmental success or failure in terms of ‘institutions’ among which he distinguishes formal and informal ones. Using the soccer terminology, North speaks of institutions as formal rules; then habits that are responsible for their interpretation; finally—referee’s practice, e.g. to what degree and how a referee is able to execute the rules. D. C. North, *Structure and Change in Economic History*, New York: Norton, 1981, D. C. North, *Institutions, Institutional Change and Economic Performance*, Cambridge-New York: Cambridge Un. Press, 1990, W. Morawski, *Zmiana instytucjonalna: społeczeństwo, gospodarka, polityka*, Warszawa: PWN, 2000.

⁹ A. Janos, *East Central Europe*, p. 19.

¹⁰ I write more about historical sociology, post-war historiography, Marxism and developmental debates in a book: A. Sosnowska, *Zrozumieć zacofanie. Spory historyków o Europę Wschodnią (1947–1994)* [*Understanding Backwardness. Historians’ Debate on Eastern Europe (1947–1994)*], Warszawa: Wydawnictwo TRIO, 2004.

Divisions of Europe. 'Eastern Europe' and historical geography

Over most of the Cold War period, the East-West division was taken for granted on both sides of the Berlin Wall. The terms 'Eastern' and 'Western Europe' dominated all important discourses—whether political, academic, public or popular. Serious controversies over how to call a region in the East started only in 1980's. The debate was initiated by the two émigrée writers: Czesław Miłosz and Milan Kundera. Their new concept of 'Central Europe' expressed a protest against hegemonic 'Eastern Europe' that signified in the West an area of communism or Soviet political domination and Russian cultural one. The writers' arguments were mostly of historical character. They referred however mostly to a history of culture, literature, architecture, art and philosophy rather than economic or political ones.

Already after 1989, the post-communist Europe became a subject of a more sophisticated classification. 'East-Central Europe' or 'East and Central Europe' suggested both separation from and relation to 'Eastern Europe' proper (post-Soviet and without European aspirations) and South Eastern Europe (the Balkans).

A more precise analysis of the historiography indicates, however, that the concept of Eastern Europe has roots much deeper than the Yalta division of the continent. As American historian Larry Wolff shows, it has been used in both intellectual and popular discourse since the Enlightenment, the époque that brought a change in the geography of economic development and cultural prestige from the South-North line to the West-East one.¹¹ The geography of Enlightenment drew Eastern Europe's borders from the Baltic Sea to the Ottoman Empire (with an unclear position of Greece, allegedly the cradle of Western civilization), and from the Polish-Lithuanian Commonwealth's western border to Siberia.¹² The region was depicted in the West as: underpopulated, with lots of empty, uncultivated space that symbolized wilderness and wasted natural resources; poor; covered by miserable hauls, dirty people, bad roads and rare inns; plagued by enormous social contrasts—a general misery made aristocratic palaces and life-styles look ridiculously exaggerated.

'Eastern Europe' became a term of political geography and professional historians' discourse in the period when regional empires, the Ottoman, Habsburg and Russian ones, started to disintegrate at the turn of the 19th and 20th century. The term referred to new small nations that were gaining independence and building their nation-states on these empires' ruins. In modern historiography, the bipolar division of Europe into East and West has been more popular among those historians who—for ideological or professional reasons—favor economy and material culture related criteria over religion and art related ones.¹³ Political criteria have not constituted such a distinguishing character. On the one hand, Russian and Ottoman despotism was set against ideals of Western civil liberty.¹⁴ If military potential was under consideration, on the other hand,

¹¹ M. Todorova, *Imagining the Balkans*. New York, Oxford: Oxford University Press, 1997. G. Delanty, *Inventing Europe. Idea, Identity, Reality*. London: MacMillan Press Ltd., 1995. Mączak, *Odkrywanie Europy*, Warszawa: Novus Orbis, 1998.

¹² L. Wolff, *Inventing Eastern Europe. The Map of Civilization on the Mind of Enlightenment*, Stanford CL: Stanford University Press, 1994.

¹³ Most important works in this field include: M. Małowist, *Wschód a zachód Europy w XIII–XVI wieku. Konfrontacja struktur społeczno-gospodarczych*, Warszawa: PWN, 1973; W. Kula, *Historia, zacofanie, rozwój*, Warszawa: PWN 1983; J. Topolski, *Causes of Dualism in the Economic Development of Modern Europe (A Tentative New Theory)*, "Studia Historiae Oeconomicae" nr 3, 1968.

¹⁴ J. Szűcs, *Trzy Europy*, Lublin: Instytut Europy Środkowo-Wschodniej, 1994, P. Anderson, , *The Lineages of the Absolutist State*, London: NLB 1974.

Europe would fall into a classification that set the Russian and Habsburg empires closer to England and France than to their subject nations—Baltic or Slavic.¹⁵

'*Mittleuropa*', the early 20th century 'Eastern Europe's' conceptual rival was political in character. It broke away from the dichotomic division of the continent in order to reserve a special place for expansive—at the time—Germany. The ethnic and linguistic criteria that became popular in the age of nationalism are responsible for the concepts of Slavic, Germanic or Roman Europe. Today, among historians, almost exclusively specialists in the Middle Ages use them.¹⁶

The most important element of Eastern Europe's image that economic historiography and historical sociology have created, is—no matter what period is at stake—economic weakness and backwardness when compared to Western Europe. Most frequently indicated causes of the backwardness include demographic and stratification-related characteristics of Eastern European societies that made them different from the Western ones. These include: lower density of population, the lord-peasant relation that dominated overall social structure up to the World War 2 and was a legacy of serfdom that had lasted here as long as the mid-19th century. The serfdom was considered to be responsible also for a low dynamic of economic development in the period of the 16th to 19th century, low labor efficiency, lack of technological innovation, weakness of towns—local craftsmanship and trade, and lack of politically free and entrepreneurial town population characteristic to the West already in the Middle Ages. Also social polarization: lord vs. serf was seen as a sufficient condition of not only political and civic misery, but also economic stagnation. The gentry's social advantage over peasantry and town population was so overwhelming that the former did not need to seek more efficient economic activities to confirm its position. Members of lower classes, on the other hand, did not need to do so either as they stood no chances of upward mobility, no matter how entrepreneurial they might be.

The dichotomic division of Europe was criticized, among others, for neglecting differences within modern Eastern Europe—especially as regards social stratification between regions situated north and south of the Danube river. Jan Rutkowski and Leonid Żytkowicz emphasized that roots of economic weakness in the Ottoman Balkans were different than in the 'Europe of serfdom'.¹⁷ In the Balkans, it was rather the central state than local aristocracy that was supposed to be responsible for impeding popular entrepreneurship. At the same time, Marian Małowist pointed out analogies between the manorial system characteristic to areas east of Elbe and north of Danube, and the Balkan *çiftlik* one. In the latter, the land, formally owned by the Sultan, was given to the local state agents and then, in turn, distributed among families.¹⁸

The economic and social historians used to compare Eastern Europe with regions that in various periods played a similar economic role or stayed in similar relationship with Western Europe. These included the Iberian countries, Southern Europe, Scandinavia, Latin America and even West Africa. In the Polish historiography especially an analogy between Eastern Europe and Latin America became popular.¹⁹ Both regions became already in the 16th century the sources of the raw material for developing Europe. Both were characterized by the lord-serf or master-slave

¹⁵ O. Halecki, *Historia Europy—jej granice i podziały*, t. J. M. Kłoczowski, Lublin: Instytut Europy Środkowowschodniej, 1994.

¹⁶ J. Kłoczowski, *Europa słowiańska w XIV-XV wieku*, Warszawa: PIW 1984.

¹⁷ J. Rutkowski, *Wokół teorii ustroju feudalnego: prace historyczne*, zebrał, oprac., wstęp J. Topolski, Warszawa: PIW 1982. L. Żytkowicz, *Directions of Agrarian Development in South-Eastern Europe in 16th–18th Centuries*, "Acta Poloniae Historica", t. 24, 1971.

¹⁸ M. Małowist, *Wschód a zachód*, See also: H. Inalcik, *An Economic and Social History of the Ottoman Empire*. Vol. One 1300–1600, Cambridge (UK): Cambridge University Press, pp. 108–109.

¹⁹ Marian Małowist o historii i historykach, wywiad, "ResPublica" nr 7, 1988; T. Lępkowski, *Wątki trzecioświatowe w twórczości Witolda Kuli* w: M. Kula (red.), *Dziedzictwo Witolda Kuli*, Warszawa: UW 1976; R. Stemplowski (red.), *Ameryka Łacińska. Dyskusja o rozwoju*, Warszawa: Czytelnik 1987, I. Wallerstein, *The Modern World System. Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, New York: Academic

social relations. Both have been unsuccessfully trying to initiate long lasting development in the 19th–20th century. Why unsuccessfully? Braudel found an answer in the period of the 16th to 18th century. “External reasons include a huge demand from Western Europe—the region that needs to be fed and provided with raw materials. (...) Internal reasons: in rivalry between the state, the city and the lord almost everywhere (...) the lord takes the upper position. Along with the deterioration of towns and markets, weakness of the state implied limitations in labor freedom (as well as grabbing of fertile land), that all together favored feudal seniors.”²⁰ He then explains the region’s later fate using the concepts of *long durée*—long lasting and unintended consequences of the previously started social processes.

Between dependency and catching up. Models of Eastern European backwardness

In the post war period—most important so far for the development debate—the main lines of controversy ran between theories of modernization and convergence, on the one hand, and theories of dependency and the world systems, on the other hand. Contemporary attempts to theorize globalization as well as clearly political controversies over it, are to a great degree based on discussions of the 1970’s.

Western historical sociology created a picture of European divisions while investigating the rise of the West. Polish and Hungarian sociology more often directly asked about the genesis of economic backwardness and a place of Eastern Europe in Europe. All models of Eastern European development, no matter which period they refer to, indicate that the region’s historical path was different and less favorable than the Western European one. They are univocal in that the most important or one of the most important initial factors of the backwardness was the social structure. A significant point at which the models differ is an assumed degree and evaluation of Western European economic influence over Eastern Europe. How the model conceptualized backwardness was related to the choice of unit of analysis—national or transnational. The models’ diagnoses concerning the exact sources of economic backwardness were to a great degree a combination of their authors’ attitude toward capitalism and their evaluation of the role that the West played in the world. The diagrams included at the end of the text show this interdependence.

The two opposite ways of conceptualizing backwardness are: a peripheral-dependent status on the one hand, and a catching up (imitation) model, on the other hand. The whole spectrum includes:

- A peripheral-dependent status that resulted from the exploitation by the more developed West (Braudel, Wallerstein);
- A peripheral status that even if connected with the exploitation resulted from clumsiness of the local elite (Małowist, Berendt and Ranki);
- A normal ‘non-development’ typical to most regions for most of the world’s history (Brenner);
- Regress that was in modern history characteristic not only to the East but also to the South of Europe (Topolski);
- A hybridity understood as a mixture of elements coming from various model-like economic systems, on the one hand, and a dependency on the West on the other hand (Kula);
- A hybridity understood as a plain mixture of Eastern and Western developmental models in the ‘Third Europe’ (Szűcs);

Press, 1974; F. Braudel, *Kultura materialna, gospodarka i kapitalizm XV–XVIII wiek*, t. 3 *Czas świata*, Warszawa: PIW 1992.

²⁰ F. Braudel, *Kultura materialna*, t. 3, pp. 242–243.

- A hybridity in the most pejorative sense as a mixture of primitivism and a clumsy imitation of the West (Anderson);
- Catching up; a simple delay that could be overcome by imitating the more developed West (Wyczański).

A Sociologist's conclusions

I postulate maintaining the regional categories that were popular in the pre-1989 era but are now about to disappear from both historical and political geography: 'Eastern (versus Western) Europe' and 'serfdom Europe'. I also propose that the dominant terms—'Central Europe' and 'East-Central Europe'—should be revalued. The regional categories that I bring up here are not separate but cross-cutting. Borders of such regions resemble, to use the Italian-Finish sociologist Bruno Amoroso's term, the Olympic circles. Below, while referring to the models outlined above, I will present my postulates in detail.

Eastern Europe as a Europe in question

I propose that the concept of Eastern Europe—a region between Germany and Russia, and between the Baltic and Aegean Sea continues to be used. It is a region whose European character is not taken for granted and happens to be under question. To most of the world's population, to say 'Europe' with no qualification is to mean the European Union in its pre-2004 borders. I see Eastern Europe as a region that is different from the West in terms of:

- the legacy of its long lasting rural character;
- non-participation in the overseas colonial expansion, so important for 'proper' European development and identity. Eastern Europe shares this missing element with Scandinavia, Russia and to a great degree Germany;
- non-participation in the 'European miracle' of early capitalism and successful industrial revolution. It is similar at this point to Southern Europe (Greece, Spain, Portugal and Southern Italy) and Russia;
- a legacy of modern imperial dependence and late nation-state formation. It is similar in this respect to Greece and Southern islands of today Italy. This characteristics makes Eastern Europe different from Russia, Germany, Austria and Turkey—cultural descendents of the regional empires. Eastern Europe shares with them elements of political systems and traditions of struggling with peripheral economic status and cultural provincialism toward the normatively understood Europe. This is also a source of the already traditional Eastern European debate between competing options of modernization—anti-imperial and nationalist projects, on the one hand and liberal, connected with openness towards the West, on the other hand.

I am sure that 'Eastern Europe' makes sense when it comes to drawing sociologically significant borders of the region. It is important not only, and even not so much whether Eastern European economy indeed has developed in dependency from the West, or through imitation and attempts to catch up. It is important that such a problem—as Jerzy Jedlicki's book convincingly shows—has occupied imagination of the region's intellectuals throughout the modern age.²¹

²¹ J. Jedlicki, *Jakiej cywilizacji Polacy potrzebują? Studia z dziejów idei i wyobraźni XIX wieku*, Warszawa: PWN, 1988.

The Serfdom Europe

Peasant and lord-peasant societies

It is worth following the post-war economic historians in their emphasis on the 'serfdom Europe' that unites areas east of the Elbe river (from Eastern Germany to Russia), south of the Baltic Sea and north of the Danube river. The serfdom Europe only partially overlaps with Eastern Europe. It includes Russia, but does not include the Balkans—today Greece, Bulgaria, Albania, Macedonia, Serbia, Montenegro, Bosnia and Herzegovina. I propose that the difference between the serfdom Europe and the Balkans be associated with the legacy of social and cultural polarization in the former that the latter lacks. In the Balkans, the folk and semi-autonomous, patriarchal rural community legacy is much stronger than in the serfdom Europe where the peasant population remained under the constant scrutiny by the gentry. The meaning of social divisions associated with the estate (inherited status and cultural habits), is on the other hand, much grater in the serfdom Europe than in the egalitarian Balkans. The serfdom Europe's societies are different from the Western ones, on the other hand, mainly because of their weaker town and farmer (in opposition to dependent peasant) traditions.

I think that it is interesting to draw an analogy between the serfdom Europe and post-slavery or post-colonial societies, especially in Latin America. In most countries of that region, unlike e.g. in the British colonies in Asia, it was the colonial elite that got domesticated, stayed in power, and made its culture a national one in the post-colonial period.

Within the serfdom Europe, my typology would suggest, there are societies such as Polish, Hungarian, Russian or Romanian ones that have kept up the lord and peasant cultural dualism. They have done so despite the fact that they lost over the 20th century much or most of its gentry and bourgeoisie (Jewish and German) population and experienced much regional demographic relocation. On the other hand, there are such societies as Belarussian, Ukrainian, Slovak or Lithuanian ones, that have become—as a result of similar population losses and relocations—plainly post-peasant societies. Their contemporary elite members are usually of peasant background and folk culture has become a national one. To stay with the Latin American analogy, post-peasant societies would resemble more the Caribbean, where majority of the population is of slave origin, than continental ones. Both slave and peasant societies, once a small colonial or ethnically foreign gentry elite had left, generated a sense of national egalitarianism. The 'lord and peasant' societies, on the other hand, resemble more continental Latin American societies with their extensive share of European population and input of European culture. Like serfdom-European societies, they have strong post-aristocratic and intelligentsia traditions, and a vital sense that the society consists of an elite and a people (*lud, narod*). The result is cultural dualism.²² I suspect that the 'lord and peasant' societies exhibit polarization of cultural capital and a capacity to adapt to capitalist economic rules, patterns of investment, saving and consumption.

Last but not least, it is worth keeping up the term 'Central Europe' or 'Central-Eastern Europe' to designate a region that covers Eastern European countries accepted to the EU in 2004. It has been not a Soviet 'kidnapped West', as Kundera depicted it, but rather a sub-region of the serfdom Europe. Central Europe is distinguishable from its neighbors by its cultural (Catholic, often post-Habsburg, baroque and *art nouveau* in architecture) and political (anti-Russian and anti-German, and, in consequence, anti-authoritarian) traditions.²³ It has been an area of strong tensions between general poverty and economic backwardness, on the one hand and westernized elite, on the other hand.²⁴

²² Por. J. Chałasiński, *Spoleczna genealogia inteligencji polskiej*, Warszawa: Czytelnik, 1946.

²³ M. Kundera, *Zachód porwany albo tragedia Europy Środkowej*, tł. M.L., "Zeszyty Literackie", 5/1984.

²⁴ Por. A. Janos, *East Central Europe in the Modern World. The Politics of the Borderlands from Pre- to Postcommunism*, Stanford: Stanford Un. Press, 2000, I. Berend, G. Ránki, *The European Periphery and Industrialization*

Global factors of development

Integration with the European Union is just another instance in the long history of Eastern European attempts to overcome backwardness. As social researchers, we should be conceptually ready for its failure. It would not be the first one.

I appreciate Kula's and Malowist's emphases on structural obstacles to both economic growth and sustainable development, and especially to catching up with the most developed regions. Such a pessimistic perspective would turn out useful in Eastern European studies even if European integration brought to the region profits comparable to those in Southern Europe and Ireland. Despite generally acclaimed success and huge investments, at least two of these countries—Portugal and Greece—remain the least wealthy in the EU. An example of post-socialist Slovenia, where GDP per capita is as high as in these two countries, testifies to the fact that impediments and favorable occasions occur despite institutional solutions. Unlike Portugal or Greece pre-accession Slovenia did not use extensive external help, was not a site of foreign direct investment, and cherished extensive public sector.

Institutional factors of development. The state, religion and social structure

The state and ideology

Kula was right when he stressed the connection between modernization from the top and aggressive ideology. Politics in the countries that have lately been economically successful seems to confirm the rule that Kula formulated observing modern Germany, Japan and the Soviet Union. Such a modernization supporting ideology is based on a strong sense of distinction between ethnic, territorial, cultural, social class 'they' and 'we', so that symbolically, the modernization-related conflict and stress are transferred outside the projected community (nation, region, country). The 19th and 20th century German and Japanese nationalism do have their contemporary analogy in the ideology of Europeanism, or—broader—opposition between the developed North and troublemaking South. Contemporary Eastern European project of modernization through Europeanization might deepen the social contempt toward nations that are considered less European and lower in the hierarchy set by the EU decision makers.²⁵ The anti-Russian attitude of the Polish public discourse—no matter how much it has to do with a difficult history of the mutual relationships—could be an example of Polish attempts to symbolically confirm its Western and European identity at the expense of the Other that failed to be European.²⁶

Religion

Among the popular theses on the social sources of economic success of some regions and failure of others, culturalism disturbs me the most, not only sociologically but also politically. What I call 'culturalism' is an intellectual trend seeking cultural, usually religion-connected explanations to economic and political differences among societies. It developed in the 1990s and is represented by—to mention only the most influential figures—Samuel Huntington, Francis Fukuyama and David Landes. It loosely refers to Weber's thesis which related North-Western European capitalism with the system of beliefs connected with Protestantism.

I think that the value of the contemporary religious explanations is not much higher than the race-related ones. Researchers that use them are only able to point out the statistical correlation

1780–1914, Cambridge (MA): Cambridge Un. Press; Paris: Editions de la Maison des Sciences de l'Homme, 1982, T. Judt, *Wielkie złudzenie? Esej o Europie*, tl. R. Włodek, Warszawa: Wyd. Nauk. PWN, 1998, Cz. Miłosz, *Rodzinną Europą*, Warszawa: Spacja, 1990, A. Sosnowska, *Tu, Tam—pomieszczenie*, "Studia Socjologiczne" 4/1997.

²⁵ See results of the CBOS regular surveys *Poles' sympathy toward other nations and nationalities*.

²⁶ T. Zarycki, *Uses of Russia. The Role of Russia in the Modern Polish National Identity*, unpublished manuscript.

that areas dominated by Protestantism, Confucianism, Judaism or Catholicism (as much as areas inhabited by 'Whites' and 'Yellows') more often enjoy relatively good economic results. They are not able, however, to explain the nature of the cause-result relationship that would tie these two variables. In particular, they do not explain why Confucianism or Catholicism did not support economic growth e.g. in the 18th century; why Catholicism had so in the 14th century Venice before Protestantism did in North-Western Europe, and why Catholicism still does not help the Latin American countries. It seems that developmental dynamics depends on other factors that are at best related to some historical manifestations of a religion or denomination. The culturalist approach does not bother to point out to any concrete social experience that would explain why in some societies it is rational and profitable to work hard, to save and invest, while in some others—just opposite. The true puzzle is after all why in some places it pays back to be hard working, financially honest and thrifty, and not why to be so when this brings measurable profits.

Interests and sustainable development

It is also worthy to save another element of the language characteristic to the debate I analyzed. It is worth speaking of economic policies or—more generally—models of economic development in terms of some group interests and their conflict with some others. It is also wise and less controversial to save a distinction between sustainable development and a situation when an unquestionable economic growth brings significant improvement for some but deterioration for others. It seems convincing that only a relatively balanced social stratification provides a chance for sustainable development. The balance should be legally confirmed and lasting, and not just temporary, accidental or dependent on the ruling elite's good will. Income groups should be provided with a balanced system of social privilege and duty. The diagnosis that Małowist formulated from the point of view of an early modern age historian is in accordance with contemporary developmental sociology. Income polarization under conditions of mass politics leads to a great social tension that might impede sustainable development by destroying social peace, a sense of stability and security. The very concept of sustainable development (nowadays, an official doctrine of the United Nations Development Program) makes a connection between a relatively egalitarian social structure and economic well being. Accordingly, the EU countries, rather than the rich Middle Eastern oil states, are considered more developed, notwithstanding the fact that their GDP's per capita are similar. Małowist's late reflection on the relationship between the social structure and the developmental chances made me think that both political planning and sociological description of developmental paths should start from a recognition of existing social structures and dominant social projections of how a just, right social stratification should be. A good model of development should have a country-specific character. It would not consist of any list of universal characteristics (except for, as Kula used to say 'you can't spend more than you get'), but would correspond to the existing social structure.

Diagram 1. Conceptualization of relationship: Eastern versus Western European development in the 16th century. Unit of analysis versus Estimation of how much Western Europe influenced economically Eastern Europe.

| Unit of analysis: | Western European economic influence in Eastern Europe in the 16 th century: | |
|------------------------|--|--|
| | Rather low | Rather high |
| National | Wyczański: catching up | Topolski: relatively independent development (coincidence) Kula: hybrid development |
| Transnational / global | | Małowist: complementary and dependent development (colonial or quasi-colonial) |

Diagram 2. Conceptualization of Eastern European backwardness. View on the causes of Western European miracle versus Estimation of how much Western Europe influenced economically Eastern Europe.

| | Western Europe had no influence on Eastern European economic development | Eastern Europe was developing under Western European economic influence |
|--|---|---|
| Western Europe's miracle was a result of its political and social institutions | Anderson: Primitive hybrid in the 10 th -20 th century | |
| Western Europe's miracle is a result of coincidence | Brenner: Normal 'non-development' in the 16 th -17 th century | Braudel: Periphery in the 16 th -18 th century |
| Western Europe's miracle is a result of that it exploited other regions | | Berend&Ránki: Periphery and crises in the 18 th -20 th century Wallerstein: Periphery—dependency in the 16 th -20 th century |

TOMASZ ZARYCKI

AT THE CORE OR IN THE MARGINS? Poland's search for its place in Europe

Although the formal phase of the negotiations of the conditions of the Poland's membership in the European Union was concluded with signing of the Athens treaty in December 2003 and subsequent joining of the Union in May 2004, the process establishing of the place of Poland in Europe in its deeper dimension seems to be only in its beginning. Each year since the fall of Communism is making the perspective of Poland's interaction with the Western part of the continent more and more real and in the same time complex. The lofty slogans of "return to Europe" and dreams of happy and easy life in the European club of the rich are gradually replaced by the hard talks between the "Old" and "New Europe" and complex realities of the integration in the period of economic downturn. In the same time we are witnessing the long process of mutual rediscovery. Until recently both sides knew each other in a rather superficial way. Knowledge of the countries of the opposite side of the former iron curtain, even if one could claim that Poland know more about the Western countries than they knew about Poland, was based more on historical and cultural stereotypes and rather than on any particular experience of economic or political interaction. From the point of view of the Polish-Western European relations the period of the Soviet domination in the Central-Eastern Europe could be seen in certain respect as time of freezing of the historical time. Contacts between countries of the region and the West existed, but they were not only restricted but also inscribed into the logic dictated by the Soviet centre. The bargaining power of Poland and other countries of the communist block was to the large extent defined not so much by their own political status and economic standing but rather by their position in the Soviet block and the leeway given by Moscow at the given moment. It would be of course an exaggeration to see the fall of Communism as a moment of return to the pre-war situation in the relations between both parts of the continent, as some would argue. Both the war as well as the communist period brought a number of crucial changes which altered the status of the countries of Central and Eastern Europe irreversibly. On the other hand however, lack of the direct and independent interaction between them and the external world did not allow to assess and understand fully consequences of these changes until the dependence on Moscow lasted. In other words, even if the place of Poland and other states of the region changed considerably, its new nature remained unclear and to some extent it still not fully obvious for most of the Poles. Neither Poland and its neighbours could not be sure of its real power and status in Europe before 1989 nor the West could figure out how strong and cooperative players the former Soviet satellites will be once they become fully independent.

Thus, as it seems surprises and disappointments on both sides were inevitable. Moreover, the international context of the 1990s did not create the best possible conditions for Eastward

expansion of the EU. Because of the gradual pragmatization of the politics of enlargement caused both by the global trends as well as the above mentioned demythologization of the status of the Central-European states, in particular the Polish road to Europe after 1989 could be seen as process of growing disappointments with the idea of European unity. Let me only mention in this place a couple of events which made particularly bad impression on majority of Poles in the past few years. They include long and painful process of negotiations of the Poland's accession after which Poland was eventually allowed to join the Union which 9 other counties. Very modest scale of the economic transfers promised by the Union, best symbolized by the cutting of the farmer's subsidies to one fourth of their level in the Western Europe could be mentioned as well. Finally the sudden abandoning of the Nice treaty and other solutions proposed in the draft of the European Constitution become the symbols of the lack of respect as well as marginalization of the new member states by the leaders of the EU. Then came the Iraq war which made the split between Poland and most of the new EU members on one hand and the old Europe under the French-German leadership more obvious than ever. The words of French president Jacques Chirac who suggested that the European allies of the US—the small and medium states of the Central Eastern Europe “lost their opportunity to remain silent” at the beginning of the Iraq crisis could be considered as a psychological breaking point in the relations between the two parts of the continent. For the first time the disappointment with the new members has been expressed in such a direct way on such a high level. On the other side for the first time critical remarks from the West have been, at least in Poland, received with such almost universal irony and derision which replaced earlier attention and usual deference. I would risk considering this moment as the symbolic turning point in process of post-1988 reinvention of the Polish political consciousness. From now on maintaining of the simple vision of the Poland's idyllic integration with the EU was no longer possible even for the most pro-European and liberal faction of the Polish elite. In other words, after 15 years since fall of Communism the debate on Poland's place in Europe seems to acquire a new, much more pragmatic and serious character.

Although the very issue of the membership of the country in the EU will not be seriously questioned in the foreseeable future, an equally important question seems to come to the centre of the debate. The question could be seen as a choice between joining of the mainstream of the Union and a strategy of the game on its margins which in more extreme forms involving blackmail of non adherence to the EU major policies. For Poland the choice between the two strategies is particularly difficult because of its share size. It's on one hand big enough to have legitimate ambitions to certain degree of geopolitical independence in Europe. On the other side the country is too weak, especially in economic terms to achieve truly autonomous position in the continent. Here however different ideas of compensation of the current weakness are often proposed. One of them is of course the special alliance with the US. Following the British example and profiting from the game between America and Europe can be however a dream difficult to implement in the long term perspective. Recent disappointments with the lack of benefits from the Polish involvement in the war in Iraq show it well. Yet, for some Poles it is exactly the way they would their country to follow. In this context one could notice that despite its somehow abstract character, the Polish-American or even Polish-American-British geopolitical cooperation is not based merely on the short term economic and political interest. What is common for all of them for example is the rejection of the most extreme forms of modernity, in particular those related to the French revolution and for example the role of religion in society¹.

¹ One of the advocates of this thesis is Samuel Huntington who argued that United States' model of governance and state ideology also comprises important aspects of rejection of modernity. See Huntington S.P. (1968) *Political Order In Changing Societies*, Yale University Press, New Haven-London.

In any case, the years to come will be decisive in terms of setting the long-term strategy of Poland vis-à-vis Europe. After the process of formal negotiations the period of informal but maybe even more important negotiations on the long term political and economic place of Poland in Europe only began. They can be seen both as negotiations between Poland and the main Western European states, in particular Germany and France, and in the same time as internal Poland's soul-searching: first of all the negotiations between opposite factions of the Poland's elite. The most radical adherents of the two opposite camps which could be labelled as "Poland as the supporter and member of the strong Europe" and "Poland as the >Trojan Horse of the United States<" will probably remain on their positions. But what is at stake is the view which is to prevail in mainstream of the elite and its population and subsequently the general direction of the country's politics. As it seems, the outcome of this process, the degree to which Poland will be able to identify with the mainstream European politics will strongly depend on the ability of Poles to overcome their own self-image strongly based on historical myths, in particular the idea of "Poland a chosen nation". Let me concentrate in the reminder of the paper on this very particular problem of the Poland's search for its place in Europe.

The myth of the "special role of Poland", depending on perspective, can be considered either as a positive or negative component of the Polish national identity. On one hand, for example, it can be perceived as stimulator of the national self-esteem and motivator for undertaking of ambitious projects both by the state and its institutions, including the level of international scene as well as by individual citizens in most diversified contexts. On the other hand, the confrontation of the inflated national ambitions with realities of the Poland's economic standing may produce considerable amount of disappointment and in the same time negative perception of Poland and Poles who because of their belief in Poland's special role may manifest arrogance, unfounded belief in own superiority, unwillingness of constructive dialogue etc. However, no matter how we assess the role of the myth of the special role of Poland from the normative point of view, its function as base for the development of the support of the "Poland in the Europe's margins strategy" seems considerable.

The myth of the special role of Poland which has several different forms functioning in different fields (including literature, politics, history) seems to be first of all the result of the complicated political history of the country over the period of the last two hundred years. In particular the non-existence of the Polish state in the period of partitions (1795–1918), during the Second World War (1939–1945) and its restricted independence in the post-war period (1945–1989) seem to be among the main factors conducive to the emergence and spread of the myth of the special importance of Poland in the Europe. In the same time, it should be recognized that at the end of the 18 century Polish state disintegrated quite suddenly and completely from the political map of the world. If we consider that the pre-partition Polish-Lithuanian Commonwealth was a multinational giant which had obvious traits a colonial state, the Polish problems may appear similar in many ways to difficulties experienced by most of the colonial countries after the loss of their empires. Coming to terms with the realities of existence in a new form of a small and much less powerful country is always a difficult task. Examples of the French, British or Russian/Soviet empires are very illustrative in this respect. However, in the Polish case, while the loss of the colonies in the East took place much earlier than the disintegration of the French, British or Russian/Soviet empires, the fact of the total disappearance of the Polish state seems to have resulted in the extension of the process of reconciliation with loss of the status of a great power. During the partition period, the memory of the glory of the Polish-Lithuanian Commonwealth has been transformed into a fundamental element of the Polish national identity and sustained a dream of the resurrection of the country as a Great European power. The 19 century Polish intellectuals as Adam Mickiewicz supplemented the dream of the Great Poland with the myths of its special

moral, civilizational and cultural vocation. The emergence of these myths, as most Polish historians argue until today, had an important role the survival of the Polish culture. They have become the foundations of the canon of the high culture for the future Polish state. On the other hand, they have very clearly restricted capabilities of realistic analysis of geopolitical situation of Poland by several generations of its elite. The belief in the role for Poland as a regional super-power shared at the beginning of the 20 century by most of the Poland's statesmen seems to illustrate this problem perfectly. As some argue, such an unrealistic perception of the role of Poland in Europe and its strategic choices characterises the awariness of Poland's political leadership until the present day and may influence the choice of the future role of the country in the united Europe.

Let me now go back to historical analysis however. Thus, we could note that the outcomes of the Second World War, and in particular the tragic defeat of the 1944 Warsaw Uprising, brought a brutal disillusionment for most of those still believing in the particular role of Poland and in particular possibility of its existence as a regional power. The next 45 years of the Soviet domination over Poland undoubtedly weakened remaining dreams and illusions. However, on the other hand, as I would argue, the Communist period had in some ways similar effects to the 19 century partition period, especially as far as the myth production and reinforcement was concerned. The majority of the opposition which by the end of 1970s gained considerable control if not domination over popular consciousness, considered the Communist rule in Poland as an anomaly, colonial occupation of the otherwise strong and rich country. This interpretation assumed that once the country would be freed, even if it was not expected to happen soon by majority of opposition leaders, it will regain its due political status and economic position almost immediately.

In this context the figure of the pope John Paul II should be at least briefly mentioned. His role seems particularly important in the reinforcement of the traditional 19 century myths of the special role of Poland. First, the very fact of his election was widely seen as a miraculous event confirming the special destiny of Poland. Later his preaching, which alluded often to the idea of the particular vocation of Poland had wide resonance reinforced by the context of deepening social and economic crisis of the Communist Poland. Pope's impact on the Polish self-esteem, self-organization of independent political networks and image of Poland in the world is difficult to overestimate. His first visit to Poland in 1979 is often seen a crucial factor conducive to the emergence of the world famous "Solidarity" movement. In turn "Solidarity" is perceived in Poland until today as the decisive impulse which ignited the process of disintegration of the Soviet Block and later of the Soviet Union. All these and several other related events are for many Poles arguments confirming the actual special role which Poland has already played in the world politics. In the same time they also create expectations concerning the future role of the country on the international scene. When discussing the John Paul's II programme for Poland one should also mention the idea of Poland's crucial role in the re-Christianization of the secularized Western Europe. From a pragmatic point of view this idea of special vocation of Poland could be seen as a strategy of compensating for economic weakness of the country with its moral and cultural assets. The latest and quite spectacular example of the implementation of this programme is Poland's official insistence on mentioning of the Christian heritage in the preamble of the Constitution of Europe. Interestingly, the idea has been strongly supported by the present leadership of the Social-Democrats, most of them former members of the Communist Party and professed atheists, including the prime minister Miller and in particular president Kwaśniewski who has personally promised the Pope special care over the issue.

Going back to the Communist times, one could add that Poland's dependence on the Soviet Union was also perceived as an economic exploitation. It was thus subconsciously expected that regaining of the full political sovereignty will automatically bring economic independence and

dramatic rise of the wealth to the country. The disappointment with “freedom and democracy” which came already in early 1990s can be considered as a hangover typical for formerly dependent or colonized peripheries in the period just after regaining of their independence. Though, one should notice that the scale of the post-1989 disappointment in Poland was never as deep as in several other post-Communist states, as for example Georgia. Nevertheless, the success of the former Communist Social-Democrats in the parliamentary elections of 1993 was a very early and strong sign of disillusionment with the broadly defined “transformation” and the idea of “integration with Western Europe”. To sum up this reflection, I would argue, that the post-Communist Poland could be considered as a case of combined post-colonial and former colony syndromes. As it seems, the most similar case in the region of Central-Eastern Europe is Hungary, where the memory of the glorious past of the Hungarian kingdom has been also integrated into the national identity cannon. In the same time, the country was in fact a Soviet colony itself and the period of dependence gave rise to many unrealistic expectations about the post-Communist future. However, in this context one could note a specificity of the Polish dreams of the ‘Great Poland’ which presently don’t imply any geographical, territorial ambitions. The essence of the myth of the special role of Poland is in fact restricted to the ambition of attaining of a special geopolitical status in the Central-Eastern Europe. One of the most important current schemes for gaining and sustaining such a status is the above mentioned strategic alliance with the United States. It is supposed to strengthen position of Poland both towards the main actors of the European Union, first of all Germany and France as well as towards Russia in the East. It has also an important component of the Polish-American cooperation in Ukraine, independence of which from Russia is a geopolitical priority for Poland. In this way, it inscribes quite well in the traditional Polish geopolitical thinking based on assumption of a need of retaining of maximum independence from both Germany and Russia.

