



**EU EASTERN
PARTNERSHIP**

FROM CAPACITIES TO EXCELLENCE:

STRENGTHENING RESEARCH,
REGIONAL AND INNOVATION
POLICIES IN THE CONTEXT
OF HORIZON 2020



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HORIZON 2020**

Editors:

Tatjana Muravska, Alexandre Berlin

This publication presents a collection of articles in conjunction with the Jean Monnet Conference "EU Eastern Partnership: From Capacities to Excellence Strengthening Research, Regional and Innovation Policies in the Context of Horizon 2020", 11-13 June 2014 at the University of Latvia in Riga, Latvia. The conference is hosted by the Jean Monnet Centre of Excellence at the Centre for European and Transition Studies (CETS), the University of Latvia.

The publication is Volume III in a series of publications by CETS featuring research papers issued periodically. This publication is supported by Jean Monnet Centre of Excellence at the University of Latvia in the framework of the European Commission, Jean Monnet Programme.

This publication comprises recent research results, opinions and information that should be of value to practitioners, academics, and students.

The publication has been supported by



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The Volume III as a collection of studies devoted to the EU Eastern Partnership and Research, Regional and Innovation Policies in the context of Horizon 2020.

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Preface

EASTERN PARTNERSHIP – TIME FOR A NEW COOPERATION STRATEGY

The Eastern Partnership will provide additional impetus to the economic and social and regional development of the partner countries. It will facilitate good governance, including in the financial sector, promote regional development and social cohesion and help to reduce partner countries' socioeconomic disparities.

*Council of the European Union, Joint Declaration of Prague, 7 May 2009
Eastern Partnership Summit, Brussels 7 May 2009 8435/09 (Presse 78)*

The EU Eastern Partnership (EaP) was launched in 2009 as a joint initiative between the EU, EU Member States and the Eastern European partner countries.

In the last five years, the EaP has produced somewhat mixed results and been a disappointment in many cases. Structural policy weaknesses and different socio-economic realities in the EaP countries notwithstanding, the major challenge to the successful implementation of the EaP comes from the Russian policy as related to the, geopolitical dominance in its shared neighborhood with the European Union. In the EU Member States just as in any EaP country, discussion is taking place on what will be the political and scientific response to the challenges in the EU external relations and Eastern Partnership policies? The EaP initiative is an important EU policy striving to bring democracy, stability and prosperity to the partner countries.

This publication is an initiative within the framework of the European Commission Jean Monnet Programme and focus on European Research Area and Eastern Partnership Roadmap. The publication, as a follow up of the Eastern Partnership summit in Vilnius 28-29 November 2013, covers issues related to the EaP initiatives and future plans for the EU Research and Regional Innovation Policies, as well as sharing common values and good practices among different Member States, EaP countries and other global partners. The articles in the publication emphasize that in the 21st century societies with different and complex cultural identities and beliefs are forced to closely interact. They reflect the result of increasing pressure, and suggested solutions coming from both scientists as well as politicians

who are expected to provide objective and evident-based decisions. While we do not have yet clear answers on how to cope with these many different challenges, some solutions could be found by thinking across the boundaries of economics, technology, cultural understanding, natural sciences and innovation. The articles in the publication also suggest that to achieve the needed transformations in the future, the EaP could benefit from a fresh start and the EU - from an enhanced ring of friends at its Eastern borders.

Solidarity is one of the fundamentals of the European integration, and very often this is the only opportunity to get the EaP countries out of economic, social and even political difficulties, to maintain their stability and keep the broad benefits of the Association Agreements. Research, innovation and education have a key role to play to promote growth and to guarantee equal opportunities and social cohesion. All EU Member States and Eastern Partnership countries are following the ambitious Horizon 2020 initiative. Innovation, research and development, education, regional policies are important flagship initiatives. The authors highlighted the developments in the framework of the European Eastern Partnership Panel on Research and Innovation. Attention is paid to the need of further cooperation through strengthening strategic multilateral applied research projects in areas of common interest as, for example transport and energy and strengthening people to people contacts – including through the opening of the new “Erasmus +”, “Creative Europe” and the Marie Skłodowska-Curie strand within Horizon 2020 to the participants from the Eastern Partnership countries.

The above- mentioned aspects are currently subject of intensive studies aimed at contributing to the future of the EU external policies in relation to the Eastern Partnership.

The current collection of articles is dedicated to different aspects of the EU Eastern Partnership policy and offers the views of academia, senior and young researchers and practitioners from a variety of disciplines and different countries. Many hold views, which illustrate important clashes of different opinions that occur in debate on themes such as: research and education, innovation, competitiveness, social and regional cohesion and the political process. The articles provide recommendations and suggestions for policy makers at local, national and regional levels.

Sincere appreciation to all of the contributing authors and special thanks to the Editorial Board for reviewing articles submitted for publication.

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In 2014 the CETS and Jean Monnet Centre of Excellence began close cooperation with the Baltic Journal of European Studies (BJES). A number of presentations at the Conference have been published as articles in BJES Vol. 4, No. 1 (16), June 2014 and followed by the BJES issue Vol. 4, No. 2 (17), October 2014.

In the Baltic Journal of European Studies have been published the following articles related to the theme of this publication:

1. Gunnar Prause, *Smart Specialization and EU Eastern Innovation Cooperation: A Conceptual Approach*;
2. Viktor Chuzhykov, Oleksandr Fedirko, Andrii Chuzhykov, *Methodological Background of Post-Soviet Regionalism: The Case of Ukraine*;
3. Gunta Pastore, *EU-Ukraine Association Agreement prior to the Vilnius Eastern Partnership Summit*;
4. Michael Bolle, Oliver Fläschner, *The European Union: Stability Despite Challenges*;
5. Dāvis Plotnieks, *Mechanisms Fostering Social Entrepreneurship as Potential Instruments for Economic Development: Eastern Partnership Perspective*;
6. Tolga Demiryol, *The Eastern Partnership and the EU-Turkish Energy Relations*;
7. Max A. Hogeforster, Elina Priedulena, *The Significance and Impact of Innovation Networks of Academia and Business with a Special Emphasis on Work-Based Learning*;
8. Jonna Heikkilä, Aytan Poladova, Juha Kääriä, *Need for Service Design Development for Sustainable Rural Tourism in Azerbaijan*;
9. Sergejs Stacenko, Biruta Sloka, *Trade Union Practices in the EU and Latvia: Experience for Eastern Partnership Countries*;
10. Aleksandrs Dahs, *Historical Regional Demographic Divergence in Latvia: Lessons of the Common Past with Eastern Partnership Countries*;
11. Tatyana Muravska, Alexandre Berlin, *The EU-Eastern Partnership Countries: Association Agreements and Transdisciplinarity in Studies, Training and Research*.

This collection of studies provides information, opinions, and research that should be of value to practitioners, academics, and students.

Foreword

What happens in the countries in Eastern Europe matters to the European Union. The countries of this region are the EU very close neighbours, and their security, stability and prosperity are also a strategic interest of the European Union. The EU has therefore proposed a framework for closer cooperation based on principles and values and establishing four major objectives: political association, economic integration, mobility and increased sectoral cooperation. This was always an offer, a proposition, and never an imposition.

Eastern Partnership is about bringing Eastern European partners closer to the EU. It aims at promoting democracy, rule of law and supporting reforms. These are common European values that are needed to ensure peace and stability. This policy is not about creating new dividing lines; it is not a zero-sum game at someone else's expense, it creates opportunities.

The main principle of the Eastern Partnership is that it engages its partners on the basis of common values – the respect for human rights and freedoms, democracy, the rule of law and free and sovereign choices of the countries to decide their orientation and direction.

When 7 months ago Vilnius hosted Eastern Partnership Summit nobody could have imagined that we would be living in a totally different world. Today we are much more concerned about our region's security, peace and stability. Yet, we are facing the most serious crisis in Europe since the end of the World War II. We are witnessing economic coercion, threats and a covert action to instigate protests and instability. This is the time to show an even stronger, more determined and resolute commitment to the Eastern Partnership.

And Europe is showing such commitment: As of end April Moldovan citizens can travel to the EU without visas. In the coming weeks and months the signature procedure of the Association Agreement/DCFTA with Ukraine will be completed. Agreements with Georgia and Moldova will be signed in just two weeks (on June 27).

Recently (April 29) the Commission adopted a special support package for Ukraine to respond to the urgent stabilization needs. Additional financial support has been provided also for Georgia and Moldova to help them with the implementation of the Association Agreements.

Signature and the consequent implementation of the Association Agreements including DCFTAs will seal the irreversibility of political association and economic integration. The EU is looking to make real progress on joint ambition with Armenia and Azerbaijan and continue to work with Belarus.

Political reforms are central to the successful transformation towards deep democracy. Genuine cooperation between governments and civil society is necessary to establish independent judicial systems or introduce systemic anti-corruption measures, both of which are necessary elements for long-term political development and sustainable economic growth. Similarly, free and fair elections are a central element of participatory democracy.

Beyond support of the reform agenda the EU is also offering variety of instruments where wide range of recipients from Eastern Partnership countries can participate and benefit. For example – Erasmus+ – the EU's new programme for education, training, sport and youth, will provide more opportunities for students and staff in Eastern Partnership countries to study or train in the European Union – and vice versa. Under Erasmus+ over 4,000 young Ukrainians are expected to benefit from university exchanges, and staff will also receive grants for training and teaching opportunities abroad. The new Research programme Horizon 2020 is meant also for international cooperation projects including with Eastern Partnership countries.

In the future greater EU attention to the east will be needed in different forms: security, institutional reforms, economic challenges, energy challenges, and political processes. The EU should be seen as a compass for reforms in Eastern Partnership countries, and opportunity to transform these countries into dynamic, modern and open democracy their people deserve. The steps ahead in this cooperation will take place within the wider picture of the peace process.

Inna Šteinbuka

Head

European Commission

Representation in Latvia

Executive Summary

The Jean Monnet Centre of Excellence at the University of Latvia hosted from 11 to 13 June 2014 a Jean Monnet Conference, on strengthening research, regional and innovation policies in the context of Horizon 2020, jointly with the European Commission and in cooperation with the EU Eastern Partnership countries.

The Conference consisted of introductory keynote statement, panels, round-tables and agoras, involving representatives from the European Commission (*European Commission Representation in Latvia, DG Research and Innovation and DG Education and Culture, DG Regio*), national policymaking bodies, and the broad EU and non-EU countries research communities.

The focus of this Conference was placed in the context of the EU Eastern Partnership policy, following the outcome of the Third summit in Vilnius (28-29th of November 2013).

Taking into consideration the recent development in Ukraine, representatives from the Latvian Ministries of Defence and Foreign Affairs, and NATO were invited to discuss the issues related to the recent changes in the geo-politics of the EU Eastern neighbourhood and future precautions to ensure stability.

Introductory Key Note Statements “Eastern Partnership – Time for a New Cooperation Strategy”

The Head of the European Commission Representation to Latvia as well as representatives from the European Commission DG Research and Innovation, DG Education and Culture, DG for Regional Policy and Urban Development, Ministry of Foreign Affairs of the Republic of Latvia, Ministry of Foreign Affairs of the Republic of Lithuania, Jean Monnet Centre of Excellence at the Kyiv-Mohyla Academy in Ukraine, and Embassy of the Hellenic Republic to Latvia made statements, setting the ground for strengthening research, regional and innovation policies in the context of Horizon 2020 EU Member States and EaP countries.

To overcome previous issues such as lack of participation from industries and SMEs, and lack of coherence between identified potential and actual thematic participation, Horizon 2020 will have to prioritize excellent science, industrial leadership and societal challenges.

The issue on how the EU Association agreement with Ukraine will merge with the Ukrainian legal system was discussed as well as the current tensions in the Region with the Russian Federation.

The Regional Security Issues Round Table: Soft versus Hard Power

The Round Table involved representatives from the, NATO, Latvian Ministry of Foreign Affairs, Latvian Ministry of Defence, Office of the State Minister of Georgia on European and Euro-Atlantic Integration, and University of Latvia and Jean Monnet Chair at the University of Regensburg, Germany.

Due to the recent Ukrainian Crisis, this Round Table focused on the continuing tensions between the EU, the EU Eastern Partners and the Russian Federation. The concept of hard power was discussed in relation to Russia's increase of military spending since 2011, while the concept of soft power was associated to Russia's use of persuasion, economic and political threats, in order to keep the nations which used to belong to the Soviet Union under its sphere of influence. The annexation of Crimea by the Russian Federation increased the awareness that Russia is capable of both, soft and hard power.

The overall importance of Law in creating and maintaining Peace and Security was highlighted during the discussions.

First Eastern Partnership Panel: Research and Innovation in H2020

The First Partnership Panel involved representatives from The European Commission DG Research and Innovation, University of Latvia, Centre for Social Innovation in Vienna, Austria; National Academy of Science of Armenia, Steinbeis-Europa-Zentrum in Stuttgart Germany, and the Latvian Institute of Organic Synthesis.

The Panel aimed at bridging the gap between research and innovation, especially in the Eastern Partnership countries, where pure science has had a long and strong tradition but has been affected by the on-going economic crises. Cooperation between the EU and the Eastern Partners is essential and would be mutually beneficial. Some of the aims in the context of Horizon 2020 are twinning research institutes throughout Europe, increased industry involvement, providing direct innovation support and increase the training and capacity building. The goal of Horizon 2020 is to offer a combination of different ideas, and to streamline research, methodology, and development.

First and Second Eastern Partnership Round Table: The EU's Eastern Partnership in Turmoil – Front Line Issues: Stability, Democracy and Economic Integration

This Round Table involved representatives from the European Commission DG for Regional Policy and Urban Development, Stockholm School of Economics in Riga, Jean Monnet Centre of Excellence at the Free University in Berlin, Jean Monnet Centre of Excellence at the University of Florence

in Italy, Kyiv National University in Ukraine, the Office for Democratic Institutions and Human Rights, Organisation for Security and Co-operation in Europe, Georgian Technical University in Tbilisi.

The Table underlined EU's role as a global actor, and the perspective of further enlargement in relation to the Russian Federation. Although the growth of far-right parties in Europe and the economic crisis create speculations regarding the integrity of the European Union, optimism was expressed that the so-called crisis will be solved with time, due to inter-governmentalism and peaceful cooperation. Due to the political and economic attraction, the interest and pressure of Eastern countries to join the EU will continue increase, creating clashes with Russia, considering that an expanding European Union means a diminishment of Russia influence.

Second Eastern Partnership Panel: *Research and Innovation in Horizon 2020*

The partnership panel, included presentations by representatives from Tallinn University of Technology in Estonia, the Institute of Physics at the National Academy of Sciences in Kiev, Ukraine, and the National Aerospace University "KhAI" in Kharkov, Ukraine,

The aim of the panel was to discuss and promote current European Union research and innovation projects in conjunction with Eastern Partnership countries. The presentations highlighted the importance of regional innovation, twinning, youth involvement, and the internationalization of research in the context of Horizon 2020, emphasizing how essential cooperation in research and innovation can be to allow for mutual benefit in development, as well as pave the way for greater "integration" of the European Union and its Eastern neighbours.

At the panel the importance of the *Regional Energy Issues* was emphasised in a sub-panel by presentations from the Ministry of Economics of the Republic of Latvia and Istanbul Kemerburgaz University, Turkey.

Agora: Practices and Policies in Eastern Partnership (Part I and Part II)

The agora, included presentations by representatives from Stockholm School of Economics in Riga, Baltic Sea Academy, Hanse Parliament, Hamburg, Germany; Warsaw School of Economics and University of Warsaw, Poland; Vytautas Magnus University in Kaunas, Lithuania; Turku University of Applied Sciences in Finland, and the Ministry of Agriculture of the Republic of Latvia.

The agora discussed current approaches of engagement with Eastern Partnership countries, and policy strategies that may encourage reform and cooperation with the European Union. The presentations focused on issues such as sustainable development in rural tourism, agricultural partnership between Latvia and Russia, and funding and financial policy instruments for Eastern Partnership countries. Presentations suggested the creation of an agenda for change, a review of current financing for Eastern neighbours, local cooperation with the private sector to promote economic growth and

diversification, and more harmonized policy requirements in areas of public, animal, and plant health.

Concluding Session and General Discussion: *The Eastern Partnership Multilateral Platforms 2014-2017: Is Institutionally the EU Ready?*

The concluding session, included presentations from the Ministry of Foreign Affairs of the Republic of Latvia and the University of Latvia.

While optimism prevails regarding the future of the Eastern Partnership, challenges remain, including the views of the Eastern Partnership by Russia, the institutional setup and efficiency of the European Neighbourhood Policy, and identification of the best method of cooperation in the economic area. The conference concluded that civil society is a catalyst for reform, and economic integration can help guide civil society towards reforms. Furthermore, better infrastructure for research, as well as promotion of small and medium enterprises, human capital and societal development can lead to mutual benefits for both the European Union and its Eastern neighbours.

Eka Sepashvili¹

Political and Economic Aspects of Security Policy in Relation to Eastern Partnership: Perspectives for Georgia*

Summary

In the security policy statement, the author discusses Georgia's Foreign Policy direction, namely the integration into the European structure, and gradual approximation to the European Space. Author stipulates concepts of security and economic cooperation, which profoundly changed their meanings and laid down the basis for Georgia's future development and its international relations.

Issues of Stability and Security are widely discussed in the article as well. Georgia is strongly committed to be not only beneficiary of efforts made by international society to achieve international stability and security, but also to contribute to these efforts.

The progress Georgia has achieved in implementation of European Union (EU) related issues is highlighted and some challenges are discussed. It is noted that the EU-integration related reforms are primarily directed to consolidation of democracy, rule of law, judicial independence as well as ensuring protection of human rights and fundamental freedoms. NATO integration and eventual membership is another key priority of Georgia's foreign policy. NATO was founded to address the security threats and challenges for European countries, contributing to a safer and freer Euro-Atlantic space.

It is emphasized that partners, the EU, NATO and whole international society will only be able to achieve the goals if security is well ensured. They share vital interests in building up a common space of stability and peace, as far as our security is interlinked.

In early 1990, after gaining independence, the newly established state of Georgia started the process of building the state through dual transition towards democratization and market economy. From the very beginning, the main goal of the young State was to reduce negative phenomena arising from natural conditions, geographical location, political situation and economic processes, and create the most favorable conditions for achieving stable and secure environment and sustainable development. Thus, there is no surprise that integration into European economic and political space was and it is a top priority for Georgia's independent Foreign Policy.

¹ * Statement presented at the Jean Monnet Conference "EU Eastern Partnership: From Capacities to Excellence Strengthening Research, Regional and Innovation Policies in the Context of Horizon 2020", 11-13 June 2014 at the University of Latvia in Riga, Latvia. Dr, Chief Adviser to the State Minister, Office of the State Minister of Georgia on European and Euro-Atlantic Integration, Georgia.

Although Georgia is not a member of the EU, it is fundamentally a European nation. Georgia's traditions, rooted in Christianity, tolerance and individuality have always served as a strongest cultural and social link with other European states. These values led Georgia to overcome its soviet past, civil wars, collapse of economy, aggression from the Northern Neighbour, as well as to resist to authoritarian rule and chose the democratic way of development.

The European and Euro-Atlantic integration is **a cornerstone of Georgia's foreign, as well as domestic policy**. This is our nation's historic choice confirmed by recent opinion polls and studies according to which more than 80 % of the population supports Georgia's European and Euro-Atlantic integration.

Here, we will focus our attention on both economic aspects and the political aspects as these issues are closely linked to the democratic development of the State, occurring in globalized world. Nowadays, the key words are the interdependence of nations and the imperative that a globalized economy imposes on us. The current globalization has political, economic, military, social and cultural dimensions, though integration often initially starts on regional level.

Today, integration speed rises and integration continues to gain greater importance. In modern economy, the primary objective of regional policy is to reduce negative phenomena arising from natural conditions, geographical location, political situation or economic processes, and to create the most favorable conditions for achieving more democracy, stability and security, as well as for closing the development gap and for encouraging innovative economic activities. All the factors mentioned above, seem fair for Georgia to achieve.

Expansion process of EU seems to continue. The EU actively tries to establish harmonized space on borders for long-term goal of extension. The policy tends to transform partner countries through its foreign political instrument: intergovernmental agreements, common strategies and joint actions.

Theoretically, implementation of such intergovernmental agreements might enable any country to achieve such level of development that it would be enough to become the member of the EU. In early 90's, the number of so called European agreements were signed with Central and Eastern European countries (CEE). The articles of these agreements proved EU's aspiration to prepare these countries for membership. 2004 year was marked by great enlargement when ten CEE countries became the member of the EU, and later in the beginning of 2007 two more countries joint the big family of Europe.

In the beginning of 21st century, some traditional concepts need to be revised, due to the new solid arguments which enable the concepts to gain a new, contemporary meaning. . I'd like to draw attention to two concepts which profoundly changed their meaning and which lay down the basis for future development of Georgia and its international relations:

1. The new concept of security:
2. The new concept of economic cooperation;

A new concept of security suggests us to use such a structure of economic cooperation, which is based on the balance of interests of the states, and secures the most stable political climate in the region instead of measuring the security by the quantity of arms and ammunitions.

As for the new concept of economic cooperation, it is no longer treated as "hostage" of political tension. Just the vice-versa, it is through active economic cooperation that various political conflicts can be solved. Even if the solutions are not easy to reach, the proper atmosphere for it is being created, which earlier or later, would inevitably bring the expected results in this issue.

These two new concepts of security and economic cooperation define the basic philosophy of the development and evolution of the new economic and political links and relations of the state. Georgia is still in period of a great political and economic transformation. The country faces numerous sources of challenges and uncertainties. Thus, to rely on above-mention new paradigm some sort of cooperation among challenging sides has become necessary to utilize the economic opportunities. In this regard Georgia's integration into the huge region of Europe is very important. Sides should try to find common interests and thus, gain maximum profit from the cooperation.

This short overview shows that Georgia has no other way but to become the part of global society, the foremost part of which is the EU itself. After the gaining independence, all former soviet countries began to build new political and economic relations with each other and surrounding world, becoming the members of various international or regional organizations. In this context, the moving of towards the Europe seems quite natural.

At the same time, the issues that are on top of the whole international community agenda – are the issue of International security and order.