However, as it seems even the privileged position of a special partner of the United States in Central Eastern Europe can not reduce the growing feeling of disappointment regarding the position of Poland in global world order. This situation could be considered as paradoxical in several respects. Poland’s actual geopolitical situation is probably best since at least some 300 years, the economy is systematically growing and becomes integrated into the main structures of the global economy. Poland is a member of NATO and the European Union. Nevertheless, very clear feeling of loss of Poland’s international importance is growing. It may be explained first of all by the fact that for the first time since several centuries Polish political discourse becomes much realistic and rational, especially in respect of question of country’s geopolitical position and its development perspectives. Poles were consequently deprived of a considerable part of myths which sustained national unity and were a major source of their self-esteem. As Teresa Bogucka writes in her article entitled “What should we do to regain the lost pride?” in *Gazeta Wyborcza*², *“the end of communism has deprived us of our special place in Europe on the borderlands between West and East, the place which could be a bulwark, a redoubt of one or the other side, but it could also be a bridge between them. But now we become one of the peripheral states. Suddenly, it appeared that we have nothing important to say to the world, since neither the world nor we ourselves don’t need the description of the condition of the enslaved man. (...) What was the strength of our culture has disappeared overnight (...) We have lost our self-confidence, belief in our value, the conviction that we have something valuable to communicate”*.

These Polish identity problems could be probably related to the distinction between two types of discourse introduced by Lintz and Stephan³. They are related to the concepts of “ethical civil

² *Gazeta Wyborcza*, 9–10 August 2003, pp. 12–13.

³ Lintz, J.J., Stepan A. (1996) *Problems of Democratic Transition and Consolidation. Southern Europe, South America, and Post-Communist Europe*. The John Hopkins University Press: Baltimore and London.

society” based on moral categories and the key notion of “truth” and on the other hand “political civil society” based on rationality and its key notion of “interests”. Polish political discourse, especially its right and liberal intelligentsia versions, have been very clearly based on the “ethical civil society” assumptions and a language of its special values. It was best exemplified by the traditional Polish victimization discourse emphasizing the role Poland’s suffering over two centuries of its history as the ground for Polish special status and implying existence of a moral debt the West is supposed to pay off. The fall of Communism and beginning of the integration processes with Western structures forced the Polish elite to switch from traditional language of ethical and moral categories to the rational language of interests. This implied the above discussed effect of the loss of the symbolic assets, until recently considered as key resources of the nation.

Simultaneously with the loss of the belief in value of the cultural attractiveness of Poland, or what could be labelled in the language of Pierre Bourdieu as “national assets of cultural capital”⁴, in the symbolic dimension, important processes took place in the economic domain as well. The post-Communist transformation effected the gradual take over of the control of the Polish economy by the Western capital. Huge budget deficits over last decade were largely financed by massive privatization of state assets based on foreign investment. This process is currently approaching its limits as the major share of the former state property has been already overtaken by Western companies. This strategy of restructuring of the Polish economy was widely considered as the only possible solution enabling stabilisation of the budget, integration of country’s economy with Western structures, restructuring and securing the inflow of badly needed capital. However, the outcomes of this process are perceived in an increasingly negative way. The loss of the traditional control over the national economy as a price for its modernization, even if presented as inevitable in the era of globalization, becomes seen as analogous to the earlier Soviet-sponsored modernization of economy at the price of the loss of independence. In any case, the increasing domination of Western capital in the Poland’s economy coupled with the loss of a number of illusions and myths sustained by the periods of dependence are in fact a serious psychological trauma for the whole nation. Coming to terms with the awareness of the economic and geopolitical weight of Poland will take still some time. In the same time it will influence Poland’s search for its place in Europe. The long sequence of the post-1989 disappointments interacting with the fading but still active myth of the special role of Poland could be seen as an important factor stimulating the growth of the support for the strategy of remaining at the actual margins Europe. Such a choice will be of course very controversial as is the idea of the “Special role of Poland”. However, even if we would not find it justified one could note that overestimating of one’s own role is most often more reasonable strategy than underestimation of own capabilities, lack of ambitious plans and self-confidence. In any case, Poland’s choice as well as our assessment of it will strongly depend on the future attitudes and actions of the main states of the Union. To what an extent will they be able to recognize the Poland’s ambitions? Will Poland’s “moral and cultural capital” or the alternative geopolitical scenarios convince Germany and France of the necessity or more generous and serious approach? Or will they simply recognize that they need Poland, an important and large country at the Eastern flank of the Union to fully involved in the European project even at price of its special treatment? Time will show.

⁴ In my earlier paper, I have presented an attempt of analysis of Poland’s status from the point of view of the notion of Bourdieu’s cultural capital. See: Zarycki T. (2003) Globalization and the Changing Role of the Cultural Capital in the Central-Eastern and Western Europe. (in:) A.Kukliński, B.Skuza (eds.) Europe in the perspective of global change. Warsaw: Oficyna Wydawnicza “Rewasz”, The Polish Association for the Club of Rome. pp. 247–258.

ANTONI KUKLIŃSKI

THE INFORMATION SOCIETY AND THE WELFARE STATE

The Finnish Model

Introduction

This is the title of a charming book¹ prepared by two eminent members of the global academic Community—Manuel Castells and Pekka Himmanen. The book is an inducement to analyze the experiences of three regions which are in the global avant-garde of the information society, the knowledge based economy and the knowledge based society—Silicon Valley, Singapore and Finland.

The First region is an example of the leseferic model. The second is an example of the autocratic model and the third is an example of a socially minded model integrating the welfare state and the information society.

I. The welfare state and cultural identity

In the perspective of M. Castells and P. Himanen the essence of the Finnish Model can be presented in the following way:

*“Within this framework of analysis, our interest in Finland as an information society stems from three basic concerns. The first is to investigate the process by which Finland emerged as one of the most competitive economies and most technologically developed information societies in the world, while displaying social and institutional features that stand in clear contrast to the Silicon Valley model or, for that matter, the Asian experience. Second, because of the importance of the welfare state in Finland, we are interested in understanding its role in the development of the information society. **Since the new economy is often associated in expert circles around the world with liberalization and disengagement from the public sector in society, we would like to answer the following question: is the welfare state a contributing force to the full development of informationalism?**” (p. 3,4)²*

¹ Oxford University Press, Oxford 2002.

² The stronger letters in the quotation are added by Antoni Kukliński

* * *

“Yet Finland displays, at the same time, a dynamic integration in the global economy, fully fledged membership of the European institutions, and a strong affirmation of its culture, unique language, and national identity. Indeed, we propose the hypothesis that it is this identity, which provides a key foundation for political legitimacy, that enables the role of the state in the building of the information society.” (p. 4)

* * *

“A cultural identity and a strong national sentiment appear to essential components of the Finnish model of the information society. They are sources of legitimacy for the active role of government, in a parallel experience to the developmental state in Asia. Identity is also projected toward the future, building Finnish pride in the collective accomplishment of Finland as an advanced information society. Social homogeneity and national solidarity strengthen the support for programs of inclusion, and favor the emergence of a society-driven model of technology use. Thus, rather than undermining global competitiveness, strong national identity provides a platform, to build technological capacity and to develop social experimentation. Local and national identities add value to Finnish business and to Finnish innovators in their interaction with global networks of economy and technology.

On the other hand, the Finnish model is still largely based on social and ethnic homogeneity and on a certain reluctance to open up society to foreign influence and foreign individuals. This is sharp contrast to the Silicon Valley experience of innovation and entrepreneurialism based on immigration and multiculturalism. If this was a lesson to retain it would be a depressing one, since xenophobia and isolationism contradict the basic values of human solidarity. Furthermore, Finland, and its imitators, will have increasing difficulty in growing and enriching themselves, without looking at others, in a world increasingly interconnected, not only economically but culturally. The real lesson, we hope, is that national and cultural identity are important sources of meaning and value, but only on the condition of engaging people and countries in a multicultural dialogue based on a multi-ethnic coexistence.” (p. 170)

* * *

The book is presenting very strong arguments—based on the Finnish experience—that the welfare state and a strong cultural identity should be not seen as barriers for the development of the information society.

II. The Mobile Valley. Nokia, Finland, and the Transformation of the Finnish Economy

This is the title of the second chapter of the book presenting the main hero of the Finnish and partially of the global scene. Nokia is an outstanding example of “the network enterprise” (see page 2 and pages 19–44).

The final judgment of the Authors is as follows:

“So, to sum up: Nokia is central to Finland but not in the sense that Finland is entirely economically dependent upon or politically subordinated to Nokia. Nokia’s important role in Finland is to act as the current channel for Finnish IT expertise. Nokia is a product of Finland and Finland’s economy is partly driven by Nokia’s innovation and competitiveness, but they are both dependent on a world of global networks in which their ties, for the time being, represent a major asset both for the company and the country.” (p. 44)

III. The Council, Tekes and Sitra

From the Polish point of view three Finnish Institutions are most important—The Council, Tekes and Sitra which are presented in the book in the following way:

“The working model of the Finnish Science and technology Policy Council is very exceptional when viewed from an international perspective. many countries have science policy councils but the Finnish council is organized directly under the Prime Minister who also chairs the council’s meetings. It is not a stereotypical committee, which just discusses things and writes papers, but is a serious body that includes eight key ministers (the Ministers of Education and of Trade and Industry are the vice-chairmen) and ten of the highest-level representatives of Finnish universities (rectors and top researchers), industry (e.g., at present, Nokia’s CEO), the Academy, Tekes, and employers’ and employees’ organizations (at directors level). The shared vision spreads to the key participating bodies from the top down. The other central difference from other countries is that in Finland science and technology are treated together—in the same council.” (p. 51)

“According to international evaluations, Tekes has been very efficient in funding research and development that aims at exportable products; in practice, it has funded all successful Finnish technology companies at some point in their development (including Nokia). From an international perspective, Tekes’ strength is its strong independent status. In many other countries similar activities are organized by the parliament or the relevant ministry, but Tekes has significant autonomy. Although Tekes is responsible to the Ministry of Trade and Industry, the ministry cannot take decisions on funding; Tekes makes the decisions itself. This independence has allowed Tekes to act both swiftly and with a much longer perspective than if it were part of the political structure. In this way, decision-making is also much closer to the actual research and development world.” (p. 52)

“The founding of Tekes for the very specific goal advancing technology research and development work has also had the positive impact of clarifying the role of Sitra. Since Tekes was founded, Sitra has not funded technology research and development per se, but has evolved into a venture capitalist the finances the beginning and expansion phases of start-up companies. Thus, Tekes and Sitra from a combination that helps innovation in the crucial early stages. In fact, 95% of the companies that Sitra has invested in have first been partners to Tekes and, in order to achieve the best possible results, there is close cooperation between Tekes and Sitra at all levels. Since the private venture capital market became well developed in the late 1990s in Finland, Sitra has started to emphasize pre-seed financing.

In addition to its role as the biggest venture capitalist in Finland, Sitra is a think-tank that innovates new ideas (it had an important role in the idea of the creation of Tekes) and finances thought-provoking research that is not product oriented and education in areas that it sees as important for Finland (it may also finance experiments in these areas). (p. 54)

* * *

This institutional triangle is an important element of the Finnish success in the field of information society, knowledge based economy and knowledge based society.

IV. The Protestant Ethic versus Hacker Ethic

The evaluation of the role and personality of the hacker (p. 63–73) are the most challenging pages of the book. **The hacker is presented as a positive hero of the information society and not as a pirate destroying the climate of stabilization and trust dominating in the internet.**

The suggestion that the Hacker Ethic is a challenge for the Protestant Ethic is going very far both in an intellectual and pragmatic dimensions:

“There is also another important challenge related to values. In our discussion of Finnish identity, we referred briefly to the traditional role of the Protestant ethic in Finnish society, which is currently being challenged by the new hacker ethic of the information creators. The Protestant ethic’s idea of work as a duty is questioned by the hacker ethic’s idea of a passionate and creative relation to one’s work, creating an opposition between information creators and other workers.” (p. 160)

V. The role of the state

Finland was very successful to design and implement of an effective model of a globalized network state—being an important actor in the framework of the European Union.

“Third, the state has played, and continues to play, a major role in guiding economic growth and building the information society in Finland. But it has not brought the economy under bureaucratic control. Instead it has been a major liberalizer of the economic system: for example, its effort to deregulate and globalize the Finnish telecommunications sector earlier than most other European countries,

was a decisive contribution to the new model of economic growth. The Finnish state has used incentives and strategic planning to complement market mechanisms, rather than substituting for them. It has also relied on participatory mechanisms, and has operated within the framework of a democratic and legitimate state. This is in contrast to the experience of Asian developmental states, which are characterized by authoritarianism in society and by a hierarchical relationship in business. The Finnish state has acted as a promoter of technological innovation, as a public venture capitalist, and a producer of knowledge labor; thus creating the conditions under which Finnish business could restructure itself and compete globally.” (p. 167)

Conclusion

- This is not a conventional review of the book. It is a note for discussion giving:
- primo—a taste of the content and style of the book,
 - secundo—an inducement to read the book in toto
 - tertio—an indication that the book is relevant for the triangle of three countries.

This note is not suggesting that the Finnish Model could be seen as an example of universal validity. Maybe this Model is very strongly related to the uniqueness of Finland.

This is an open question for a brainstorming discussion.

Warszawa, Żoliborz
January 12th 2004.

ANTONI KUKLIŃSKI

THE UKRAINIAN STRATEGIC CHOICE AS A CHALLENGE FOR THE EUROPEAN UNION Three Reflections and a Thesis

The Ukrainian strategic choice *anno domini* 2004—is an intellectual and pragmatic inducement to present three reflections:

- one**—In the Pan European perspective of the European Union, the place of Ukraine in the future will be much more important than it has been in the past. It will be very difficult to underestimate—the power of ‘Location Ukraine’ in the geo-political, geo-economic and geo-cultural map of Europe of the 21st century.
- two**—in this mental and pragmatic framework—it is probably necessary to see the case of Turkey and the case of Ukraine as two parallel cases.
- three**—this constructive parallelism should be promoted by the Polish, Turkish and Ukrainian academic communities via the design and implementation of a Grand Research Programme—“Poland–Turkey–Ukraine. The new strategic triangle in global and European perspective”.

This new approach to the intellectual and pragmatic philosophy of the changing European scene—should be also an inducement to formulate a question mark in relation to one of the most important assumptions of the conventional wisdom—“The enlargement of the European Union is a fatal trajectory—to make the Union weaker as a grand actor of the global scene”. This assumption is a tacit acceptance of the thesis that “the enlargement of the Union is a barrier in the process of the construction of Federal Europe”.

This is a totally wrong approach—not the enlargement of the Union—but the absence of the “will to power”¹—is the barrier in the construction of the strong Federal Europe.

The rich and comprehensive set of outstanding contributions published in our Twin volumes—is creating a stimulating background for an brainstorming discussion animated by three reflections and one question mark challenging the conventional wisdom.

Nowy Sącz – Warszawa
Christmas 2004

¹ comp. postscriptum in this volume

KRZYSZTOF ISZKOWSKI

THE TURKISH DILEMMA

There has been a tint of fatalism in the European thinking about Turkish membership in the European Union. Although many Europeans—common citizens and intellectuals alike—are at best uneasy with the perspective of Turkey eventually joining the Union, assertive objections occur rarely. The dominant attitude has been that of slowing the process of Turkish accession and avoiding to give a firm answer to the question whether it is at all desirable. The fear of consequences of not letting Turkey in seems stronger than that of doing the opposite. The influential British weekly “The Economist” provides a good example of this approach. After quoting a long list of troubles connected to Turkish membership—from underinvested agriculture to reviving Islam—the magazine concludes that “in the post-September 11th world, a no to Turkey could have catastrophic consequences.”¹ Yet “yes” to Turkey and its eventual accession will also have momentous consequences for the Union. Most probably, it would give a lethal blow to the idea of European federalism and determine the nature of the EU in foreseeable future.

The Turkish accession to the EU seems just a next phase of the process launched over 50 years ago with the establishment of the European Coal and Steel Community. The logic of this process is based on assumption that fostering cooperation between nations is leading to emergence of a sphere of peace, stability, security and welfare, which will eliminate the risk of cyclical wars that were typical for earlier eras.

This is a classical approach to European integration, dominant in Poland and still popular in the western part of the continent. This attitude has been characteristic also for subsequent American administrations since Harry Truman. The creation of an area of “the end of history”, where technocratic debates over fishing quota replace the politics of expansion and revenge, is in the interest of the superpower that since WWII has borne the responsibility for the world's fate. No wonder that Washington supports Turkish bid for membership the very same way it supported Greek application back in 1970ies and Polish in the last decade.

However, the success of European integration resulted with development of an alternative view of what the Union is, can, and should be. People who subscribe to it aim to build a post-historical area of tranquility, but a state organism capable of active policy making on the global stage. The criteria of membership in such a Union have to be much more strict than in the former case. Correct relations with neighbours and functioning market economy are not enough. For a state to exist, a certain feeling of community between its citizens is necessary. This is why Turkish membership in the Union poses a challenge.

The Union of today is something more than an area of stability that was designed back in 1950ies and continues to shape American imaginations about Europe. The European Parliament,

¹ *Why Europe must say yes to Turkey*, “The Economist”, 2004.09.16

the euro, the institution of European citizenship—all this exceeds the minimum necessary for preserving peace and prosperity. Europe has progressed a lot on the way to create a common continental state.

There are many reasons why such a state is needed. The USA, which for many years had played the role of the “benign hegemon” and took into account—albeit not always—the interests of her weaker partners, seems more willing to act unilaterally and egoistically. Already in 1999, long before the United States rejected the Kyoto Protocol, attacked Iraq, and run into dispute with her allies over the International Court of Justice, Samuel Huntington asserted that American interests are not necessarily the same as the interests of the rest of the world.² Europe, if it objects to being just a passive taker of American policy, has to be able to articulate and defend its own strategic interests. The experience with trade policy (e.g. steel tariffs) demonstrate that speaking with one voice pays off. In the near future China and India are likely to become other players towards which Europe will need to act as an entity.

The accession of Turkey can delay or even prevent the eventual transformation of the EU into a federal state. It is not because the new member might prove to be just another American “Trojan Horse”. Quite to the contrary—the present government took very sceptical stance towards invasion of Iraq, and the recent opinion polls clearly indicate that overwhelming majority of Turks consider fast integration with the EU as more important than keeping good relations with the US. According to the “Transatlantic Trends 2004” survey, the feelings about America are much cooler in Turkey than in any of the present EU member states. 59 percent of Turks believe that “Europe should acquire more military power to be able to protect its interests separately from the US”.³ From purely technical point of view, accession of Turkey with its strong army, critical attitude towards the USA, and strategic location would strengthen rather than weaken imperial chances of the federal Europe.

Yet, it is not the lack of capabilities that prevents Europe from achieving the superpower status, but the weak support of its citizens. The emergence of “common communication space”, “demos”, “political community” or “imagined community of fate”—to quote only some of the terms used to describe the same phenomenon—is necessary for creation and legitimization of the common European state. In this aspect, the perspectives seem worse today than they were prior to May 1st 2004. The real integration of the new members of the Union will take another few years before Poles and Germans, Portugese and Latvians will believe that they belong together.

With Turkey in, the process of European social integration will be even more challenging. The Slovaks, Hungarians and Cypriots were simply unknown to the citizens of the old Union of 15 members. Turks happen to be perceived as a peril. The agnostic Europe is afraid of Islam, the same way as it would be afraid of any other religion that would clam right to impose moral norms more strict than liberal affirmation of individual autonomy and diversity. Turkey is obviously a secular state, not less than Germany or Italy are, but over 70 millions Turks are not a secular nation. The results of “The Global Attitudes” survey conducted by the Pew Reserach Center for the People and the Press are telling. 84 percent of Turks say that “it is necessary to believe in God to be moral and to have good values”. In the present EU the percentage of respondents subscribing to this opinion varies from 13 in France to 38 in Poland. In the United States it is 58 percent. Turks seem also far less tolerant than Europeans. 67 percent believe that “there is only one true interpretation of the teachings of Islam”. Two out of three Turkish respondents said that homosexuality should not be accepted by the society. 35 percent believed that “Kurds have very bad influence on things going in Turkey”, compared to just 6 percent of Germans saying so about Turks in Germany. 41 percent said that Islam should play large or very large role in political life.

² Samuel Huntington, *The Lonely Superpower*, “Foreign Affairs”, March/April 1999

³ *Transatlantic Trends 2004*, The German Marshal Fund, p. 8

Most strikingly, 43 percent subscribed to the opinion that “democracy is a western way of doing things that would not work here”. This figure was significantly higher in Turkey than in any other surveyed country, including Pakistan, Nigeria, Jordan and Lebanon.⁴

Knowledge of those differences helps to understand why Turks did not integrate easily into the societies of Western Europe in the past decades—unlike immigrants from Italy, Yugoslavia, Portugal or Spain who moved to Germany, France and Belgium at about the same time. Since the federalist vision of Europe is about integrating societies and not states, the problems raised by Turkish membership become evident. “*Deepening of unification process would be in such circumstances out of question*”—says German historian Heinrich August Winkler.⁵

Obviously, there is more to federalist project than will to duplicate the structures of nation state on the continental level. For many, the vision of federation of republics presented in Kant’s essay on “*Perpetual Peace*” is much more convincing than post-Rousseauian projects of a new *contrat social*. In consequence, the issue of Turkish membership is very likely to reopen the discussion on the finality of the EU, which took place in mid 1990s and was abandoned without concrete conclusions. The outcome of such a debate is hard to predict given the fact that all of its probable participants—cultural essentialists like Valéry Giscard d’Estaing, profets of constitutional patriotism like Jürgen Habermas, and supporters of conservative and minimalistic vision of Europe who dominate in the United Kingdom—have many intellectual traditions to recall. One, however, is sure—suppression of the debate on the finality of European integration and admission of Turkey based on mere political decision of the leaders would seriously undermine the legitimacy of the Union, no matter how the Union itself would be understood.

In this respect, the German Christian Democratic opposition is utterly right pointing to the fact that “*the issue of Turkish accession to the European Union must also be seen in connection with the ideas being put forward about a political identity for Europe that will gain the support of its people. The work of the European Convention and the Draft Constitutional Treaty have not resolved these questions conclusively.*”⁶

Is it possible to satisfy Turkish aspirations without destroying Europe? Taking into account the growing role of Islam in Turkish public life on the one hand, and the rising islamophobia on the other, it will be very difficult. The logic of federalism requires all citizens of the Union to have their say on whether they want Turkey to join. It’s easy to guess what the result of referendum on Turkish membership would be today, no matter whether the votes would be counted globally for the Union or separately for each member state. Letting Turkey in anyway would contribute to what is called “democratic deficit” and further undermine citizens’ trust in the Union. The alternative between “ever stronger and closer” federal Union and opening Europe’s doors to Turks is one of the strategic choices of 21st century.

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⁴ *Pew Global Attitudes Project 44-Nation Major Survey (2002). Final Topline*, Pew Research Center for the People and the Press

⁵ *Die Stunde der Wahrheit*, “Handelsblatt”, 2004.09.17–19

⁶ Motion by the CDU members of the German Bundestag, B-tag Paper 15/3949, 2004.10.19

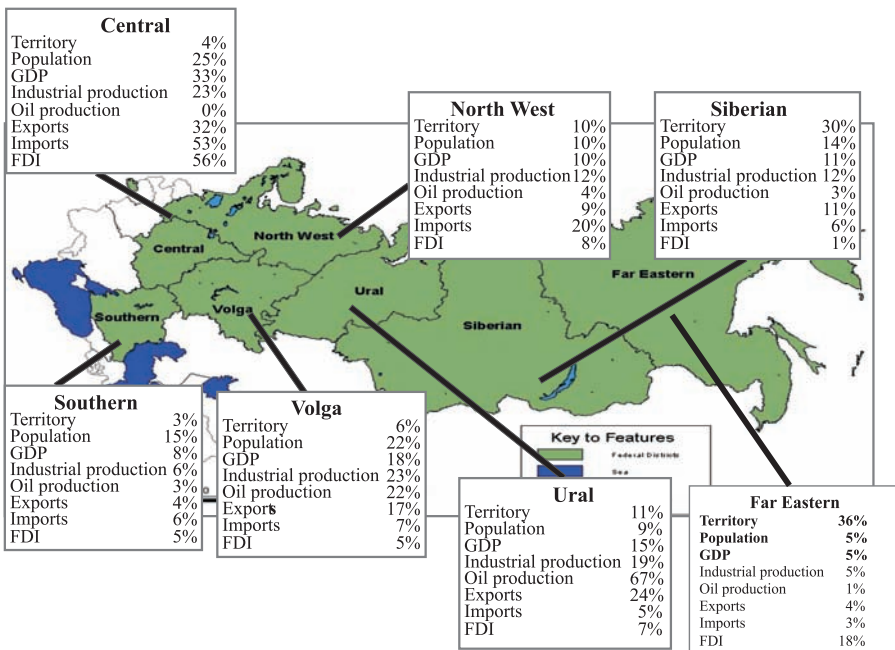
KARI LIUHTO

RUSSIA—ON THE WAY TO AN INFORMATION SOCIETY?

1. Introduction

The Russian Federation with her territory of 17 million square kilometers is the largest country in the world. She is almost twice larger than the USA and some four times larger than the EU25. Though Russia is a geographically huge state, one should keep in mind that 80% of the federation's 145-million population lives in the European part of Russia, covering only a third of the country's territory. Moreover, one should not forget that three quarters of the Russian population lives in urban centers (see Map 1).

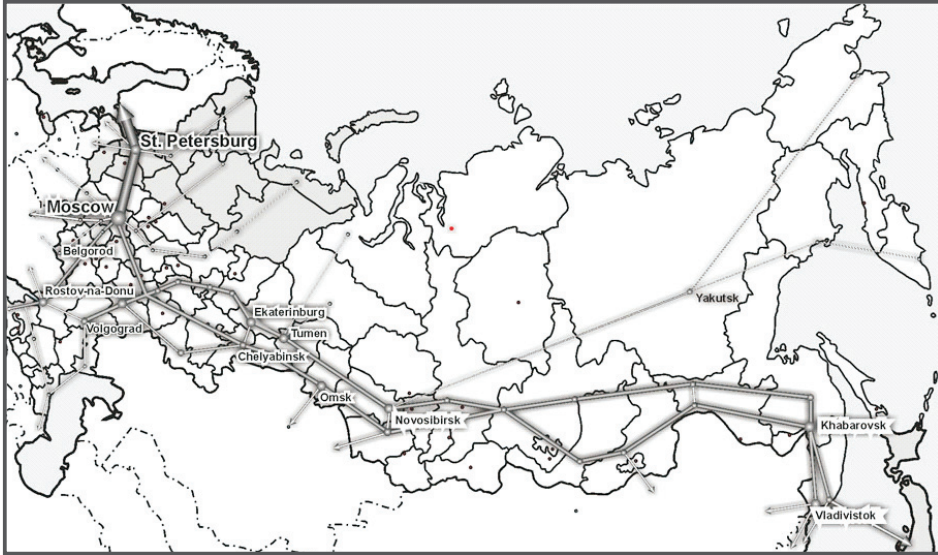
Map 1. Some basic facts of Russia's seven federal districts



Source: Goskomstat (2004), for reference see Liuhto et al. (2004).

The need for the information society becomes emphasized in a vast country with a relatively concentrated population. The main task of the information society is to link both the urban centers together and people living there into the web. The main obstacle in building the information society in Russia is not the absence of data transmission lines connecting the major cities but rather a lack of personal computers (PCs) preventing people to connect themselves into the information network (see Map 2).

Map 2. Russia's main data transmission lines



Source: Sitra (2004).

A low PC intensity is due to the relatively low economic living standard of the Russians. The GDP per capita figure does tell the whole truth of the Russians' readiness to acquire a PC (see Table 1). Here, one should keep in mind that income is very unequally distributed in Russia; the highest 10% of income earners collect almost 50% of all the income paid in the country, whereas the lowest 10% receives only 6% (CIA, 2004). According to EIU (2004), a fifth of the Russians, or almost 30 million people, live under the subsistence minimum. Though the reality might be a bit brighter than the statistics refer, the aforementioned figures give a clear indication that a considerable part of the population cannot currently afford to participate in the information society.

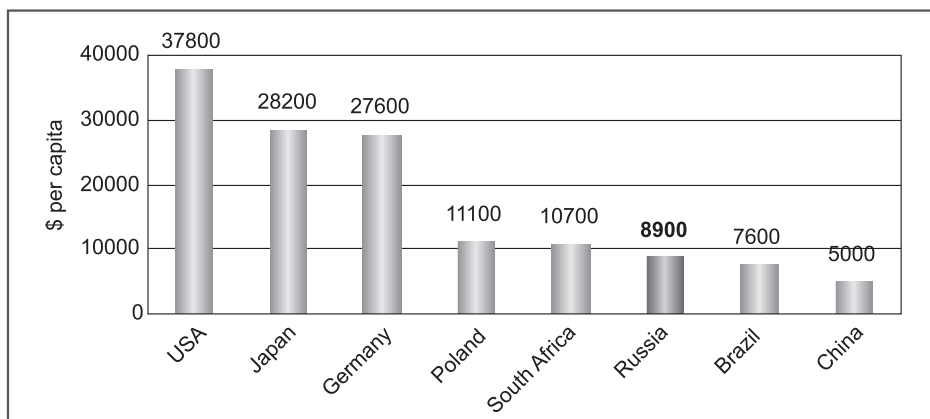
The main objective of this article is to introduce a reader with the current state of Russia's information and communication technology (ICT) sector; and to analyze whether Russia has progressed on her way towards an information society.

2. The current state of the Russian information society

2.1. The Russian ICT sector

The telecommunication dominates Russia's ICT sector. It provides roughly 70% of all revenues generated in the Russian ICT sector. The telecommunications formed some 1.8% of the country's

Table 1. The economic living standard of the Russians in international comparison (GDP per capita measured at purchasing power parity—2003)

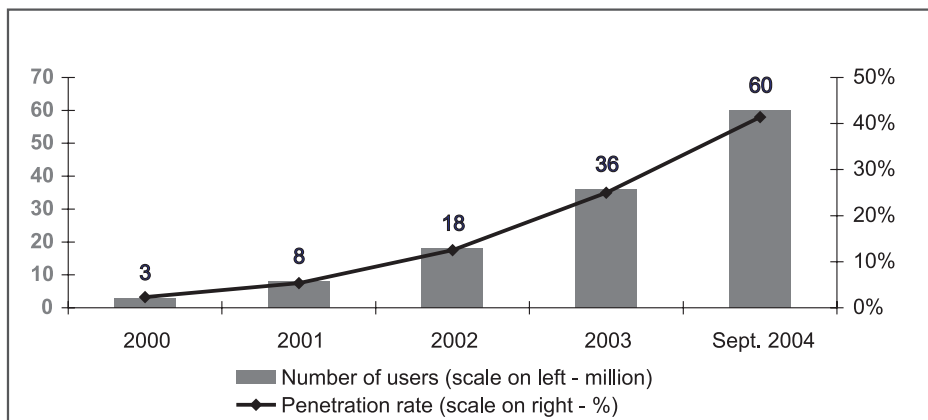


Source: CIA (2004).

gross domestic product (GDP) in 2002, meaning that the whole ICT sector covered less than three per cent of Russia's GDP.

At the end of 2004, the fast-growing cellular communications represented more than 50% of the telecommunication sales in the country. An indication of the rapid growth in the cellular communications is the fact that approximately 60 million Russians were mobile phone subscribers in September 2004 i.e. the penetration rate has climbed to over 40% (see Table 2)¹.

Table 2. The cellular phone penetration in Russia



Source: CNews (2004), for reference see Sitra (2004).

The production of the ICT-related equipment has increased rapidly. The amount of the PCs produced in Russia was in 2002 some three times higher than four years earlier. During the

¹ According to the Bank of Finland (2004, 1), "telecom investment boomed, equalling almost 7% of the total in 1H04. Telecom sector activity has expanded around 20–25% per year (in terms of volume of value added) since 2001, and may well continue at this pace. For one segment, the number of mobile phone subscribers rose this year from less than 40 million to almost 60 million, which is still nowhere near market saturation".

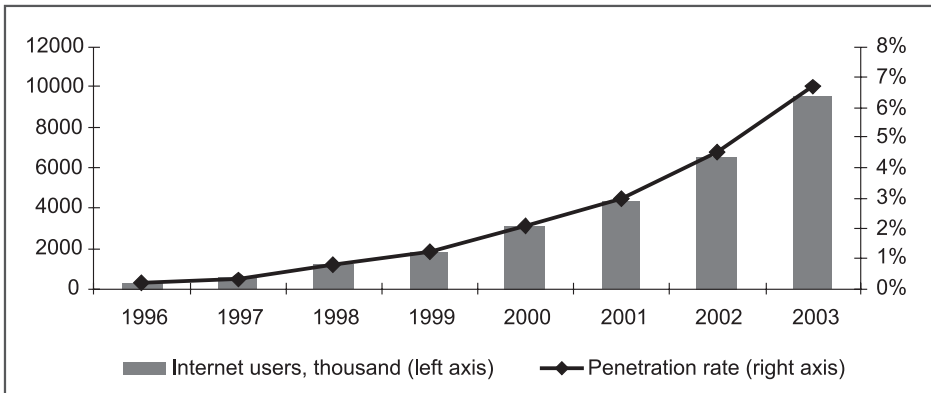
Table 3. The production of the ICT-related equipment in Russia

| Equipment | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------------------------------|------|------|------|------|------|
| PC, thousand units | 62 | 66 | 71 | 136 | 186 |
| Phones, thousand units | 235 | 534 | 783 | 716 | 525 |
| Telephone cables, thousand kilometers | 60 | 87 | 115 | 154 | 108 |
| TV sets, thousand units | 329 | 281 | 1116 | 1024 | 1980 |

Source: Goskomstat (2003), for reference see Sitra (2004).

period 1998–2002, the phone production has doubled and the TV set output has become 6-fold larger (see Table 3).

Though the PC production has tripled, the penetration rate of PCs is still low. In 2003, there were only 9 PCs per 100 people in Russia. The Internet access ratio was even lower (see Table 4).

Table 4. The Internet penetration in Russia

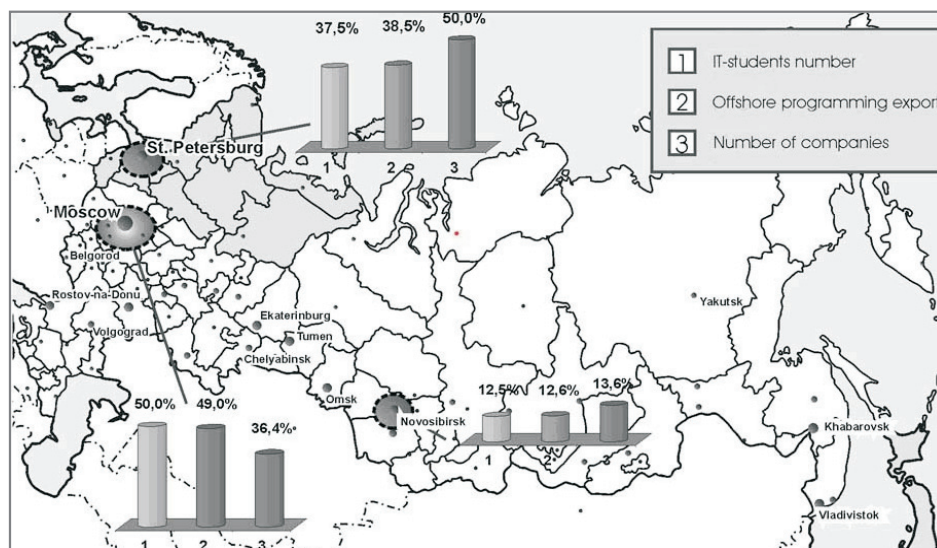
Source: CNews (2004), for reference see Sitra (2004).