Today we are witnessing a disturbing moment in contemporary history, whereby Russia is violating the sovereignty and occupying part of independent States, namely Georgia and Ukraine. There is no doubt that today's global security architecture is in crisis. Territories of two sovereign countries, namely Georgia and Ukraine, - are under occupation. Russia is also involved in the Trans-Dniester problem in Moldova. This clearly indicates Russia's intention to prevent the European and Euro-Atlantic integration of countries in its close neighborhood.

At the same time, Russia continues its occupation of the Georgian territories. Despite the constructive efforts of the present Government of Georgia aiming at de-escalating of tensions, Russia has further intensified its illegal and provocative actions: Russia has resumed installing barbed wire fences and embankments along and beyond the occupation line in Georgia; the human rights of ethnic Georgians residing in the occupied territories are grossly violated. Though Government of Georgia does not respond to such provocations and maintains strategic patience, and deems crucial to consolidate international community support to stand against such actions.

Infringing on the territorial integrity and sovereignty of neighboring countries should elicit an appropriate response. How should the international

community react to this new expression of military aggression? The international community should ensure that Russia is effectively stopped. It is of utmost importance that the statements of condemnation by the European Union, NATO and leading politicians of the democratic world are followed by concrete actions to avoid further escalation.

Now, as a first step, it is highly important that the EU speeds up the signing and ratification of the Association Agreements with Georgia and Moldova. The Association Agreement establishes the solid foundation of enhanced relations between the EU and Georgia. The Agreement will further strengthen democracy and the rule of law, human rights and fundamental freedoms, good governance, a market economy and sustainable development. Georgia also commits itself to achieving European standards in areas such as the protection of personal data, the fight against corruption, equal treatment for all, and an independent judiciary. For its part, the European Union promises to help Georgia deepen its democratic institutions: financially, by sharing experience, and through an ongoing political dialogue.

Conclusion of the Association Agreement is a historic moment for Georgia and the EU as well. It creates a new reality in the EU-Georgia relations. However, this is not an end of the story, but just the new beginning of a very important process. By signing the AA/DCFTA Georgia will cross no-return line, thus the EU integration will become Georgia's domestic policy rather than just external one. Association reforms that envisage the political alignment and gradual economic integration with the EU will make the Europeanization process irreversible for the country.

At the same time, it is time for Europe to give a clear signal to the population of Georgia, to Russia and the entire international community that Georgia's EU membership is a realistic prospect.

On its side, Georgia is doing its utmost to create a successful precedent of democratic transformation of a former Soviet Republic into a European democracy. Country's leadership remains determined to sign the Association Agreement with the EU and continue EU-integration related reforms.

Worth mentioning, that EU integration related reforms have already been in progress and country has quite good performance. As it is mentioned in 2013 ENP AP progress report on Georgia, which is prepared by the European Commission, -"Georgia made progress in political and judicial reforms, and reforms to prepare for the implementation of the Association Agreements."

The EU-integration related reforms are primarily directed to consolidate democracy, rule of law, judicial independence as well as ensuring protection of human rights and fundamental freedoms.

Constitutional changes increased the role of the Parliament on the expense of responsibilities of the President and the Prime Minister thus, corresponding Georgia's political system to one of the European parliamentary democracies. In addition, effective steps were taken to increase the media freedom, protect property rights, improve detention conditions for convicts and increase independence of the Judiciary. The Courts are regaining trust and respect of the people.

Protection and insurance of fundamental human rights and freedoms, including the minority rights are among our key priorities. We are at the final stage of elaboration of the National Human Rights Strategy, which is largely built on recommendations of the EU Special Adviser Tomas Hammarberg, as well as the commitments under the Association Agreement. The new anti-discrimination law was elaborated in close partnership with international partners and domestic stakeholders. Along with other innovations, it establishes a robust institutional mechanism – Inspector on Equality.

The free and fair Elections are the backbone of democracy. Georgia passed a litmus test by holding successfully parliamentary elections in 2012 and presidential elections in 2013. As the above mentioned EU Progress report notes: “The October presidential elections marked a second step in the democratic transition of power in Georgia after the 2012 parliamentary elections and were widely assessed as the best in Georgia’s post-independence history”. Once again, these elections proved the European choice of the Georgian population, by voting for the politicians with strong pro-Western agenda. We are determined to guarantee further progress during local elections coming in spring 2014.

Georgian Government continues social and economic reforms: social assistance is doubled; health insurance is expanded; the Government elaborated 2020 Strategy for Socio-Economic Development, which aims to ensure a long-term, sustainable and inclusive economic growth in Georgia.

Georgia has also shown significant progress in Justice, Liberty and Security related reforms as well as in the implementation of the EU-Georgia Visa Facilitation and Readmission Agreements.

The visa liberalization is one of the most important deliverables from the EU side as the real integration is impossible without close people-to-people contacts and cultural exchange. Enhancing mobility with the possibility of introducing “fast track arrangement” for visa-free regime with Georgia should be one of the main priorities, based on proper implementation of the Visa Liberalization Action Plan (VLAP). In this context, our target is to move to the second phase before summer holidays 2014 and to finalize all the VLAP benchmarks by the EaP Riga Summit in 2015.

The Association Agreement also foresees the gradual improvements that need to be made in different sectors, including environment, agriculture, tourism, energy, transport, consumer policy, education, small and medium enterprises, training and youth, as well as culture. The reforms in those sectors are already taking place.

Deep and Comprehensive Free Trade Agreement is an integral part of the Association Agreement, which ensures opening of the EU markets for Georgian companies and promote the closest feasible integration into EU’s economic space.

In order to foster the entry into force of the DCFTA, Georgia also continues implementation of the Deep and Comprehensive Free Trade Area related reforms. An important package of legislative changes aiming at harmonization of the national labour legislation with the international standards elaborated in close cooperation with the ILO experts and civil society has been adopted.

The special attention is paid to the food safety, effective anti-monopoly policy and harmonization of technical regulations. The Government's efforts are focused to ensure favorable business environment, with strong guarantees of private property rights;

It is expected that the DCFTA will open the EU's internal market, promote exporting industries and increase investment attractiveness of the country. Of course boosting economic development and welfare of the citizens are among the most important priorities of the Government of Georgia.

According to the recent statistics on Georgia's trade turnover with the EU, it represents the major trade partner consisting, approximately, one third of the foreign trade. The EU is holding 30% of total imports of Georgia and 18% of total exports².

The Georgian Exports and Imports to and from the EU are characterized by growing dynamics which is expected to continue increasing over the time, especially after DCFTA requirements are met.

It is forecasted that with the DCFTA the bilateral trade will expand further, Georgian exports to the EU are to grow by approximately 12% and the respective import growth is projected to be 8% in the long run (see Ecorys, 2012).

Recent surveys are presenting the forecasted picture of the DCFTA impact. According to EU sponsored research by CASE/Ecorys (2012), the DCFTA's share in the economic growth rate of Georgia will be small in the short run, but it would largely increase the gains from trade and the country would considerably benefit from this agreement in the long-term:

- Growth of Georgian GDP is expected at additional 4.3 percent in the long run;
- Georgian exports are estimated to increase by additional 12 percent, while imports rise by additional 7.5 percent. This implies that the DCFTA is expected to improve the trade balance for Georgia;
- Average wages in Georgia are projected to increase by additional 3.6 percent over the long run.

The government of Georgia is fully committed to continue reform process as agreed between the parties and to devote maximum resources to it. Financial and technical support from the EU and the Member States is expected to increase to help Georgia to meet all necessary requirements and introduce respective regulations and standards.

Should be mentioned, that European Integration reform implementation is costly and time-consuming process, which requires indefatigable endeavor for not a couple of years. The government as well as businesses have to make huge efforts to manage transformation of the systems to meet new requirements making possible modernization and expansion of production.

² National Statistic Office of Georgia

The Government is committed to conduct economic policy aiming at further improvement of investment climate and investment attractiveness of the country.

Access to the biggest market of the world will be additional incentive for future development strategies for Georgian business operators, which would consider not only limited Georgian market but immense potential of European advanced economies.

It is also expected that new opportunities will be grasped by Greenfield investments in export oriented manufacturing sectors, for which access to European market would be attractive. Except for increasing of trade, the growth is anticipated in foreign investment in Georgian economy, which in its turn will be accompanied by attracting of new technologies, “Now How”, innovations and job creation.

The experts predict that the DCFTA with the European Union will lead to growth of investments from the countries willing to export products to the EU market via Georgian Economy. The DCFTA will also increase the protection of the Property Rights and respectively attract investments in innovations. In addition, the DCFTA will improve Food Safety and Consumer Protection that will lead to more competitiveness of Georgian producers.

The Government of Georgia is committed to follow a step-by-step approach to implement the European Integration Agenda by making the best use of all available cooperation instruments and mechanisms. Georgia is actively involved in Eastern Partnership (EaP) multilateral framework to enhancement relations with the Partner Countries. Georgia has become attractive meeting place in hosting various events in the EaP multilateral format.

At the same time, partners and the EU will only be able to achieve the objectives of the Partnership, if security is well ensured. The EU and the Eastern European partners share vital interests in building up a common space of stability and peace, as far as our security is interlinked.

Georgia highly appreciates a strong support of the Member States of the EU, NATO and whole international society firmly pursuing the non-recognition policy and unwavering position on Georgia's territorial integrity, which makes it clear that despite Russia's efforts to legitimize its invasion and the subsequent recognition of Georgian regions, the international community, is firm and unanimous in this respect. This policy is gaining good results. Such a stance is vital for contributing to the de-occupation and maintaining peace and stability of the whole region.

At this stage, it is important that the EU plays a key role in promoting security and stability on the ground in Georgia, through politically supportive statements; functioning of the EU Monitoring Mission; EU Special Representative for the South Caucasus and crisis in Georgia; supporting and participation in the Geneva Discussions and other important activities.

It is also important that in the Association Agreement, the European Union renews its commitment to peaceful conflict resolution within Georgia's internationally recognized borders. The EU co-chairs the Geneva international

discussion that is the only international format where participants work to increase security and solve humanitarian problems related with the occupied territories of Georgia. Through its monitoring mission, the EU helps maintain stability and security along the administrative boundary lines making these areas safer for the people who live there. The EU is also helping Government of Georgia to rebuild the confidence with the people in the Georgian regions of Abkhazia and South Ossetia.

Deeper democracy, better respect for human rights and greater prosperity in Georgia brought by the Association Agreement will also contribute to peaceful resolution of the conflicts, by making Georgia a more attractive partner for the societies in Georgian regions of Abkhazia and South Ossetia.

Georgia is strongly committed to going beyond being a beneficiary of efforts to achieve international stability and security, and to contribute to these efforts. It is for this reason that country is heavily engaged in the ISAF mission in Afghanistan and recently took the decision to participate in the EU-led peacekeeping mission in the Central African Republic.

It is well known that NATO integration and eventual membership is another key priority of Georgia's foreign policy. NATO was founded to address the security threats and challenges for European countries, contributing to a safer and freer Euro-Atlantic space. Throughout its history NATO has proved to be the most successful coalition of nations. Its success is largely based on the shared democratic values and a joint commitment to inseparable security.

In 2008 in Bucharest, the Alliance took a historic decision that Georgia will become a member of NATO, which has created necessary political foundation and made Georgia's NATO path irreversible. The cooperation with NATO is vibrant and deepening. The dynamic of this cooperation attests to the fruitfulness of the efforts of the Georgian Government on the Euro-Atlantic integration path.