2.2. Russia's foreign trade with the ICT goods

The Russian ICT goods are mainly consumed in the domestic market. The only significant export item in the ICT sector is software, namely offshore programming. The recorded value of software exports was close to \$500 million in 2003. The real amount is significantly higher as the Russian tax and customs authorities receive only partial information about the real extent of the software production and their exports. Russia's main ICT centers are Moscow, St. Petersburg, and Novosibirsk. Almost 90% of the ICT-students and ICT-firms can be found in Russia's two largest cities, Moscow and St. Petersburg. These two cities also cover nearly 90% of exports related to the offshore programming. Practically, the remainder of the ICT-activity takes place in the peripheral city of Novosibirsk (see Map 3).

In addition to the software exports, Russia also sells electronic equipment components abroad, but the volumes are very modest (see Table 5).

Map 3. Russia's main offshore programming centers



Source: Sitra (2004).

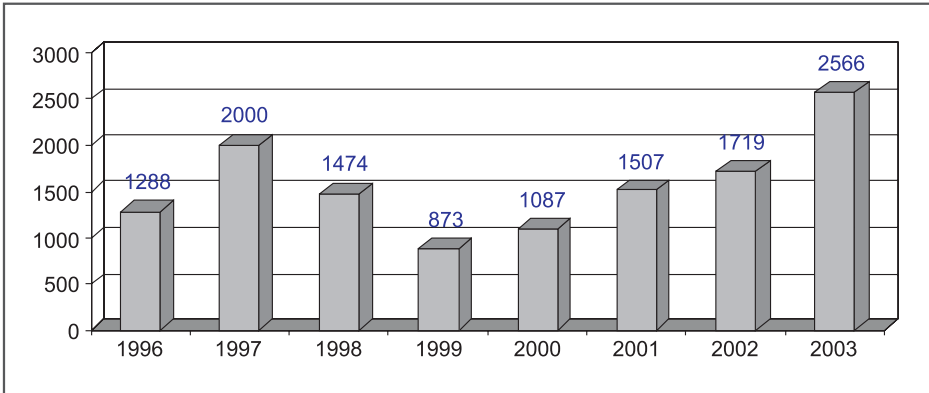
Table 5. Russia's foreign trade with the ICT-related technology (\$ million)

| #HS | Product | 2002 | | 2003 | |
|------|--|---------|---------|---------|---------|
| | | Exports | Imports | Exports | Imports |
| 8517 | Electric apparatus for line telephony and line telegraphy | 15 | 696 | 21 | 697 |
| 8525 | Transmission apparatus for radio-telephony, radio-broadcasting | 30 | 536 | 29 | 611 |
| 8527 | Reception apparatus for radio-telephony, radio-telegraphy and radio-broadcasting | 3 | 135 | 4 | 150 |
| 9001 | Optical fibers and optical fiber bundles | 14 | 16 | 14 | 21 |

Source: UN Commodity Trade Statistics (2004), for reference Sitra (2004).

2.3. The future development of Russia's ICT sector

In order to develop Russia's ICT sector, investments are needed both in technology and in human capital. Though the annual ICT-related investments have grown since the country's 1998-financial crisis, the current amount of the ICT investments is not sufficient to bring Russia among the front-runners in the global ICT competition. Thus, foreign capital, foreign know-how, and foreign management techniques are desperately needed, if Russia aims at catching up with the leading Western countries (see Table 6).

Table 6. Investments in fixed capital in Russia's telecommunication sector (\$ million)

Source: Goskomstat (2003), for reference see Sitra (2004).

The number of ICT-related graduates in the Russian universities and technical schools has increased during the past years, but nevertheless, it is still far insufficient for building Russia as the information society of the 21st century. In comparison, China produced approximately 140 000 ICT-related graduates last year. Brain drain abroad, which is particularly intensive in Russia's ICT sector, does not make the human capital situation easier (see Table 7).

Table 7. The number of ICT-related graduates in Russia in 2002

| | |
|------------------------------------|-------------|
| Universities | 3554 |
| Networks | 1451 |
| Multi-channel systems | 1132 |
| Radio, broadcasting and television | 686 |
| Other | 285 |
| Technical schools | 5851 |
| Networks | 2363 |
| Multi-channel systems | 1190 |
| Radio, broadcasting and television | 512 |
| Other | 1786 |

Source: Goskomstat (2003), for reference see Sitra (2004).

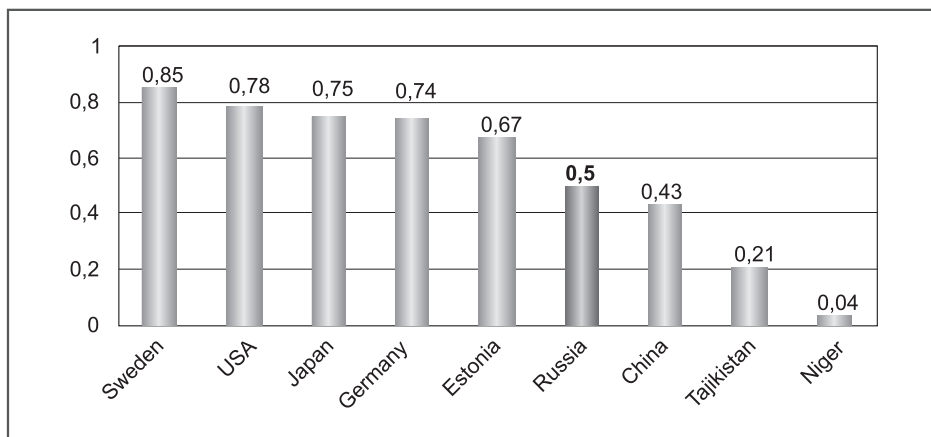
The Russian government has acknowledged the need for developing the country's ICT sector. Already in 2001, the Russian Government approved a \$2.6-billion program

"Electronic Russia 2002-2010". The e-Russia program addresses four areas: (1) regulatory and legal environment, (2) Internet infrastructure, (3) e-Government, and (4) e-Education. The program aims at increasing the efficiency of the economy both in the public and private sector, to make a wider use of information technologies in government departments, and transfer much of the state's work online. It also aims at improving the quality of higher education in ICT and

developing new independent media on the basis Internet resources. Distance learning programs via the Internet is a priority for the program.

Even if the e-Russia program is utmost necessary for the country's overall development, it is not without shortcomings. Firstly, the original budget is not sufficient enough. Secondly, the original budget has been cut, which hopefully, does not reflect a decreasing interest of the Russian Government in developing Russia towards an information society. Thirdly, the foreign involvement is far from sufficient to lift Russia among the world leaders in the ICT sector (see Table 8).

Table 8. Digital access index²: Russia among selected countries in 2002



Source: International Telecommunication Union (2004).

3. Is Russia on her way towards an information society or towards a formation society?

The information society would offer Russia and her citizens many advantages. For example, the information society could improve the administration by transferring “best practices” across regions and cities. Moreover, it may provide information, education and medical services to people living in remote areas. And finally, it may aid the Russian Government to combat with the widely-spread corruption.

In this context, one should not forget that Russia is one of the most corrupted countries in the world. In 2004, Russia ranked as the 90th country among the 146 states studied. In Europe, only four nations fell behind Russia, namely Serbia and Montenegro, Albania, Moldova, and Ukraine (Transparency International, 2004).

Another important advantage linked with the information society is the improvement it causes to the country's international competitiveness. Without steps towards the information society, it is hard to believe that Russia could transform herself from a natural resource-based economy towards a modern innovation society.

² This index measures the overall ability of individuals in a country to access and use new ICTs. It is built around four factors that impact a country's ability to access ICTs: (1) infrastructure, (2) affordability, (3) knowledge, and (4) quality. A fifth factor, actual usage of ICTs, is important for matching the theory of the index with the reality in a country.

Here, one should remember that Russia has not managed to change her export structure since the collapse of the USSR. Despite the fact that Russia's exports have tripled since 1992, three quarters of Russia's exports even today consists of various natural resources, mainly of oil and natural gas.

The unchanged export structure should be an alarm signal for the Russian leadership, as the British Petroleum (2004) argues that at the current production ratio Russia's oil reserves will last less than 25 years and natural gas reserves less than 85 years. In other words, unless Russia manages to improve her competitiveness, the living standard of the Russians will inevitably start to fall at the second half of this century.

The World Economic Forum (2004) ranked Russia as the 70th most competitive country in terms of her growth competitiveness among 104 nations surveyed. Unfortunately, Russia did not manage to improve her standing in the ranking of 2004 compared with the year earlier.

Another worrying aspect relevant for the future of Russia is her fast declining population. According to an expert estimation, the Russian population will go below 100 million already by the end of this century.

To conclude, in order to reach a sustainable economic development, Russia needs reformers also in the future, as one cannot have a reform without reformists i.e. liberally-minded government advisors. Correspondingly, one cannot achieve competitiveness without free and fair enterprise competition. Hence, the Russian Government should intensify its fight against inefficient and corrupt administration.

In order to reach the aforementioned targets, Russia urgently needs the information society and the reform the information society brings with it. Unfortunately, the author has lately become a bit dubious whether Russia is genuinely directing herself towards an information society or whether she is heading to a formation society, where the democratic development is regarded as an obstacle rather than a core value of the society. One should not forget that during the past five years, all the major powers—political, economic, regional, and even information (media) power—have to a large extent been concentrated inside the Kremlin walls.

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JAN WORONIECKI

RUSSIA: QUO VADIS?

“I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma.”

Winston Churchill

The task to foresee what strategic choices Russia may take is incredibly difficult—if one is to believe Winston Churchill. And if one bears in mind how many completely wrong forecasts were made in the past, and—*en revanche*—how many events in Russia including the dissolution of the USSR were predicted by so few (or not at all) out of so many foreign researchers and politicians deeply interested in Russia.

The underlying reasons are well explained by Vitalij Portnikov’s comments on contemporary Russia: “There’s no such thing like one Russia. There is Russia of presidential aspirations and presidential possibilities. Russia that the environment of the head of state wishes to govern, and Russia that does not even notice the Kremlin officials. Russia of parliamentary and (political) parties’ shifts incessantly conducted in Moscow, and Russia of real elites and real power. All these Russias are distant from Russia where normal people live indifferent to political intrigues”¹.

What is the source of the phenomenon? Portnikov replies: “First of all, forget a myth of democratic restructuring initiated by clever Mikhail Gorbachev and continued by heroic Yeltsin”; what in fact happened was the breakdown of the state machinery and not the changes, planned or tolerated. Putin’s time was characterised not so much by the introducing the leash but by shortening it, and depriving the people of illusions of liberties. The same goes for hectic foreign policy towards the West where Putin merely continues what his predecessor and godfather had been doing². Grigorij Javlinskij may be right that in fact in Russia—unlike in Central Europe—no real takeover of power in the sense of the change of elites took place, and no new political caste has so far emerged³. And the middle class which in normal circumstances would constitute its base.

A “mysterious fascination” with Russia (then USSR, eventually Russia again, if we ignore CIS—for the time being), despite repeated bitter experience, has prevailed in the West for a long time—and still does. Most recently, the outburst of such fascination occurred shortly after the

¹ PORTNIKOV, Witalij. “Rosja: dramat w tekturowych odsłonach” (Russia: a drama in cardboard scenes). POLITYKA, September 18, 2004; p. 3.

² *Ibidem*, p. 3–6.

³ JAWLINSKI, Grigorij. “Peripheral capitalism”. Rzeczpospolita (The Republic) daily, 10–11 July, 2004.

implosion of the Soviet empire⁴. On the Russian (or Soviet) part, it was reciprocated, time and again, by Tsars and Bolshevik leaders, Stalin included, and now—Vladimir Putin. Russia's fascination with the West resulted from the respect for its power and envy of scientific and cultural progress. It brought several “long waves” of close collaboration consisting in massive imports of technology and imitating (especially St. Petersburg, another “new Amsterdam”) architectural achievements of the Western civilization. As well as others⁵. These “long waves” of opening—accompanied by détente, using the parlance from the East–West vocabulary,—were followed as a rule by periods of tension and (failed) attempts or unfulfilled plans of invasion (1920s, and at least twice thereafter) and subjugating Western Europe. During the World War II, the Soviet Union collaborated closely with Hitler till June 21, 1941 when it was invaded itself by the Reichswehr, apparently just a few weeks before the Soviet Army intended to launch an attack against him⁶. Be as it may, before Hitler committed a suicidal (or pre-emptive?!) aggression against his tested yet treacherous ally, the secret protocol to the August 1939 Soviet-German Treaty envisaged not only the partition of Poland but in fact of Europe between those two great dark powers.

Of course, history seldom repeats itself. Yet it is wise to retain in the back of one's mind the lessons it carries when contemplating the question of stability of a current *rapprochement* with Putin's Russia both in political and economic terms, and—especially—examining Russia's strategic choices. The *rapprochement* owed to a great extent to his smart policy move—a show of solidarity just after the Al-Qaeda attack against the United States on 11 September 2001 and later on (except for Iraq). Last but not least—in terms of energy diversity that Europe now wants to ensure by relying more on deliveries of Russian hydrocarbons. The latter being also important for the U.S. companies. Yet one cannot ignore the fact that both in the official Russian military doctrine, made public in October 2003 and within the Russian society NATO and U.S. appear at the same time as... partners and allies in the fight with international terrorism—and an ill-defined threat⁷. In Putin's address following the tragedy at the Beslan school on September 3, 2004 one can find flirting with the idea of a preventive war; formally—against international terrorism which however is an instrument in someone's—(others')—hands to cut away a fat chunk of Russia, the latter considered to represent a threat for “someone”⁸.

A difficult *rapprochement* should not however overshadow a long term policy orientation Russia seems to be taking (or reverting to). First and foremost, Russia's (i.e. its leadership's) motivations for strategic choices it will take in shaping relations with the external world need to be realised. One should not be misled: Russia will never make these choices just to please the Western democracies. Russia will make them in conformity with its interests as conceived by its leaders—or a leader—or those who manipulate them or him. It may look somewhat awkward to underline that strategic choices confronting Russia in fact are those that its leadership—not people—will decide upon. It must be pointed out however that there is no ground to assume any meaningful shift to effective democracy in Russia for the years to come: after the Beslan tragedy

⁴ GLÜCKSMANN, André. “Uwiedzeni Rosją” (Seduced by Russia). Rzeczpospolita, 17–18 January, 2004.

⁵ KELLER, Werner. East Minus West = Zero. Russia's Debt to the Western World 862–1962. New York, G.P.Putnam's Sons, 1962.

⁶ SUWOROW, Wiktor. Lodolamacz (The Ice-breaker). Warszawa, Wyd. Adamski i Bieliński, 1999.

⁷ LUKIANOV, Fiodor. “Rosjo, gdzie twój wróg” (Russia, where's your enemy). Gazeta Wyborcza (The Election Gazette), January 12, 2004 (the author is editor in chief of the “Russia in Global Affairs” journal). After Beslan Russians started to flirt with the ideas of pursuing terrorists everywhere and—more importantly—of hijacking the emerging concept of the preventive war to their national interests.

⁸ “Obrashchenie presidenta Putina” (President Putin's address).

<http://www.gazeta.ru/print/2004/09/04/oa_132387.shtml>

The address could indeed be perceived—and maybe it was, at least for domestic consumption, to echo a familiar slogan of “Motherland under siege” or encirclement from the Soviet era—PIONTKOWSKI, Andriej. “My, Rosjanie, przeciw wszystkim” (We, Russians, against everybody). Gazeta Wyborcza, 8 September, 2004.

the rule of the Kremlin and centralized decision-making is going to be strengthened. Incidentally, one should not attach too much importance to the impact of this particular event: strong central authority is by no means Putin's invention. Centralisation (with a varying degree of putting the screws on the population) has been for ages a feature of exercising power in Russia, whatever the system or the current ruler's personality. And Russia's interest has been for ages as well identified with—and by—that of the ruling elite, or rather the ruler enjoying the monopoly of power⁹. A system or ideology behind it is in fact of secondary importance. Right now what is probably seen by the Kremlin as the best choice in the prevailing circumstances is state capitalism, with strong ingredients of central command not only in the economy. As *The Economist* puts it, a “hybrid of economic liberalism (Russian style—J.W.) and political illiberalism... (and)... to a large extent a consequence of what came before”¹⁰. A sort of state capitalism with a quasi-feudal flavour?

Both current and past approach of the West to Russia has been heavily influenced by a sort of irrational and inexplicable fascination, and to a lesser extent—by the lessons from history or a common sense and sober analysis. The mysterious fascination seems to flow from the half-conscious notion of Russian exceptionalism, borrowing from Alexis de Tocqueville's description of America. Level of knowledge of Russia in the West never corresponded to the degree of interest in it. Regretfully, it doesn't date, either. More often than not, skillful Russian policy and diplomacy took the West by surprise¹¹. Not only politicians but also businessmen and investors whose property was lost as a result of nationalisation by the Bolsheviks. And just several years later, in the 1920s, foreign investment returned to the USSR as if nothing had happened!¹²

Except for Zbigniew Brzezinski, hardly any Sovietologist predicted the fall (or an implosion, due not only to the shrewd U.S. policy) of the world second superpower fifteen years ago, triggered—incidentally—by the events in Poland during the preceding decade. Till today, one can read about the progress in, or improvement of, democracy in Russia as if it had ever existed in the Russian political tradition marked by authoritarian (at times totalitarian) rule. It is normally overlooked that Russia never had the occasion to attain and maintain a capitalist system: when it was being born in the end of XIX century (serfdom in Russia was abolished—formally—only in 1861 while it *de facto* continued some time afterwards!) the World War I and the October Revolution put the end to it, and the period of a distorted semi-capitalism known as NEP¹³ proved to be short-lived: it lasted less than a decade. Till the end of XVIII century Russia was suffering from the unlimited rule of Tsars (“*samoderzhavie*”) in conjunction with weak legal institutional set-up. Land belonged to the ruler; not only peasants but even noblemen (“*boyars*”) did not own their land and immovables. Independent courts did not exist for long, Tsarist decrees were not codified until the 30s and 40s of ... XIX century; in 1917–1918 courts were in turn fully subordinated to Bolshevik party apparatchiks. What's essential, property rights were finally recognized in the end of XIX century—just to be abolished by the revolution¹⁴. To cut as long story short, let's quote Russian politologist, Stanislav Bielkovskij: “Russia is not

⁹ BRZEZINSKI, Zbigniew. “Moskiewski Mussolini” (A Moscow Mussolini). *Gazeta Polska* (The Polish Gazette), September 22, 2004 (based on the Wall Street Journal). Z. Brzezinski hopes though that Russian young generation, well educated and will not tolerate a quasi-fascist petro-regime and petro-empire—which seems over-optimistic and not based on the mood reigning in the Russian society.

¹⁰ “Putting up with Putin”. *The Economist*, May 22, 2004; p. 11.

¹¹ Including, interestingly enough, the Soviet period from the very start.

¹² WORONIECKI, Jan. *Obcy kapital w gospodarce radzieckiej. Doświadczenia a współczesność* (Foreign capital in the Soviet Economy. The Present Day and Experience). Warsaw, Państwowe Wydawnictwo Naukowe, 1990; *passim*.

¹³ Or a New Economic Policy invented by Lenin to “save the Revolution” that was crumbling under the impact of mass poverty and hunger resulting from the continued implementation of the war communism doctrine, interestingly borrowed by him from the German experience during the World War I.

¹⁴ PIPES, Richard. “Manifest kapitalistyczny” (A capitalist manifesto). *WPROST* (Head On), 31 December 2003; p. 73–74.

a democratic country! The authorities there always used to have a sacral character. Distance from the society strengthens their power. Transparency and opening have always been dangerous for the authorities”¹⁵.

A simplistic—and over—optimistic—and rather naïve assumption after the dissolution of the Soviet bloc was that the entire East would become similar to the West, and the trinity of market economy, democracy (as if they have to come together!¹⁶) and the *Rechtsstaat* will triumph there¹⁷. “Instead, Russia proceeded to build an opaque, crony-dominated klepto-economy; controlled by corrupt bureaucrats and off limits to foreign investors. Russia’s commitment (? J.W.) to democracy also proved tenuous¹⁸. Nevertheless, it was recognized in advance by the EU and USA (but not yet by WTO) as a market economy¹⁹, and undergoes its first large-scale of (wild) capitalist development though with strong state interference (i.e. of the central authority). The rule of law (in terms of implementation) has not prevailed so far, and political freedom has been rather in decline.

While in the first years a model of “private capitalism” (and bogged privatisations) took the lead, now a shift towards a state capitalism clearly seems to emerge. It should be added that undemocratic authoritarian regime is deeply incrustated not only at the echelons of power but also in the mentality of the overwhelming majority of the Russian people longing for the lost influence (and the empire, not just the USSR but the entire bloc plus the role of the command center of the “East”) on the world scale. That is why it should be expected that Russia—with the support (if asked) of its inhabitants will most probably try to regain its place among big powers, or even somewhere between them and the U.S. Incidentally, that is why speculations over Russia’s prospective membership in the European Union seem a sheer nonsense: Russia wants to be its partner; not just one of nearly 30—soon—member states.

On the road to regaining its position in world affairs Russia notes already certain achievements: it has become almost full member of G-8, expects to join soon (2005?) WTO, has special relations (and much influence) with NATO and EU, is seeking membership in OECD. Contrary to what *The Economist* supposes, all big clubs will hardly look more critically now at Putin’s aspirations to that effect²⁰. In parallel, the Kremlin tries, little by little, to rebuild—now as a sphere on influence—a major part of the old empire (most of the ex-Soviet republics). Putin, apparently an admirer of Peter the Great, may wish to prolong his endeavour to integrate—in a peculiar manner and on its own terms—Russia with the West European civilization. Like him, to make Russia stronger vis á vis Europe and on a global scale, after the period of unquestionable feebleness of the 1990s. Putin’s words in the aftermath of the Beslan terrorist attack (“we have manifested a weakness—and the weak get beating”) should be understood in a much more general manner... *D’ailleurs*, he rushed to explain his point: centralized power appears as a medicine for all ills of the country and society.

¹⁵ BIELKOWSKI, Stanislaw. “Imperium. Reaktywacja” (Empire. Reactivation). *Rzeczpospolita*, 24–25 July, 2004.

¹⁶ “Many countries spent a long time developing prosperity before getting to work on democracy... economically successful authoritarian states have generally provided similar guarantees not through democracy, but through well-run legal systems, an efficient bureaucracy and clear legislation. Russia has a corrupt legal system, a monstrous bureaucracy and laws like thick mud”—“Putting up with Putin”, op.cit.

¹⁷ GERNER, Kristian. “Europe, Globalization and the Grand Historical Choices of the 21st Century. A New Historical Perspective”, in: *Globalization. Experiences and Prospects*, ed. H.Bünz, A.Kuklinski. Warsaw, F.Ebert Stiftung, 2001; p. 210.

¹⁸ BAYER, Alexei. “Russia Off the Radar Screen”. *WSJ*, October 8–10, 2004.

¹⁹ According to the World Bank Development Report 2003, Russian gross national income *per capita* amounted to \$1,255 and in PPP terms... to \$8,660 which alone puts in doubt market nature of the economy (Sustainable Development in a Dynamic World. Transforming Institutions, Growth, and Quality of Life. Washington, D.C., The World Bank and Oxford University Press, 2003; p. 235.

²⁰ “Russia needs to belong: Seal of disapproval”. *The Economist*, 15 November, 2003; p. 30. Richard Perle called, in response to Khodorkovsky’s arrest, for Russia to be kicked out of the G8.

What about the recent Khodorkovsky, or Yukos, affair? Does it imply an overall change of attitude *vis à vis* foreign investors Russia badly needs? Far from that. It rather confirms other clues which indicate a temptation to revert to authoritarianism and—what is hardly a surprise to foreign companies—that the legal framework in Russia does not function like in a Western democracy. Yet they continue to invest. Despite the non-application of laws encouraging foreign investment or non-enforcement of judicial decisions favouring foreign investors²¹. Question of getting accustomed to the gap between the reality and law... In Russia, legal protection and state benevolence that protect investments can always shift unexpectedly. According to *The Economist*, “foreigners who do business with Russia already know that their protection comes not from the law but from their *krysha*, or “roof”—i.e. a well-connected power broker. Arbitrary use of the law is not news”²². As Igor Kliamkin puts it, the public function has been “privatized”: entrepreneurs understand they have to come to terms with the officials not only in case of an—unavoidable—breach of law but simply to pay for their constitutional rights to be respected²³.

Yet a promise of huge profits overweighs fears that disrespect (up to seizure) for private property will resurface again. And re-centralisation of power into a sort of “white, or enlightened, dictatorship”, disguised for external consumption as a young and incomplete democracy. Instead of the “dictatorship of the law” pronounced by Putin, a “dictatorship over and beyond the law” may well be in the offing²⁴. This is at least what Mikhail Khodorkovsky said in early October at the Carnegie Endowment for International Peace complaining at harassment of Yukos and his associates by the “unlawful acts of law-enforcement agencies”: “All of this is against U.S. law, but it’s also against Russian law... Are we going to become a democratic Russia for the first time in our thousand-year history, or are we going to continue along our thousand-year-old path of authoritarianism?”²⁵ Contrary to the former tradition Khodorkovsky’s life was spared: soon thereafter he was put to jail only.

Andrei Piontkovsky, director of the Center for Strategic Studies, an independent Moscow think tank, said about the Khodorkovsky’s arrest and the (related) Kremlin Chief of Staff, Alexander Voloshin’s resignation: “This was the landmark between the end of the first Putin republic and the emergence of the second one, in which parliamentary and presidential elections are nothing but a virtual reality”²⁶. After Beslan, the same pertains to the regional ones. The fact that the name of the current Russia’s leader sounds so similar to his famous (or infamous) and feared two predecessors has a special flavour, at least to the Russian ear. Notably, the flavour of determination, of a “strong hand” Russians have been accustomed to for centuries. For Russia’s foreign partners though—cynically speaking—what counts is stability in Russia (according to Lehman Bros and the Eurasia Group, Russia scores 60 out of a possible 100, higher than a year ago)²⁷. And Putin’s stronghold on power seems here more pertinent than his (largely missing, in real terms) democracy-loving policy stance²⁸. As is the price of, and access to, oil and gas, the foundation of the Russia’s budget. To be sure: Putin himself considers any protests as “tactless and disrespectful”, and—for instance—all measures applied against Yukos and its managers as

²¹ BANERJEE, Neela. “Western firms wary amid Russia oil fight”. IHT 3 November 2003.

²² “Russia’s oligarch wars: The Trial of K”. *The Economist*, 1 November 2003; p. 30.

²³ JÉGO, Marie. “Russes, votez tranquilles: l’ordre économique régné...” *Le Monde*, 2 December, 2003.

²⁴ POPOWSKI, Slawomir. “The affair which is changing Russia” *Rzeczpospolita* (The Republic daily), 5 November 2003, and MEYERS, Steven Lee. “To critics, Yukos case shows flaws in justice”. IHT, 3 November 2003. Incidentally, the affair may have been welcome by the ordinary people in Russia...

²⁵ GUMBEL, Peter. “Down by law”. *TIME* 10 November, 2003, p. 27.

²⁶ *Ibidem*, p. 28.

²⁷ See emerging market indicators in *The Economist* 15 November, 2003; p. 102.

²⁸ “Vlad the impaler”. *The Economist*, 1 November 2003; p. 13. According to Peter Gumbel, Putin has proved himself less committed to modernising Russia’s economy than to consolidating his own power and making the Russian state and his own position strong (GUMBEL. “Down by law”, p. 31–32).

a proof that nobody (oligarchs) is beyond the law (i.e. the state authority, or Kremlin). And big foreign players continue to give him the benefit of doubt and say as one of the managers of the Russian stock in Stockholm: “We know we have to handle risk but it’s still one of the most exciting places to invest your money”²⁹. Western politicians are reasoning and behave—in fact—in a similar manner.

Such a behaviour of Russia’s business and political partners is explained by their interest in dealing with Russia, especially in energy having in mind the Middle East volatility, and not Putin’s reassurances. Moreover, memories are short—recalls *The Economist*: “Only five years have passed since Russia’s massive default left a clutch of Western banks burnt and out of pocket. Yet in the face of political shenanigans that call into question the property rights and rule of law that underpin economic growth, foreign investors remain remarkably sanguine... (believing)... the fundamentals of Russia are still very strong”³⁰. “Many foreign investors are prepared to brush their reservations aside. The opportunities—not only in Russia’s energy sector, but also in its booming consumer market—will prove too big to ignore”³¹. What seems to be ignored however, it’s simple truth that there can be no freedom, let alone democracy, as well as sustained growth, without respect for private property—on the part of the state apparatus in particular. Whereas in Russia the authorities consider themselves to be above the law in that particular regard whenever the superior interests of the state (in their demonstrated view) are at stake, e.g. the control over oil production and sale.

Assessing Russia’s economic future against a rosy picture of late 2003 (mitigated somewhat by the World Economic Forum’s latest Global Competitiveness Report, ascribing Russia 70th place only³²) and 2004, one has to bear in mind that its economic growth directly depends on the price of hydrocarbons, another problem being strong ruble that may erode export competitiveness and hamper growth rate fuelled by high energy prices³³. Rapid and sustained economic growth in recent 5 years Russia owes to the high level of the price. Gas and oil are the source of nearly a half of the budgetary income, and represent a similar share of industrial production. The price over a \$20 threshold guarantees stable growth of GDP and industrial production, though it tends to slow down necessary structural reforms. The price more than double of that facilitates to attain buoyant growth—without reforms.

The oil price level is so much more important since—unlike a number of the OPEC countries—Russia is not in a position to increase production if the price falls, at least without costly and time-consuming foreign investment in oil and gas extraction in the new and old fields and pipeline network. Nor when the price goes up. “Now, with a glut of oil revenues,—*The Economist* asserts—is a good time to cut taxes and bureaucracy, fight corruption, strengthen (or create) antitrust enforcement, invest in infrastructure and so on... to end Russia’s dependence on a few sources of growth”³⁴. As the OECD says, growth will slacken unless the economy becomes less reliant on oil production. Reform of the state-dominated natural gas industry (the tendency

²⁹ GUMBEL. “Down by law”, p. 29 and “The last days of Yukos”. *The Economist*, 31 July, 2004. Still, DFI this year has remained anemic, and capital flight jumped from \$16 to \$23 billion and has started to flee even faster now (“Russia’s economy: False calm”. *The Economist*, 8 November, 2003; p. 74.

³⁰ *Ibidem*. Stalin was to mean “made of steel”, “hard as steel”, Putin may be interpreted as knowing or showing the direction (*put’* in Russian means “road” also in figurative sense. Curiously, VI.Ul’yanov’s *nom de guerre* originated from *Lena*, first name of the girl he was in love with but whom he abandoned to serve the revolution—OSSENDOWSKI, F.A. Lenin. Poznań, Wydawnictwo Polskie R.Wegner, 1930; p. 56–66.

³¹ APPLEBAUM, Anne. “The Russian evolution”. *The World In 2004* (by *The Economist*); p. 48. Diminished investor confidence in the Russian judicial system and corporate governance may overshadow lucrative business opportunities—as the IIF reports warns—but will hardly suffice to detract foreign investors from Russia—GILES, Chris, BALLS, Andrew, SWANN, Christopher. “Yukos <has dented confidence>”. *FT*, October 4, 2004.

³² See emerging-market indicators in *The Economist*, 8 November, 2003; p. 106.

³³ “Russia”, in: *The World In 2004* (by *The Economist*); p. 97.

³⁴ “Command and control. Russia’s economy”. *The Economist*, April 10, 2004; p. 66.

is to make it more rather than less dependent—J.W.) is therefore an urgent priority. Continuing fiscal discipline is vital because the public finances are so vulnerable to a fall in oil prices³⁵. To put it most succinctly, let's use the title of the article in the recent survey of Russia by *The Economist*: "Russia is booming, but for how long? Too much oil in the works"³⁶.

Hydrocarbons do not however constitute just the base of the economy, and their price (beyond Russia's control which makes the economy quite fragile owing to its excessive dependence on natural resources)—a determinant of the growth rate and budgetary situation and living standards³⁷. High prices of hydrocarbons facilitate... and discourage at the same time from reforms³⁸. They also help in maintaining Russia's strong political position *vis á vis* Europe, mainly the EU, somewhat less—U.S., and of course *vis á vis* its former internal empire (republics—through differentiation of prices for the deliveries and limiting them—or not—in case of non-payment). In normal circumstances, fears that Russia will try to use (or even threaten to) energy supplies as a political leverage, by withholding them, are not well-based. Russia would not deprive itself for political purposes of the essential source of income. In abnormal circumstances however, when economic calculus tends to be ignored, the temptation may become irresistible. The same can apply to the "hostage investment", mainly in the energy sector again: nationalisation or freezing the transfer of profits from foreign investment made are **not** likely—in normal conditions. State control over more important companies remaining private—that's what seems to be the purpose.

Individual oligarchs' affairs do not change—at this stage—the picture even though they may (and do) concern companies with foreign shareholders and numerous links with foreign investors. Shortly after Khodorkovsky's arrest and freezing Yukos shares a chilling effect on business investment in Russia was expected. Wrongly so: with few exceptions, Western investors voted otherwise with their wallets (e.g. BP, Royal Dutch Shell, FIAT, Deutsche Bank)³⁹. Risk assessment may however differ at long term, and such is the nature of huge energy investments. And "investing in Russia, a country where property rights are always someone else's, is for the brave, the connected or the Russians"⁴⁰. This *memento* is usually forgotten.

To be fair, at the same time a number of reforms were carried out after 2000 which have resulted in the improvement of Russia's image on the international arena, Russia has begun to be viewed as politically and economically stable country (at least in the medium term). Conditions for the running business in Russia have improved, and so did its rating as a debtor. Flight of capital has slowed down, although DFI did not grow despite of increased investors' confidence (before Khodorkovsky's arrest). Many unsolved including structural (especially an excessive dependency on raw materials) and other (especially the gap between legislation in force and its actual implementation) constraints remain which implies that freshly gained economic stability

³⁵ "Russia". *The Economist*, 31 July, 2004; p. 86.

³⁶ *The Economist*, 22 May, 2004; p. 8–10 of the survey.

³⁷ According to George Soros, for instance (FAULCONBRIDGE, Guy. "Russia finds being world's No. 2 oil power has complications". IHT, 4 September, 2003). According to the Russian minister for economic development and trade, German Gref, all the positives in the Russian economy in 2003 boiled down to high oil prices (ARVEDLUND, Erin E. "Oil bolsters the Russian economy". IHT, 7 January, 2004).

³⁸ G.Gref correctly assesses that high oil prices and the resulting revenue were also negative because "they create the impression that everything was good, and that we could postpone radical economic reforms a little bit longer" (*ibidem*), and that "high oil prices de-stimulate reform, create a false feeling of security" (FAULCONBRIDGE, *op.cit.*). Gref's thinking reflects a well-known paradox: when the economic situation is good, it is easier to carry out (and push through) the reforms but the need for them, and their urgency, are not sufficiently realised.

³⁹ JÉGO, Marie. "L'embellie économique russe est alimentée par les revenus pétroliers". *Le Monde*, 2 December, 2003.

⁴⁰ "Russia: And the owner is?" *The Economist*, 8 November, 2003; p. 75.

can hardly be considered permanent⁴¹. In particular, the following reforms remain unfinished: liquidation of natural monopolies; financial sector; public administration (duplication of central and regional); construction (excessively energy-intensive); taxation; education and health care; commercial legislation (property rights!). As mentioned, unexpectedly high income from oil sales makes those reforms much easier while at the same time undermines the feeling of their urgency.

In 2003, Russia remains a country in transition, with GDP and industrial product *per capita* 30% lower than in 1989. Natural resources make 73.5% of exports, while industrial products—only 20.6%. Income structure region-wise is extremely unequal. On the positive side, Russia enjoys relative political stability, quite well educated labour, \$63 bn of hard currency reserves and budgetary surplus equal to 1.5% of GDP. From foreign investors' perspective, what bothers them most in the Russian economy today is its excessive dependence from natural resources, corruption of officials (inherent to the hierarchic system where the legal rules function whenever and however officials want them to), disproportionate regional development, inadequate and unequally developed infrastructure, lack of the independence of courts and transparency of judicial proceedings, low purchasing capacity of the population, proliferation of diseases (AIDS, TB, alcohol-related). On the other hand, hydrocarbons' extraction and energy generation as well as infrastructure network development and air transport call for huge—mainly foreign—investment—and imports. Of great concern are the demographic trends: Russia's population is expected to decline to 100 mn only by 2030, and its ethnic structure is going to change in favour of non-Russians. Periodical crises cannot be ruled out, at least until the on-going transformation is over⁴².

From the EU perspective, the importance of political and economic relations with Russia cannot be overestimated. Bearing this in mind, the EU Council adopted two years ago a "New Neighbours Initiative" (Russia not covered), and the Commission—"Wider Europe—Neighbourhood: a new framework for relations with our Eastern and Southern Neighbours" (Russia included) on March 11, 2003 which was the subject (on June 18, 2003) of the Council's conclusions. Another communication came from the Commission "Paving the Way for a New Neighbourhood Instrument" (dated June 1, 2003) and finally its proposal (dated June 10, 2003) "The Second Northern Dimension Action Plan (2004–2006). These documents reveal nonetheless many gaps and unresolved dilemma in mutual relations and the lack of a coherent and comprehensive policy towards the EU's Eastern neighbours including Russia. The "Wider Europe" initiative envisages a common strategy which encompasses both Russia and three adjacent countries (Ukraine, Belarus and Moldova) and Southern Mediterranean ones. Currently, an idea of four spaces (for co-operation) is being consulted with the Russian authorities.

The question arises whether Russia does not deserve a separate strategy, prepared against the background of a comprehensive concept for the eastern neighbourhood⁴³. EU, while in (over-)appreciation of Russia's place in the world politics (nuclear power, major exporter of weapons, permanent member of the Security Council after the Soviet Union, G-8 member), has yet to decide how to treat it as compared with other large ex-Soviet republics chiefly Ukraine and Belarus. It seems justified to have a special programme for Russia yet not at the cost of the two other neighbours also important for the Union. The Common European Economic Space initiative is addressed at the moment only to Russia, and—within the "Northern Dimension",—many issues related to nuclear weapons, production of energy resources, etc. could be handled by EU independently of the general neighbourhood policy. Some projects should however embrace the

⁴¹ ROGOZA, Jadwiga, WISNIEWSKA, Iwona. "A summary of the politico-economic changes taking place during Vladimir Putin's first term of office", in: CES Studies, vol 11, Warsaw, August 2003; p. 60.

⁴² Views expressed at the European Policy Center/World Bank Dialogue "Russia: Economic Prospects", held in Brussels on 19 November 2003.

⁴³ PELCZYNSKA-NALECZ, Katarzyna. "The Enlarged European Union and its Eastern Neighbours: Problems and Solutions". Centre for Eastern Studies Policy Briefs. Warsaw, October 2003; p. 25–27.

sub-region. It remains to be seen what impact for EU the Joint Economic Space agreement of four countries will have (so far on paper and not yet ratified). What is crucial for EU (as for NATO!) is to ensure that Russia will not be granted a *de facto* right to interfere in the internal affairs of the Organisations and their members, or block some of their contemplated internal solutions Russia dislikes. As any talk about its membership in the Union is pointless within a long time span, both parties should be regarded as sovereign partners interested in extensive co-operation and interactive dialogue, any legislative changes being possible only if necessary for their co-operation and mutually agreed upon⁴⁴.

In view of the creeping “velvet authoritarianism” in Russia⁴⁵, with the “*siloviki*” (as Putin’s *coterie* of security officials is called⁴⁶, as distinct from “the Family”, i.e. tycoons who got enriched during wild privatization of the Yeltsin era) gaining more and more in power, it seems critical to have (difficult as it is now) a Euro-Atlantic policy towards Russia. It does not seem rational to let Russia (and the Kremlin) think that Europe and USA must *a priori* accept a (demonstrated) democratic nature of changes there, and that whatever happens within Russia would not affect developing ties with both partners. Such a stand would reinforce a false conviction of the Russian authorities and society that the West approves of the system prevailing in Russia in advance and without reservations⁴⁷. A nostalgia towards the lost empire, referred to above, will push Russia to continue neo-(velvet)-imperialist policies, using mostly economic leverages, *vis à vis* Ukraine, Belarus and Kazakhstan, not mentioning smaller ex-Soviet countries with the exception of the Baltic republics⁴⁸. Zbigniew Brzezinski’s opinion is that “Moscow aspires for a long time to create a group of dependent countries on the territory of the former USSR”⁴⁹.

John McCain asserts Putin’s target consists in neo-imperialism externally and authoritarian control inside which threatens a new period of cold peace between Washington and Moscow⁵⁰; he goes on to qualify Russia as a “country that increasingly appears to have more in common with its Soviet and czarist predecessors than with the modern state”⁵¹. All this seems however to be an election rhetoric (it encountered an immediate angry protest from Moscow). Leon Aron expresses the opinion that the “great power-statist culture, which is most prominent among federal and local elected authorities and bureaucrats, seeks to increase the government’s control over the economy and. Inevitably,...new policies may include a ‘redistribution’ of the privatized economy, with key industrial sectors and the most profitable large companies reverting to state control or being taken away from the current owners and given to more ‘loyal’ entrepreneurs”, although

⁴⁴ *Ibidem*, p. 32–33.

⁴⁵ According to a Russian independent journalist, Russia has become already, after subordinating media and oligarchs, and to a considerable extent the Duma and political parties, a real monarchy (RADZICHOWSKI, Leonid. “Ostatnia prawdziwa monarchia w Europie” (The last real monarchy of Europe). *Gazeta Wyborcza*, 14 November, 2003), or one should perhaps say—a new Tsardom. In his view, the Yukos affair can be explained by an early (2008 presidential elections) power struggle.

⁴⁶ “The problem—in view of the Russian journalist Yevgenia Albats—is not that the state is taking control, but that the *silovik* culture is taking control” (“The future of Russian business”. *The Economist*, August 7, 2004; p. 50. “The *siloviki* infest the nightmares of those who fear that Russia is returning to authoritarianism. Like horror zombies, they seem to proliferate”—“Power to the power people”. *The Economist*, 22 May, 2004; p. 6 of the survey of Russia.

⁴⁷ Reactions to Putin’s declarations after Beslan from the European leaders and G.W.Bush represent the harbinger of change. They were immediately met with anger from Moscow as meddling into its internal affairs and (smart enough) inadvertently playing into hands of international terrorism.

⁴⁸ DEGUTIENE, E. “There’s no old and new Europe” (an interview with Zbigniew Brzezinski). *Veidas* (Vilna weekly), 10 November 2003.

⁴⁹ BRZEZINSKI, Zbigniew. “Ameryka była pasywna” (America was passive). *Gazeta Wyborcza*, 25 November, 2003.

⁵⁰ JARREAU, Patrick. “Dilemme à Washington: Poutine n’est pas le genre de copain qu’on a envie d’avoir”. *Le Monde* 7 November 2003. John McCain added that US taxpayers’ money should not subsidise investment in Russia as long as FSB (ex-KGB) rule prevails on the law.

⁵¹ GUMBEL, Peter. *Business as usual*. *TIME*, 17 November, 2003; p. 48.

the statist "are likely to stop short of wholesale re-nationalisation of firms"⁵². Speaks one of the expelled oligarchs: in the Spring of 2000 the Russian President has launched the first phase of his plan to take Russia away from decentralization and diversification implemented under Boris Yeltsin and revert to a strong and centralized state we knew from the Soviet era, concentrating power in his hands only⁵³ (subordination of regional governors, parliament and media, judicial branch, to the Kremlin, to be accelerated after Beslan⁵⁴).

Putin easily won the second term; in less than 5 years from now he is however required by the Constitution of the Russian Federation to step down. Leonid Radzichowski cites several scenarios how Putin can continue his reign (directly, or through sort of "remote control")⁵⁵; still, in mid-December 2003 Putin declared he had no intention to revise the Constitution to be able to run again so that only a Pilsudski's "Sulejówek option" remains (the Polish leader who withdrew from the public life and held no formal post yet was heavily influencing from his refuge all vital political decisions). Unless he is "requested by the nation" to change his mind—and "reluctantly" accepts to run again or prolong his second term... Be as it may, the difference is after all a negligible one: "Mr. Putin's succession, and quite possibly his successor's succession, will be decided within the Kremlin"⁵⁶.

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All in all, as analysts from the renowned Warsaw-based Centre of Eastern Studies assess, "the political reforms introduced during Putin's term of office aimed primarily at increasing the Kremlin's control over Russia's socio-political life. This goal has been achieved to a large extent. In effect, it has given rise to a growth in the authority and position of the Kremlin on the one hand, on the other—to the authoritarianisation of Russia's political system"⁵⁷. Such trend will continue during Putin's second term. He will spare no effort to further consolidate both his own position on the international platform and that of Russia—in bilateral relations and multilaterally.

The results of the December 2003 parliamentary elections (to *Duma*) and indeed the presidential ones greatly facilitate the task in question. The dominant impression in their wake was—according to *The International Herald Tribune*—that Russia's democracy is a long way from any Western model (what Putin has in mind is a sort of "centrally managed democracy"; Colin Powell kindly opined recently in Moscow that even such a democracy may still be one⁵⁸) and that in some worrisome ways it is moving farther away⁵⁹. The result of the elections has fully reconfirmed these expectations. The new parliament "looks like the pre-Revolutionary 4th Duma where the czar had the majority", as Nikolai Ryzhkov summed it up⁶⁰.

⁵² ARON, Leon. "Russia's future and the fate of an oligarch". IHT, 1-2 November, 2003.

⁵³ BEREZOVSKI, Boris. "Soviétisme". Le Monde, 15 November, 2003. Next stages being, according to him, taking control of media (largely done) and economy as a pre-condition of concentrating the political power. After Putin was re-elected, Berezovsky put a warning (in paid advertisement) in the form of an open letter to the heads of major powers in IHT of March 15, 2004.

⁵⁴ Boris Yeltsin woke up from his lethargy to criticize his protégé for the first time ever for the announcement of unconstitutional measures—"Jelcyn krytykuje Putina" (Yeltsin criticizes Putin). Gazeta Wyborcza, September 17, 2004.

⁵⁵ *Op.cit.*

⁵⁶ "Who needs democracy?" The Economist, 22 May, 2004; p. 13 of the survey of Russia.

⁵⁷ ROGOZA, WISNIEWSKA, *op.cit.*, p. 45.

⁵⁸ "Powell łagodniej o Rosji" (Powell more gently about Russia). Gazeta Wyborcza, 28 January, 2004.

⁵⁹ "A Russian election". " IHT, 6-7 December 2003. William Safire goes even further (if not too far) when he describes the victory of the Kremlin powerhouse: by taking over the media and seizing the political opposition's source of funds Putin and his KGB cohort have brought back one-party rule to Russia; The Group of Eight should have no place for authoritarian Russia (SAFIRE, William. "The ominous rise of Putinism in Russia". IHT, 11 December, 2003.

⁶⁰ MYDANS, Seth. "For Putin, full control of Duma". " IHT, 30 December, 2003 and Saint-Exupéry, Patrick de. "Poutine dispose de la majorité constitutionnelle à la Duma". Le Figaro, 27-28 December, 2003.

One should bear in mind the notion of continuity in “*la Russie éternelle*”: neither the October Revolution nor *perestroika* or the incomplete systemic change as of 1991 did not alter the overwhelming desire of its rulers (with popular support) to strengthen Russia as a (multi-)nation state in the global “concert of powers”. Even the Bolsheviks never took seriously the Marxist thesis, echoed initially by Lenin (never by Stalin) of a “withering state”—at any rate not towards Russia.

Eternal dilemma of the European geopolitics has always been where its Eastern border lies. In other words, is Russia a European country—the question asked both in Moscow and elsewhere in Europe. Whatever the answer, a brief look at the map indicates we deal with a vast Eurasian country. There’s no doubt—says Jacques Delors—that the EU should maintain very close relations with Russia, given the strategic importance of this great nation, as well as with Ukraine. There will be no durable peace for big Europe of 30 or more unless—he goes on—Russia shares our priorities and responsibility. To attain this objective it is not necessary to take Russia on board but conclude co-operation agreements going further than the existing ones⁶¹.

And Russia itself? Is it—and does it want to be—part of today’s Europe (not in terms of the EU membership)? On the surface—yes: “By their mentality and culture, the people of Russia are Europeans”—Vladimir Putin said in an interview last fall. Romano Prodi and the European Commission insist on diversifying energy supplies through investing more in Russia (extraction, pipelines)⁶². Yet in *realpolitik* things do not look that way. Russia wants to be an equal partner, perhaps competitor, of Europe, not the part of it. It remains outside the expanding West: politically, economically and psychologically, rejecting *de facto* a European democratic model⁶³. Stanislav Bielkovskij maintains that Russia undergoes in fact an identity crisis it should overcome as soon as possible. Its vital interest lies in keeping to the imperial traditions as it has always been an empire—and should remain such. Without strive to expand, it will shrink or fall into pieces. Democracy can be built in Russia only if the specific national character of the nation (including the largely missing sense of belonging to civil society) is taken into account. Traditional societal values must be restored, imperial mythology and sacrosanctity of power in particular. Otherwise, a demoralized state with an apathetic society will eventually perish⁶⁴. As Vitalij Portnikov suspects, Putin and the majority of his compatriots still consider the Russian Federation to be not just the heart of the lost (Soviet) empire but a nucleus of a future one, to be—somehow—restored one day⁶⁵. Popular nostalgia over the big power status is not the authorities’ invention.

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Forecasting Russian behaviour and that of Russia’s partners remains a difficult task. At this stage, Russia is in the course of redefining its place in the world community of nations—after a period of weakness following the dissolution of the USSR 14 years ago. Russia under Putin tends to rebuild its position, not without a neo-imperial flavour *vis á vis* many of the former Soviet republics, recurring to different instruments and institutions. The latter flows not so much from the desire to regain whatever possible out of the lost empire (including problems and financial burden); rather, such actions are subordinated to the objective of strengthening its international position as a big power and avert closer ties of those ex-republics with the West (NATO, EU),

⁶¹ DELORS, Jacques. “Réunifier l’Europe: notre mission historique”, in: *Le nouveau débat sur l’Europe*. Nice, Presses d’Europe, 2002, p. 125-126.

⁶² GLÜCKSMANN, *op.cit.*

⁶³ MYERS, Steven Lee. “Russia turns away from the European idea”. IHT, 31 December 2003/1 January 2004.

⁶⁴ BIELKOWSKI, *op. cit.*

⁶⁵ PORTNIKOV, *op.cit.*, p. 8.

at least direct ties, i.e. by-passing Moscow. The policy objective takes the lead. And precedence before—so much expected by Russia’s fascinated partners—its strive for democracy and market economy⁶⁶. “*Siloviki*” may still doubt the legitimacy of private business and believe that large state projects should be the engine of the Russian economy, oil price permitting. They have no qualms about changing the law on a whim... this particular faction is less interested in markets than in retaining power”⁶⁷.

And the “*narod*”, i.e. Russian masses, “is really cheering on the rise of yet another iteration of the almighty Russian state. That has been the Russia’s lot throughout its history: rulers bleeding Russia in the name of greatness and power... The constant is the Russian concept of power, “*vlast*”, as something that brooks no sharing or dividing”⁶⁸—and is entitled to ask people for deprivation. For a longer term though, a nostalgia for the lost empire and—moderate so far—attempts to regain, chunk by chunk, a big power status Russia deserves, both visible in Putin’s policy and strongly rooted in people’s mentality—may become dangerous. A large country with a strong and protracted inferiority complex, which must be kept in hiding, may eventually become a potential security threat. Unless the Russian people realise its lot is to form a civil society based on democratic principles, within the territory designated by the contemporary historical events⁶⁹. That is however far from certain: as Grigorij Javlinskij cynically points out: “When people saw what democracy looked like, they changed their mind about it”⁷⁰. It needs to be corrected: what they actually saw was a distorted face of democracy... so that they equaled it with anarchy. “Russians had found their “democracy” to be as shoddy as anything they used to buy in Soviet-era shops, and were content to let it go”⁷¹. Also, his view stands to be supplemented: the relationship society—authorities in Russia is based on almost indiscriminate belief of the former that the authorities are always right, reinforced by the *homo sovieticus* syndrome⁷².

Thus, a peculiar view of another Russian political scientist, Andranik Migranian that it is the role of the consolidated Putin’s regime to strengthen the position of the society *versus* the state first as in conditions of the lack of developed civil society it would be absurd to entrust it the control over the state—should not come by surprise⁷³. Such an interim (i.e. with the prevailing position of power and obedient political parties) period may last even several decades, he claims. Grigorij Javlinskij bitterly notes that Putin wants to build (re-create) a powerful state inducing fear outside, and among its citizens in the first place; he doubts Putin will succeed yet he (i.e. Javlinskij) himself instantly admits Russia needs to be strong (in terms of strong power and economy) since it borders very unstable regions⁷⁴. Dmitrij Babicz from “Russia Profile”⁷⁵ refers to the results of professor Jurij Levada’s research: “Russians want a strong state”. And concludes:

⁶⁶ WĘGLARCZYK, Bartosz. “Sowietologia w modzie” (Sovietology *en vogue*). Gazeta Wyborcza, 27 November, 2003. Such an assessment was recently passed by Bruce Jackson and Radek Sikorski from the American Enterprise Institute to the press. Horst Köhler, IMF head, does not believe we witness a reversal of Russia’s steps toward a market economy (“IMF chief says Russia will survive Yukos case”. IHT, 14 November, 2003).

⁶⁷ APPLEBAUM, *op.cit.*, p. 48.

⁶⁸ SCHMEMANN, Serge. “The old struggle of power vs. plunder”. IHT, 14 November, 2003. TBC TV has recently carried out an enquiry on the attitude to political assassinations in Russia. Whereas 53% condemned them, 35% were in favour, and 12% didn’t care (WOJNOWICZ, Vladimir. “Dzika Rosja” (Savage Russia). Gazeta Wyborcza, December 4, 2003.

⁶⁹ KOVALIOV, Sergei. “Sfrustrowane imperium” (A frustrated empire). NEWSWEEK (Poland), December 26, 2003; p. 156.

⁷⁰ “Putin’s way”. The Economist, 13 December, 2003; p. 23.

⁷¹ “Having it both ways. A survey of Russia”. The Economist, 22 May, 2004; p. 4 (of the survey).

⁷² PORTNIKOŹ, *op.cit.*, p. 4.

⁷³ MIGRANIAN, Andranik. “Czym jest putinizm” (What is putinism). Rzeczpospolita, 10-11 July, 2004.

⁷⁴ JAWLINSKI, *op. cit.* Gazeta Wyborcza, October 7, 2004.

“Here today, where tomorrow?” The Economist, 22 May, 2004; p. 16 of the survey

⁷⁵ BABICZ, Dmitrij. “Pseudosilne państwo” (A quasi-strong state). Gazeta Wyborcza, October 7, 2004.

After Beslan a bureaucratic model of strengthening the state was chosen, to imitate Tsar Nicholas I regime. In the survey of Russia conducted recently by *The Economist* "Putin's agenda is clear: he wants it to be a global power and an economic tiger; but also a controllable, monolithic state where suggestions are welcome but opposition is not"⁷⁶. Russia is—maybe—looking for a third way of its own: neither akin to Western democratic model, nor to Third World dictators'. Instead—the state controlled (quasi-)democracy, (quasi-)market economy, (quasi-)freedom of speech. The Western powers' acceptance—apparently tacitly granted already—is to be rewarded by opening of the Russian market and access to the exploitation of raw materials for Western corporations⁷⁷.

To conclude, an answer to the query in the title of this paper about Russia's strategic choices remains complex though its deep-rooted—for centuries—policy stance seems simply continued. Does it imply that one should avoid any longer term ties with Russia? Now the answer is qualified no. Co-operating with Russia one should simply be aware of the inbuilt risk—and one should calculate whether it is worth taking to enter into such deals, weighing pros and cons, i.e. the calculated risk against expected benefits. With one proviso of a political nature: integrating Russia in the world (global) economic schemes and tying its economic interests (like—if I may be excused for the comparison—in relation to conquered Germany and Europe) is a right choice. Worth of risk-taking. Without though offering more concessions in the form of "political accessions" to various "clubs" (WTO, OECD) before Russia is able—and willing—to fulfill criteria of membership. Promises on its part it will do so later are not necessarily reliable. In fact, such accessions tend to take away the external pressure to reform since the prize has been already awarded...

Counting on gratitude and benevolent *post factum* reciprocity from Russia would represent neither rational nor efficient policy. Neither weak (hence frustrated and unstable, a "wounded giant" syndrome) nor strong (tempted to revert to hegemony) Russia is not a desirable partner for Europe—and worldwide. Isolating Russia (pushing it towards "Juche capitalism in one country"?) would not make sound policy, either. In the Russian perception, always full of suspicion, a new strategy of pseudo-deterrence may well be in the offing among its partners⁷⁸. Its wise and gradual integration with, not into, Europe and the international community of democracies seems therefore the best policy stance available for all parties concerned—including Russia and the Russian people that suffered so much (and made suffer many others as well) in history.

And prospects for more, instead of even less, democracy in Russia ? The answer might be put in a form of a rhetoric question: why should European (or other) business bother when in conditions of "managed" and strongly limited democracy foreign investors and traders may be better off, Russia being more stable and predictable ? The Kremlins also argues that stability serves also Russia's interests better than democracy⁷⁹. The question is not however vital for businessmen only. For politicians, the choice may as well boil down to stimulating either stability and predictability or democracy in Russia. A dramatic choice, that resembles the case of China,—also from the point of view of the risk of dangerous disintegration. Although external impact on Russia's choices will be limited as its leaders will not look back upon Western partners (USA, EU) that much⁸⁰, the latter should definitely spare no efforts to comprehend Russian behaviour and real motivations in order to work out the best approach to Russia in their policies.

⁷⁶ "Here today, where tomorrow?" *The Economist*, 22 May, 2004; p. 16 of the survey of Russia.

⁷⁷ WOJCIECHOWSKI, Marcin. "Co robić z Rosją?" (What to do about Russia?). *Gazeta Wyborcza*, October 30, 2004.

⁷⁸ KARAGANOV, Sergei. "The perils of pressuring Russia". *IHT*, February 25, 2004. S.Karaganov raises also the question of different values, and an alleged desire to impose Western ones on Russia before it is ripe to accept them.

⁷⁹ "Putinomics". *WSJ*, October 4, 2004. The author maintains Putin's claims that centralised power will bring efficiency flies in the face of centuries of Russian history.

⁸⁰ UNGER, Leopold. "Putin z Sowietów" (Putin of Soviets). *Gazeta Wyborcza*, September 21, 2004.

Perhaps to integrate it as much as possible within the Euro-Atlantic Community since Russia is simply to big and proud to “join Europe”⁸¹?

In conclusion, let's try to sum up what kind of strategic choices Russia is likely to make in the long term, i.e. within the time horizon of several decades. The first one—democracy *versus* autocracy (I consciously exclude an option of return to the totalitarian rule). Putin answered this question on September 24, 2004 at the World Congress of Information Agencies in Moscow: Russia will remain a market (economy) and democratic country. What may be though expected in reality? Autocracy—in the guise of centrally managed “democracy” in conditions of state capitalism, with strong ingredient of feudalism. Such will in all probability be the response covering simultaneously the next systemic dilemma confronting Russia—capitalism or socialism (again, one should exclude a false communism introduced by the Bolsheviks).

The following one—federalism *versus* centralism—will be (and already is) resolved in favour of the latter as distinct from what prevailed under Yeltsin. Further on—passing to Russia's international policy stance—peace or war? While to some extent Russia will follow the old saying about preparing war in the pursuit of peace, there's no ground to suspect external (i.e. outside CIS) aggressive intentions from Russia not only because of its current (last fifteen years at least) weakness. Russia will rather choose a defensive policy without discarding pre-emptive limited actions whenever it deems it vital for its interests and not excessively risky.

This brings us to the last strategic choice of importance— isolationism (self-isolation) or involvement in international (global) affairs. Here one can quite safely assume that Russia will continue its strive to regain its position of influence internationally, both bilaterally and multilaterally. Putin and his successors are likely to spare no effort to make Russia a big power (responding to authentic longing for the lost empire) again in every sense. No Russian leader will dare to put this aspiration in question out of fear of loosing popular support—as little as it otherwise matters. Should one ask what single feature will be characteristic for future Russia, the answer seems to be: strengthening of the state internally and externally. In conditions of the enlightened central power gently tightening the screws.

Thus, Russian policy orientation for the forthcoming decades seems to be well defined and may be expected to be pursued with much determination. Putin and his *entourage* know full well what they want for—and from—Russia. This is also going to be the case of his successors (designated probably by himself). Foreign policy will be derived from that knowledge—and aspirations. Being a secondary after the domestic polity. What the Western countries wants from Russia is less clear⁸²—except for a chaotic mixture of appeasement and criticism, admiration and contempt, and—always—a mysterious and ill-founded fascination. “A new period of rivalry may be far off; but Russia's closer integration with the West is probably even more remote”⁸³. Contrary to the fears expressed in the open letter by over a hundred politicians, writers and researchers from all over the world, weakness and on-going constant reduction of democratic institutions in Russia does not have—and will not—lead to deterioration of its relations with major Western powers. Their warnings that a temptation to apply double standards towards Russia are—*en revanche*—well-taken⁸⁴.

⁸¹ POMIANOWSKI, Jerzy. “Protokół rozbieżności” (A protocol of divergences). Rzeczpospolita, May 8–9, 2004.

⁸² KRZEMIŃSKI, Adam. “Zabawa w Kraj Rad” (Playing at the Soviet Union). POLITYKA, 25 September, 2004; p. 18–19 and GLÜCKSMANN, André. “Carte blanche dla piromana” (A *carte blanche* for a pyromaniac). POLITYKA, October 9–10, 2004.

⁸³ “Russia and the West: The end of the affair?” The Economist, 25 September, 2004; p. 36.

⁸⁴ Quoted from the article “Brońcie rosyjskiej demokracji” (Defend Russian democracy). Gazeta Wyborcza, September 30, 2004.

ANDRIS SPRUDS

VALUES AND INTERESTS IN THE EUROPEAN UNION – RUSSIA RELATIONS: TOWARDS COOPERATION OR CONFLICT?

The European Union has been continuously emphasizing the significance of a political and economic partnership with Russia. It was indicative that the first EU Common Strategy in 1999 was adopted on Russia. Since then, the European leaders have supported the initiatives to expand the institutional framework with the latter. In its turn, Russia's leadership has underlined the "key importance" of the European Union in the country's political and economic aspirations and has sought to establish good working relations with the EU member states and the Union, in general. The question, however, appears with respect to the prospective basis for the political and economic relationship between the European Union and Russia. The EU has revealed that it is building its relations with Russian on common values. Furthermore, the both sides have referred to the extensive web of common interests. Yet, what are those common values and interests in the EU–Russia relations? Do those unifying factors outweigh the diverging and conflicting ones? The explanation of these issues, addressed in the paper, would reveal the prevailing tendencies in and general character of the EU–Russia relations and indicate the prospective thrust of the EU–Russia "partnership."

Common values?

Values have been socialized in Europe's intellectual and political discourse as an essential element for political and economic interaction. The European Union has especially underlined the importance of democratic practices, such as observation of human rights, access to free media and support for fair political competition. In this respect, it would be problematic to discern favourable circumstances for establishing solid foundations for the EU–Russia relations based on common values. The European representatives have repeatedly both implicitly and explicitly implied the presence of authoritarian inclinations, lack of democratic culture and practices, and enduring imperial ambitions in Russia. This has led to a rather unequivocal inference among Europeans that Russia would be incompatible with the status of a member-state of the European Union. In 2001, the sitting president of the Union, traditionally diplomatic Prime Minister of Sweden Goran Persson put it plainly: "Russia is not a European country, but a continental country that compromises major parts of Europe and also Asia... I can imagine that some day we will have very large-scale economic cooperation with Russia, because both sides need it... But

to accept Russia would be to alter the EU's fundamental character."¹ Effectively, the European Union has officially pinpointed to the problem of diverging values as the EU institutions and country representatives have continuously expressed a rather strong criticism over the violation of human rights, especially in Chechnya, and raised objections to the restrictions on free media and businesses in Russia.

The Western nations have historically represented a kind of mirror for Russia in its search for domestic political and economic system, and a global role. As Iver Neumann had perceptively noted, since beginning of the 19th century the West became the "constituting other" for Russia and, hence, providing ideas and concerns within the internal intellectual debate in Russia on the country's desirable domestic developments and appropriate relations with the outside world, and West, in particular.² The ideas of the building common "European house" and adopting the respective domestic practices, however, appear constantly losing their popularity and appeal in Russia. The European values are increasingly referred to as incompatible with Russia's historical background and political environment. This has been clearly revealed by Sergei Karaganov, the chairman of the influential Council for Foreign and Defence Policy and deputy director of the Institute of Europe at the Russian Academy of Sciences, who generally considers himself a "pro-European." Karaganov has stated that, "considering its history and geographical location, Russia should not give up its longing to accept traditional European values. But when someone demands that we immediately accept the values that contemporary Europe has worked out over the last few decades, when it was developing in greenhouse conditions under the shelter of the United States, this is either thoughtlessness or dangerous hypocrisy."³ Karaganov expressed a clear disapproval of European approach and expectations and especially its criticism over Russia's domestic developments, as a result of which, he anticipated a complicating mutual relationship.

Hence, notwithstanding the intention of building the EU–Russia relations on common values, this would be an increasingly difficult endeavour. Moreover, the normative and perceptual disparity might be strengthened further by the recent enlargement of the European Union. As a minimum, the new member-states of Central and Eastern Europe, traditionally revealing reservations and apprehension about both Russia's domestic and global aspirations and practices, will strengthen the critical attitude of the European Union towards Russia.⁴ In the process, the EU's criticism may both invite and justify Russia's disassociation from the European Union, and contribute to the positioning of the latter as a "constituting negative other" for Russia. The existing interests seemingly could either prevent or mitigate this prospective tendency.

Interests: growing interaction, growing tension

Economic objectives and interests have become a major factor in Russian foreign policy considerations. The latest conceptual documents, such as the Foreign Policy Concept and Security Concept, both elaborated and accepted in 2000, as well as Vladimir Putin's foreign policy pronouncements and activities, revealed an increasing "economisation" of Russia's foreign policy. In this regard, the major goal of Russian foreign policy apparently became the contribution

¹ *Le Monde*, 21 March 2001; quoted in Zbigniew Brzezinski, *The Choice: Global Domination or Global Leadership* (New York: Basic Books, 2004), 127.

² Iver B. Neumann, *Russia and the Idea of Europe: A Study in Identity and International Relations* (London: Routledge, 1996).

³ Sergei Karaganov, "The perils of pressuring Russia." *World Security Network*, 27 February 2004; available at: http://www.worldsecuritynetwork.com/showArticle3.cfm?article_id=9050&topicID=58

⁴ Kristi Raik and Teemu Palosaari, *It's the Taking Part that Counts: The new member states adapt to EU foreign and security policy*, Report of Finnish Institute of International Affairs, No.10 (2004), 23–40.

to Russia's domestic economic growth and enhancement of its relative international economic standing. As Karaganov, pointed out on the new priorities of Russia's new Foreign Policy Concept: "The new concept is largely designed to ensure support for Russian economy, Russian businesses, private investments into the economy, and the like. It is more economically directed."⁵ Russia's President Vladimir Putin emphasized this in an address to the Russian Ministry of Foreign Affairs in January 2001, when he indicated that Russia's foreign policy "must enable us to concentrate efforts and resources as far as possible on addressing the social and economic tasks of the state."⁶ The partnership, intensive economic interaction and close links between Russia and the European Union have become an important means in advancing this objective. The European Union has become Russia's major economic partner. The enlarged EU accounts for more than 50% of Russia's trade turnover. The European Union countries, led by Germany, are major Russian energy consumers as well as foreign investors in Russia's economy.⁷ As a result, Russian leadership perceives the European Union as a major global economic powerhouse and important strategic partner of "key significance."⁸ Although Russia's share in the European Union's trade turnover has been less substantial, the EU reliance on Russia's gas and oil deliveries and respective interest in developing the energy dialogue grows.

Notwithstanding the close interaction in the sphere of economics, however, strong disagreements increasingly appear between Russia and the European Union. For instance, during the Russian-German summit in October 2003, Russian President Vladimir Putin referred to the EU requirements to abandon domestic subsidies for energy resources and divide Gazprom's natural monopoly in order to obtain the Union's support for Russia's accession to the World Trade Organization as "arms twisting." Putin stressed assertively that, "we [Russia] consider this position as 'twisting of arms', but Russia's 'arms' are increasingly stronger. They will not be twisted even by such a powerful partner as European Union."⁹ The size of trade quotas and tariffs and certification issues could eventually contribute to the complication of the Russian-EU relationship.

Moreover, the political interests have remained far from overlapping, despite the situational joining together with leading EU countries, France and Germany, in the context of U.S. intervention in Iraq. The perceptions of Russian elites have been lastingly permeated with visions of Russia's "superpower" status in the world.¹⁰ In this regard, the notion of the political role of the European Union in the global affairs and Russian foreign policy calculations has remained rather perplexing and contradictory. The perceptions among Russian elites have ranged from the EU as a prospective principal strategic partner and ally in the process of pursuing a multi-polar world to the EU as a politically fragmented and irrelevant actor in the international arena. The disagreements over the status of and transit to Russia's Kaliningrad region, encircled by the EU member states, have already further contributed to the misunderstandings and cautiousness between Russia and the European Union. The diverging economic and political interests of the

⁵ *Segodnya*, 11 July 2000.

⁶ Quoted in Dov Lynch, *Russia faces Europe*, Chaillot Papers of Institute for Security Studies, Paris, No. 60 (2003), 11.

⁷ "The EU Relations with Russia: Economics and Trade," updated May 2004; available at: http://europa.eu.int/comm/external_relations/russia/intro/eco_trade.htm

⁸ See, *Kontseptsiya vneshnei politiki Rossiiskoi Federatsii*, 2000; printed in *Diplomaticheskii Vestnik*, No.8 (August 2000); *Medium-term Strategy for Development of Relations between the Russian Federation and the European Union (2000–2010): Russia's response to Common Strategy of the European Union*, 1999; available at: http://europa.eu.int/comm/external_relations/russia/russian_medium_term_strategy/index.htm

⁹ Quoted in Alexander Barinov et al., *Chetyre goda s Putinyim* (Moscow: Vremya, 2004), 32.

¹⁰ Konstantin Khudoley, "Russia and the European Union: New opportunities, new challenges," in Arkady Moshes, ed., *Rethinking the Respective Strategies of Russia and the European Union*, Special Finnish Institute of International Affairs-Carnegie Moscow Center Report (2003), 10.

allegedly “strategic partners” have been clearly manifested on the territory of the former Soviet Union.

The post-Soviet countries: Europe’s “new neighbours” or Russia’s “near abroad”?

The European Union has recently established Europe’s Neighbourhood Policy towards the neighbouring countries, including those on the territory of the former Soviet Union, such as Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. However, these former Soviet republics essentially bring together the interest and influence of both—the European Union and Russia. Russia’s interests and activities especially have become an important factor in the prospective developments in the post-Soviet area. The post-Soviet countries, which, apart from the Baltic States, have joined the Commonwealth of Independent States, are considered in Russia as a zone of its strategic interests. As a result, Europe’s “new neighbourhood” policy may effectively encounter Russia’s “near abroad” policy, and eventually the prospective Russia’s position towards the EU involvement in the region might become a litmus test in EU–Russia relations.