Georgia effectively uses NATO integration instruments – these are Annual National Programme and NATO-Georgia Commission. The Government currently is implementing the sixth Annual National Programme cycle. ANP is an important document reflecting the reforms in a multitude of fields. I am proud to say that the document traditionally receives an excellent appraisal from the Allies.

The NATO-Georgia Commission has a rather vibrant and dynamic agenda and allows us to keep active political dialogue and practical cooperation with the Alliance. This year alone parties have had around 20 meetings in the framework of this instrument.

In June this year, NATO Summit will take place in Wales, Great Britain. The Government of Georgia is hopeful that Georgia's progress will be adequately reflected at the Summit.

In conclusion, European and Euro-Atlantic integration remains at the top of Georgia's foreign and security policy priorities. Moreover this process is transforming to be domestic policy after Georgia signs Association Agreement on June 27. Georgia had already gone through numerous threats and difficulties and the country is ready to further protect its aspirations.

Georgia's interest to normalize relations with Russia and its firm quest for European integration and Euro-Atlantic membership is not a choice of "either –or". Respectively, it is essential to see the continuous support of the European partners and acknowledgement of the progress achieved in order to show Russia that occupation is not the way of holding Georgia back from its fundamental aspirations.

I believe Georgia's European and Euro-Atlantic integration will advance ability of Georgia to further strengthen its democratic institutions, safeguard freedom and security, ensure sustainable development and high level of welfare and retrieve its place in the family of the European nations, which will benefit not only Georgia but the entire region and global world.

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EU EXTERNAL RELATIONS



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Eastern Partnership as a New Form of the European Union's Cooperation with Third Countries

Abstract

After the enlargement in 2004, the European Union (EU) has discovered the necessity to deepen its relations with its eastern neighbourhood and worked out a coherent European Neighbourhood Policy (ENP) to direct relations with its eastern and southern neighbours. In March 2009 the European Council unanimously expressed its support for the ambitious Eastern Partnership (EaP) project which has become a part of its ENP and covered eastern neighbourhood countries. The aim of the paper is to analyse the background of the EaP, its aims and costs and benefits for the countries involved. According to the authors, the main benefit of this project is progressive integration of partner countries with EU structures. The EaP project was given a budget of 1.9 billion euros for the period between 2010 and 2013 (financial support provided by the European Neighbourhood and Partnership Instrument). The sum includes funds for programs and initiatives of the Partnership of multilateral character as well as funds for cooperation with particular partner countries serving the main goals of EaP.

Keywords: Enlargement, Eastern Partnership, Neighbourhood Policy, dimensions of cooperation, EuroNest.

1. Introduction

After the enlargement of the European Union (EU) to the countries of Central and Eastern Europe it seemed natural to seek to ensure the stability and security of all Member States. The EU decided to develop positive and privileged relations particularly with neighbouring countries of the new Member States. These relations were to be based on common values and standards of the EU and were to be a mark of the effectiveness of the EU's external policy. Thus a common EU policy towards the region was created, which was to show that, regardless of the ongoing debate in the EU on further enlargement to the East, Member States want to help their neighbours in carrying out reforms. In particular the Eastern countries were to take a prominent role within the EU policies. Located in the immediate vicinity, those post-Soviet republics had already been of concern to the Western European politicians for over 20 years. Already associated with the

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EU by bilateral political and economic agreements, they were now supposed to drift in the Western direction and undergo europeanization, thus moving away from the Russian sphere of influence and becoming a buffer zone separating the EU from Russia (Ministry of Foreign Affairs of the Republic of Poland, p. 10; Council of the European Union, 2009). The main goal of the paper is to analyze the background of the Eastern Partnership (EaP), its aims and costs and benefits for the countries involved as well as for European Union. The research was conducted with the use of the following methods: a synthetic and deductive presentation of the essence of the concept of EaP, critical analysis of foreign and Polish literature concerning the subject, as well as of critical analysis of documents concerning the subject matter. The research included also the quantitative analysis of various economic factors and comparative analysis of data.

2. Origins and Initial Goals of the Eastern Partnership

The creation of the EU's common policy towards Eastern Partnership countries was proposed by Germany who, during its presidency in 2007, suggested developing the European Neighbourhood Policy Plus. Soon after, Poland, with the support of Sweden, initiated works on a project of a cohesive political initiative that would be addressed to Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine (see Illustration 1). As Poland had its concerns about a possible new division of Europe into privileged countries and those left behind, this common initiative was to be a clear signal that, regardless of the ongoing debate in the EU on further enlargement to the East, Member States want to help their neighbours in carrying out reforms. In developing their project Poland and Sweden relied on an already existing European Neighbourhood Policy (ENP) (Ministry of Foreign Affairs of the Republic of Poland, p. 10).

The ENP was created in 2004 and applied to countries of Eastern Europe, South Caucasus, North Africa and the Middle East (Algeria, Armenia, Azerbaijan, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority, Syria, Tunisia and Ukraine). Another partner of the ENP is Belarus (Mongrenier, 2012); however, due to the lack of progress in democratization and in respecting human rights the negotiations concerning the plan of action have never reached a conclusion. The areas of cooperation are many and include democratic reforms, market reforms, legislative reforms, border management, media, environmental protection and non-governmental organizations. The idea behind creating ENP was to blur the dividing lines between the new enlarged European Union and its neighbours and to foster prosperity, stability and security in the whole region. At the time the ENP was created, it was expected that the countries that, as a result of the EU's enlargement in 2004, became its neighbours would strive to introduce democratic and market reforms. The state of affairs of the Eastern neighbours in lieu of improving would get worse. Ukraine suffered from an ongoing political turmoil; there was a recurring gas crisis in Eastern Europe; authoritarian governments reigned in Armenia, Azerbaijan,

Belarus, Moldova (though in a milder form); undemocratic practices occurred by the Georgian authorities and finally the Russian invasion in Georgia in August 2008. The effectiveness of ENP in stimulating changes in the eastern neighbourhood was below expectations. Although that is mainly because the very neighbour countries did not show sufficient political will to introduce reforms, some part of the blame is also ascribed to the ENP project itself. That is what led some EU politicians to develop a new, more effective mechanism to stimulate reforms in the eastern neighbourhood (Ananicz, 2009, p. 1-2)

A decision was made to create a more ambitious initiative, the goal of which was to replace the existing selective support of reforms in Eastern Europe with a broad offer of comprehensive assistance in the process of modernisation and transformation. It was agreed that modernisation and transformation could only be achieved by far-reaching economic and political integration of the partner countries with the EU. In May 2008 at a meeting of EU's heads of diplomacy, the foreign affairs ministers of Poland and Sweden, Radosław Sikorski and Carl Bildt, respectively, presented their project hoping it would win approval. Soon the project developed dynamically: only a month later, in June 2008, the European Council adopted the project unanimously and called on the European Commission to draw up the details of the Polish-Swedish initiative. As a result already in December 2008 the European Commission presented concrete proposals concerning the EaP project. In its official statement the Commission found that "stability, better governance and economic development on the eastern borders are of vital interest to the European Union." It also emphasized the key role that the Member States that experienced in the transformation process had to play in the project. In March 2009 the European Council unanimously expressed its support for the 'ambitious Eastern Partnership project'. This meant that the project became an integral part of the European foreign policy. In the conclusions of the summit of March 2009 the Council assured that the promotion of stability, good governance and economic development in the eastern region was of strategic importance to the whole European Union.

Among the participants of said event were also heads of the major EU political institutions, including the European Parliament and the European Commission, and representatives of financial institutions that provided support to the Partnership. The summit concluded with the leaders adopting the Prague Declaration, which became the basic founding document of the EaP. Said declaration states that the EaP is based on common interests and obligations and it will be developed jointly, in a fully transparent manner. The basis of the EaP are commitments concerning respecting the principles of international law and fundamental values such as democracy, rule of law, human rights and fundamental freedoms as well as market economy, sustainable development and good governance (Ministry of Foreign Affairs of the Republic of Poland, p. 10-11)

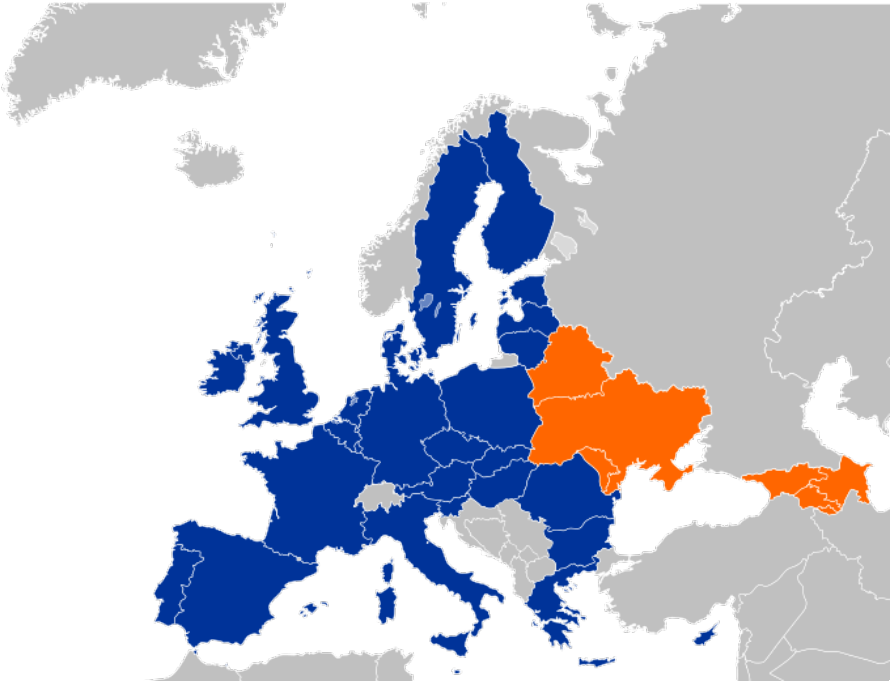
The EaP introduces important changes to the hitherto existing ENP, such as:

- "1. it differentiates the eastern neighbours from the southern ones and places the eastern neighbourhood on the orbit of the EU's foreign policy as an

individual entity. Up until then, the ENP mechanisms were the same for Eastern European countries as for countries of North Africa and the Middle East. Such lumping together of Eastern European countries with non-European countries lowered the profile of the EU's and the Eastern European countries' relations. Moreover, some of those countries saw it as a signal that their pro-EU aspirations had little chance of success. It also had a demotivating effect on the process of transformation. Most importantly however, treating two so different regions as one impeded the EU on developing effective foreign policies towards its neighbours.

2. it broadens and gives shape to the benefits offered to those partner countries that show progress in reforming their institutions according to EU standards. The main benefit should be a deepening integration of partner countries with particular EU structures; however, the extent of integration is largely dependent on individual aspirations and actual progress in the introduction of reforms." (Ananicz, 2009, p. 1)

The aims and mechanisms of the EaP are described in the joint declaration of the EU countries and the partner countries. The Partnership offers more to those who show greater progress in reforming their institutions to EU standards. According to the authors, the main benefit of this project is progressive integration of partner countries with EU structures (Council of the European Union, 2009).