Since the beginning of the 1990s, the Russian political elites were referring to the “near abroad” as a “natural sphere of Russian interests and influence” or “national security zone,” in which Russia bore “special responsibilities.”¹¹ The importance of the “near abroad” in Russia’s foreign policy considerations was revealed by the Russian official documents and the so-called “Kozyrev doctrine,” whose main idea was that, “countries of the CIS and the Baltics...[constitute] a region where the vital interests of Russia are concentrated...We should not withdraw from those regions which have been the sphere of Russia’s interests for centuries.”¹²

Notwithstanding the apparent broad consensus behind the necessity for Russia’s active policy in the post-Soviet area, it remained uncertain throughout the 1990s concerning the means that could and should be resorted to in order to achieve the foreign policy priorities in the “near abroad.” On the one hand, the Russian government and political elites made assertive pronouncements, which sometimes unmistakably were supported by forceful activities, as in cases of Moldova and Georgia, when Russia’s militaries largely took the initiative in their own hands to support regional separatist forces in these countries. On the other hand, the “protection” of the Russian-speaking population was manifested mostly in rhetoric and integration processes within the CIS space remained largely on paper. The concealed reluctance of the Russian political leadership till the very end of the 1990s to facilitate actively the unification of Russia with Belarus exposed an unwillingness on Russia’s side to support the assertive integration rhetoric with a strong political will, substantial expenses and the risk of alienating the Western democracies. The Russia’s “near abroad” policy somewhat became an amalgamation of frequently contradictory pronouncements and stances largely determined by the exigencies of the domestic “political football” rather than consistently followed and implemented foreign policy objective.

¹¹ Karen Dawisha, “Russian Foreign Policy in the Near Abroad and Beyond,” *Current History*, Vol. 95 (October 1996), 331; Mark Webber, *The International Politics of Russia and the Successor States* (Manchester: Manchester University Press, 1996), 100. In August 1992 Yeltsin’s foreign policy advisor Andranik Migranian put it plainly, that “Russia should declare to the world that the entire geopolitical space of the former USSR is a space of its vital interests.” In order to justify Russia’s legitimate rights in the post-Soviet environment, Migranian and Evgeny Ambartsumov, the Chairman of the Supreme Soviet Joint Committee on International Affairs and Foreign Economic Relations drew a parallel with the Monroe doctrine of the United States, introduced at the beginning of the 19th century and defining the Western Hemisphere as a zone of U.S. interests; see, *Izvestiya*, 7 August 1992, *Rossiiskaya Gazeta*, 4 August 1992.

¹² *Nezavisimaya Gazeta*, 19 January 1994.

The “near abroad” or the area of the former Soviet Union has apparently been given revived attention during Vladimir Putin’s presidency, especially after the parliamentary elections in Russia in December 2003. Russia’s parliamentary elections revealed clearly the increasing leaning in Russian society towards the “patriotic” rhetoric and respective political forces. *The Washington Times* pointed out that, “the parliamentary elections, in which strongly nationalist parties were among the big winners, have raised new concerns that Russia under Mr. Putin has embraced a sharp-elbowed new approach to the country’s ‘near abroad.’”¹³ The enduring nostalgia among Russian society and elites toward the Soviet Union as a global great power and disappointment of Yeltsin’s “westernisation” project have become important domestic factors, contributing to a more pro-active Russian policy towards the neighbouring post-Soviet countries. The somewhat transforming approach of the political leadership was revealed by Putin’s announcement during the meeting with his election campaign agents in February 2004 that the break-up of the Soviet Union was a national tragedy of enormous size. Moreover, Vladimir Putin has repeatedly stated the priority of restoring Russia as a global great power. Thus, the increasingly assertive policy pronouncements, adopted by Russia’s political leadership, have established a rhetorical framework for a somewhat modified Russia’s foreign policy orientation. Putin’s “entrapment” in great power rhetoric has expectedly led to the necessity to formulate and implement an assertive policy concerning Russia’s alleged “zone of special responsibilities.” Putin’s apparently growing reliance on the representatives of military and enforcement segments within the political leadership has unequivocally strengthened this tendency.

The intention of the enlarged European Union to implement a more active external policy towards the countries of the former Soviet Union have received an ambivalent response from the Russian leadership. The Russian political elite has demonstrated unequivocal reservations about this prospectively more active EU policy in the region.¹⁴ The Russian First Deputy Foreign Minister Alexander Avdeyev clearly demonstrated the continuous presence of cautiousness and concerns on Russia’s side regarding “cultural-religious, economic and demographic expansion by neighbouring states to Russian territory.”¹⁵ A pro-active policy of the European Union towards the post-Soviet countries may be effectively perceived somewhat as an encroachment on Russian national interests in the area, where maintaining its influence would be seen essential in order to remain a global political player.¹⁶ Although the policies of the EU countries have remained rather contradictory and frequently revealed ambiguity and reluctance on their part for active participation in the post-Soviet countries to date, the region certainly may become a testing ground for and characterizing feature of the EU–Russia prospective interaction.

Concluding remarks: which direction?

The EU–Russia relations, which integrate increasingly diverging values and contradictory interests, reveal the existing complexity and potential sources for both cooperation and tension.

¹³ *The Washington Times*, 8 February 2004.

¹⁴ The survey of the representatives of the Russian government in late 2002 regarding possible EU involvement in Moldova revealed views ranging from an absolute rejection to a precautionous “maybe”; see, Lynch, *Russia faces Europe*, 89.

¹⁵ Quoted in Hiski Haukkala, *A Hole in the Wall? Dimensionalism and the EU’s “New Neighbourhood Policy”*, Working Paper of Finnish Institute of International Affairs, No. 41 (2003), 16.

¹⁶ Hiski Haukkala and Arkady Moshes, *Beyond “Big Bang”: The Challenges of the EU’s Neighbourhood Policy in the East*, Report of Finnish Institute of International Affairs, No. 9 (2004), 19; Yegor Feklitchev, “Russia’s European Policy in the Light of Eastern Enlargement.” *Europe 2020*, 5 February 2004; available at: http://www.europe2020.org/en/section_voisin/050204.htm

The proximity provides interests, but simultaneously the intensive interaction invites conflicts. The European Union remains in the process of formation of its external political and economic priorities. And the values apparently will play an important role in the defining those priorities, including towards Russia. In case of Russia, an apparent consensus has been reached regarding the country's foreign policy objectives, formed on the precepts of, which could be dubbed, an "economised pragmatic nationalism," which emphasizes the importance of economic priorities and advocates a considerably more balanced, and if necessary competitive, relations with the Western countries, including the European Union. Anti-Western stances and confrontation should be avoided, provided Russia's national interests were not infringed, especially in the former Soviet republics. This approach may effectively lead to occasional tensions in EU–Russia interaction.

Moreover, diversity of actors, interests and perceptions within both the European Union and Russia itself further contribute the complexity and ambiguity of EU–Russia relations. Thus, identifying those actors and their respective priorities and interests, which are involved in particular situations, becomes important. Within the European Union, as indicated already, the old and new members have clearly diverging perceptions of what kind of values and interests must be advanced and adhered to in relations with Russia. The new EU members, such as Poland or the Baltic states in particular, have increasingly supported a rather cautious and occasionally even uncompromising approach regarding Russia. The old EU members like Germany, France and other Western European countries, which have established an intensive political and economic interaction and share various interests with Russia, have demonstrated the willingness to extend the cooperation and revealed self-restraint in invoking the importance of values in domestic and foreign policy domains, which could lead to tension in the mutual approaches.

The ambiguity on the Russian side stems from the presence of several trends in Russian foreign policy thinking and making. The consensus in and consolidation of Russian foreign policy thinking and making during Putin's presidency are not as obvious and unequivocal as it may seem at a cursory glance. Russia's policy, including towards the European Union and its "new neighbours," has been rather fragmented, ambiguous and contradictory. The dual character of Russia's approach to the European Union has been demonstrated on various occasions. Regarding the countries of the "near abroad," there has been a continuous wavering and vacillation between unilateralism and multilateralism, political and economic priorities and means, rhetorical assertiveness and indifference. Hence, in contrast to Putin's domestic policies, Russia's foreign policy generally has remained, to a large extent, reactive, inconsistent and situational. In effect, Russia pursues several foreign policies concurrently. One of the major factors for the fragmentation of the Russian foreign policy making is a continuous "pulling and hauling" between various political, institutional and economic interest groups within and around the political leadership of Russia, or, borrowing the description shrewdly coined by Winston Churchill—a fight of "bulldogs under a carpet." Russia's military have traditionally demonstrated and maintained geopolitical thinking, and assertive and frequently confrontational stances. The Russian military evidently has become the driving force behind Russia's assertive approach.¹⁷ Moreover, after the recent parliamentary elections, the so-called "patriotic" parties, especially *Rodina*, have made this approach considerably more vocal and stronger in the Russian foreign policy discourse. On the other hand, the export-oriented business groups stand on the other side of the spectrum of political and economic actors in Russia's foreign policy process and the foreign policy interests and orientations of the business elite have generally supported the non-confrontational position of Russia, the post-Soviet area included. Particularly, the representatives of the Russia's export-oriented energy sector have been more prone to and interested in political and economic cooperation rather than confrontation

¹⁷ Mark Galeotti, "The 'Power Ministries' and Russian Foreign Policy," in Jakub Godzimirski, ed., *New and Old Actors in Russian Foreign Policy* (Oslo: Norwegian Institute of International Affairs, 2000), 153–170.

with the major consumers in the West and countries providing transit corridors.¹⁸ Although Putin has substantially limited the “oligarchic” influences on the domestic level, the gradual economisation of Russia’s foreign policy indirectly has made the interests of the large economic groupings important. The political leadership’s aspiration to elevate Russia’s international standing and prestige has been accompanied by a growing awareness that it can be reached by economic development, which largely depends on business expansion and efficiency.¹⁹

Hence, Russia’s foreign policy, and similarly to the European Union’s external policy, has represented throughout the last decade an amalgamation of various and frequently incompatible and contradictory political and economic considerations as well as normative guiding principles. Notwithstanding the intensifying trade relations and institutional networks contributing to the mutual interdependence, the underlying world—views on various issues have remained diverging and sources for competition and tension are present.²⁰ And notwithstanding this presence of a general interest in developing economic and political cooperation, particular interests have remained diverse and not infrequently diverging and conflicting. These circumstances will determine that EU–Russia relations will remain complicated and ambiguous for the time to come. The “uneasy partnership” has been established, which involve cooperation and conflict, mistrust and optimism, self-restraint and assertiveness.

¹⁸ Michael McFaul, “A Precarious Peace. Domestic Politics in the Making of Russian Foreign Policy,” *International Security*, Vol. 22, No. 3 (Winter 1997/98), 5–35.

¹⁹ Sergei Medvedev, ed., *Business Elites and Russia’s European Policy* (Helsinki: Finnish Institute of International Affairs, 2000); Yuriy Fyodorov, “Russian New Industrialists and Foreign Policy,” in Jakub Godzimirski, ed., *New and Old Actors in Russian Foreign Policy* (Oslo: Norwegian Institute of International Affairs, 2000), 205–220.

²⁰ Hiski Haukkala, “A problematic ‘strategic partnership,’” in Dov Lynch, ed., *EU–Russian security dimensions*, Occasional Papers of Institute for Security Studies, Paris, No. 46 (July 2003), 18.

PIOTR NAIMSKI

“NEW EUROPE” AND THE ATLANTIC¹

While on a visit to Munich, the annoyed Donald Rumsfeld uttered a “bon mot” : “Germany and France are not Europe, that’s ‘Old Europe’”, as opposed to ‘New Europe’ which gave its support to the American intervention in Iraq. The term coined by the American Secretary of Defense unexpectedly acquired a significance which perhaps went far beyond what its author had originally intended. The ‘New Europe’ was to become an object of much writing, both sympathetic and unfriendly.

The New Europe turned out to be a term that is as much ambiguous, as it is accurate in pointing out real problems, differences, unsettled issues and processes taking place in Europe. The irritation that followed Jacques Chirac’s comment on Rumsfeld’s remark, originally made us miss the true nature of this statement. Namely, that France considers the new members of the EU to be of a lesser status than the old 15. Such a stance, held strong by the French, will inevitably have much more dire consequences than the initial disgust with a diplomatic gaffe. President Chirac accepts the possibility of quarrelling with British Prime Minister Tony Blair—the latter being prepared to buy himself an elegant fountain pen in the process. Yet a similar scenario with anyone from the new 10 playing in place of Tony Blair, is just beyond the imagination for the French President. The masters may have their problems but the poor relatives should not get involved. The original comment made by Donald Rumsfeld which related to, as the Secretary would later try to explain, ‘new’ members of NATO, came to be projected onto the ‘new’ in the EU.

The process of expanding both NATO and the EU onto the states from behind the iron curtain, quite unsurprisingly, leads to a different treatment that the ‘recovered’ cousins from the East receive. The NATO initiated ‘open door’ policy or the EU enlargement strategy, accepted finally at the Helsinki summit in 1999, were aimed at those who, in the 1940’s, fell under the Soviet domination. For half a century, the Western Europe would age stately, while the European countries under the Moscow domination would remain eternally young, or perhaps simply retarded because, after all, how long may one remain young? Hence, in Paris or Berlin, they are treated with a dose of mature protectionism (‘what are they capable of coming up with?’), sometimes treated with some concern (‘after all they are some 30 years behind’) and often with certain anxiety (‘and if they start making demands, stating their conditions, or even, God forbid, become independent’). Thus political and economic plans are made, which not only disregard the possibility of assisting the underdeveloped in a way that would offer them a real chance for balancing out the disproportions, but which also make it difficult, or outright impossible, to acquire aid from any other source. Both Paris and Berlin want, at the most modest expense, to assure that the European Union has the institutional, political and economic advantage within the new member

¹ This paper was presented at the XII International Annual Meeting in Political Studies, Cascais, Portugal, July 7–10, 2004.

states. Poland, which has purchased F-16's instead of Mirage fighter planes, or which, supposedly without proper consideration, has given its support to the United States fighting in Iraq, is being condemned as the American "Trojan Horse" within the European Union.

According to one common interpretation, the distinction between the New and the Old Europe runs over the very same geographic dividing lines that constituted the Cold War legacy in Europe. The distinction is further strengthened by the tensions and divergences between the United States and some of the countries in Europe—countries which seek means other than those offered by the Atlantic alliance, to prove their 'maturity'. Paris and Berlin, both quite independently of each other, have entered a period of intensified search for a new shape of their political and military entity. One may conclude that there is nothing unusual in all this. Many European states seek new forms for their autonomy, sovereignty, or simply for the newly regained or perhaps newly acquired independence. The very processes of self-defining state's new standing, further complicated by the EU facing irresolvable disputes and the United States that yet needs to make that final decision as to its global role, all constitute a unique environment, in which being the 'new' one in Europe may denote both a praise and a curse. This traditional already understanding of the New Europe is however misleading in many ways.

The ambiguities of definition have also their geographic dimension. The famed letter in support of America going to war in Iraq was signed by the eight European political leaders in Budapest, Copenhagen, Lisbon, London, Madrid, Prague, Rome and Warsaw. Among the signatories from behind the iron curtain, one finds Poland, Hungary and partly the Czech Republic, with the letter signed by President Havel as he was leaving the office.

Please allow me to devote a brief moment to the specific case of Poland. Why has it, on the eve of its entry into the EU, decided to give active support to war waged against Saddam Hussein? Not only did we give political support to Washington, against the position held by important EU powers, but we did also send 2500 soldiers to serve in Iraq and readily accepted the offer to command the international division. We did all this not because we felt the immediate threat posed by Iraq, nor because we had too much wherewithal, and surely not because Poland is seeking a power status on a global scale. The reason for our conduct does not lie in our search for profits, although the apparent lack of success of Polish companies participating in the tenders organized in Iraq is no cause for satisfaction. Our conduct was neither dictated by the "vassal mentality", as we have heard explained here and there in Europe. To be honest, neither was solidarity with the Iraqi nation in defense of human rights a reason enough by itself. We did all this because, ever since the regaining of independence in 1989, the cornerstone of Poland's security policy has been the entry of our country into the Atlantic Alliance, which we view as the means of assuring collective security guarantees for Poland. It is the sustaining of real presence and the engagement of the United States in Europe that has constituted, and still does constitute the fundament for the credibility of those guarantees. In this respect, we hold at least one of the goals set out for the Alliance by Lord Ismay, to be still very important—'keeping Americans in'. As a result, the consequent goal of our policy remains the search for such forms of political, economic and military cooperation with the United States, that being advantageous for both parties, will substantiate further transatlantic cooperation. Moreover, this policy accommodates one more simple dictum—'a friend in need is a friend indeed'. Those principles are far more important for Poland than the search for distinct European identity and related defense capabilities—an endeavor grounded on illusionary fundaments.

The aforementioned reasons for political actions undertaken recently may constitute a common denominator for the countries of the 'New Europe'. In Lisbon and Warsaw, in London and Rome, in Copenhagen and Budapest, in Madrid and Prague, we all devote much thought to a new approach to transatlantic cooperation—an approach that would carry a significant opportunity for success. It seems that the reasons presented above, rather than the time span of membership

in the EU, legitimate differentiating out the 'new' part of the continent, and in turn allow for a much better understanding of the nature of the recent disputes.

The 'New Europe' of eight, enlarged with the participation of other countries, came to make the decision that sustaining the alliance with America is even worth risking intensified inner-European disputes. The war in Iraq brought the dividing lines back to the surface. Yet it was not the war in Iraq that caused them to be drawn. It is enough to recall the issues concerning the potential participation of the European allies in the anti-missile defense system proposed by Washington. Back then, well before 9/11, it already became apparent that the proposition was more readily heard in London, Madrid, Copenhagen or Warsaw, than in Paris and Berlin. The issue of avoiding duplication of structures present within NATO by the EU that set out to create its own Common Foreign and Security Policy, constituted yet another trouble spot. However, the ground on which we differ most, is the threat assessment. The Old Europe feels secure enough to be ready to risk a collapse of the Alliance with America. The New Europe expects the Alliance to be able to adopt to new challenges, offering cooperation and expecting support.

Europe is not divided along the lines of 'old' members of NATO or EU versus newly integrated countries from behind what once was the iron curtain, but along the lines distinguishing those who, under the altered global situation, are devoted to finding new forms of cooperating with America, from those who desperately want to sustain the old project of European integration in its technical framework, and thus along those lines seek the means of guaranteeing security and global status for themselves. The Old Europe is the European Communities grown old—the European Communities which at the beginning the Founding Fathers envisaged as being Christian, democratic, economically integrated and cooperating with America, bonded with it by the nature of the military alliance grounded on 'common principles and values'. Robert Schuman and George Marshall were both 'determined to safeguard freedom, common heritage and civilization of their peoples'. Today, Dominique Moisi, Robert Kagan, and others reckon that perhaps it is justified to speak of two separate Wests—the European and the American one, both differing in principles. The European West, according to the project of the new treaty being forced on the EU, does no longer need to be Christian and should concentrate perhaps on creating the new, unified identity rather than on defending the old heritage that it holds in common with America. The Old Europe of the 21st century became ossified with its devotion for the technical pragmatism of its Founders, and tends to forget the comprehensive vision that was once shared—a vision of Europe and the Western Community.

In the debate concerning America, the Atlantic and Europe, one often becomes a witness to a manipulation, whereby the voice of France, Germany or Belgium is presented as the voice of Europe. Yet it is not so. The Poles, in their majority, are against the war in Iraq (after all who loves the war?!), yet it is those very same people who, again in their majority, come to support close cooperation with the United States. We live in the century of mass media, whose influence knows no geographic borders. One may wonder how long it will take for the media of the 'Old Europe' to convince the public in Poland or Lithuania that the actions undertaken by the United States around the world are outright harmful. Attempts at defining the new EU identity on the fundament of anti-Americanism, are bound to lead not only to deeper differences between Brussels and Washington. Even partial success in instigating public disgust with American politicians and politics will, with great probability, backlash against the initiators of such a campaign, as is the case with every propaganda effort that is based on negation and dismissal.

The children and the grandchildren of Monnet, de Gasperi and Schuman think along the old lines, disregarding the changing continental and global context. They have lost the ability to react creatively to the realities of the changing world. The last grand European project, apart from the enlargement of the European Union, was its very creation with the Maastricht Treaty of 1992. It was only followed by a sobering act of a narrowly won referendum in France and a lost one

in Denmark. This prompted Mitterand and Kohl to note that the European nations were not yet ready to abandon their own state structure.

Today, certain politician in the EU come to believe that the community method, which according to them proved so effective in the past half century, will gradually succeed in creating the European Security and Defence Identity, along with the Common Foreign and Security Policy. Yet they are much mistaken. An attempt at handling those problems merely at the level of technical decisions and procedures, will only further the chaos in Europe. The CFSP will not be possible without establishing the list of the common European strategic interests, and this will be extremely difficult without the proper consideration given to the postulates formulated by all member states. The whole procedure of reaching agreement and taking practical action will prove tremendously difficult without defining towards what end is the European Union ultimately heading. Holding the integration process as the ultimate goal itself, sustaining and practically implementing the principle of an 'ever closer union', with the consequent inability, or perhaps lack of will to define the mythical "finalité politique", result in security doctrines having been and still being formulated at the national level in Europe. This holds true for France, Germany, Great Britain, Poland and perhaps nearly all member states. No one who gives proper regard to the security of one's own country, will settle for common undertakings only "in the field of the Petersberg tasks".

The countries of the "New Europe", first of all, do not see the possibility of assuring the fulfillment of their vital interests in the area of security exclusively through the EU, and, second of all, they actively seek novel ideas for strengthening the transatlantic links. One option is to delineate the interests common both to the Americans and the Europeans regarding geographic areas that lie beyond the territory covered by the Washington Treaty, thus restoring the practical value of the Alliance. There are reasons to believe that the 'new Europe' would gladly see the change from the coalition of the willing approach to the war against the terrorist threat, for an approach that would favor cooperation within the NATO framework. Will it be practically possible? That remains to be seen. The results of the Istanbul Summit are rather meager. The Old Europe is not planning to give up on its dream of a community strategy and defense practices. Should its aversion to America hinder the attempts at reinvigorating NATO, the "New Europeans", aware of the new threats and remembering the ghosts of the past that haunted the continent, will be forced to turn towards modes of sustaining the transatlantic alliance based on bilateral agreements with the United States.

The part of the continent that does think along the new lines should undertake a Redefined New Atlantic Initiative. The former one, set out in Prague in 1996 was to enhance the NATO enlargement onto the countries that were recovering from the Soviet domination. The accession of the Czech Republic, Poland and Hungary into the Alliance rendered the enlargement of the EU as a more realistic prospect. After half a century, the vision of a united, democratic and successfully developing Europe has a chance to come true. Yet it very much depends on the ability of the 'new Europe' to salvage the transatlantic links and the unity of the Western Community. It will be possible, provided that the United States shall avoid the mistake made by the European Constitutional Convention, which decided to cut the EU off from its two thousand years of Christian tradition. Losing interest in the European affairs, America would similarly be deprived of its historical roots. It would be left morally incapacitated, much as those Europeans who aim to ground the New Order on the struggle against God and against their own history. In that respect, George Weigel is right. The disputes over the future character of the West are in large conducted among the Europeans in Europe and the Americans in America. It is upon the result of those disputes that the future of the Atlantic depends.

Part Four

Sustainable Europe?

UWE MÖLLER

EUROPE IN THE PERSPECTIVES OF GLOBAL CHANGE Challenges and Responsibilities

This paper has been developed within a close co-operation between the German and Polish Association of The Club of Rome. In several workshops the challenges and responsibilities Europe has to meet on the global scene have been discussed intensely. Prof. Dr. Antoni Kukliński has substantially contributed to the proceedings with many inspiring papers. Also the following two books co-edited by Antoni Kukliński have been very helpful and stimulating in this dialogue:

- *Globalisation—Experiences and Prospects (Warsaw 2001)*¹
- *Europe in the Perspective of Global Change (Warsaw 2003)*²

The decisive question being of crucial concern for the Polish and German participants in this dialogue is whether Europe with its huge economic, technological, scientific and cultural potential will be willing and able to take the appropriate responsibility as a reliable and productive global player. This Polish-German initiative wants to stimulate an Europe-wide debate on a future-oriented grand design for the EU in global politics and economics to which also other European members of The Club of Rome are invited to contribute.

The posture Europe will take in international affairs is generally also of special interest for The Club of Rome as many non-European members of The Club of Rome in contrast to the more pessimistic view from within the EU are seeing the EU as a model of hope to overcome conflicts and to create political and socio-economic stability by regional co-operation in other parts of the world.

These aspirations also are reflected in the “Global Marshall-Plan Initiative—A Planetary Contract” (GMPI) being supported by The Club of Rome. In this initiative which is based on the concept of a “Global Eco-social Market Economy” having been developed by Prof. Dr. Franz Josef Radermacher, member of The Club of Rome, the EU is expected to play a leading role. Further information to be found in the book of Franz Josef Radermacher

Balance or Destruction: Eco-social Market Economy as Key to World-wide Sustainable Development (Vienna 2004).

The ideas developed within these endeavours will also be helpful to give inspiration and substance to a proposal being made by Prof. Dr. Antoni Kukliński to produce a Report to The

¹ H. Bünz, A. Kukliński (eds) Globalization. Experiences and Prospects, Friedrich Ebert Stiftung, Warsaw 2001

² A. Kukliński, B. Skuza (eds) Europe in the perspective of global change, Polish Association for the Club of Rome, Warsaw 2003.

Club of Rome focussing on the challenging topic having been discussed in a first round at a workshop in Warsaw (November 2004) between members of the Polish and German Association: Global Development in Secular Perspective—the Experience and Prospects of the Years 1950—2050.

The Challenges ahead

The *information and communication technologies* (ICT) increasingly are pervading the economic, societal, cultural and political spheres on global scale giving way to an almost free exchange of ideas, information, goods, services and capital. The world is getting more and more interlinked and interdependent, so the “*One World*” and the “*Global Village*” meanwhile have become reality, although the perception that there no longer exist “*faraway problems*” still is widely missing. Thus, economic prosperity, social welfare, sustainable development, political stability and security constitute a common challenge to all. These prerequisites for the survival of humankind no longer can be secured by and for single political entities themselves, they ask for an *international order of partnership and co-operation* allowing the optimal use of human and material resources in a win-win-game to the benefit for all. Reaching this ideal humankind still has a long way to go. In order to get to *sustainable global governance* urgently needed for this purpose three challenges have to be met. Also Europe being one of the most prosperous regions and power-houses of the world with its huge scientific, economic and cultural potential in its enlightened self-interest has to respond to these challenges:

The World needs Peace

The world scene, especially since the end of the Cold War, is increasingly facing *acts of violence and warfare* no longer fitting into the traditional clear-cut scheme of war and peace. In consequence, precious resources of human, social and natural capital are misused and destroyed—a waste and damage threatening a sustainable future of humankind.

Which are the *de-stabilising factors*?

1. Nationalistic and cultural-religious conflicts enforced by socio-economic disparities;
2. Emerging of criminal and terrorist power structures;
3. Erosion of legal order and state authority;
4. Privatisation of warfare, proliferation of “small” weapons;
5. Risks of power struggle: new powers and rogue states with ABC-weapon capability;
6. Dynamics of globalised markets creating risks of economic divide and social disparities;
7. Environmental damages and catastrophes (water shortage, soil degradation, climate change) threatening the survival conditions in many regions.

Which *strategies* might stabilise the situation?

1. Crisis management, peace keeping, conflict prevention;
2. Non-proliferation of weapons;
3. Establishing regional security systems;
4. Enforcement of human rights and international law;
5. Increasing role of global civil society via NGO s and IT media;
6. Education for peace and tolerance, intercultural dialogue;
7. Creating of interdependent boarder-crossing business networks, the role of TNCs;
8. Promoting small & medium-scale business for building of a middle class civil society;

9. Efficient political management of the process of urbanisation;
10. Efficient resource management avoiding environmental damages.

The World needs Social Justice and Elimination of Poverty

The dynamics of new technologies and globalising market forces have led to *increased distribution discrepancies in income and property*, not only between regions and states but also within societies. So widespread poverty and the ever-growing gap between the rich and the poor are threatening *social and political stability* contributing to the emergence of conflicts and warfare. The total *official development aid* (ODA) given to the “South” only amounts to 0.23% of the GDP of the donor countries being committed to the goal of 0.7% of their GDP. Whereas *total military expenditure* in the world amounts to 2.7% of global GDP (2003: 879 billion US\$, 47% of this sum spent by the USA). The *foreign debt of the developing countries* totals 2,340 billion US\$ (2002) resulting in debt payments of 309 billion US\$ p.a. (almost as four times as much as ODA). The subsidies of the “North” paid to its farmers, one of the main obstacles for the developing countries as producers of agrarian products to be included into a reasonable international division of labour, are at present estimated at least 300 billion US\$ p.a.

Which *factors* are causing poverty?

1. Power “elites” in the “South” exploiting suppressive value systems and not interested in socio-economic development and the emergence of business middle classes questioning their position;
2. Lack of education, suppression and deprivation of women;
3. Warfare;
4. Mismanagement and destruction of natural resources;
5. Obstacles put forward by the “North” hindering the “South” in entering world markets;
6. Too little and non-effective aid by the “North”

Which *strategies* are needed for overcoming poverty?

1. Support from the “North” should focus on development of bottom-up economic structures and local markets, thus creating employment and income;
2. Focus on educational efforts, empowerment of women, family planning;
3. Integration of the emerging economies in the “South” into world markets, introduction of minimum social standards, “Global Contract” with co-financing;
4. Transfer of resource-efficient technologies with special responsibility of TNCs as well as development and implementation of labour-intensive low-investment technologies.

The World needs Sustainable Economic Development.

As *natural resources* are finite, economic development has to comply with *limiting ecological standards*. On global scale, this requires building of a sustainable economy with an increase in resource-efficiency in the coming decades at least by a factor 10 by introducing new technologies and life-styles. The urgency of sustainable development once more is stressed by the late Report to The Club of Rome by Dennis Meadows “Limits to Growth—The 30 Years Update” (Vermont 2004) telling us brutally that humankind today already exploits 1.2 times the carrying natural capacity of Mother Earth, notwithstanding the poor and still growing masses in the “South” striving for a higher material living-standard. In consequence, Dennis Meadows no longer believes in “sustainable development”, he is convinced that we meanwhile will have to *struggle for “survival development”*:

Which factors constitute *obstacles to the development of a sustainable economy*?

1. The Hedonism of the “northern” consumption-oriented society arousing similar aspirations in the “South” the elites and upper classes there taking the lead themselves; the still prevailing political creed in the “North”: no employment without (traditional resource-wasting) growth;
2. Waste of resources, destruction of “nature capital”, boomerang effect:
 - non-sustainable agriculture;
 - pollution of water and air;
 - waste of energy, green-house effect;
 - non-sustainable transport and tourism;
 - destruction of bio-diversity.

Which *strategies* might promote the *development of a sustainable economy*?

1. Change of life-style in the “North”—from affluence to sufficiency! More public awareness for sustainability: the role of media and education; exemplary function of the rich elites directing their purchasing power towards “green” products;
2. Eco-taxation by government pushing for introduction of more resource-saving processes and products, simultaneously establishing more labour-intense economic structures;
3. More emphasis in the business sector on long-term profits asking for investment into “green” markets knowing there is no alternative to de-materialisation of the economy at least by factor 4, if not by factor 10; special responsibility of stake-holders in the capital markets to direct capital into “green” long-term investment;
4. Strategic role of TNCs to transfer these technologies to the “South” into the markets emerging there;
5. Promotion and implementation of new revolutionary factor-10-technologies.

The Actors

These challenges have to be met in a global context as humankind meanwhile is living in an increasingly interconnected “global village”.—Who are the actors? (The traditional political actor still mainly is seen in the “nation state” although it is becoming more and more evident that in a globalised world it is loosing power and influence.)

1. United States of America

At present there only exists one nation state (*sui generis*) possessing the *attributes of an independent powerful political global actor* because of its economic, scientific, civilisational and military potential—the United States of America.

So consequently the US in general is seen as the only *omnipotent global player* clearly dominating the power-play on the international scene. This hegemonic position clearly defined and claimed by the Bush-Administration is not only based on the economic strength and vitality of the US, its overwhelming military potential, its scientific-technological creativity and its civilisational attractiveness but it is getting its special momentum from the *ideological mission* that the values the American Way-of-Life is based upon should be forwarded to people and societies all over the world.

This *self-confident and self-assertive posture* has led to an almost unilateral US power-projection especially after having been challenged by the terrorist attack of September 11, 2001 felt as an vital threat to national security culminating in the “*war against terror*”, on global level

to be fought from Afghanistan to Iraq. This of course put *strain on the grown international system of multilateral bargaining and networking* as the US switching to unilateral action was asking for more or less unconditional support and involvement in fighting the “axis of evil”. Consequently not only the UN institutions suffered but also the transatlantic partnership faced turbulences leading to the most severe crisis in the history of NATO as many European partners were not willing to follow the US course in the Iraq crisis.

Meanwhile it has become obvious as many critics have foreseen that there are “*Limits to US-unilateralism and Hegemony*”. Unrivaled “Pentagon Power”, no doubt, is an indispensable and effective force of deterrence and dissuasion against any existing potential of conventional forces threatening regional or international security. But the *security risks* the world is facing today stem from a very *complex mix of manifold conflict and violence potentials* which not alone can be dealt with military means however modern and superior they are. Ousting the brutal Saddam regime and its military power by a surgical operation may be justified but what about the complex task of stabilising the situation after successful military action? Even the huge US-Military machine only with great difficulties is able to fight one and a quarter war (Iraq and Afghanistan).

And modern warfare is very expensive—especially the military involvement in Iraq proves to overburden even the giant *US economy with increasing risks*, not only for the economic stability in the USA itself but due to its weight also for the world economy: the US-society is strongly inclined to private over-consumption combined with a very low private saving rate leading to high (risky) private indebtedness and a high deficit in the current balance (more than 5% of GDP) which only can be closed by huge capital inflows. So “imported consumption” is paid for by selling US-capital-stock to foreigners. The low private saving rate also means that there exists no internal source for financing public investment. In consequence, the US-government is becoming increasingly dependent on the willingness of foreign investors to buy US-government bonds. This asymmetric relation is at present especially valid between the USA and China creating a somewhat strange state of interdependence. If this *imbalanced situation* continues and worsens the confidence in the US\$ can be lost triggering off turbulences leading to a *global economic crash*.

There are other *structural challenges to the US-economy*: in contrast to the excellence of “top universities the general educational system has many shortcomings questioning whether the USA will be able to meet the *challenges of the knowledge-based society*. One of the main advantages concerning the competitiveness of the US-economy especially with reference to Europe was the willingness of the US-society to accept very *low collective social standards and a widening gap in income and property distribution*. In view of these increasing discrepancies, probably being widened by the Bush-administrations concept of an “owner-ship-society” and getting more public awareness, it is very likely that the USA has to turn to a *policy in direction of another “New Deal”*. Focussing on these internal challenges the US-administration will simultaneously also be forced to rethink its “global imperial ambitions” already today overstressing the economic resources of the USA. And these imminent challenges have to be met by a newly re-elected neo-conservative US-administration which gained its majority mainly by mostly rural voters support for “Christian values”. But very likely, soon public awareness for the socio-economic deficits and the overstressing of global power projection will arise. So, there is no convincing reason for a “durable long-term neo-conservative revolution”!

Therefore, the Bush-Administration has to realise that it needs partners to build a safer and a more free and just world as so unequivocally requested in many US mission statements. In this context also a *re-assessment of the Transatlantic Partnership* is urgently needed: In a frank dialogue between both sides of the Atlantic it should be discussed where the global challenges

are seen and what policies therefore jointly should be followed. The Europeans will have to decide what role they want to play in the global game and which responsibilities they want to take. In our present world with disastrous conflicts and violence, extreme disparities in socio-economic development and destruction of our precious natural resources Europe with its economic, technological, scientific and cultural potential has to contribute substantially to build a peaceful, just and sustainable future for humankind.

US-policy has to make up its mind how it defines its *future relationship vis-à-vis the EU*: does it want a weak EU not challenging the US-predominance or does it want a strong EU as a partner even with a more “soft profile”? Probably the growing rivalling power of China will force US-policy to opt for a *revival and strengthening of the Transatlantic Partnership*. This, of course, includes the economic dimension favouring a capable European economic and technological partner with a strong EURO as a second key currency contributing to the stability of the international monetary system. So at last, the limits which have been shown to US-unilateralism will force US-policy to return to more traditional tracks of multilateral bargaining and partnership.

2. Russia

After the break-down of the Soviet Union, Russia as the hereditary power is facing a *variety of challenges* no longer allowing to play a comparable role as global countervailing power to the US as it did during the Cold War.

- Comparable low (144 million inhabitants) and even shrinking population due to low birth-rate and life-expectancy (bad health conditions, alcoholism, drugs);
- Economic position based mainly on mono-structural exploitation of natural resources: oil, gas, metals, timber);
- Over-stretching geography, thinly populated: how to “fill” and secure the Eastern provinces?— the challenge of Chinese socio-economic “penetration”;
- The “colonial and imperial heritage” at the “southern” flank—Islamic fundamentalism with expanding population;
- Recovering of central-bureaucratic authoritarian political structures, low chances for emergence of middle classes and the building of a knowledge-based society, brain drain.
- Risks of “power-play”, even nuclear threats, especially vis-à-vis Central-Eastern Europe. Exploiting Europe’s dependency on Russian oil and gas.

3. China, India, Japan—The Pacific Age ahead?

There is a high probability that *China* keeping its successful path of dynamic economic and scientific-technological development will within the next decades become a *powerful and responsible global player* also taking the lead in the Pacific basin rivalling or co-operating with an *emerging giant India*, Japan ageing. This will dramatically change the international power balance. China and India emerging as prosperous societies being vitally interested in a *Pacific region of stability and security* (Pax Pacifica). Will these new huge economic “power-houses” with vast and highly motivated human capital potentials as they are entering the information age and applying IT-technologies with excellent language capacity of English be integrated into the interdependent interlinked global market structures or will they be inclined to “rock the boat”? Will this new international power structure force the US and Europe to revive the Transatlantic partnership in order to find a new balance?

4. Latin America

Will this continent stay as a region of relative stability due to the fact that the US is not willing to allow mayor conflicts in the Americas ? Will because of the growing Hispanic influence via immigration which meanwhile has triggered of a vivid discussion in the US about US-identity the US anyhow be forced to be more interested in socio-economic development and political stability in Latin America ? Will there be an increased interest of Latin America in a closer co-operation with Europe in order to balance a possible US-predominance ? What about the strong interest “hungry” China meanwhile is taking in the Latin American market as a supplier for raw-materials and foodstuff and buyer of Chinese products ?

5. Africa, Islamic-Arab World—staying a Region of Crisis?

The *prospects for socio-economic development and political stability* in this region seems to be the most gloomy in the world. Due to the geography (“Southern flank”) this constitutes a *special challenge to Europe and Russia*. The difficulties of the Islamic world to enter the process of modernisation adds to the ideological rift vis-à-vis Western civilisation thus feeding fundamentalist terrorism today the main threat for security world-wide. In addition, the growing demand for energy increases the dependency on the assured oil-and gas reserves of this conflict-ridden region, reaching from the Caspian Sea to Morocco. More than two third of global assured oil-reserves and more than one third of global gas reserves are located here, Europe being dependent on oil-imports of some 75% with increasing tendency, the USA with almost 50%.

6. The United Nations

The structures of the UN-institutions (including IMF, IBRD, ILO and WTO) are still too weak to exert effective global governance. Their strengthening will largely depend on the involvement of the USA which again depends on how the USA sees the necessity to act effectively either unilateral or multilateral. The US-role in global politics of course also will be influenced by the Europeans and the acting of other emerging global players like China and India.

7. World Markets and the Trans-national Corporations (TNC)

The world markets have in the last decades been driven by the *dynamics of ICT* leading to an *intensified interlinking of economic structures in a process of globalisation*. Its dynamics are given by the fact that the modern information and communication technologies not only offer the “buyer” (demand side of the market) the opportunity to be informed about the supply side of the market world-wide, but the “buyer” (be it the private consumer; be it the business or the public sector asking for a variety of inputs needed for producing their output) also have access to these markets (almost anything can be ordered and delivered anytime anyplace). This confronts the “sellers” with a situation in which they have to face increasingly *keen global competition*. Those who have to fear fiercer competition and are likely to be “losers” in this game are criticising globalisation and are asking for protectionist policies and subsidies whereas concerning their interest as buyers for their inputs they of course take advantage of the global competitive market structure. It is quite clear that the attractiveness and persuasiveness global markets are offering to the “buyer” are stronger than “defensive” interests on the “sellers” side of the market. Hence globalisation cannot be stopped.

This dynamism is not only found in the traditional commercial markets of goods and services but the “customer”, whether looking for *information, knowledge, education, training, sports,*

entertainment and culture, meanwhile takes it for granted to ask for services, performances and presentation all around the world. Also in these “markets” we increasingly find global competition—the “upper classes” all around the world setting the life-style standards.

It must not be forgotten that below the global economic level there is *ample space and need for development of local or regional markets* giving opportunities to labour-intensive employment. And here we have to realise that in many regions of the world favourable conditions for a bottom-up process of establishing small-scale business activities, especially relating to rural development, are widely lacking. As already mentioned political power groups very often are not that much interested to be involved in the building of an educational, legal and administrative fundament for this socio-economic grass-root development. In addition to that the assistance from the “North” very often has been rather counter-productive as capital-flow and technology-transfer primarily went into “big projects” not fitting into a viable and reasonable scheme for socio-economic development.

Of course, and there is general approval, the *developing and emerging economies* have to be integrated into the global markets in order profit from their opportunities. For this purpose the “rich North” in first place has to abolish the *manifold protectionist barriers* which still are upheld vis-à-vis the emerging economies of the “South”. There lies much hypocrisy and incredibility in the rhetoric of the “North” pressing for globalisation (i.e. opening of markets) on the one hand, but on the other hand protecting their own markets against competition from the “South”, as it traditionally happens in agriculture and textiles, but meanwhile is expanding into other fields of new emerging industries. So, it is quite paradox that in this fierce and rather emotional debate on globalisation the main criticism tends to be uttered in the “North”, arguing that the globalised markets are causing problems for employment, environment and cultural identity etc. In contrast to this defensive position, the “South” seems to show more interest in the opportunities global markets are offering for its emerging industries.

And globalisation does not necessarily lead to uniformity as global players have to realise that all *markets in the end are local or regional* due to diversity in culture and mentality. So if global players want to profit from global networking they have to integrate and differentiate simultaneously. Thus globalisation forces business and other global acting institutions to develop a *new culture of global management and governance*.

In this context it also has to be stressed that globalisation of markets contributes substantially to peace, because of *growing economic interdependencies* all participants of the “economic game” must vividly be interested in global political stability. As terrorism is a vital threat to peace and stability, abolishing terrorism has to be one of the main goals of international policy.

How much the *boarder-crossing interlinking of economies* meanwhile influence politics can be told from *US-Chinese relationship*: the mutual dependency has become so strong that one-sided actions no longer are viable. There is a vivid interest by US-business to invest capital and technology into the growing Chinese market simultaneously contributing by cheap import of manufactured goods substantially to the high US living-standard, although, causing the problems of the deficit in the US balance of payment and the increasing dependency of capital-inflow.

A special responsibility lies with the *trans-national corporations*. They constitute important actors of establishing economic structures in the emerging markets of the “South” by *transferring capital, technology and management know-how*. Big business with its global transactions is being met with strong criticism in the “North”, whereas the “South” tends more to a positive view in this matter; clearly seeing the potential for economic development the engagement of the trans-national corporations is offering. Of course, the starting point for this engagement often is given by “cheap labour”, but in the end business only profits from developed prosperous markets. Therefore *fragmentation of markets* in many regions of the “South” constitutes a main

obstacle for economic development. *Regional co-operation and integration* is required to shape *attractive markets for foreign investment*. In this context it has to be reminded that in history of economics all successful catching-up processes of late-comers have been driven by “foreign” investment of capital, technology and management know-how. The “Tiger-states” in Asia as well as the transformation-economies in Central-Eastern Europe have proven this in recent days.

No doubt, the most critical aspect of globalisation is connected with a still *unsatisfactory regime of the global financial markets*. The *volatility of capital flows* is causing many destabilising turbulences. The growing prosperity in the “rich” societies have contributed to this volatility. The capital markets have widened as many more additional participants and players try to raise their income by gains from capital investment. Naturally, players are primarily interested in short-term profits, thus giving the capital markets a “casino” character. Obviously, this *share-holder value attitude* does not correspond with the long-term requirements of sustainable development. So the crucial question is: when will the participants in the capital market learn that long-term profitability of investment only is given if criteria of comprehensive and long-term political, social and environmental sustainability are taken into account? Do the latest turbulences in the financial markets open a chance for learning? Aside this behavioural challenge, we have to be aware that the financial markets urgently need an *improved framework of international financial institutions*.

8. NGOs and Civil Society

Is there hope coming from the initiatives and actions of the NGOs representing the *forthcoming global civil society* being aware that the “One World” already is reality? How far do ICT offer opportunities of mobilising and concerting initiatives and actions in order to strengthen the impact of NGOs, not only in the field of politics by contributing expertise into political decision-making or exerting pressure by lobbying but also developing consumer power in markets vis-à-vis business? How can they be productively included into the comprehensive bottom-up process of socio-economic development?

Europe—a Global Player!?

So Europe is meeting a *variety of challenges* it has to respond to—and it is more than obvious that the nation state in Europe no longer has the capability to do so. Above all, there is the challenge of a globalising economy asking for combined European efforts to be competitive and to play an active and productive role within this global game. The *scientific, technical and economic potential of Europe* is urgently needed to support the socio-economic development in the “South” within a sustainable framework. Last not least, in a world of conflicts Europe also has to take a more active part in international security policy.

In order to develop *scenarios of the future role Europe* might play on the global scene it might be helpful to analyse which *challenges and forces* have had influence in the past compelling the Europeans to co-operate and to integrate. So we have to ask: are they still valid today, which new challenges have to be expected and how will they affect the process of European integration?

The *process of European integration* starting with the European Coal and Steel Community in 1952 leading to the European Union has been initiated and enforced by following factors:

- Integration as an instrument to overcome the *disastrous character of traditional nationalism* in Europe having led to the self-destroying World Wars.

- *Solution for the “German question”*: the German human and economic potential—unexpectedly needed after the upcoming “Cold War” to restructure and stabilise the devastated and threatened Western Europe—to be linked to and neutralised within a European Community.
- *The necessity of rebuilding the economy in Western Europe* the states having suffered heavily from Second World War. This only could be done if the obstacles caused by narrow national borders would be abolished and a Common Market would be established.
- The need to develop an area of economic prosperity and social welfare to meet the *ideological challenges of Communism*. The attempt to develop an European Defence Community to meet the military threat failed in 1954. This task was taken over by NATO (joined by Germany in 1955) under US-leadership with Europeans as a junior partner.

Most compelling to create *common European institutions* being responsible for a growing field of politics have been the *dynamics of market forces* taking advantage of the economy of scale within a wider European market. The economic structures are increasingly inter-linked with societies and politics and the growing dynamics of economic processes are penetrating these spheres beyond traditional national borders thus forcing politics to react on European level. The rules of game and the setting of political parameters needed to render a stabilising frame for the markets no longer can be arranged by national politics they have to be defined and implemented by the EU-institutions.

So meanwhile a high proportion of political will and power has been concentrated in Brussels. This has led to *vivid criticism* being fuelled by growing national sentiments blaming Brussels politics to lack transparency and efficiency. Therefore *re-nationalisation and inter-governmental co-operation instead of European integration* are increasingly asked for. For the time being, as often before, there is no European “honeymoon”. Also the proceedings and text of the “Constitutional Treaty of the EU” have shown that there has been a strong pressure to water down the integrative substance. But, lack of transparency and efficiency is not a Brussels speciality, it is a common trait in politics of today starting already on local or regional level. The reason is obvious: politics are over-demanded by citizens and society leading to political over-regulation. This of course also is true for Brussels. So a constructive debate has to be started how to make Brussels politics more transparent and efficient by implementing the reasonable *principle of subsidiarity* thus simultaneously giving legitimacy to the Brussels institutions in the eye of the European citizen and voter.

What are the *challenges* the European Union has to face in the coming decades? Will the strengthen or weaken European integration?

Certainly, *Eastern Enlargement* has contributed substantially to smoothen the difficult political and socio-economic transformation process in Central-Eastern Europe. In addition, the widening simultaneously has opened large opportunities of emerging markets, but to become a real success a *restructuring of EU-institutions and processes* are asked for giving clear authorisation and power to Brussels in polity with less regulation in detail. So Brussels should focus on setting *rules for markets*, leaving processes to competition, and for frameworks to structure *strategic sectors as science and research, transport and communications*, as well as creating powerful integrated institutions and instruments for internal and external security leaving ample space for responsibilities and activities on national or regional level.

If this is not going to happen, and as *re-nationalisation* revives, enlargement might be used as an instrument to weaken the integration structures reducing the European Union more or less to a free trade zone offering the option of economic bargaining for all participants without substantial political commitments. But it is more than obvious that this is not a promising way to safeguard Europe’s future. So, the less the EU will be able to strengthen its common institutions

and decision-making process in these strategic fields the more likely a *core Europe* will develop and we will end up with a *Europe of different velocities*.

Will the *dynamics of market forces and networks* with growing competition from global markets exert further pressure on politics to intensify integration in Brussels? The common European market meanwhile is perceived as reality: the citizens in the EU, be it as consumer, employee or employer, are experiencing this fact each day. Hence, the introduction of the EURO consequently was a reasonable step which when in the future backed up by a strong EU-economy can along with the US\$ contribute to a more stable international currency system. And, in this context of great importance: in the “global economic game” the EU already has acquired a bargaining power being capable to balance US-influence. Therefore the decisive question will be whether Europe will be able to attain a more dynamic economic posture by implementing overdue socio-economic reforms especially in “EU-heavy weights” like Germany, France and Italy.

The citizen and voter in the EU meanwhile knows that his prosperity and welfare mainly depends on the productivity of an European, no longer national economy. Next to economic prosperity and social welfare *security* is in the focus of the citizens in all European countries the decisive threats to the individual and collective security increasingly stemming from *organised crime and terrorism* working on European and international level. But there are still many reservations to fight this battle on European level as police and law enforcement are symbols of “untouchable national sovereignty”. Meanwhile it seems that a change of mind is taking place and the willingness is increasing to come to concerted actions on EU level in this field.

The same is true with “*external*” *security*. During Cold War and East-West confrontation European security in and around Western Europe was mainly guaranteed by the US. It is quite clear that the Europeans and the EU will have to take more responsibility in this field. This only can be done by concerted efforts in the end leading to a *European Defence Community*. But especially the political elites have difficulties to accept that security no longer can be a national domain. Still, national security interests, doctrines and strategies are defined although nobody any longer being able to act or react independently. When will the citizenship and the political elites realise that for all Europeans there exists only *one common security*. A conflict on the Finnish-Russian border should also be seen as a common threat in Portugal, vice versa, a conflict in the Mediterranean also should be of concern in Scandinavia. As Europe is facing several security risks with a potential of escalation and the probability of US security-umbrella diminishing it is very likely that the Europeans within the setting of EU will be forced to build up defence structures themselves. A European Defence Community as an reliable and capable partner to the US is urgently needed. At present, the European NATO-partners with armed forces of 1.4 million only are able to mobilise Rapid Deployment Forces of some 50–60.000 soldiers for out-of-area missions still mostly dependent on US-military infrastructure and support.

What about the likely risks stemming from “small dirty” weapons of mass destruction (nuclear, chemical or biological) in the hands of rogue states or terrorist groups ? Do not the Europeans need an independent deterrence capacity in this field around a British-French nucleus ?

There are a *variety of conflicts with high security risks* the EU has to respond to starting with the unsettled still unstable situation in the Balkans and comprising the “arc of crises” from Morocco to the Caucasus. The EU has to develop a coherent and comprehensive strategy for this region containing crisis management by military actions aiming at conflict prevention and peace-keeping as well as a wide range of stabilising activities in the field of socio-economic development and technological, scientific and cultural co-operation. It also must not be forgotten that Russia permanently battling with a variety of internal problems which might induce the Kremlin to turn to outward power-politics including nuclear threats still constitutes a mayor risk to European security. Also the “oil and gas weapon” could be implemented.

The *high and increasing dependency of the EU of oil and gas imports* in context with growing uncertainties of safe supply of these crucial resources for socio-economic development constitutes another strategic challenge to the EU. There is a growing demand from the booming emerging economies, especially from China and India, whereas the capacity to increase the oil-production are limited and the political risks in the regions of production are getting more and more incalculable. In addition to that we are facing finite reserves of these energies. So the EU should urgently implement a programme aiming at a dramatic reduction of oil and gas consumption which easily could be done by introducing various energy-saving technologies without sacrificing quality of life. If the USA would introduce the standard of European energy-technologies it could half its energy-consumption and almost would reach independence from oil imports. So, from the US-standpoint there would be no need to “fight wars for oil”! The Europeans should be reminded of the fact that they are much more dependent on the oil-wells in risky regions of the Near and Middle East.

A special challenge stems from *immigration*. The ageing European society needs immigration. Influx of people is likely to come predominantly from the Islamic Southern flank. To steer this process a common immigration policy is needed defining standards of access and integration. What will occidental European identity look like with a high proportion of Islamic population? Will there be cross-fertilisation, peaceful co-existence or clash of civilisations? In this context aside the strategic aspects for European security the proposed EU-membership of Turkey is of special interest.

So, the challenges are clear. Which are the *criteria and challenges* Europe has to meet in order to take the role and the *responsibility of a global player*:

1. The overriding issue of course is: will there be an *efficient European governance* able to deal with the manifold internal and external challenges? How should the *reasonable principle of subsidiarity* be implemented asking: how much “federal” decision-taking and controlling in Brussels; what role for the nation state, for regional and local governments? In this context especially the Eastern enlargement requests restructuring of the EU-institutions and EU-processes.
2. *Social cohesion* is an important factor for political stability. There are special challenges stemming from increased economic competition as well from within the EU as from the world markets putting *strain on the traditional social security systems*, additionally burdened by an *ageing society*. Demographic shortage of labour-force will result increasingly in migration and immigration with risks of socio-cultural conflicts.
3. The European economy, due to the high degree of networking and integration within the EU, more or less having dissolved and substituted the traditional national economies in Europe, has to meet *global competition*. This requires the capability of European business to play an active role on global markets of goods, services, know-how and capital.
4. The citizen and voter in the EU meanwhile realises that his prosperity and welfare mainly depends on the productivity of an European, no longer national economy. Next to economic prosperity and social welfare *security* is in the focus of the citizens in all European countries. But the decisive threats to the individual or collective security meanwhile stem from *organised crime working on European and international level*. There still exist many reservations to fight this battle on European level as police and law enforcement still are seen as symbols of untouchable national sovereignty. When will a debate be opened on this topic by the European public realising that national politicians in general are not interested in this matter neglecting vital interests of the citizens.
5. The coming society will be knowledge-based, a quality and potential being indispensable for a sustainable future of humankind. With its *long and rich tradition of culture and science*—in

the 19th century Europe and its universities were in the centre of scientific development—, Europe in common efforts should mobilise and activate its *resources of human capital*.

6. Europe also should be aware of its *cultural riches* based on the variety of cultures with long tradition in the history of Europe, being willing and able to co-exist in a climate of tolerance, competition and cross-fertilisation. Therefore, in a globalising world of information and communication, confronted with a powerful pushing “US-culture”, Europe should make a *substantial contribution to the cultural diversity in the world*.
7. *Sustainable development* requires constructive answers to vital ecological challenges. A dramatic de-materialisation of economy is mandatory if our finite natural capital shall be kept alive for the survival of coming generations. *Dramatic increase of resource-efficiency* by introducing new revolutionary technologies as well as changes in life-style, aiming at sufficiency, are needed. Europe is asked to make an innovative contribution to this ambitious goal starting with the urgently needed break-through in the energy technologies.
8. Europe has to realise that the end of Cold War did not lead to peace, on the contrary, Europe has to face *military conflicts in Europe* itself as well as on its rim. Crisis management hitherto only could be implemented due to the determined position of the US—a support and engagement for primarily European interests, not to be guaranteed in the future. So Europe will have to be able to take care of its *security interests* by efforts of its own knowing that in a world getting smaller and larger simultaneously there no longer exists “faraway” conflicts. The national political elites still have difficulties to accept that security no longer can be a national domain. Still, so-called national security interests, doctrines and strategies are defined, despite the fact that nobody any longer is able to act or react independently in this field of power politics.

The decisive question will be whether Europe will be able to react to these challenges. This demands that the *elites and political classes* are willing to inform the public and the electorate on this vital matter. On this crucial issue we need a *grand Europe-wide debate*.

Hamburg, November 25, 2004

ANTONI KUKLIŃSKI

SUSTAINABLE DEVELOPMENT AS THE MAJOR CHALLENGE FOR THE XXI CENTURY¹

In the beginning of the XXII century the evaluation of the glory and misery of the XXI century will be a very interesting object of discussions and studies². The main element of this evaluation will be the answer to the question—to what extend the XXI century was an age of sustainable development creating the positive foundation for the XXII century³. Will the *opera omnia* of the XXI century be a blessing or a calamity for the XXII century.

In this context we can formulate a judgment that sustainable development (durable development) is the main challenge of the XXI century. This challenge should be a source of comprehensive theoretical reflection, empirical and prospective studies including the pragmatic considerations outlining the wise guidance of developmental processes of the XXI century.

In such intellectual climate I would like to present the consecutive proposals outlined in six chapters. We find an immense supply of publications analyzing the reality and perception of sustainable development. I think however that my point of view is incorporating some innovative approaches which will encourage the interested persons to take up some ideas of non-conventional wisdom which could be found in my earlier paper⁴ published in the volume—“*Europe in the perspective of global change*”.

I. Three perceptions

The sustainable development (durable development) can be seen as a joint emergence of three perspectives:

- 1) the global perspective
- 2) the secular perspective

¹ The Polish version of this paper was published by the Committee Poland 2000 Plus of the Polish Academy of Sciences, Biuletyn no 2/2003

² I would like to express my words of gratitude to Mr Jean-Marie Rousseau for the suggestion to prepare this paper: Naturally weaknesses of this paper are related only to the responsibility of the author

³ Compare: J. Delors, *Les responsabilites mondiales de l'Europe*. Accés Internationales, Brussels 2002.
Compare: A. Kukliński, *Globalization in the XXI century*. In *Quest of a New Paradigm* (in:) A. Kukliński, B. Skuza (eds) *Europe in the perspective of global change*. The Polish Association for the Club of Rome. Warsaw 2003.

⁴ A. Kukliński, *Sustainable Development—Democracy—Capitalism—The Livable Future in Europe of the 21st Century* (in:) A. Kukliński, B. Skuza (eds) ... op.cit.

3) the holistic perspective

The global perspective means that the development processes in long term horizon must incorporate the totality of global space naturally with considerable differentiation of the scale and velocity of development which is unavoidable in the conditions of the capitalistic economy. It is very difficult to imagine a situation in which the sustainable (durable) development will tolerate the exclusion from the developmental processes vast fragments of global space.

The secular perspective means that sustainable development must incorporate the problematique of a few generations. The decisions of the present generation should not destroy the development chances of next generation⁵. In this context the secular perspective means literally a perspective of a century incorporating the present, the past and the future generations.

The holistic perspective means a broad and comprehensive approach to sustainable development.

In this paper we accept the concept of interaction of a bundle of sources and beneficiaries of sustainable development (see table 1).

II. The inspirations of six authors

We are accustomed to a conventional list of authors competent in the field of sustainable development. In this paper I would like to propose an unconventional list of six authors who according to my judgment could be a valuable source of inspiration in innovative approaches to sustainable development. This sextet is consisting of the following authors: F. Braudel, D. North, L.C. Thurow, Y. Dror, D. Landes and U. Beck.

We have to see the magnificent contribution of F. Braudel⁶ in the field of long duration. We have to answer the question, how in the great historical experiences can be seen the relation linking the long duration with durable development.

The inspiration of D. North⁷ are related to the problematique of well functioning institutions which are the *conditio sine qua non* of all processes of durable development.

The contribution of L.C. Thurow⁸ is a great voice asking for the introduction of long term thinking into the philosophy of capitalistic economy. L.C. Thurow is directly presenting the conflict of generations indicating, how the generation of retired persons can destroy the developmental chances of the young generation⁹.

The pioneer volume of Y. Dror¹⁰ is outlining the weakness of the democratic systems in long term and global thinking including the resistance of political elites which are not able or not willing to face the great challenge to improve the art of governance¹¹.

⁵ Compare the opinion of H. Göbel, *Frankfurter Allgemeine Zeitung*, "International Herald Tribune, July 4th 2003. "Chancellor Gerhard Schroder has destroyed any illusions that his government is working on a solid financing package to pay for the tax cuts it is moving forward by a year. The cuts will be financed almost exclusively through a bigger deficit.

France, Italy and the United States, too, are hoping to woo voters with policies that shift the burden from the present to the future."

Compare: W. Orłowski, *Państwo zbyt kosztownego dobrobytu. "Rzeczpospolita"* July 26-27, 2003.

⁶ F. Braudel, *Civilization materielle, economice et capitalisme, 15-18 siecle, v. I -1968, v II et III-1979*. In English: *Civilization and capitalism*.

⁷ C. North, *The Contribution of the New Institutional Economics to an Understanding of the Transition Problem Wider Annual Lecture 1. March 1997, Helsinki*.

⁸ L.C. Thurow, *The Future of Capitalism. How Today's Economic Forces Shape Tomorrow's World*. William Morrow and Company, Inc., New York 1996.

⁹ L.C. Thurow, *op.cit.*, p. 98.

¹⁰ Y. Dror, *The Capacity to Govern. Report of the Club of Rome*. Frank Cass Publishers, London 2001.

¹¹ A. Kukliński, *The Philosophy of Global Change. Five Inspirations...* (in:) A. Kukliński, B. Skuza (eds), *op.cit.*

Table 1

The sources and beneficiaries of sustainable development
The matrix of interdependences and interactions

| Sources inputs | Beneficiaries outputs | | | | | | |
|---------------------|-----------------------|---------|----------|-----------|---------|---------|---------------------|
| | Society | Economy | Politics | Education | Science | Culture | Natural environment |
| Society | | | | | | | |
| Economy | | | | | | | |
| Politics | | | | | | | |
| Education | | | | | | | |
| Science | | | | | | | |
| Culture | | | | | | | |
| Natural environment | | | | | | | |

The fifth item of this sextet is the contribution of D. Landes¹² which is a great treatise of globalized history free from the limitation of traditional euro-centric thinking.

Last but not least—we should mention—the book of U. Beck¹³ which is formulating new questions, how the risk society is building or destroying the fundaments of durable development.

III. The sources and beneficiaries of sustainable development

In Table I am presenting eight sources and beneficiaries of sustainable development. Each of these domains is at the same time a source and beneficiary of sustainable development. This dialectic of sources beneficiaries of sustainable development can be interpreted in the following way.

Is the Modus Operandi of the society in a given place and a given time a rich source of sustainable development?

Are the benefits or fruits of sustainable development absorbed by the society in such a way—which is opening new perspectives of sustainable development for the next generations?

¹² D. Landes, *The wealth and poverty of Nations*. Little Brown and Company, London 1998.

¹³ U. Beck, *Risikogesellschaft Auf dem Wege in the andere Moderne*. Frankfurt am Main, 1986.

Per analogiam we can imagine questions related to the economy, education, science and culture. The problematique of natural environment is suggesting some modifications in relation to this pattern of thinking¹⁴. Table1 can be seen also as a field of interactive eight trajectories¹⁵ of sustainable development. Each of these trajectories is a autonomous domain functioning in a holistic pattern which is a phenomenon of a higher order.

The reflection related to Table 1 is an inducement for creative thinking on the integration of global, secular and holistic perspective in the analysis of the processes of sustainable development.

IV. The multiple ego of sustainable development

I would like to propose to test the concept of the dialectique of sources and beneficiaries in the field of multiple egos of sustainable development. Each of these eight subjects can perform a positive or negative role in the processes which create sustainable development. These subjects have different powers of positive or negative activities and behavioral inclinations. These subjects have also a different habitus as a beneficiaries of sustainable development. The fruits of development can be used as elements building a better future or wasted by wrong decisions. Each of those subjects is functioning in a semi-autonomous pattern, creating a framework of a higher order. In the reality of the XXI century this holistic pattern of higher order is constantly blown up by conflicts which in many situations destroy the perspectives of sustainable development. This mechanism of permanent creation and destruction of the perspectives of sustainable development is a most interesting topic of social sciences of the XXI century¹⁶. It is worth while to look on Table2 as a field of interdependences and interactions of the multidimensional activities of the subjects of sustainable development functioning in the changing global reality.

V. The sustainable development in the secular perspective of the years 1950–2050

We have to design and implement a grand programme of empirical and prospective studies which will create new terms of reference for theoretical and pragmatic reflection related to sustainable development as a leading problem of social sciences of the XXI century.

The hundred years 1950–2050 can be divided into three periods:

- *primo*—the period of long boom 1950–1980
- *secundo*—the Sturm und Drag Periode of the years 1980–2020
- *tertio*—the period of the sustainable development of the years 2020–2050

¹⁴ Compare: W. Krull (ed) Debates on Issues of Our Common Future. Göttingen 2000.
F.J. Rademacher, Balance oder Zerstörung Ökosoziales Forum Europe. Vienna 2002.

¹⁵ Compare the following definition of trajectory:
“Trajectories are self-fulfilling prophesies based on the ‘actors’, decisions and expectations of the future. Like any institutions they are sustained not by ‘naturalness’ but by the interest that develop in their continuance and the belief that they will continue.”

C. Freeman, Economics of hope. Essays on technology change. Economic Growth and the Environment. London 1992.

¹⁶ Compare: A. Kukliński, The development of social sciences. The experiences of the XX century. The proposal for the XXI century (in:) A. Kukliński, W. Orłowski (eds) The knowledge based economy. Warsaw 2000.
Ph. Engelhard, L'economie—monde—ultime étape de la modernité. Acces International, op.cit.

Table 2

**The subjects of sustainable development
The matrix of interdependences and interactions**

| The subject as sources | The subject as beneficiaries | | | | | | | |
|-------------------------------------|------------------------------|----------------------------|------------------|----------------------------------|-----|-------------------------------------|---------|----------|
| | International Organizations | Transnational Corporations | states-countries | Parties and political ideologies | NGO | Churches and religious associations | Regions | Citizens |
| International Organizations | | | | | | | | |
| Transnational Corporations | | | | | | | | |
| States-countries | | | | | | | | |
| Parties and political ideologies | | | | | | | | |
| NGO | | | | | | | | |
| Churches and religious associations | | | | | | | | |
| Regions | | | | | | | | |
| Citizens | | | | | | | | |

The first period is following the approach of OECD which has created the concept of long boom as a period of long term uninterrupted economic growth¹⁷. We have to answer the question if this long boom was at the same time a period of holistic sustainable development creating new chapters in the history of technology, economy, science and culture¹⁸.

The Sturm und Drang Periode of the years 1980–2020 is a period of the emergence of the new “magnificent world”¹⁹ created by the processes of globalization and by the changes in

¹⁷ W. Michalski, *The Anatomy of a Long Boom* (in:) H. Bünz, A. Kukliński (eds) *Globalization. Experiences and Prospects*. F. Ebert Stiftung, Warsaw 2001.

¹⁸ Compare the concept of “les trentes glorieuses” “Tygodnik Powszechny” August 3rd 2003.

¹⁹ H. Bünz, A. Kukliński (eds), *op.cit.*—The Knowledge Society nr 171 March 2002. *International Social Sciences Journal*, UNESCO—Paris.

the strategic triangle Europe—America—Asia. A question is emerging if this Sturn und Drang Periode will create a turning point and opening for the grand era of sustainable development of the years 2020—2050. In the pessimistic climate of expectation we can assume that the world of the first half of the XXI century will be a world of lost opportunities and accumulation of non-solved conflicts²⁰.

The promotion of secular studies has not only a theoretical and empirical charm for the academic community. It can be also seen as a chance to avert the bad omen of wrong decisions which may be designed and implemented in the first half of the XXI century. It is not enough to call on pagan deities. *Dii avertite omen*—we should try to have an impact on the decisions of the multiple egos determining the fate of sustainable development.

VI. Towards a new paradigm of sustainable development

There is a growing intellectual and pragmatic necessity to formulate a new paradigm of sustainable development. As we know the new paradigm is emerging in a situation when in the perception of the objective reality new questions are emerging. Not only new questions but also new methodologies designed to answer these questions. Maybe we can propose the following agenda leading to the construction of the new paradigm.

The first element of this agenda is the review of the world list of contributions in order to select a set of authors who directly or indirectly created new ways of thinking useful in the construction of the new paradigm.

The second element is the analysis of trajectories, sources and beneficiaries which determine the cognition processes related to sustainable development as a global, secular and holistic phenomenon.

The third element is a set of monographic studies of the multiple egos which are the sources and beneficiaries of sustainable development. We need also an institutional analysis of the whole set of subjects functioning in the differentiated conditions of the global scene.

The fourth element are the secular studies described in chapter V.

It is clear that the agenda can be formulated in different ways following different theoretical, methodological and empirical assumptions. I think however that in each case we will find the necessity to outline the new paradigm as an attempt to leave the old field of old questions and old ways answering those questions.

In the final conclusion I would like to stress the preliminary character of this paper. I hope that the interested persons will forgive me that in this paper you can find some oversimplified judgments which are not supported by appropriate empirical documentation. I hope that these weaknesses can be forgiven under the assumption that this paper is a real inducement on the way to create a new paradigm of sustainable development²¹.

²⁰ S.P. Huntington, *The Clash of Civilizations and the Remaking of World Order*. Simon and Schuster, N.Y. 1996.

²¹ Compare A. Kukliński, *Memorandum I and II* in *Reopus* volume two.

THOMAS SCHAUER

THE LISBON STRATEGY AND THE CHALLENGE OF SUSTAINABILITY

1. Some questions about the Lisbon Strategy¹

The new information and communication technologies provide new challenges for all countries on the globe. Presently, their introduction is mainly seen related to the competitiveness of the European economy on the world markets. This was also the background of the Lisbon Strategy which was published in 2000:

*“The Union has today set itself a **new strategic goal** for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. Achieving this goal requires an **overall strategy** aimed at:*

- *preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;*
- *modernising the European social model, investing in people and combating social exclusion;*
- *sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.”*

But will this strategy really be the guarantee for a successful and prosperous Europe in the 21st century? It seems that the term sustainability is interpreted in a one-sided way in the strategy, focussing on mere economic growth.

One may even question whether the authors had any other aspects, such as the ecological, social and cultural dimension of sustainability in mind when they edited the strategy. There are not many details on these aspects in the document, and those which exist have a strange “taste”. For example there is the following statement:

“Information technologies can be used to renew urban and regional development and promote environmentally sound technologies. Content industries create added value by exploiting and networking European cultural diversity.”

¹ compare Z. Sadowski, Europe and the goal of sustained development, Reupus volume Two.

And cultural diversity is not seen as a value itself but as an object to be exploited by the content industries. The Lisbon strategy is thus following traditional politics: As labour productivity is steadily increasing, and therefore unemployment grows, the only “way out” is seen in enhancing economic growth in order to re-employ the part of the population which has become obsolete for the economy.

In a way, the Lisbon Strategy can be even seen as a symptom for a critical development in sustainability discussions. Starting from the ecological orientation in “Limits to Growth”, there were later concepts which focussed not only ecological sustainability but took into account social aspects as well. The Brundtland Commission on the Environment and development was a first sign for such a compromise which took into account both “dimensions” of sustainability, namely the ecological and the social one. However, setting guidelines in these dimensions is related to some costs because neither higher levels of environmental protection nor higher social standards can be realised without financial resources. Therefore it was not surprising that industry came up with a different concept and introduced the “economic sustainability” as one of now three pillars. Defining economic sustainability as economic growth has made it easy to argue against ecological and social measures and to declare them as “economically unsustainable”. Claiming the three pillars to be of equal importance, progress in sustainability discussions is difficult to be achieved.

Ecological sustainability was since then only one of three (or four, if we include the cultural sustainability) aims to be followed and now we find even this very strange interpretation (or was it just lack of reflection and sensitivity?) in the Lisbon Strategy.

Two additional critical remarks with respect to the Lisbon strategy may be useful for the design of future policies.