Source: Niecypor, 2013

Illustration 1. Map of the European Union and the Eastern Partnership

3. Dimensions of Cooperation within the Eastern Partnership

The EaP assumes cooperation in the following dimensions: bilateral, multilateral and intergovernmental (Tab. 1).

The objective of the bilateral dimension of the EaP is to bring forth new legal base for relations between the EU and its Eastern neighbours in the form of association agreements and to create Deep and Comprehensive Free Trade Areas. The initiative envisages taking actions towards a visa-free regime and cooperation regarding energy security.

The multilateral dimension of the EaP is supposed to support political and economic change in the partner countries, thus becoming a forum for exchange of information and experiences at the level of heads of state and heads of government, foreign affairs ministers, high ranked officials and experts. The multilateral dimension encompasses four thematic platforms within which meetings are held, those are: democracy, rule of law and stability; human relations; economic integration and convergence with the EU sectorial policies; security. Within the multilateral dimension the EaP has taken on so-called flagship initiatives, which are actions that are to make the Partnership project more concrete and tangible and give it visibility on the international arena.

The cooperation within the so-called “non-governmental dimension” includes, among others, the Parliamentary Assembly EuroNest, a forum for dialogue between the European Parliament and the representatives of parliaments of the partner countries; the Civil Society Forum of the Eastern Partnership, which brings together representatives of non-governmental organizations and other bodies from the third sector from the EU and from the partner countries; and the Business Forum of the EaP, which is a meeting point for representatives of business organizations, entrepreneurs, government representatives and representatives of institutions all from the EU and from the partner countries. Implementing the EaP is also an aim of the Committee of Regions, which is in charge of organizing the Going East forum and which supervises the Congress of Local and Regional Authorities for the Eastern Partnership – a platform for cooperation between local authorities of the EU and regional and local authorities of the partner countries (Szeligowski, 2013)

The EaP is not an office or institution; it is a project of multilateral dimensions that is a forum for exchange of information and experiences between partner countries. Every two years, on a regular basis, meetings of partner countries are organized, which is where heads of state and government of Member States of the EU set the main course within the EaP. Each year, ever since May 2011, foreign affairs ministers (the Parliamentary Assembly EuroNest) meet in order to sum up the progresses made in executing joint projects and draw up directions for further actions. The officials directly responsible for reforms in particular sectors meet twice a year. The meeting takes place in Brussels and is led by the European Commission. Those meetings have been taking place since June 2009 and are grouped into four thematic platforms (Fundakowska (eds.), 2011, p. 11):

- democracy, rules of law and stability (respecting of human rights, market economy). This platform encompasses areas such as: integrated border management, fighting corruption and administration reform,
- economic integration and convergence with the EU sectoral policies. The meeting within this platform concern issues such as support for small and medium enterprises, support for trade, environmental protection and climate change,
- energy security,
- contacts between people, culture, education, science.

The platform on democracy, rule of law and stability relates to issues such as the reform of civil service, the fight against corruption, cooperation in justice and police matters, security issues, freedom of the media and standards for elections.

The platform on economic integration and convergence with the EU sectoral policies incorporates the following issues: economy and trade, sectoral reforms, socio-economic development, equal opportunities, healthcare, environmental protection and climate change, reducing poverty reduction and social exclusion.

The platform on energy security deals with the harmonisation of energy policies and the alignment of regulations of the partner countries to the EU standards and practices.

The platform on contacts between people facilitates and makes possible: cultural cooperation, NGO support, student exchange programs, joint media projects and the incorporation of partner countries to framework research programmes.

The meetings should lead to adopting realistic and important new goals for the cooperation. In between planned meeting panels, preparing goal achievements for each platform can take place (EaP Multilateral Platforms).³

The Parliamentary Assembly EuroNest is responsible for the multilateral parliamentary dialogue. It is a forum for consulting, controlling and monitoring of all issues regarding the EaP. The goal of EuroNest is to bring about actual support for and strengthening of the EaP within the abovementioned four thematic platforms. The Assembly is composed of members of the European Parliament and parliament members from all of the partner countries. EuroNest appoints four parliamentary committees, the scope of which corresponds to the four thematic platforms; it also passes resolutions, recommendations and opinions (EuroNest Parliamentary Assembly, 2011/2012/2013; European Information and Documentation Centre, 2012).

Some doubt that the EuroNest will play a significant role in the EU. It is an institution with no decision-making competencies, that expresses recommendations and passes resolutions and that is responsible for the

³ For detailed description of the platforms see European Union External Actions (EUEA), *The Eastern Partnership Multilateral Platforms*. Retrieved from http://eeas.europa.eu/eastern/platforms/index_en.htm (accessed May 17, 2014)

dialogue between the members of the European Parliament and the members of parliaments of the partner countries. The countries of the EaP, however, are not interested in the operations of EuroNest and do not see any added value in it (Łada, 2011). The first session of EuroNest, which took place in September 2011, was a big disappointment. The plan assumed adopting two documents whilst the session ended with no agreements made and no tangible conclusions or results. Those documents concerned projects of recommendations for the Eastern Partnership summit (late September 2011 in Warsaw) and declarations on the topic of Belarus. The debate was interrupted by a heated dispute between a group of Georgians, Azeris and Armenians.

Table 1. Dimensions of cooperation within the Eastern Partnership

Bilateral dimension	Multilateral dimension	Non-governmental dimension
1. Supporting of reforms. 2. Association agreements. 3. Deep and Comprehensive Free Trade Areas. 4. Mobility and security. 5. Energy security. 6. Support of social and economic development.	1. Thematic platforms: 1.1. Democracy, good governance and stability. 1.2. Economic integration and convergence with the EU sectoral policies. 1.3. Energy security. 1.4. Contacts between people. 2. Flagship initiatives: 2.1. Program of integrated border management. 2.2. Support for the development of small and medium enterprises. 2.3. Regional electricity markets, energy efficiency and renewable energy sources. 2.4. Environmental governance. 2.5. Prevention, preparedness and response to natural and man-made disasters.	1. Parliamentary Assembly EuroNest. 2. Civil Society Forum of the Eastern Partnership. 3. Congress of Local and Regional Authorities. 4. Business Forum of the Eastern Partnership.

Source: (Szeligowski, 2013)

The failure of 2011 did not mark the end of EuroNest and the Assembly is still operating. It is there to keep the EU interested in its eastern neighbourhood. It can also serve as a case study for the EaP. Encouraging partner countries to develop multilateral cooperation will be extremely difficult, especially in the Caucasus region. What the partner countries are counting on is financial aid and visa facilitations. The key elements of the EaP are the support for civil society and educating the youth. Only the new

generation can truly part with facade democracies and chauvinism-ridden disputes (Szczepanik, 2011).

4. Eastern Partnership as Seen by the Partner Countries and by the European Union

The EaP was subject to evaluations and opinions given by representatives of both partner countries and the EU since its very beginnings. Those evaluations had to do with a possible enlargement of the European Union. France and Germany saw the Partnership as a substitute of further enlargement of the EU whilst Poland called it a first step on the path to enlarging the EU to partner countries.

A point of dispute was the division of competences between the Partnership and other regional initiatives: the Black Sea Synergy and the Northern Dimension. Romania, Bulgaria and Greece fear that the Partnership might lower the profile of the Black Sea Synergy, which to them is of more value than the said Partnership. The Black Sea Synergy is an initiative of the European Commission dating back to 2007. It incorporates countries of the Black Sea basin: Bulgaria, Georgia, Russia, Turkey, and Ukraine, together with Armenia, Azerbaijan and Greece. The aim of the Black Sea Synergy is to stimulate regional cooperation in the Black Sea basin in areas such as energy, transport, environmental protection, movement of citizens and security. The Synergy is based on three main processes: ENP, strategic partnership of the EU with Russia and Turkey's accession process. The Northern Dimension was inaugurated in 2009 by the initiative of Finland. It incorporates Iceland, Norway, Russia and the EU. The goal of the Northern Dimension is to develop cooperation in the European arctic and subarctic regions, mainly the basins of the Baltic Sea, the Barents Sea and the Arctic Sea (Popielawska, 2009).

Ukraine called the EaP a step towards membership in the EU and emphasized its support for concrete reforms (e.g. of the energy sector). Belarus was hoping for export facilitations, foreign investments and loans and some visa facilitations in the Schengen Area. The president of Moldova expressed his disappointment with the lack of prospects for EU membership, but he also expressed hopes for signing an association agreement. The countries of South Caucasus were pleased with the EaP since the very beginning, although Azerbaijan, for various reasons, was mostly interested in cooperation in the area of energy. Armenia was hoping to sign an association agreement with the EU as well. It would seem that of all the South Caucasus countries, only Georgia was ready for broad and deep cooperation with the EU within the Partnership. The Georgian president called the EaP an "elegant response for the EU" to the Russian-Georgian war that took place in September (OSW, 2009). Another matter is the reaction of the Russian Federation, who was not part of the EaP. Its authorities, on more than one occasion, expressed discontent with the Partnership. What the EU saw as a socio-economic project, Russia perceived as a political or even geo-strategic initiative (Jankowski, 2009, p. 47).

The notions behind the EaP were highly ambitious, but not really adapted to the political and economic climate in Europe and in the world. The main objective of the Partnership was to “create necessary conditions to accelerate the process of political association and further economic integration between the EU and its eastern neighbours.” However, the authors and signatories of the Prague Declaration should not be blamed for the fact that those conditions have worsened because of the economic problems in world and the crisis in the Euro zone, nor for the difficulties the partner countries encountered while introducing the principles of good governance. This is to say that a tangible improvement in the relations between the EU and the EaP countries – a bringing of those relations to a higher level as envisaged by the leaders at the meeting in Prague in 2009 – is yet to be seen. The success of the Partnership is largely dependent on the access to funds. Achieving standards of living similar to that of the EU and making the leap forward in civilisation is a difficult task. Another issue is the effectiveness of the programs and projects under way and causing the EU to give actual support to positive trends in the Eastern countries, especially supporting their economic and social growth and their democracies, the respecting of human rights and good governance (Bagiński, 2011, p. 1-2).

The success of the Georgian reforms will be an indicator of the effectiveness and credibility of the EaP program. It is a key that the EU participates in the process of democratization in Georgia and provides expert and financial assistance.

The EU has significant influence over the reforms in the country and should put more emphasis on the principle of conditionality and be firmer in criticizing the Georgian authorities whenever rule of law and democracy are infringed (Sikorski, 2011).

According to some experts who criticize the EU for overly bureaucratic procedures, after four years since the launching of the EaP project, many people do not see it as a factor that influences their lives (Gotev, 2013).