- 1) The focus of the strategy is on dynamics and competitiveness. Europe should become the “most competitive” economy. This means, in other words, that Europe wants to get a superior position with respect to its neighbours, who then would have to be logically less competitive.
- 2) Europe sees its future in a technology in which the region is running behind its main competitor, the U.S. and Japan. Employees of the Commission in Brussels work with the Microsoft tools, even though free software is available and could be further developed. If Europe wanted to strengthen European competitiveness in the IT sector, the first measure would be to create an open source office software standard in the Union.

The alternative to the knowledge-based economy would be the most competitive sustainability-oriented economy. Of course, this economy would also include information technology, but this technology would be subordinate to the major goals of environmental, social, economic and cultural sustainability.

2. Belief in Technology

The Lisbon Strategy could even lead to an environmental disaster if the economic growth did not occur in a dematerialised economy but continued to enhance resource consumption. The Lisbon Strategy is therefore based on a belief which has meanwhile proven to be incorrect (for a detailed analysis please see the publication “The Sustainable Information Society—Vision and Risks”). There is no reason for the assumption that the information society will be more environmentally friendly than the industrial society. Information technology has quite a variety of harmful environmental effects. There are primary effects which are related to the hardware itself and there are secondary effects which are related to the way we use the technology.

- The production of the devices consumes quite a lot of resources and the computers themselves have become large energy-users. In California the server farms have even led

to problems with energy supply. And after a relatively short time the devices remain as electronic waste with quite a variety of harmful compounds.

- In principle we could use IT for substitution of resource intensive procedures. For example meetings could be replaced by virtual events and we could have paperless offices. But actually we had hardly progress in that area.

3. The Commission Strategy on Sustainable Development

The European Commission has designed a document which is much better suitable for agenda-setting within the decades ahead, the Strategy on sustainable development. This strategy (in the following abbreviated with the term “Sustainability Strategy”) starts from major challenges which Europe is facing. The main threats to sustainable development are identified as following in the strategy:

- Emission of Greenhouse gases leading to climate change which involves more hurricanes, floods etc.
- Antibiotic-resistant strains leading to some diseases, hazardous chemicals and threats to food safety
- Poverty (one in every six Europeans lives in poverty and this poverty often remains with families for generations)
- Ageing of the population, in many EU members states spending for pensions could increase by up to 8% of GDP
- The loss of biodiversity has accelerated drastically within the recent decades, fish stocks are near collapse
- Transport congestion has been rising rapidly and is approaching gridlock and urban areas face more and more problems.

These are tremendous problems and these may give reason to some fundamental criticism of the Lisbon strategy because many of them are a consequence of former growth-oriented strategies, which were “successfully” leading to increase of GDP on cost of our natural resources. We may have however some hope for the future. Maybe, it will be possible to direct the development towards higher resource productivity and to achieve economic growth without increasing resource consumption. This will however need strong efforts because (information) technology will not be tool to guarantee a decrease of resource use automatically. Mother Nature, if we would ask her, might even find another reason for hope: It would be the first time in history that a continent, having just lost its empires and now approaching a demographic disaster, would have the energy to become the most competitive region on the globe...

Literature

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http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00100-r1.en0.htm

The Communication from the EU-Commission “A sustainable Europe for a better World: A European Union Strategy for Sustainable Development” <http://europa.eu.int/comm/environment/eussd/>

“The Future of Europe. Seven methodological reflections”, by Antoni Kukliński in Reupus volume Two.

“The Sustainable Information Society, Vision and Risk” by Thomas Schauer, ISBN 3-89559-042-8, download from <http://www.global-society-dialogue.org>

**ILDIKO TULBURE
ALEKSANDER ZIDANŠEK**

ANALYSING SUSTAINABILITY IN THE INFORMATION SOCIETY

1. Technological Divides

Technological divides are gaps between societies or specific societal groups in access as well as in ability to use new technologies in practice. We started at the beginning of the project with this standard definition for *Technological Divides*. Using our studies and analyses during the project work we concluded that this definition has to be adapted by taking into account regional differences, mentalities, traditions and understanding ways of what technologies are and how have to be used. Only by taking into consideration these aspects a real and true diagnosis of the existing world-wide situation in the field of Divides can be made. This makes of course the problems much more complicated than they have been before.

Although certain countries in Europe or America seem at first view to be not affected by the divides, the careful analysis of the situation permits to recognise that there are divides between different societies and within societies between generations. More interesting is the fact that even within a country there are big regional differences concerning the Divides, particularly between big cities and rural areas. A gap has also been noticed between different educational levels within the same population, as described in the Third report of the tt30 project *Overcoming Technological Divides* (Tulbure et al., 2004).

The problem is not limited to mere access. Broader approaches indicate the importance of actual ability to use (know-how) new technologies. Hence the issue can be analysed on the two basic levels being access (i.e. infrastructure) and ability to use (i.e. know-how and learning capacities). It was emphasised that the problem should not be restricted to information and communication technologies (ICT) as gaps emerged also in the domains of other technological fields such as energy supply technologies, biotechnology or nanotechnology.

Technological divides can be analysed from the numerous perspectives, e.g. economic, social, cultural, ethical or R&D. In general, they emerge and grow as a consequence of polarised economic and social development. As economic growth is spread unequally in space, similarly generation and transfer of new technologies is mostly constrained to the richest. New technologies, serving as a tool of further development, have thus mostly benefited highly developed countries. Although the costs of new technologies generally fall, poor countries cannot afford them without any help. Furthermore one of the key barriers of transferring new technologies to global peripheries is absence of basic infrastructure based on old technologies such as electricity and energy.

Hence identifying and removing obstacles to technology transfer are key problems of overcoming technological divides. It was noted that there has been insufficient policy response to the problem both on the global as well as on the national levels.

New technologies have potential impact on every aspect of human life. Such an overreaching positive influence has been traditionally represented by advances in medicine (e.g. new medicaments and vaccines) or agricultural research (e.g. pesticides, fertilisers). It is to be noted that very often beside positive impacts technological applications do have secondary negative effects. Some of them can not be simply recognised because the time between action and reaction is too long or because the effects are not obviously recognisable.

ICT are today among technologies most visibly affecting everyday life. Digital gap that arose as a consequence of unequal access to ICT separates so-called “information flooded” from “information have-nots”. The phenomenon is called “Digital Divide”.

Lack of access to ICT restricts basic rights to information and education. In developing countries access to ICT is very often limited to the privileged groups thus revealing unfair limits to full participation in social and political life. Those with access to ICT can, in fact, also remain behind the technological divide as some groups are not able to use the tools efficiently. Loads of apparently random information—“information flood”—can cause confusion and disorientation. This reveals another crucial aspect of the problem that leads to much broader issues such as value systems and life styles. It was emphasised that a number of individuals in affluent societies lack basic knowledge and some ethical orientation that normally help to navigate through apparently random world. We can not forget the extreme incident 2002 in the German city Erfurt where a scholar, who used to play brutal games on computer, attacked and did shoot several teachers in a German school. This example is one relevant for decreasing welfare by using IT-applications. This is a new social problem of our information society, which we can interpret as a secondary negative effect of a technological development.

General observation from the above deliberations is that access as well as ability to use new technologies are unequally distributed between societies or, more specifically, between different social groups (vertical divide) and over space (horizontal divide). Having or not having divides are connected with a lot of complicated issues which can bring advantages or disadvantages. This does not mean that we should aim at having divides, not at all, but this means that each problem of recognised divide should be individually analysed. Divides can be analysed at both macro (global, continental, national) and micro (regional, city, community) levels. Hence there is both inter- and intra-society dimension of the problem. It should not be forgotten that there are groups not benefiting from new technologies even within the richest countries of the world. Topics such as social exclusion or emergence of “underclass” have long been problems of academic and political discussions in highly developed societies.

2. Indicators Based Analysis

The goal is to carry out a holistic analysis and an integrated assessment of the existing situation in the field of Divides, especially Digital Divides in this first step. The result should be a better understanding of potential effects on society and environment because of the use of ICT. European, African and Latin American regions have been especially taken into account in comparison with the situation in the US and Japan.

Such an analysis is made using many detailed or aggregated indicators, not only from the technical field, but also from economic and social field as well. Statistical data have been collected

from different reports and studies published by UNDP, OECD, IST-Programme of EU in different years and from several web-sites.

In the field of infrastructure and of internet users America and Europe seem to have a good position in the world, see figures 1 and 2, source: World Telecommunication Indicators 2002, ITU.

Figure 1: % of worlds internet hosts, 2001

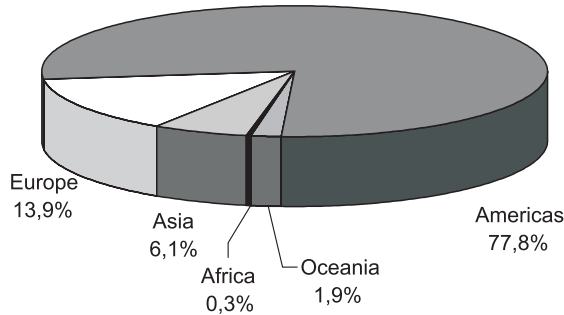
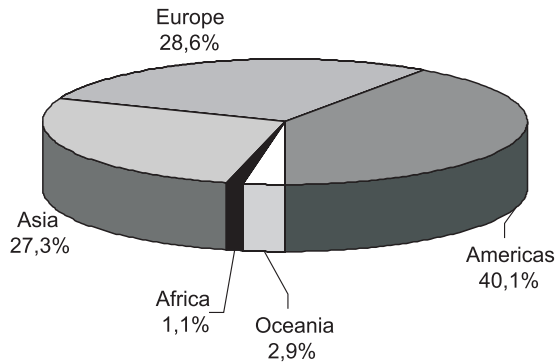


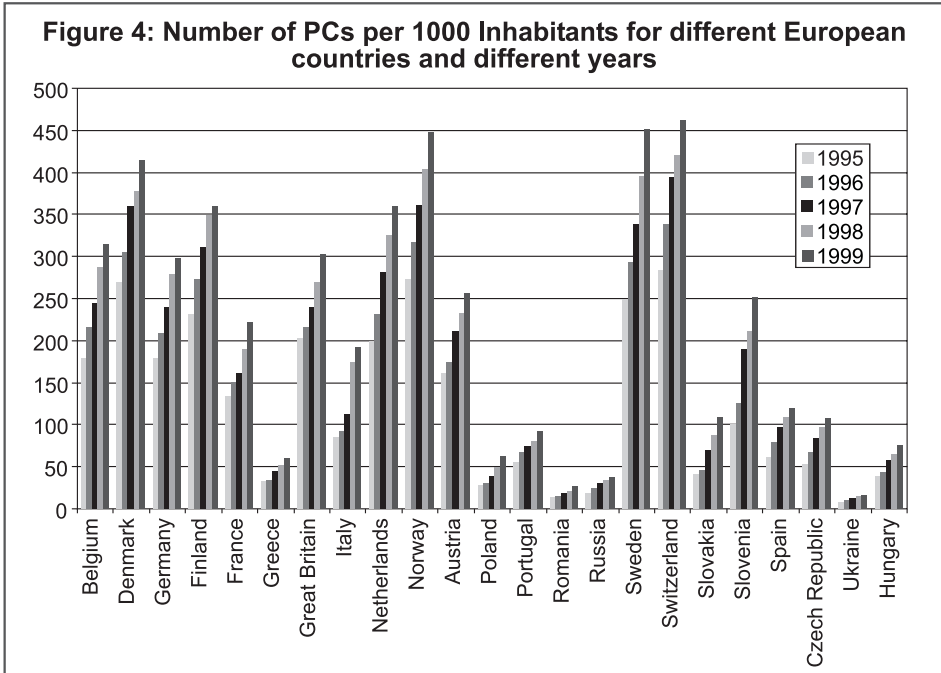
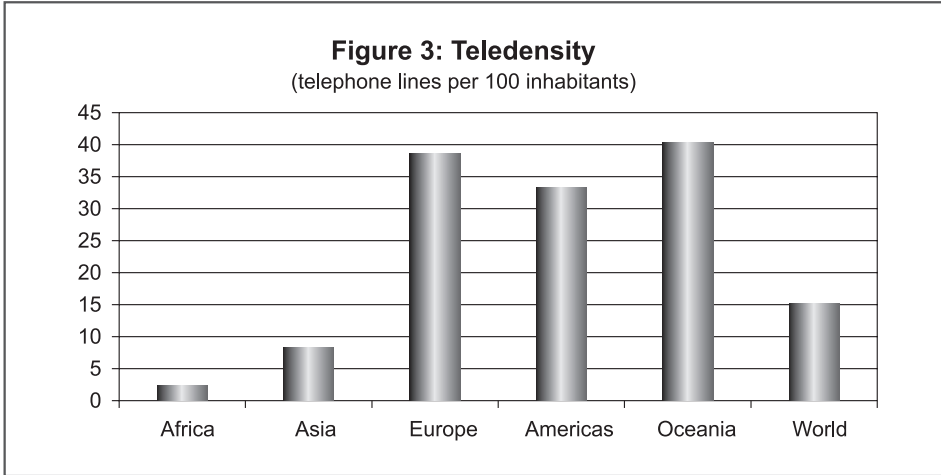
Figure 2: % of worlds internet users, 2001



The infrastructure access is improving rather quickly. A recent study on internet use in Slovenia has shown that percentage of households with Internet access at home increased from 15% in 1999 to 45% in 2003 which is close to the EU average of 49% (Ministry of Information Society, Republic of Slovenia). Similar growth has been observed in other new members of EU.

Analysing the tele-density on a global level (figure 3) we observe that in some world regions building up an infrastructure for ICT use was facilitated because of the existence of lines and cables for phones. Source for figure 3 is the report World Telecommunication Indicators 2000/2001.

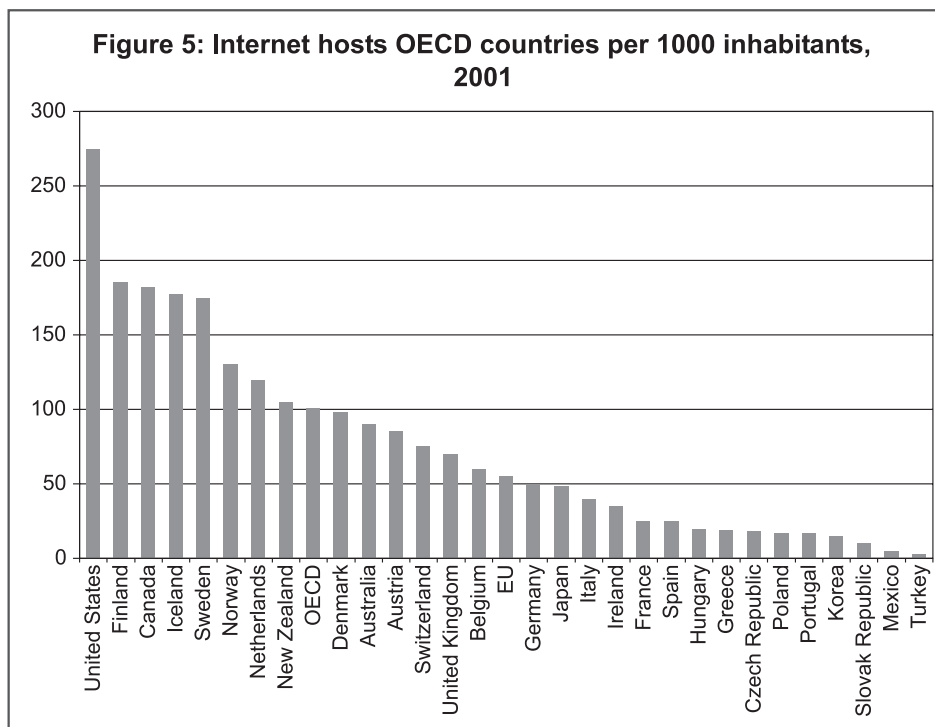
If we concentrate on European countries we can analyse the infrastructure in the field of ICT by taking into account for instance the number of PCs per 1000 inhabitants (figure 4) and the number of internet users (source: ITU, 2002). For the detailed project analysis many other indicators have been considered, see for details (Tulbure 2004).



In figure 5 the number of Internet hosts for OECD countries is given.

Although European countries may seem initially not to be affected by the Divides the careful analysis of the situation permits one to recognise that there are Divides between European societies and within societies between generations. More interesting is the fact that even within a country there are significant regional differences concerning the Divides, particularly between big cities and rural areas. A gap has also been recognised between people of different educational levels.

From our studies of the Digital Divide in Europe, we recognised that European countries may be grouped in three categories:



- The first group being fully “on-line” and is taking full advantage of Information and Communication Technologies (ICT) (mostly Northern European countries),
- The second group being “on-line” but still having some problems in fully using ICT (mostly Western and Southern European countries) and
- The third group is moving into the information age but is still lacking good infrastructure as an important condition for taking all advantages from the ICT developments (mostly Eastern and South-Eastern European countries).

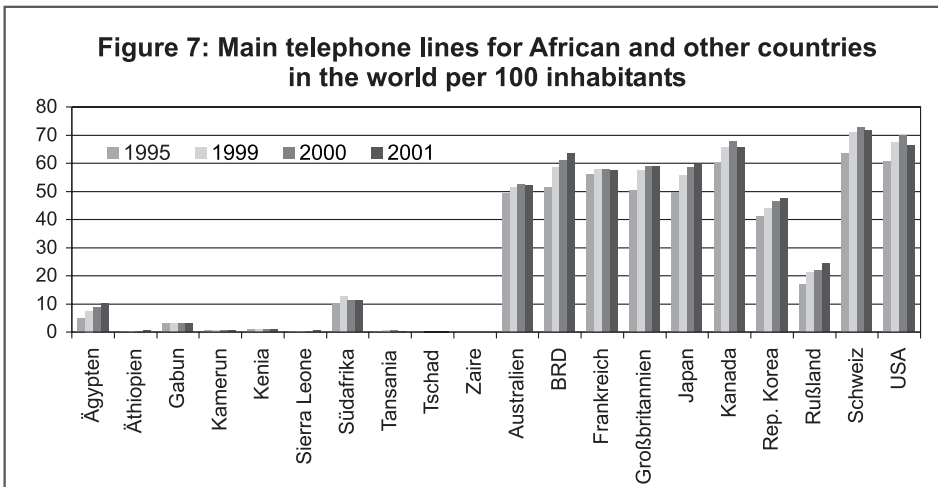
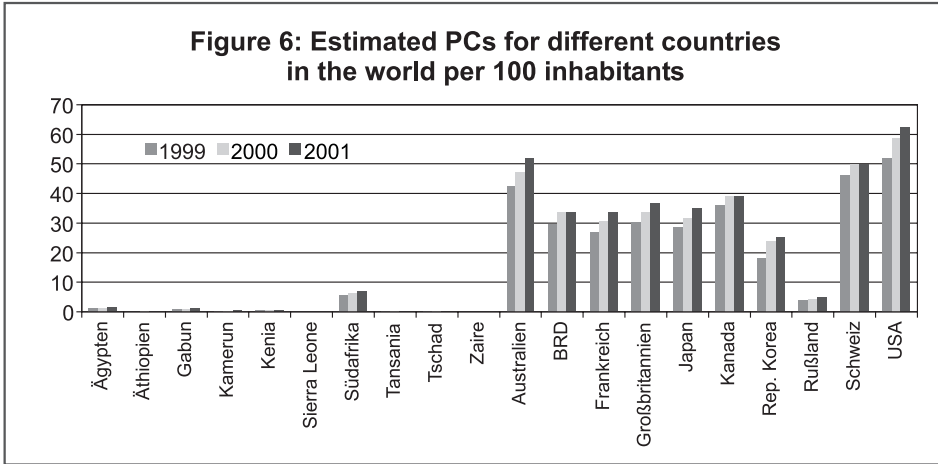
For African countries we remarked that the level in the access to and the use of ICT is much more lower than for European countries (see figures 6 and 7, data from ITU2002). In these figures selected African countries are given in comparison with other world countries. US has the leadership regarding IT infrastructure, but not regarding mobile phones, for which the leadership belongs to European countries.

From our analysis we can state that African countries may be categorised in three groups of countries regarding the access to and use of ICT:

- The first group trying to establish the use of ICT, such as South-Africa and Egypt,
- The second group being in the very beginnings of establishing an infrastructure and use of ICT, such as Gabon, Cameroon, Kenya,
- The third group being almost absent from the developments regarding ICT, like Zaire, Ethiopia, Chad.

From these data come out that there is a big Divide between African regions and other world regions. This Digital Divide has another quality and gravity compared with the Digital Divide between Eastern and Western European countries.

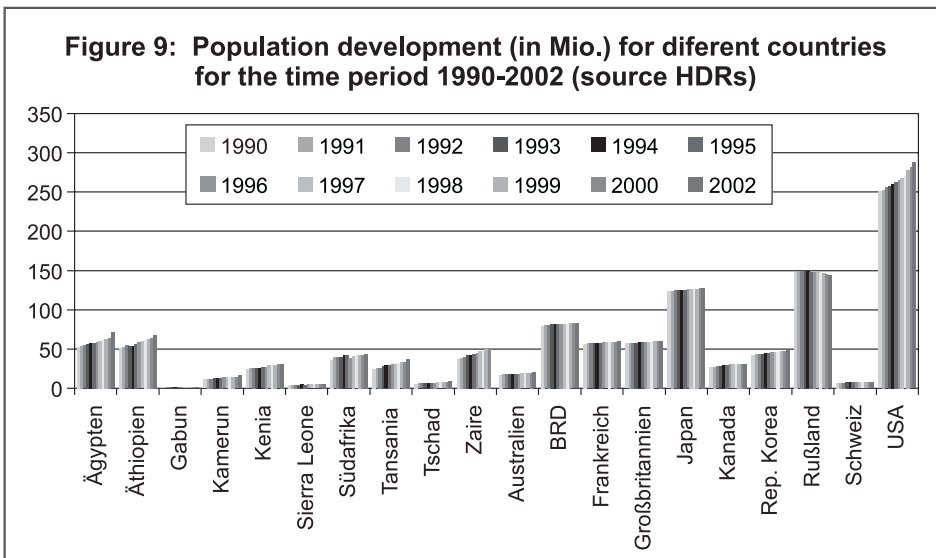
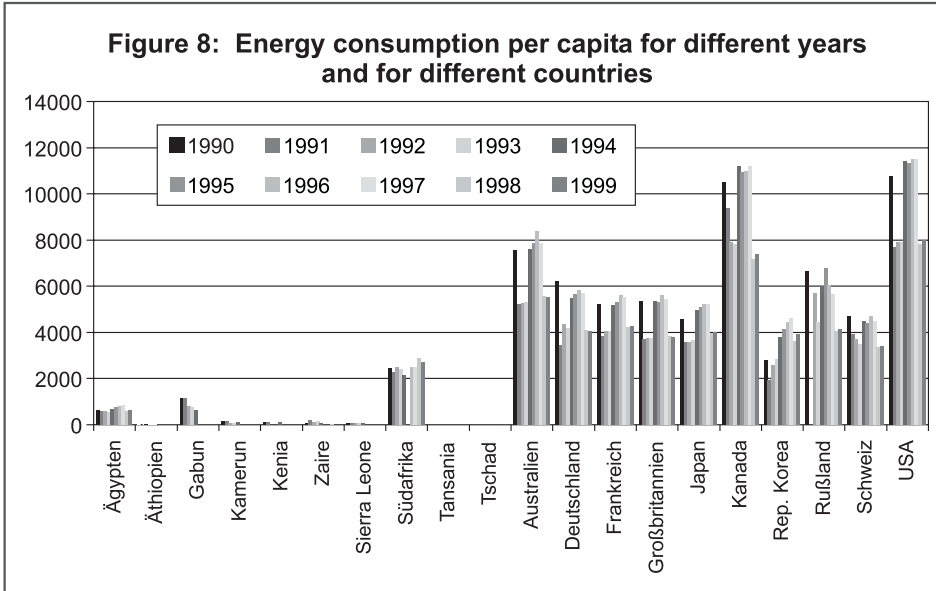
In order to better understand the African situation we have to take into account other indicators as well. For instance important information can give us the population development



as well as the energy consumption in these countries in comparison with other world countries (figure 8 and 9).

For African regions we recognised also a Divide in the field of energy production, distribution and use, called as Energetic Divide. This gap in energy use brings other gaps, like in use of technology, in economic development, in education possibilities of young people etc.

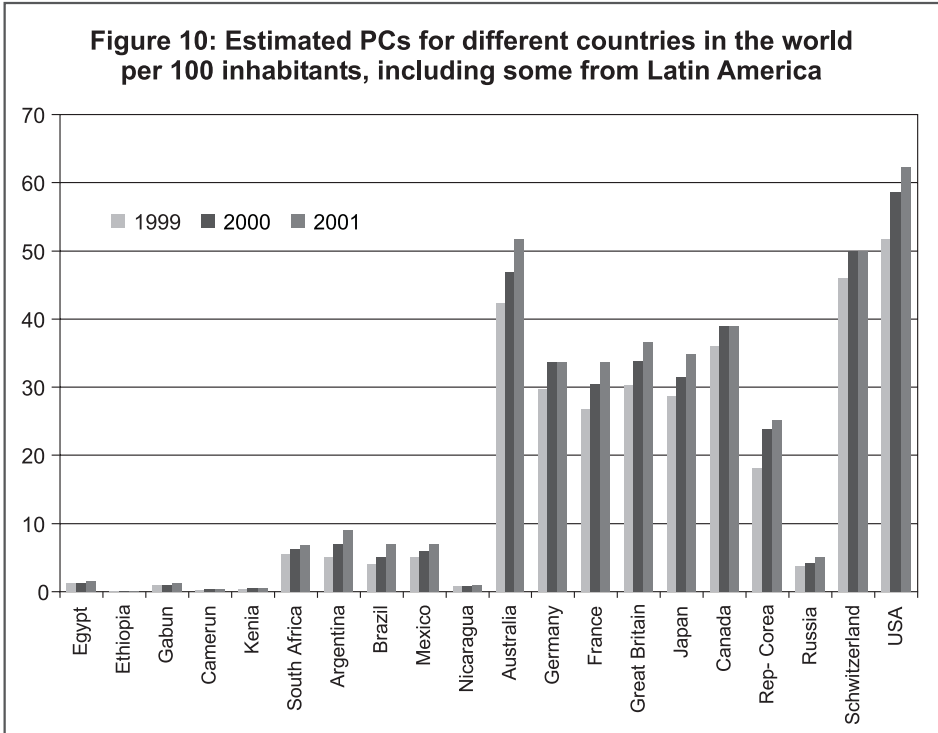
From these figures results that there is a serious Energetic Divide in African countries. The low level in energy consumption shows a poor infrastructure in the energy production, distribution and use. Of course, a low level in energy use is one of the goals of sustainable development, but not in the way as the situation exists presently in African countries. Non-existent infrastructure in energy field causes other problems, like the impossibility to develop economic activities (recognised by low levels of GNP per capita) and impossibility to use ICTs. We can point out from these data that African countries are characterised by an Economic and Digital Divide because of an Energetic Divide. With the population development from the last years emphasised in figure 9 it is to be expected that in the near future the situation in the field of Divides will not become better. It has to be emphasised that the analysis for African regions has been difficult especially due to the fact that data gaining is not an easy process for this part of the world.



For Latin American countries we recognised Divides as well. There are Divides among these countries but also in comparison with other world regions. In global comparison there is a Digital Divide in Latin America, but having another quality than the Digital Divide between African and European countries. For instance in figure 10 the numbers of PCs per 100 inhabitants for some Latin American countries in comparison with other world countries are given.

From our analysis we can state that latin American countries may be grouped in two categories of countries regarding the access to and use of ICT:

- some being at the top of the ICT developments (Argentina, Brazil, Mexico) and
- others being in the beginnings (Nicaragua, El Salvador; Bolivia).



The Latin American countries being on the top of the ICT developments in Latin America are situated in a middle position in an international comparison. It can be concluded that the situation of the top countries regarding ICT in Latin America is similar to the situation of the Eastern European countries. The poorest countries from Latin America are comparable with the middle situated countries from Africa.

An interesting development for Latin American and African countries is represented by the growth of the mobile phone subscribers. A comparison of the situation regarding telephone mainlines with that of mobile phone subscribers deliver the conclusion that in the last years the mobile phone communication registered a very big growth. In countries like Bolivia or El Salvador the number of mobile phones is bigger than the number of telephone mainlines. This is an example for how to bridge the communication Divide by using newest technologies (Tulbure 2004).

It has to be pointed out that the analysis for Latin American regions has been difficult especially due to the fact that data gaining is a complicated process and that regional differences make that data are compiled sometimes using other basic measures.

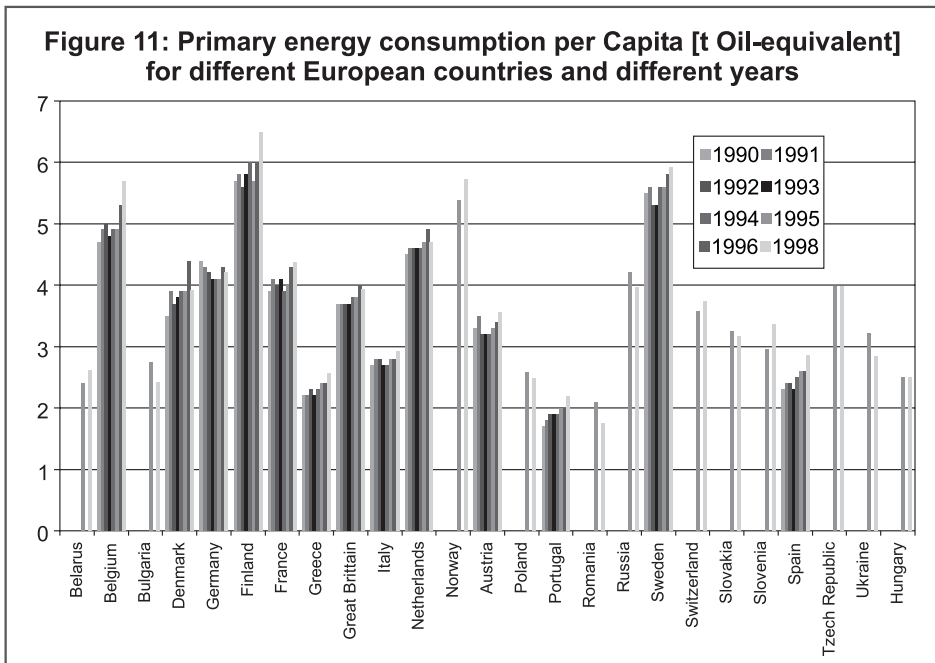
In spite of this situation regarding Divides, the weightings in the different activities to overcome divides do not always correspond to the real needs. This is exemplified by the fact that for instance out of all European ICT projects, only about one-third are located in Eastern Europe and about two-thirds are in Western Europe, even though the needs for development in the field of ICT are clearly greater in the eastern part of Europe. For African countries in the last time a lot of projects started for bridging the Divides. The focus is not only on Digital Divide, but mainly on improving basic infrastructure and in energy field. Reasons are other urgent problems with which the African world is confronted. The same situation is registered in the poorest countries of Latin America.

Methodical problems

It has to be pointed out that the comprehensive world-wide analysis and diagnosis of the situation regarding Divides has been very difficult especially due to the fact that data are not always available, data mining is a complicated process. To this come that regional differences and different mentalities make that data are compiled sometimes using other basic measures. The interpretation of indicators and of usage of technologies can be different in different world regions. This makes almost impossible the general interpretation of indicators.

3. Integrated Assessment Regarding Rebound-Effects

Integrated assessment means making correlations with other fields and analysing the state in a comprehensive way. Because of the big amount of data in the following for exemplification only European societies will be considered. In figure 11 one can find values for European countries concerning primary energy consumption per capita and in figure 12 concerning GNP per capita. Data sources used here are very different as from UNDP, EEA (European Environment Agency), WIR (World Resource Institute), EUROSTAT, OECD.

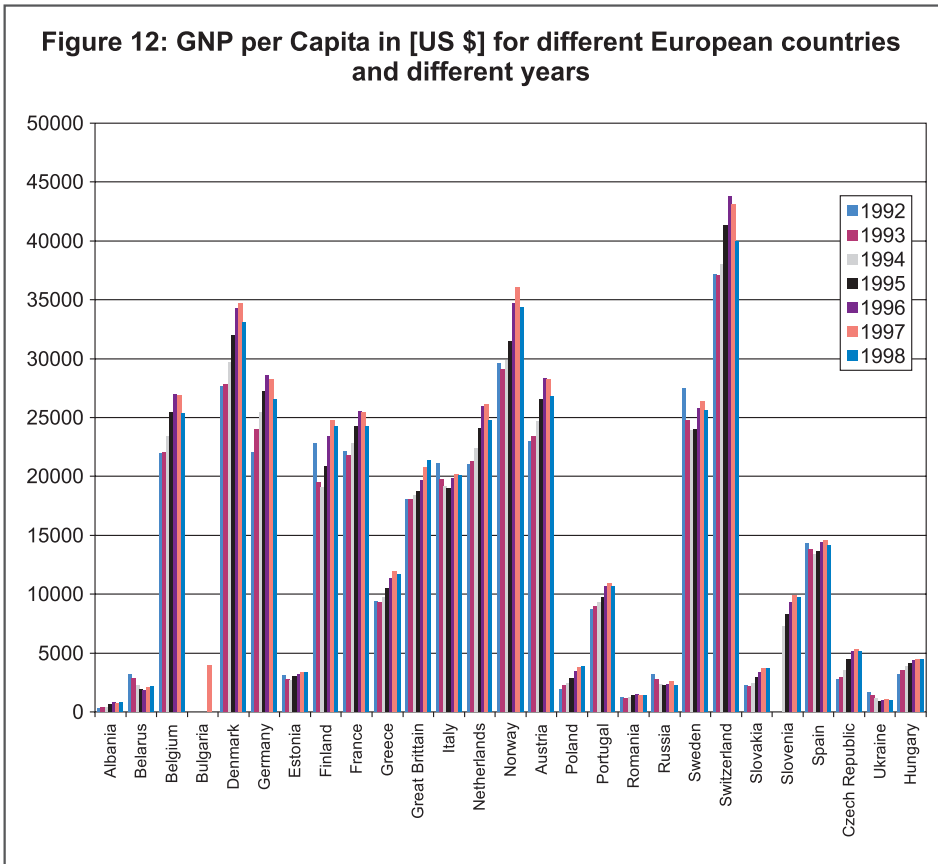


There is a general belief, that by realising the *Information Society for All*, the sustainability of our society will be naturally assured. Contrary to this widespread belief, the results of the project work show that, should the present ICT usage patterns continue, the sustainability of our society would be questionable. Our work demonstrates that the emergence and use of ICT have, in addition to the primary (desired) effects, secondary (negative) ones on several human activity fields and on the environment.

The comprehensive question with which projects in the ICT-field are dealing can be formulated like: Does the Information Society assure per se the sustainability of our society? What are the

sensible factors, which will play an important role in this context? (Terra 2000). There are a lot of impact fields of ICT, but one of the most important, which has been a little bit neglected in the last time is the environmental one.

Radermacher stated some years ago that an increase in the efficiency of technological applications does not implicitly lead to a decrease of energy use and of environmental stress because of changes in human lifestyles. It has been demonstrated that so called “rebound-effects” do over-compensate the effects of efficiency increase by giving more and more possibilities to spend free time in a very energy intensive way (Radermacher 1998).