Each year the European Union prepares the European Integration Index for Eastern Partnership countries (EaP Index), which is a tool for monitoring civil society and it measures the pace of integration of the EaP countries. This index was designed to keep the partner countries on the path of development and warn them if they stray from the expected path of progress. The Index has three main aspects. First, it takes the idea of deep and sustainable democracy seriously, setting out detailed standards for its assessment. Second, the Index provides a cross-country and cross-sector picture and allows for their comparative analysis⁴. Third, the Index bolsters existing EU efforts, such as the annual progress report, by offering independent analysis of the EaP countries. The Index interprets ‘progress in European integration’ as a combination of two separate yet interdependent processes: increased linkages between each of the EaP countries and the European Union, as well as greater approximation between those countries’ institutions, legislation

⁴ The six countries are evaluated based on the same list of questions and indices (a total of 823 measures).

and practices and those of the EU. While the first process reflects the growth of political, economic and social interdependencies between EaP countries and the EU, the second process shows the degree to which each EaP country adopts institutions and policies typical of EU Member States and required of EaP countries by the EU. The Index showcases the significance of increased linkages and greater approximation in the process of achieving goals. Its dynamic, however, depends on political decisions. This led to defining the following three dimensions for evaluation (International Renaissance Foundation *et al.*, 2013, p. 12):

- Linkage: denotes growing political, economic and social ties between each of the six partner countries and the EU;
- Approximation: shows structures and institutions in the partner countries converging towards EU standards and in line with EU requirements;
- Management: denotes evolving management structures and policies for European integration in the partner countries.

Each year the 2013 Index shows progress of all six EaP countries to the EU, with some exceptions. Different starting points, different ambitions and a different pace of reforms result in different evaluations and different positions of the six countries.

Moldova is the best reformer in the region and is the closest to meet the EU standards. The country has improved its score in the 'approximation' and 'management' dimensions. It is the top performer in all three dimensions and has the highest score for deep and sustainable democracy.

Georgia is the second best performer according to the Index. The country has improved its scores in all three dimensions. It has second place in the 'approximation' dimension and had also the exact same score as Moldova in 'management'. Among the EaP countries Georgia has made considerable progress last year (that is in 2012) in building deep and sustainable democracy.

Ukraine, third performer overall, is a frontrunner in political dialogue, trade, economic integration and sectoral cooperation with the EU. However, the country is not taking full advantage of its geographic proximity to the EU and its privileged relations to better converge towards EU standards. Compared to 2012 Ukraine has slightly dropped in the 'linkage' dimension and slightly improved in 'approximation', with the 'management' score remaining on the same level.

Armenia has made considerable progress in 2013 on its path towards the EU. The country has improved its results in all three dimensions, especially in 'management' where it scored almost as high as Ukraine.

Azerbaijan ranks fifth in all dimensions of the Index. Although the country has improved in 'linkage' to EU, there has been no progress in 'approximation' and even a slight drop of score in the 'management' dimension.

Belarus seems the farthest away from the EU. It ranks last in all three dimensions of the Index. However, though there has been no change in 'linkage', Belarus has in fact improved its scores both in "approximation" as in "management" (International Renaissance Foundation *et al.*, 2013, p. 16).

5. The Funding of the Eastern Partnership

The EaP project was given a budget of 1.9 billion euros for the period between 2010 and 2013. That budget was approved by the European Commission and the money came from the European Neighbourhood and Partnership Instrument (ENPI). The sum includes funds for programs and initiatives of the Partnership of multilateral character as well as funds for cooperation with particular partner countries. The money from the ENPI is to serve three basic goals:

- assisting the process of political transformation in partner countries and their stride towards a democratic rule of law (including promoting human rights),
- assisting the process of creating market economies in those countries
- promoting sustainable development.

The projects of the EaP are also funded through other financial mechanism of the EU. The European Instrument for Democracy and Human Rights focuses on projects that support and promote civil society and human rights. The Neighbourhood Investment Facility (NIF) supports investments in infrastructure for the energy and transport sectors, environmental protection and the development of the private sector (especially small and medium enterprises) and social sector. The European Commission allocated 700 million euros to the NIF for the period between 2007 and 2013. What is more, international financial institutions have been increasingly participating in the funding of the EaP – in particular the European Investment Bank and the European Bank for Reconstruction and Development. In 2010 the EIB launched the Eastern Partners Facility program with a total budget of 1.5 billion Euros to be allocated to loans and guarantees for investments in partner countries. Entrepreneurs can apply for those funds directly at the European Investment Bank.

On December 1st, 2011, the European Council on Foreign Relations created the European Endowment for Democracy (EED). Its goal is to assist democratic transformations and it operates primarily through allocating funds to partner organizations (political foundations, non-governmental organizations etc.) for actions envisaged in the fund's mission. The European Endowment for Democracy will be funded from European budgets and from contributions from Member States of the EU. Another instrument for supporting the civil society in the neighbour countries is the Neighbourhood Civil Society Facility (NCSF). NCSF's aid is supposed to strengthen democratization (via, among others, raising the role of non-governmental organizations and promoting pluralism in the media or election observational missions), including developing civil society and its involvement in political dialogue. For the years 2011–2013 the NCSF was allocated a budget of 22 million euros from the ENPI (to be distributed evenly between southern and eastern neighbourhood policies). Funds can be also gained from outside the EU. The programs can be co-financed by Member States, states of the European Economic Area (EEA), international organizations and enterprises and other economic entities (Eastern Partnership Community, 2012).

The EU's budget for 2014-2020 introduces certain modifications in the funding mechanisms, including the funding of EaP. Starting from 2014 the ENPI will be replaced by the European Neighbourhood Instrument (ENI), which will be the main source of funding for the countries of the EaP. The new instrument will, to a larger extent, meet political needs by giving more diversity and more flexibility while at the same time applying more rigid selection criteria but offering a wider set of benefits to the best performers (Taczyńska, 2013, p. 22). The ENI has envisaged a budget of 15 billion euros for the EaP for the years 2014-2020 (European Information and Documentation Centre, 2014 (updated)).

6. Poland's Involvement in the Development of the Eastern Partnership

When Poland opened its membership negotiations with the European Union in 1998, its goal was to create an eastern dimension of the EU.

While actively participating in the Convention on the Future of Europe, Poland was constantly lobbying for the Eastern partners. It also undertook a series of actions itself, such as the abolition of visa fees for Ukrainian citizens and the bringing forth of the so-called Riga initiative⁵. To develop a common policy, Poland tried to use its leadership in the Central European Initiative. Already at that time it proposed following a coherent policy towards Eastern Europe countries and one that would be flexible enough to ensure individual relations with each of the countries, indicating that they would not only focus on political and economic integration, but would also have a clear human and social dimension. After the enlargement of the EU to the East, many eastern neighbours feared that it would create a new wall dividing the continent into privileged countries and those that have to cope with their problems themselves. Poland has taken many measures showing that it will use its membership in the EU to effectively promote positive changes in the countries of Eastern Europe: it is actively involved in the implementation of the EaP and it has been working to enrich this initiative with new elements and additional support for the societies of the partner countries. In January 2010 in Madrid, together with Spain holding Presidency of the European Union, the Polish authorities organised an international seminar on the EaP. Many new ideas for additional support for the modernisation of the EU's Eastern neighbours have been put forward; among those was the establishment of the Group of Friends of the EaP (known as the Information and Coordination Group). Its creation was agreed in May 2010 in Sopot, at an informal meeting of Foreign Ministers of the EU and the EaP countries, which was convened at the initiative and invitation of the Minister of Foreign Affairs of Poland, Radosław Sikorski. This informal group is to be a forum of cooperation with non-members of the EU interested in supporting the EaP, such as the United States of America, Norway, Japan, Canada,

⁵ It is a broad regional cooperation initiative of 17 countries to support the processes of transformation and the joint fight against crime and terrorism.

Switzerland, Russia and Turkey. Some of those countries are ready to act as donors and provide financial support to the EU initiative. Others, especially those located in the vicinity of the EaP countries, are willing to participate in some projects. The Polish government allocates a large share of its foreign aid funds to the implementation of EaP goals (in years 2010 to 2011 a total of almost 100 various projects in partner countries were underway). The EaP was also one of the main priorities of the Polish Presidency in the second half of 2011. Poland constantly sought to strengthen the Eastern dimension within the neighbourhood policies through deepening sectoral cooperation and including the EaP countries in cooperation for programs and EU agencies. During the second Eastern Partnership Summit in Warsaw on September 29th and 30th, 2011 a Common Declaration (called "Varsavian") was adopted. It was a strong political sign of deepening integration and further involvement of the EU and its eastern partner in joint initiatives. The text included concrete declarations of willingness to active cooperation such as emphasising that that Partnership is based on shared values, the acknowledgement of European aspirations of the partner countries, their declaration of readiness to integrate with EU's inner market and, in the future, create a common economic area of the EU and the Partnership countries. This declaration confirmed the strive towards a visa-free regime and the deepening of sectoral cooperation. The Warsaw Declaration also announced a future opening of EU programs for partner countries' citizens and marked year 2011 as a possible date of closing negotiations on the association agreement with Ukraine and opening negotiations with Georgia and Moldova on Deep and Comprehensive Free Trade Areas (DCFTA). Also during the summit in Warsaw the Eastern Partnership Academy of Public Administration (EPAPA) was founded as a multiannual program of trainings for officials from partner countries. As envisaged in the Declaration the DCFTA negotiations with Georgia and Moldova were opened and the negotiations on the association agreement EU-Ukraine were concluded. Poland has also managed to successfully bring forth the creation of the Eastern Partnership Business Forum (the founding meeting took place in Sopot). The Presidency also gave support to the organizations of the Third Forum of Civil Society in Poznan, which hosted the inauguration meeting of the Congress of Local and Regional Authorities for the Eastern Partnership. It was also during the Polish Presidency that the first official meeting of the Parliamentary Assembly EuroNest took place. With the goal to deepen sectoral cooperation of the EaP, the Polish Presidency organized a series of encounters at the level of ministers, high ranked officials and experts, among those were: conferences of ministers of economy, transport and agriculture, a debate of ministers of higher education, conferences of heads of customs and a meeting of heads of statistical services, expert conferences on migration, fighting drug-related crime and human trafficking, climate cooperation, fighting corruption, energy, security, education, culture, customs and industrial property. Based on the Polish initiative the European Commission is currently working on a further development of sectoral cooperation. For example, it created a 'road map' for the implementation of the EaP in the

period preceding the Partnership's summit in autumn 2013 (Ministry of Foreign Affairs of the Republic of Poland, p. 43-45).

7. Conclusions

The Eastern Partnership initiative has created a framework and mechanism for the integration of the EaP countries with European Union. Despite that it has not gained any major political significance that would match the EU's ambitions and the challenges ahead of it. The impact of the initiative has turned out to be limited because of the differences of interests among the parties' involved (EU institutions, EU Member States and the partner countries). The progress of transformations in the neighbour countries has fallen short of expectations, which revealed major limitations of the EU and the instruments it has been using to stimulate change. The EU has failed to become an agent to change in the region to the extent that would match its ambitions. The structure and bureaucratic instruments developed within the framework of the ENP and the EaP cannot quickly respond to the dynamic political processes taking place in the Eastern Europe and in the EU itself. In this situation, the real political significance of the Eastern Neighbours integration with the Union has become diminishing and the process itself has become dominated by bureaucratic procedures. The parties involved are interested in maintaining dialogue rather than achieving measurable progress in integration with the EU.

In the EU's foreign policy, including EaP, building internal consensus takes more time and efforts than can be devoted to achieving tangible outcomes outside the Union. Where there is neither political will to pursue deeper integration with its neighbours, nor unanimity about the long-term objectives of integration, strategic decisions and delivery of specific commitments (such as establishing the visa regime) can be postponed. The partner countries on the other hand can use this situation domestically to avoid paying the high political and economic costs of real reforms and transformations, and externally to pursue a policy balancing between the EU and Russia. Currently, a breakthrough in mutual relations seems unlikely to happen in the short term. The EU will not reform its policy towards the neighbours until it has managed to streamline its decision-making process and made a choice about the future direction of its development. Moreover, the situation in the eastern neighbourhood seems to be so unstable at the moment that EU- being on one hand forced to pursue a more active policy- can't find the best way to meet interests of its all Member States.