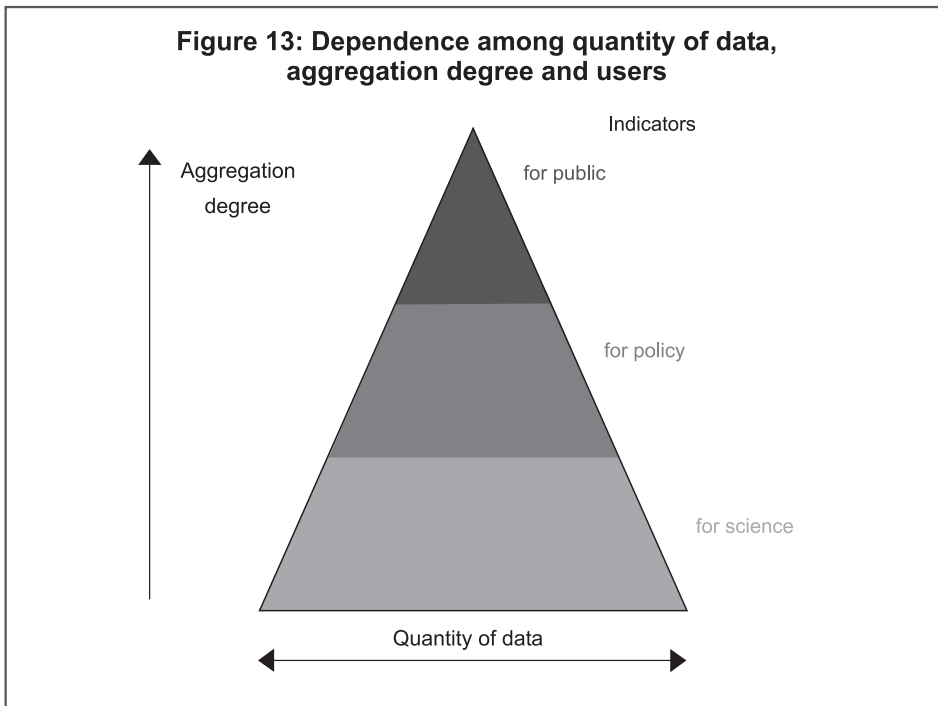
We concluded from our studies that while the development and expansion of the Information Society is necessary, *it does not assure per se* the sustainability of our society. From analysed scenarios for European conditions came out that, for instance, an increase in the efficiency of technological applications by using IT-applications does not automatically lead to a decrease of energy use and of environmental stress because of changes in human values and lifestyles (Terra 2000). *Rebound-effects* do, in some cases, eclipse the positive effects of efficiency increase. Rebound-effects are to be expected not only in the energetic and environmental arenas, but also in the social and cultural sphere. Potential rebound-effects represent a danger for the sustainable development of societies.

For instance with regard to e-working several studies concluded that using the possibility of e-working at home, so more rarely travelling to the office, does not mean automatically

a reduction of the total mileage and of the primary energy consumption (TERRA2000). The same interpretation one can carry out also for other IT-applications, like of on-line-informing and for paper consumption. So the vision of the “paperless office” in Brussels remained until now only a nice dream, because the paper consumption increased in the last decade. The CO₂-emissions as well as NO_x and SO₂-emissions are connected with the energy and paper consumption that means that they are growing.

Scenarios are very important to point out the chances and challenges related to the emerging Information Society. In the context of the tt30 project we analysed the various possibilities to develop scenarios. We recognised two important ways, like using models and running simulations, or by using scenario writing. Both of methods has advantages and disadvantages. We analysed the concrete situation of Slovenia based on an analysis of existing programmes on national levels and possible future developments as results of these programmes. As an important conclusions it came out that the *ICT education* already in primary schools has a positive effect on the emerging of the Information Society, but not only an education for use of ICT but combined with an education which promotes the values of sustainable development.

We recognised for instance from figure 11 that in some countries the primary energy consumption increased in last years as for Finland, Sweden or Belgium. These countries have registered also an increase in ICT-use in the last years. Between environmental rebound-effects and energy consumption there is a strong connection, so that such diagrams give important information about, but of course we have to handle carefully such interpretations. The energy consumption in Eastern European countries did decrease in the last time. Awfully it is not always a result of efficiency increase in energy use, but for many countries an economic stagnation after the events in the 90’.



Based on this analysis it can be concluded that although the emerging information society is a necessary condition for a sustainable society, it does not assure per se the sustainability of our society. An increase in the efficiency of technological applications can also cause rebound-effects, which over-compensate the effects of efficiency increase.

Indicators used until now are simple indicators. In order to make integrated evaluations a lot of detailed information is needed. The other possibility is given by using aggregated indicators which allow making assessments having not very detailed but aggregated information. Actually choosing simple or aggregated indicators is given by the followed goal. The dependence among quantity of data, aggregation degree and users of indicators is represented in figure 13. There are several aggregation possibilities. Detailed and aggregated indicators do have each of them advantages and disadvantages; see for details (Tulbure 2001a).

4. The Role of Education in The Information Society

Carrying out a comprehensive analyses of the world-wide existing situation in the fields of Divides we concluded that the issue of *education* is one of the most central points in this regard (Tulbure 2004). We consider *education* as the key issue in promoting the properly use of technologies, of ICT and in promoting sustainable development, thus in finding solutions for overcoming Divides and for sustainability of our society. We called it a “holistic education for sustainable development”. In his book “Continuity, Innovation and Change”, HRH El Hassan bin Talal, President of the Club of Rome, pointed out the need for education as a key issue for achieving these three human goals: continuity, innovation, and change. This three desiderates are actually the base for assuring the world-wide sustainable development.

We studied *education* in a systemic way and we recognised three important dimensions of education: *infrastructure, methodologies and values* (Tulbure 2004). All these three dimensions of education are of crucial importance for the educational process regardless about which region we are talking about. *Frameworks* (economic, politic, social, cultural) are, in our opinion, the bound element between these three dimensions. The question we followed was how do these three spheres influence the educational processes and how important are these three spheres in this discussion. In our trying to better understand the impact of these on education we detailed these three spheres and defined for each of these three spheres important elements in form of quantitative or qualitative indicators.

In order to test their sensitivity with regard to educational processes we developed a *mathematical model*, not a classical one, but one based on newer analytical tools, i.e. fuzzy logic. By using fuzzy logic the possibility to consider qualitative or uncertain information in systems modelling is given, which encourages applications in several interdisciplinary fields (Tulbure 2003). Regarding infrastructure, methodologies and values as spheres of the education system, we tried to find similarities for different world regions, this means same characteristics for similar regions. Several simulations in form of some scenarios have been run by using the fuzzy logic based model.

Conclusions drawn show that the available infrastructure is not the most important issue for properly educating people from the comprehensive aspect of sustainable development. Even more, the sphere of values do play a very important role. In the field of environmental education we found out that values are decisive. Also educating people world-wide for tolerance and for accepting other cultures or traditions is much more important than having a very good infrastructure. Of course these considerations are valid for basic education, and not for high level education for instance for research goals. The developed model is a simple one. Its goal is not to give some numbers sets as a result, but to help discussing on a scientific base about what should be made

in order to improve educational processes with the common goal of sustainable development and of a better world.

5. Conclusions

The emergence and use of ICT have impacts in all human activity fields. The comprehensive question is if the Information Society will assure the sustainability of our society. Several scientists point out that an increase in the efficiency of technological applications by using IT-applications does not implicitly lead to a decrease of energy use and of environmental stress because of changes in human lifestyles. Such conclusions can be recognised from statistical data as shown in this paper:

So called “rebound-effects” do over-compensate the effects of efficiency increase by giving more and more possibilities to spend free time in a very energy intensive way (Schauer 2000, Tulbure 2003). Rebound-effects are to be expected not only in the environmental field, but also in social and cultural one maybe in economic one too. The conclusion is that emerging the Information Society is necessary *but does not assure per se* the sustainability of our society.

Under certain conditions rebound-effects could occur which have as a result the increase of energy consumption and of environmental pollution. Social factors are very important and influence in a decisive way the energy consumption and generally our consumptive lifestyles. It follows that the issue of educating population for energy saving is a very important one.

From the presented research in the field of Divides we can conclude that there are Divides in the world in the access to ICT and other technologies as well as in ability to use them and in effective use. For correctly appreciate these Divides regional differences and traditions have to be considered. In our project we agreed to define Divides like lack of opportunities to use needed technologies in a certain region. We recognised that also within a country there are significant regional differences concerning the Divides and there are Divides between generations. These are against the principles of sustainable development of our societies.

A general challenge researching the field of Technological Divides in a holistic way is the fact that existing indicators used to describe Divides make hardly possible a comprehensive state diagnosis. These indicators characterise the technical infrastructure and the usage rates of technologies, but do not express the real personal skills, real needs of the society, the real values and the real quality of life. On the other hand, indicators for quality of life used nowadays do not allow measuring the impacts of using ICT on welfare. For instance, the famous Human Development Index (HDI) of the United Nations Development Programme is not allowing this connection. Exploration of the connection between indicators for ICT field and quality of life, taking into account regional differences, is till now only sporadically been made. New methods are needed which allow a better integration of qualitative aspects and quantitatively described indicators.

Acknowledgement

The present paper results from the activities of the global think tank tt30 of the Club of Rome in the time between September 2001 and August 2004 with important contributions from the team of the tt30 project *Overcoming Technological Divides*. We want to mention particularly the contributions made by A. Vali, P. O. Pleuss, M. Miedzinski, C. Berg and M. Raykovska. We are thanking them for their involvement and spent time with the project context.

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ELŻBIETA GOŃCZ

DOES THE FUTURE JUST HAPPEN?¹

1. The global future

The future of the world system can be perceived from different angles. The scientific and knowledge based approach necessitates looking at the world system from the systemic perspective, analyzing it at different levels (see the *world problematique* on the www.clubofrome.org website), drawing conclusions and formulating scenarios, as has been done with the Club of Rome's three reports *The Limits to Growth* (LTG), *Beyond the Limits* (BTL) and *The Limits to Growth, the 30-Year Update* (LTG III). All these reports confirm, at least for people who have faith in numbers, that "the highly aggregated scenarios of World3 still appear, after 30 years, to be surprisingly accurate. The world in the year 2000 had the same number of people (about 6 billion—up from 3.9 billion in 1972) that we projected in the 1972 standard run World3.² Furthermore, this scenario showed a growth in global food production (from 1.8 billion tons of grain equivalent in 1972 to 3 billion in 2000) which closely matches history³."⁴

From this scientific and systemic perspective the message of the Club of Rome from 1972 remains valid and has been repeated in 2004 to emphasize that resources are in overshoot and that the resulting damage can only be reduced through wise policy, quicker responses and further development of technologies and institutions that are able to cope with the challenges.

When reviewing the process of improving world governance over the past 30 years, during which we have been informed that the system might collapse by about 2050, it has to be admitted that most of the actions taken have been of a purely legal nature. Over 500 international laws, treaties and acts have been drawn up and signed with the aim of improving environmental performance worldwide. The European Union has produced 6 environmental programs since 1973 and several hundred directives and communications with reference to sustainable development and

¹ The contents of the present article are a summary of the author's statements and interventions made at the Conference of the Polish and German Associations for the Club of Rome held in Warsaw on 19–21 of November 2004 and entitled *The Future of Europe—The Global Future; Club of Rome*. As such, the contents represent the author's individual opinions and value statements which may not necessarily be shared by all Members of the Polish Association.

² See Meadows et al., *The Dynamics of Growth in a Finite World*, pp 501 and 264, for the LTG numbers which match the actual numbers in Lester Brown et al., *Vital Signals 2000* (New York; W.W. Norton 2000), p. 99.

³ See Meadows et al., *The Dynamics of Growth in a Finite World*, pp 501 and 264, for the LTG numbers which show an increase of 67% from 1972 to 2000, agreeing well with the 63% increase in world grain production reported in Brown, *Vital Signals 2000*, p. 35.

⁴ Meadows D., Jorgen Randers, Dennis L. Meadows, *Limits to Growth: The 30-Year Update*; Chelsea Green Publishing Company, White River Junction, Vermont, 2004, p. xviii.

environmental protection. The United Nations and the UNDP, as well as the World Bank⁵ are working on the Millennium Declaration, which is implemented by sets of indicators which measure its progress⁶. On the other hand it should be emphasized that there has been a rapid expansion of the information systems available to all those interested. Yet, although much seems to have been done, the scenario of collapse is still proceeding.

Let me cite here one of the lesser known formulations of sustainability by Gro Harlem Brundtland, which differs from the standard short definition known from the UN Report *Our Common Future*: "Sustainable development does not imply absolute limits to growth and it is not a new name for environmental protection: it is a new concept of economic growth... It is a process of change in which economic and fiscal policies, trade and foreign policies, energy, agricultural, and industrial policies all aim to induce development paths that are economically, socially and ecologically sustainable. It requires more equitable distribution and equal opportunities within and among nations."⁷

Twenty years after it was formulated the world development path is far from being economically, socially and ecologically sustainable. Wealth is becoming more concentrated than ever before. Although there is more cohesion between nations in Europe, there is an ever greater disparity of opportunity within individual nations. This is also a by-product of EU structural and cohesion policies. Total contributions towards development assistance decreased from 68,808 million USD in 1992 to 53,058 million USD in 2000, which means 0.33 of the world GNP in 1992 and 0.22 of the world GNP in 2000⁸, just the opposite of what is needed and declared. There are only two countries in the top 15 whose development assistance contributions did not decrease in the last decade of the XX century, both in absolute figures and as a share of the GNP. These are Denmark and Great Britain. The contribution of Japan has grown in absolute numbers, but decreased as a share of the GNP.

The global future perceived from the systemic and scientific perspective does not look optimistic. This is, however, not the only perspective from which to view it. Each individual has his or her own perspective which is influenced by mind sets which are an outcome of cultural background, level of education, type of personality and inner drive to act and/or resonate.

It would be extremely interesting to undertake a study of the typologies of such mind sets to discover if and how they differ nationally, for example within Europe or between Europe and America. Perhaps our different national approaches, as well as the European approach to the future of an integrated Europe and its role in shaping the world system are deeply rooted in different historical experiences and cultural backgrounds. A first attempt at this seems to have been made by Wouter van Dieren⁹ in his interesting presentation at the 2004 Annual Conference of the Club of Rome in Helsinki (encl. 1). Three of the four world mental models presented are determined by the North American world view. The authors to whom van Dieren is referring are North American writers. The only "European" perspective is represented by Ms Gro Harlem Brundtland.

In our thinking about the global future we are far from adopting a single approach. This single approach is needed for agreement on basic strategies and actions. The efforts undertaken

⁵ See *Global Monitoring Report 2004*; Publishers: The International Bank for Reconstruction and Development / The World Bank, Washington, available on: www.worldbank.org.

⁶ See the Millennium Declaration available on: <http://www.un.org/millennium/declaration/ares552e.htm>.

⁷ Lafferty William M., Morten Nordstad, Wilde A. Aakre, *Realizing Rio in Norway: Evaluative Studies of Sustainable Development*, University of Oslo, Program Prosus, Oslo 2002, p. xvii.

⁸ Flavin Christopher, Hilary French, Gary Gardner, *State of the World 2002*, The Worldwatch Institute, W.W. Norton, New York, London, 2002, p. 185, Table 8-2 based on the data of the OECD, Development Assistance Committee.

⁹ Wouter van Dieren, IMSA Amsterdam, *Overcoming Ignorance: NGOs and Civic Engagement*, presentation delivered at the 2004 Annual Conference of the Club of Rome, Helsinki 11-12 October 2004.

in the past 30 years since the LTG was published have been disappointing. Perhaps more effort should be invested in structuring one approach to the global future. The studies of different national and trans-national world mental models could shed light on why the efforts have not been effective in spite of all the knowledge gained. In this sense the Club's of Rome mission is not over.

2. The Club's of Rome mission at a global level

The mission of the Club of Rome, as specified on its website¹⁰, reads as follows:

*“The Club of Rome’s essential mission is to act as an independent, global, non official catalyst of change”, a catalyst therefore that is free of any political, ideological or business interest. The Club of Rome contributes to the solution of what it calls the **world problematique**, the complex set of the most crucial problems, political, social, economic, technological, environmental, psychological and cultural, that face humanity. It does so by taking a global, long term and interdisciplinary perspective, aware that the “**increasing interdependence** of nations and the globalization of problems pose predicaments beyond the capacity of individual countries”.*

The overshoot of global resources, unsuccessful implementation of environmental legislation and growing political and environmental pressures and lack of successful responses to these pressures all call for a continuation of the mission of the Club of Rome, a mission which is as yet unfulfilled. The message has been addressed and the problem has been identified but remains unsolved. No normative strategies or list of recommended actions will help. It seems that many of these strategies and lists of actions have been formulated without real change being brought about. According to UN Secretary General Kofi Annan¹¹, “...we have the human and material resources with which to achieve sustainable development. What is needed to achieve a peaceful, prosperous common future is leadership, creativity and goodwill”. How can this be put into practice? Is the Club of Rome able to initiate a comprehensive study of the issue of global governance by a detailed analysis of the existing structure and the role of different institutions? Such a study would stimulate world discussion about the need for an improved model of the system of world governance. Many key institutions in the existing system suffer from a profound “democratic deficit”, while their decisions affect people’s daily lives from the safety of the food they eat to the amount their governments spend on environmental protection or social welfare¹². The UN, WTO, IMF and World Bank are among these institutions. But of course, there are many others who belong to the global governance institutional framework. As Prof. Antoni Kuklinski urged at the debate in Warsaw, a study of this kind should break down all the barriers of conventional wisdom, political correctness and individual self-seeking. The selection of the research centres to perform this task would have to be made very carefully and their independence of political, ideological or business interests ensured.

¹⁰ www.clubofrome.org

¹¹ Flavin Christopher, Hilary French, Gary Gardner, *State of the World 2002*, The Worldwatch Institute, W.W. Norton, new York, London, 2002, p. xviii.

¹² Flavin Christopher, Hilary French, Gary Gardner, *State of the World 2002*, The Worldwatch Institute, W.W. Norton, new York, London, 2002, p. 194

3. Mission of national associations for the Club of Rome

The national associations for the Club of Rome have different missions to fulfil within the general framework of the Club of Rome's mission. The clear role of the national associations is to transfer the outcomes of international discussions in the Club to the general public at national level. Some organizational innovations might be helpful in increasing the efficiency of such efforts and activities. The calling into being of the Baltic Chapter of the Polish Association¹³ can be considered one such innovation. Diminution of the generation gap in the Club of Rome should also be accelerated through the national associations.

The support given by one national association to another association's projects could add value and increase the effectiveness of co-operation within the network. The Global Marshall Plan—A Planetary Contract¹⁴, initiated and supported by the German Association, can be a good example of the kind of project which is worth the support of other associations.

The exchange of good practices in governance and environmental management are other areas in which co-operation between the national associations gives added value. Such close co-operation has been a long-standing tradition between the German and Polish Associations. Thanks to the co-operation between the Polish Association for the Club of Rome, in particular the Baltic Chapter currently being set up with its headquarters in Gdansk, and the International Association of the Club of Rome represented by the Secretary General Mr Uwe Möller, the exchange of good practices between the German Region of Hamburg, Schleswig Holstein and Pomerania has become possible. Since 2000 approximately 250 students, mainly from the EPM (Environmental Protection and Management) in the Chemical Faculty, but also from other Faculties of Gdansk University of Technology and from other Polish universities have, as a result of this co-operation, had a chance to participate in a week-long series of summer seminars devoted to sustainability, environmental protection and management, water management and waste treatment, as well as the implementation of the EU Acquis. Apart from the programs for students, programs have also been run for Pomeranian politicians, administrators, local government officials and also police and crisis management officers. Within the framework of this co-operation with Gdansk University of Technology the experts of the German Association for the Club of Rome are holding an interesting series of presentations and lectures under the common heading of CHALLENGES OF THE FUTURE. In the coming months issues will be tackled such as: Sustainability and Technology, Scientific, Philosophical and Methodological Aspects of Complex Dynamical Processes and Sustainable and Multifunctional Land Use Policy in Metropolitan Cities and Regions.

There are plans in co-operation with the University of Gdańsk to take up the problem of over-regulation in the EU, as well as the future of European foreign and security policy.

It is hoped that such bilateral co-operation as that described above, as well as personal contacts between members from different countries, will be one way of structuring a single approach to the future of an integrated Europe and that it will also stimulate more questions concerning the future, the answers to which have to be found together.

The XXI century has a chance to become the century in which great improvements are made to the world system, of which Europe is an important part. The structure of the European Union itself also has to improve and its final shape is not yet known. The discussion is on. Poland cannot stand aside from this discussion. Polish politicians and the public have to become aware of the fact

¹³ The idea of setting up the Baltic Chapter of the Polish Association for the Club of Rome in Gdansk was initiated by † Prof. Dr. Jerzy Kolodziejewski in 1999. In January 2000 the application was addressed to the Board of the Association.

¹⁴ Radermacher Franz, Josef, *Global Marshall Plan*, Global Marshall Plan Foundation, Hamburg, 2004; www.weltvertrag.org .

that integration with the European Union brings with it a growing responsibility for our common future in the continent and globally. In spite of the fact that the main focus has to be on structural transformations, which themselves require considerable funding which also has to be obtained from European sources, Poland cannot cast itself solely in the role of recipient for EU funding. Neither can Poland insist on a more powerful position for itself without making a contribution to the united Europe and taking responsibility for the world system. This involves serious reconsideration of some of Poland's standpoints, in particular those concerning European security and foreign policy, if indeed Poland has such an agreed standpoint. This difficult discussion could be initiated by the Polish Association for the Club of Rome with the help of experts from the German Association for the Club of Rome. The co-operation of Germany, France and Poland within the Weimar Triangle could become a good forum for exchanging opinions and for consultation in this matter.

4. The Weimar Triangle facing new challenges

The Weimar Triangle was established by France, Poland and Germany in 1991 with a view to intensifying cross-border co-operation and enhancing democracy, prosperity and security. If we take this general statement of purpose literally and ask whether this mission has been fulfilled, the answer is very simple—it has not. It is hardly necessary to argue this, as it is self-evident. At least 5 courses of action could be mentioned for increased co-operation within the Weimar Triangle:

1. Co-operation between higher education institutions and the undertaking of research which will further cross-border cooperation and enhance sustainability¹⁵, democracy, prosperity and security. Within this framework different mind models of the world and the different national perspectives proposed in Part 1 of the present article could be explored;
2. Political support for direct co-operation between the regions with the aim of stimulating an exchange of experiences between the divergent models of the multi-level system of governance such as that of Germany as a federal state, France with its administrative regions or Poland with its quasi self-governed regions which lack the instruments to formulate and implement their own development policies.
3. Political support for more civic initiatives to complement co-operation at government level and strengthen the role of civic society, which, in Poland at least, seems to be in crisis;
4. Consideration of the possibilities of European common security and foreign policy as the next stage of EU integration;
5. Consultation among the Weimar Triangle partners on the issue of a transatlantic partnership for a better, sustainable, more democratic and secure world.

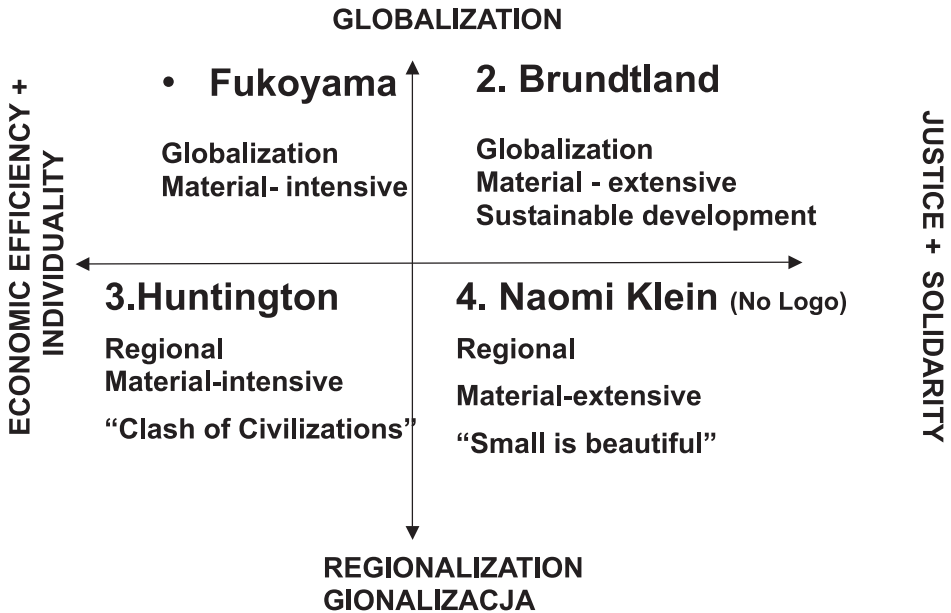
“The concept of sustainability does not really refer to some equilibrium state, not even the stationary state of classical economists, but to a sustainable evolutionary process of **continuous change**. We certainly don't want the existing world structure to be sustainable. We want to improve it.” (Kenneth Boulding 1994)

The author expresses the hope that the Conference of the Polish and German Associations for the Club of Rome held in Warsaw on 19–21 of November 2004 will contribute to increased discourse on the global and European future and to a sustainable process of continuous change within which there will also be room for projects and initiatives in common. The future does not just happen. It has to be worked for.

¹⁵ The UN Decade of Education for Sustainable Development starting in 2005 confronts universities throughout the world with a strong challenge as well as with new opportunities which should be also supported by the Club of Rome and the networks of national associations.

Enclosure 1: The World Mental Models

THE WORLD MENTAL MODELS



ANTONI KUKLIŃSKI

THE FOUR MEGASPACE OF THE XXI CENTURY¹

The inquiry into the nature of megaspaces is a great challenge for Regional Studies of the XXI century².

This challenge has three dimensions:

- a) a cognitive dimension
- b) an empirical dimension
- c) a pragmatic dimension

This note is only an opening statement—an invitation for a brainstorming discussion and on grand international conference, research and publication programme designed and implemented under the auspices of the European Union, OECD and the World Bank.

This note will be developed as a sequence of the following topics:

- I. The concept of megaspace**
- II. Four megaspaces of the XXI century**
- III. The structural gap splitting the European megaspace**
- IV. The limits of the European megaspace**
- V. Four megaspaces as a challenge for the European Union—the OECD and the World Bank**
- VI. Modus Operandi**

I. The concept of megaspace

Let me propose the following definition of megaspace. A megaspace is a grand geographical area representing a big demographic, political, economic, scientific, cultural and military potential recognized very clearly in the global scale. The megaspace is a regionally differentiated area with no barriers limiting the free flows of persons, commodities, information and capital.

Megaspace is an area having a comprehensive and valid statistical documentation creating an empirical foundation for the inquiry into the nature and dynamics of the internal spatial

¹ This contribution is a summary of a paper presented at the conference of the Polish Section of the Regional Studies Association. I am very grateful to Professor Grzegorz Gorzelak for the inducement to prepare this paper. Naturally the weaknesses of the paper are related only to the author of the note—compare: *Studia Regionalne i Lokalne*, no.: 3/2004.

² A. Kukliński, *Regional Studies—Experiences and Prospects (in:) Concepts and Methods in Geography*, Poznań 1988.

Compare also: A. Kukliński, *Towards a new model of regional policy*, REUPUS, volume two.

differentiations of the megaspace. The megaspace is a phenomenon of a higher order in relation to classical macrospaces—countries—mezzospaces—regions and microspaces—localities.

II. Four Megaspaces of the XXI century

In the third decade of the XX century there was only one megaspace of this type—the megaspace of USA. This megaspace was *inter alia* analyzed by A. Losch in his pathbreaking contribution—“Die Raumliche Ordnung der Wirtschaft”³.

This monopoly of the American megaspace is coming to an end in the beginning of the XXI century via the emergence of the European megaspace represented by the European Union of the 25 countries. We are directly observing the great transformation of the European space which just now is changing itself into a megaspace—a phenomenon of a higher order in relation to the traditional European space seen only as an aggregation of macrosapaces of the individual European countries. In this sense we can speak about a new paradigm of the European megaspace.

We have to outline the main factors, mechanisms and instruments creating the European Megaspace. We remember that *hinc and nunc* the level of the integration of the European megaspace is much lower than the level of integration of the American megaspace, especially in the field of free movement of persons.

The development of megaspace should be seen not only in material and institutional perspectives. Equally important are the individual and collective perceptions of the different megaspaces .

I am convinced that the next decade will create a great supply of studies comparing the dynamism of the American and European megaspaces. We have however to try to overcome the limits of euroatlantic civilization and establish our interest in the study of the megaspace of China and the megaspace of India. This is not only a matter of intellectual curiosity but also a matter of pragmatic necessity.

The grand scene of Asia will create growing challenges for the American and European megaspaces. We should develop a comprehensive knowledge related to the development of the four most important megaspaces of the XXI century—the megaspaces of USA, Europe, China⁴ and India.

III. The structural gap splitting the European Megaspace

The differentiation of the European megaspace is a multidimensional phenomenon generating both positive and negative value judgments. In the positive perspective we say—that the European megaspace is the richest and most diversified space in the global scale. This diversity was an important factor stimulating the innovations of Europe. In the negative perspective this diversity is expressed in the great and durable center-periphery gap splitting the development of European civilization.

³ A. Losch, *Economics of Location*, New York 1967.

Compare also: R. Funck, A. Kukliński (eds) *Space—Structure—Economy. A Tribute to August Losch*, Van Loepel Verlag, Karlsruhe 1986.

⁴ Compare: C.L. Dahlman, J.E. Aubert, *China and the Knowledge Economy*, World Bank Institute, 2001.

There are different delimitations of the center-periphery gap in Europe. The best delimitation is provided by H.H. Blotevogel and reproduced in the volume “Europe in the perspective of global change”⁵.

The great challenge of the XXI century can be expressed in the question—to what extent this gap can be reduced or eliminated in the perspective of the middle of the XXI century.

IV. The limits of the European megaspace

The present enlargement of the European Union is to an large extent following the mindset of S.P. Huntington. In his well known book we find the following thesis⁶:

“The civilizational paradigm thus provides a clear-cut and compelling answer to the question confronting West Europeans: Where does Europe end? Europe ends where Western Christianity ends and Islam and Orthodoxy begin. This is the answer which West Europeans want to hear; which they overwhelmingly support sotto voce, and which various intellectuals and political leaders have explicitly endorsed.”

The present shape of the Union is very close to the map of Latin Europe (Catholic and Protestant). In the next years we will participate in very crucial discussion related to the expansion of the European Union into the sphere of orthodox and Islamic civilizations⁷. The question will be answered—if the European Societies will accept or reject the ideology presented by S.P. Huntington. This will be an important choice—how to define the cultural integration of Europe and the European Union.

V. The four megaspaces as a challenge for the European Union, the OECD and the World Bank

The three grand organizations should face the challenge of the four megaspaces which now incorporate 50% of global population and 2/3 of global GDP⁸. In the next 20 years the power and significance of the four megaspaces will grow very rapidly.

These are three arguments supporting the design and implementation of the proposed programme:

Primo—the argument in the field of the theory of the development of megaspaces

Secundo—the argument to overcome the barriers of S.P. Huntington

Tertio—the argument to develop the pragmatic knowledge related to the competition and cooperation of the four megaspaces.

⁵ A. Kukliński, B. Skuza (eds) Europe in the Perspective of Global Change, Warsaw 2003, p. 145

⁶ D.S. Huntington, The Clash of Civilizations, New York 1996, p. 158.

⁷ compare: Why Europe must say yes to Turkey, “The Economist”, September 18th 2004
compare also: E. Sciolino, EU gives Turkey “a qualified yes”, I.H.T., October 7th 2004.

Compare also: R. Cohen, The Turko-skeptics and the EU’s bold step, I.H.T., October 9th–10th 2004.

Compare also: Tuna Tasankok, Budapest, Istanbul and Warsaw, Institutional and Spatial change, Eburon Academic Publishers, Delft 2004. This study is an example of a new innovative comparative perspective.

⁸ Compare: Sapir Report, An Agenda for Growing Europe, Brussels, July 2003.

Compare also: M. Ott, Opportunity or threat. Watching China rise over South—East Asia, IHT, September 16th 2004.

VI. Modus Operandi

There are three stages in the Modus Operandi:

- stage one—the preparation of a feasibility study
- stage two—the organization of a set of four conferences in USA, Europe, China and India
- stage three—the design and implementation of a grand research and publication programme.

The deep theoretical and pragmatic reflection related to four megaspaces is especially important for Europe and the European Union. We must develop a creative mindset of permanent comparative evaluation of the four megaspaces. This mindset was not existing in the European experiences of the XX century. But this mindset is a must in the conditions of the XXI century.⁹

Warszawa–Nowy Sącz

October 2004.

⁹ compare A. Kukliński, *Stron or Weak Europe*, in this volume.

ANTONI KUKLIŃSKI

Post scriptum RESEARCH PRIORITIES

*„Whatever the truth of Nietzsche’s insight into the origins of justice,
it is certain that the trauma of the twentieth century lies behind
what might be described, in Nietzschean terms,
as the loss of Europe’s will to power.”*

Robert Cooper, *The Breaking of Nations*
Atlantic Monthly Press, New York 2003, p. 164

The REUPUS volumes and the Warsaw Workshop are an intellectual inducement to outline a tentative list of research priorities—*“Europe—the global challenges”*.

In this context I would like to suggest the following research priorities:

- I. The typology of global challenges**
- II. The global challenges as an integrated field of interaction**
- III. The global challenges as an objective reality and as subjective perception**
- IV. Europe as a beneficiary or as a victim of global challenges.**
- V. Strong Europe as a global player and as a co-author of new global challenges.**

The typology of global challenges

According to a very simple definition¹ a challenge is “a call to fight” and a call “to answer and explain”. This definition may be useful in our discussion of global challenges seen in the European perspective. In the typology of these challenges we can indicate:

- 1) The challenges of global economy
- 2) The challenges of global society
- 3) The challenges of global governance
- 4) The challenges of global science
- 5) The challenges of global culture

Each of these challenges has a particular set of characteristic features, and a different dynamics of development both in time and space.

¹ Thordike English Dictionary, London 1948, p. 179.

The global challenges as an integral field

The five global challenges are creating an integrated comprehensive field of dynamic interaction changing scale and scope and an interplay of cumulation processes including the multiplayer effects. The matrix—following the convention of input—output analysis—may be helpful in the analysis of the bundle of global challenges as an integrated field.

The bundle of global challenges as an integrated field

| The challenge of as an input | The challenge of as an output | | | | |
|---------------------------------|-------------------------------|-------------------|----------------------|-------------------|-------------------|
| | Global economy | Global society | Global governance | Global science | Global culture |
| Global economy | | | | | |
| Global society | | | | | |
| Global governance | | | | | |
| Global science | | | | | |
| Global culture | | | | | |

Global challenges as an objective reality and as subjective perception

It is extremely important to understand the global challenges as an objective reality of our time. We highly appreciate the efforts of the international organizations and especially of OECD to create a constant stream of innovative approaches designed for the perfection of the measurement of global challenges as an objective reality.

However equally important is the subjective perception of global challenges by the individual persons, by local and regional communities, by business, academic, and religious communities, by governmental and non-governmental organizations, by international organizations and transnational corporations.

The cognitive and pragmatic processes related to global challenges must be seen as a constant interaction of the objective and subjective approaches. We must have a deep and comprehensive knowledge illuminating this interaction.

Europe as an beneficiary or a victim of global challenges

The individual European countries and especially the weaker members of the European community are very often overwhelmed by the power of globalization processes. It is extremely difficult for these countries to provide an independent answer to the challenges of globalization. This is the situation when a community is not a beneficiary of the globalization process but a victim of this process.

In this context we can describe the European Union as an unique institution able to transform the victims of the globalization processes into the beneficiaries of the processes. This is a fascinating topic for discourse and analysis.

Strong Europe as a global player and as a co-author of the new global challenges

In the opening paper of this volume I have outlined the dilemma—Strong versus Weak Europe. There is no doubt “weak Europe” will be a victim of the globalization processes. “Strong Europe” will be a beneficiary of those processes. Even more—strong Europe as a strong global player will be a co-author of the new global challenges created with the eminent participation of the European *genius loci*.

* * *

The content of the volume one and two of REUPUS and the comprehensive contributions to the Warsaw Workshop of the Club of Rome are indicating that we have a long way to go to design and implement a comprehensive Research Programme—“*Europe—the global challenges and strategic choices*”. This way will be a trial and error trajectory. I have however an optimistic expectation that this will be a trajectory of success and not a trajectory of failure. The Post scriptum is a *sui generis* conclusion of volume one and an anticipation of volume two of the REUPUS Series. These twin volumes will be published jointly in February 2005.

Warszawa–Nowy Sącz
December 15th 2004.

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Created in 1992, Wyższa Szkoła Biznesu—National-Louis University became one of the first Polish business schools. Founded in Nowy Sącz, a city without academic traditions, WSB-NLU quickly gained national recognition through the offering of an American educational programme and two diplomas: Polish and American. In 1999 WSB-NLU was awarded the “Pro Publico Bono Award” for the most successful nongovernmental initiative of the 1990's in Poland. WSB-NLU currently offers programmes in: Management and Marketing, Information Science, Political Science in Polish and a full business programme taught in English.

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