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Shortcomings of the EU Foreign Policy – from Iraq to Crimea and Eastern Ukraine

Abstract

Despite numerous declarations and documents issued by the European Union (EU), any landmark decisions regarding the formulation of the EU's aims and tasks in the field of foreign and security policy should not be expected. It seems that there are no grounds to assume that the fundamental weaknesses of the EU's foreign and security policy will be overcome in the near future. In this article, the author shall analyse and present the weaknesses in detail, as well as discuss the institutional, legal and treaty changes aimed at improving the effectiveness and operational functionality of the EU's foreign policy and hastening the development of common military capabilities.

Keywords: foreign policy, European Union, defence policy, intergovernmental cooperation, external policy.

1. Introduction

The European Union (EU) strives to be a global actor in international relations. However, we should note the numerous structural, geopolitical and systemic weaknesses and challenges in this regard. When describing the foreign and security policy of the EU, we can speak of distinct shortcomings and deficiencies. At present, the role of the EU in the field of military policy is limited. It has been effective neither in conducting the Common Foreign and Security Policy nor the Common Security and Defence Policy, which could have demonstrated its significant impact on the development of international relations on the global scale. Christopher Hill, Julian Lindley-French and Roy H. Ginsberg point out a widening 'gap' between the expectations of the EU (concerning its position and role in international relations) and its effects in foreign policy (Hill, 1993, p. 21; Ginsberg, 1999, pp. 429–454). The events in Ukraine and the attitude of the 'EU-28' towards Russia, and earlier the Arab Spring, have confirmed this conclusively. Despite numerous declarations and documents issued by the EU, we should not expect any landmark decisions regarding the formulation of the EU's aims and tasks in the field of foreign and security policy. It seems that there are no grounds to assume that the fundamental weaknesses of the EU's foreign and security policy will be overcome in the near future.

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2. The Lack of Political Will

The primary cause of the EU's weakness is the difficulties Member States face in finding a common ground for the CFSP and the CSDP. Thus, the core of the problem is the lack of sufficient political will to conduct a 'truly common' foreign and defence policy.

The majority of the EU Member States are not ready for the Communitisation of the CFSP or the CSDP. They perceive intergovernmental cooperation in the EU a special sphere, where governments defend their right to take actions to protect their sovereign national interests. A good example of how EU members are attached to traditional attributes of the state was the lack of approval for the title 'Union Minister for Foreign Affairs' (as the office was to be called under the Treaty establishing a Constitution for Europe) for what is now, under the Treaty of Lisbon, less controversially called the High Representative of the Union for Foreign Affairs and Security Policy.

Taking advantage of the intergovernmental nature of the CFSP, the Member States do not apply the treaty-based rule of systematic cooperation and often ostentatiously demonstrate a different position than the majority of the EU in many international issues. Furthermore, while under the principle of subsidiarity, it is the EU that should react to important international challenges; in fact, the Member States leave only some important matters to the EU (Parzymies, 2004, p. 45).

Although recently we have observed a tendency of some Member States to Europeanise their military and political actions, this does not involve or imply the Communitisation of the EU's foreign policy. A very good example of this is the military operations recently undertaken by France in Mali and the Central African Republic. On the one hand, France strives to Europeanise the conflict in Mali and in the area by sending missions under the CSDP. It emphasises the numerous challenges to European security connected with that region. This tactic is beneficial to Paris, as it allows it to avoid possible accusations of neocolonialism. Apart from that, the memory of the failed intervention in Rwanda in 1994 is still a source of serious controversy in France and has a considerable impact on the priorities of France's policy in Africa. On the other hand, as a strategic partner in the region, France often conducts a parallel policy to that of the EU, which certainly does not facilitate the establishment of a separate EU identity in international relations. The political will to change this state of affairs is, however, lacking.

Desmond Dinan (1999, p. 588) wonders why the Member States even use the ambiguous name 'common' to refer to the foreign and security policy of the EU. He believes that "the nomenclature is misleading and generates unrealistic expectations inside and outside the EU about the CFSP's capabilities". It should be noted in this context that the term 'common' is to express a certain intent or political will of the signatories of the Maastricht Treaty, who thus attempted to set the direction of the evolution of the EU foreign policy that they (or at least some of them) considered desirable. Here, there is a clash between elements of political idealism and a pragmatic approach (Milczarek, 2003, p.257).

We are still very far from seeing the actual EU foreign policy in action, especially one that would be the emanation of the interests of the entire EU and not of its strongest Member States. Whether it can be achieved will depend on the political will of the Member States and on the development of the defence component of the European Union.

3. The Lack of Institutional Clarity – ‘Hybridism’ and Intergovernmentalism Prevail!

The Treaty of Lisbon (TL) has retained the specificity of EU foreign and defence policy. It still essentially comes down to intergovernmental cooperation, unanimity in decision-making, as well as non-application of legislative acts. The first years of the functioning of the CFSP and the CSDP under the TL have revealed numerous challenges, limitations and deficiencies in this respect.

The Treaty of Lisbon has only introduced some limited changes to the division of competences, legal instruments and the decision-making process regarding the CFSP and the CSDP. It has failed to provide any mechanisms that would force the Member States to act in concert, or at least facilitate it. The effectiveness of the EU's foreign policy is still primarily determined by the political will of the Member States. The intergovernmental nature of the CFSP is confirmed by, among others, declarations no. 13 and no. 14 attached to the Treaty of Lisbon. They emphasise that the Treaty's provisions neither infringe upon nor limit the present responsibilities and competences of the Member State regarding the development and implementation of their own foreign policies or the manner in which they are represented in non-EU countries and international organisations. These provisions are an example of an actual ‘national obsession’ – that is when Europe touches upon sovereign attributes par excellence, such as diplomacy and the use of military force, states immediately start to cling to their national prerogatives (Gnesotto, 2012, p. 80). We are witnessing a ‘cult of national sovereignty’ in diplomacy and the military, which – according to Nicole Gnesotto (2012, p. 80–81) – is one of the most serious limitations to ‘strategic Europe’.

The Treaty of Lisbon established the office of High Representative (HR) of the Union for Foreign Affairs and Security Policy, by combining two previously existing positions: the High Representative for Common Foreign and Security Policy and the European Commissioner for External Relations. The intention behind this was to improve the institutional effectiveness of the EU in the field of foreign policy. It should be stressed, however, that it is effectively just a personal union and it does not change the existing legal order.

The coherence and effectiveness of the EU's external actions was also to be furthered by the so-called ‘double-hatted’ nature of the HR office. On the one hand, the HR is responsible for the implementation of the CFSP, where unanimity of the Member States is required; and on the other hand, the HR is the vice-president of the Commission and is tasked with ensuring coordination of the individual aspects of the EU's external actions

within the Commission, thus where the HR's competences correspond to the competences of the Commission, the HR is subject to the operational procedures of the Commission. This means that the functioning of the HR is based on two different systems: the intergovernmental method (the Council and the European Council) and the community method (the Commission). It is, therefore, possible that a conflict of interest and rivalry between these two institutions might arise. The practical implementation of this novel organisational nature of the office of HR will play a decisive role with regard to the effectiveness of the EU foreign policy (Kreczmańska, 2008, p. 133).

Another example of 'hybrid institutional solutions' is the European External Action Service (EEAS), which comprises both EU officials and diplomats from the Member States. The EEAS operates in the intergovernmental sphere, but combines elements of Commission policies (Osica, 2010, p. 101). In this context, there appears to be a problem of the Commission's competences in the field of the external commercial, development and enlargement policies. These areas have not been transferred to the EEAS. At the same time, the HR and the EEAS are expected to cooperate with the relevant Commissioners in the entire cycle of programming, planning and implementation of financial instruments under the said policies. Critics of the existing solutions emphasise that there is no clear division of tasks between the institutions, which could cause various divergences between the EEAS and the Commission with its Directorate-Generals. At the same time, a simple arrangement between them does not solve the problem. For example, although in January 2012 an agreement was signed between the Directorate-General for Development and Cooperation–EuropeAid (DG DevCo) and the EEAS concerning cooperation in development assistance, there is still distinct mutual distrust between these institutions, as well as concerns regarding the possible further expansion of the competences of one institution at the expense of the other (Zajączkowski, 2013, pp. 627–664).

The transparency and effectiveness of the new institutional structure in foreign policy will be considerably influenced by cooperation and the division of competences between the HR and the permanent President of the European Council. From the systemic point of view, rivalry and diminishing each other's role is an inherent feature of the logic of functioning of these two institutions in the international sphere (Osica, 2010, p. 93). Fortunately, in the 2009–2014 term there were no significant conflicts between High Representative Catherine Ashton and President of the European Council Herman Van Rompuy, but this was only due to the fact that both these politicians preferred to act in coalition. In the future, however, the situation could be quite different, which further supports the thesis that so far neither the formal prerogatives nor the actual significance of the office of High Representative have introduced any new positive qualities to the functioning of the EU foreign and security policy.

The examples presented above, regarding the interpretation of the various provisions of the Treaty of Lisbon, lead to the conclusion that the development of a coherent foreign policy will depend on whether reasonable practice can be worked out in the coming years. This will be a big challenge

to the EU and its Member States as it involves 'mastering chaos'. The institutional disorder in the EU's foreign and security policy results from a long series of compromises.

4. The Lack of a Comprehensive Approach in External Policy

Regarding the system structure, the Treaty on the Functioning of the European Union (TFEU) contains Part Five: 'External Action by the Union', which consolidates the previous regulations governing external relations, such as the CCP, the EU's international agreements, membership in international organisations and development assistance. Furthermore, the Treaty of Lisbon confirms the significance of the principles of cohesion, complementarity and coordination in external policy. Of particular importance is the aim laid down in Article 21 Section 3 of the Treaty on European Union: "The Union shall ensure consistency between the different areas of its external action and between these and its other policies" (Official Journal of the European Union, C 326/49, 26.10.2012).

Despite the relevant treaty provisions, the Member States are very sceptical of closer coordination of their external policy activities, as they want to take advantage of their participation in this policy to further their political and economic positions in relations with non-EU countries, which is additionally intensified by the situation in the euro area and the increasing striving of individual states to protect their own interests.

Assessments of the effectiveness of the external policy also point out incoherence of the individual EU policies that are implemented. In other words, there is a discrepancy between the EU's declared striving towards a comprehensive external policy and its actual policy in this regard.

Many actions taken by the EU in international relations prove that a strong dichotomy between its external economic/commercial relations and the foreign/diplomatic relations persists (Zajączkowski, 2014, pp. 111–155). The Treaty of Lisbon has failed to change that, and the CFSP is still subject to the intergovernmental method. The specific nature of the CFSP is also shown by the fact that it arises from the Treaty on European Union (Article 24), and not the TFUE, which is the basis for all the other external policies.

Nonetheless, the EU has been attempting to ensure a comprehensive approach to external relations. For example, a close relationship has been observed between security and development – the so-called security-development nexus. There is no sustainable development without peace and stability. At the same time, relative development and reduction of poverty are some of the factors that determine peace. Security is considered the precondition of development. The EU's comprehensive approach to external conflicts and crisis management has been institutionalised in the Treaty of Lisbon. A practical example includes the strategies adopted by the EU towards the Sahel region in November 2011 (*A Strategic Framework for the Horn of Africa*). Their implementation, however, deviates from the objectives set out initially, with a predominant 'piecemeal approach' instead of a comprehensive strategy. The EU itself admits in a Joint Communication that

it “[...] now needs to make further improvements and more consistently apply the comprehensive approach as a guiding principle to EU external policy and action” (European Commission *et al.*, 2013, p. 12).

Although treaty-based rules and EU documents stress the need for close cooperation in external policy, the present state of affairs is far from ideal. Conducting an external policy that would be ‘common’ and ‘coherent’ in more than name is not easy. Complementarity still seems rather a political slogan than a fact. All this negatively impacts the position of the EU and its power in international relations.

5. The Lack of European Armed Forces

Although at the summit of the European Council in Helsinki, on 10–11 December 1999, the leaders of the EU officially proclaimed the establishment of the Common Security and Defence Policy, its implementation leaves much to be desired and has only limited influence on the EU’s position in the world. So far, in accordance with the Helsinki guidelines, by 2003 the EU achieved readiness to undertake civilian and military missions and operations under the CSDP. In the recent years, the European Union has been particularly active in this field in the Democratic Republic of the Congo, the Sahel region and the Horn of Africa as a result of the threats that have originated in these areas and have negative consequences, not only for these regions, but also for international security. We should not, however, overestimate the importance of the missions conducted by the EU. They are short-term and complementary to the missions of the UN, regional organisations (e.g. the African Union) or subregional organisations (e.g. the ECOWAS).

The second aim set in Helsinki, the establishment of military capabilities, including a European rapid reaction force, ended in an utter fiasco.² The European Union stumbled upon a series of difficulties in increasing defence budgets, transforming its military forces from territorial defence forces to intervention and expedition forces, as well as dealing with shortages and technical shortcomings.³ The EU Member States have different attitudes towards the CSDP and different statuses: there are NATO members as well as neutral or uninvolved states; there are states which give primacy to NATO and the alliance with the USA as those that would prefer far-reaching autonomy from NATO; there are nuclear-weapon states that are permanent members of the UNSC as well as countries whose military potential is only nominal.

² In Helsinki, the Member States committed to being ready by 2003 to field within 60 days and maintain for at least a year an armed force of 50–60 thousand troops capable of undertaking the Petersberg missions (under the European Headline Goal).

³ So far, the EU has not established any satellite communication and reconnaissance system independent from the American one. The attempts made to solve this problem (the European Union Satellite Centre in Torrejón de Ardoz and the Galileo space programme) are not likely to yield quick results. The EU is also lacking a fleet of transport and tanker aircraft (the few air tankers available are mainly British).

In the opinion of most scholars, it will be long before the joint European armed forces are able to conduct larger operations on their own. Roman Kuźniar (2002, p. 40) notes that the true power of the CSDP would more likely result from an evolution of NATO or a reduction of American involvement in Europe than from the EU's own will and efforts. Gnesotto (2012, p. 88), in turn, underlines the primacy of Atlantic comfort and observes that what used to be true in the most difficult times of the Cold War – precedence of the Euro-American strategic alliance – is still an iron rule even after the collapse of the USSR and a surge of globalisation. The Crimean crisis has only further confirmed this.

6. The Lack of a European Strategy

Bolesław Balcerowicz (2004, p. 58) points out that despite the adoption of the European Security Strategy in 2003, the European Union still has no actual strategy. He considers the ESS to be incomplete and to have only limited influence on the national strategies of the Member States, since none of them give the leading role to the EU strategy. Pascal Vennesson (2005, p. 65) believes that the ESS fails to address the question of how military capabilities would help Europe in achieving its political objectives. Julian Lindley-French (2005, p. 51), in turn, notes that regardless of the efforts made in Europe, the EU is lacking a consistent vision of using the amassed European force in a complex security environment. The EU and its Member States are too late in responding to crises, which, in turn, go more and more beyond the scope of their diplomatic and military capabilities built on false strategic assumptions.

Although most of the points of the 2003 strategy should still be considered right, we have to admit that it is necessary to revise it. Europe is in need of a real strategy that would have real influence on the individual Member States. This has been very aptly put in the document concluding a conference organised in December 2013 at the Presidential Palace in Warsaw by the National Security Bureau (BBN) and the Section of Strategic Studies at the Institute of International Relations of the University of Warsaw, and attended by the President of the Republic of Poland. The document states, among others, that if the EU wants to be a significant and respected international and global actor, we need to want more, we need to make the effort to strengthen the mechanisms and means of the EU's action in the field of foreign and security policy because, despite good intentions and awareness of this issue's importance, the creation of a common EU strategic culture as a collective subject of the security and defence policy has not even been begun (Institute of International Relations at the University of Warsaw, 2013). At the summit of the European Council in December 2013 more than 90 percent of the time was devoted to internal issues: how to save the euro area and a debate on the mechanisms related to the functioning of the banking union, which shows how far the EU is from developing, and actually implementing, a new strategy. The strategic union nowadays seems a very distant notion, not of top priority to the leaders of the EU.

7. The Lack of Funds

Limited funds considerably limit the development of the foreign and security policy. While it is true that the budget is systematically being increased, it is still only approximately 3.5 per cent of the sum allocated to the EU's external relations. In 2002, the annual budget of the CFSP was 46 million euro, in 2009 it was already 243 million euro, and in 2013 it reached 2013 approximately 406 million euro.

The relatively small size of the foreign policy budget is even more evident when we compare the EU's multiannual financial frameworks for 2007–2013 and 2014–2020. Among the general budget items, the one referring to international activity has one of the lowest support levels (56.8 billion for 2014–2020 in 2011 prices).

The military budgets of the Member States are low as well. Military expenses are significantly decreasing when compared to the military budget of the USA. Following the terrorist attack on the United States on 11 September 2001 and the ensuing War on Terrorism, Washington boosted its military budget. Some analysts expected that in the new international reality the EU Member States would also increase their defence budgets. This was not the case, however, mainly due to economic and social determinants, the most significant of them being fear of an increased budget deficit and the lack of social support for increasing expenditure on combating terrorism (Sköns, *et al.*, 2003, pp. 313–318; Bush, 2007, p. 43–50).

In 2013, the budget of the US Department of Defence was 533 billion dollars (392 million euro), and including the costs of military operations (Base budget + Overseas Contingency Operations) it reached 707.5 billion dollars, while the total military expenditure of all the institutions responsible for international safety exceeded 1 trillion dollars.⁴ On average, the USA's military budget is approximately 4.5% of the GDP, while in the case of most EU Member States it is 1.5% of the GDP, with only the United Kingdom (as in June 2014) assigning more than 2% of the GDP (taking into account the budgets of the ministries of defence) and thus achieving the target level set by NATO (in 2013 this group included also Greece and Estonia, but both had to cut their spending due to the economic crisis).⁵

The crisis in the euro area resulted in considerable cuts in EU spending on defence. In 2011, the Secretary General of NATO warned Europe that this could negatively impact NATO's and the EU Member States' operational and military capabilities. He pointed out that in 2011 the total reduction of

⁴ For more detailed information on Federal Government Outlays by Function and Subfunction: 1962–2015 Fiscal Year 2011 see *Historical Tables* at the <http://www.whitehouse.gov/omb/budget/historicals> (Table 3.2).

⁵ France was gradually lowering the percentage share of the budget of its ministry of defence from 1.93 percent (38 billion euro) in 2011 to much below 2 percent in 2013 – namely 1.5 percent, which corresponded to 31.4 billion euro. At the same time, according to a SIPRI report total French military spending amounted in 2012 to USD 58.9 billion, which constituted 2.4 percent of France's GDP. *Financial and Economic Data Relating to NATO Defence*, (NATO Public Diplomacy Division, 2012; Stockholm International Peace Research Institute (SIPRI, 2012).

defence budgets of NATO's European partners amounted to more than 45 billion dollars (the equivalent of the entire military budget of Germany). Also President Barack Obama, during his European tour in spring 2014, warned the EU against large budget cuts in the military sphere. It seems, however, that this is a lasting trend and that it will not be significantly affected by the Crimean crisis. Possibly only the countries in the immediate neighbourhood of Russia might increase their spending on armaments, with Poland and Latvia having already announced they would do so. Presently, the average defence spending of the 28 EU Member States amounts to approximately 195 billion euro in current prices (270 billion dollars), which constitutes approximately 1.6% of the total EU GDP (Pear, Shanker, 2013; Croft, 2013; Center for Strategic and International Studies, 2012). While commenting on the Member States' military budgets, some scholars point out that it is not their size that is most important. Gnesotto (2012, p. 76) notes that generally speaking, 200 billion US dollars is a sufficient amount; the problem, however, is that the allocation of these funds is irrational, often anachronistic and done on the national level with no preliminary consultation among the Member States.

8. The Lack of Faith in the Idea of European Integration and the Lack of Political Leadership – Negative Implications of the Euro Area Crisis

The consequences of the financial and economic crisis in the EU proved much broader, deeper and more intense than expected, as they concern more than just the functioning and mechanisms of the euro area. Other phenomena manifested themselves or became more pronounced which influence the entire process of European integration in the form of the EU (Kuźniar, 2013, p. 158). The EU has actually become the theatre of several crises: the euro area crisis, an economic slowdown, a social crisis and a crisis of political leadership, as well as a general stagnation of the entire integration project.

The bad economic situation and the lack of tangible results in combating the crisis result in growing distrust of the EU institutions in many European capitals, and in some cases even causes confrontational attitudes. There is an increasing lack of faith in the EU idea, as well as surging nationalist sentiments that resemble a desire to return to the notion of nation states in the search for solutions to domestic problems. The condition of the 'spirit' of Europe is best shown by the results of the last elections to the European Parliament, with more than 100 seats won by Eurosceptics and populist parties. Nowadays, we are lacking the impulse to introduce more extensive and more decisive reforms, including political ones. The situation is best described as a crisis of the foundation of European integration, coming down to the society's uncertainty about whether it should engage in further integration. In such a Europe, there is no place for global ambitions.

What is more, the crisis has found the EU weak, lacking a vision, with several important countries of the euro area being led by flippant politicians, to say the least (Foundation of International Studies, 2012). This weakness of

European leaders is best illustrated by a caricature published in *The Economist* (2 April 2011) showing four politicians: Sarkozy, Berlusconi, Merkel and Zapatero, each of them being either an invalid or having some deficiency that impairs their governance. While today some of these politicians no longer hold their offices, their successors are not necessarily an improvement in this regard. The Crimean crisis has clearly exposed the flaws and weaknesses of European leaders. Germany has not mastered the challenge of acting as the political leader of the EU. This lack of a capable leader and the lack of faith in Europe have a considerable impact on the shape of the EU's foreign and security policy.

9. The Lack of a Single Voice – from Iraq to Crimean and Eastern Ukraine

The European Union should speak with one, consistent voice in external relations. Otherwise it will not be perceived in the international arena as a single international actor with the status of a global power and will remain just a regional power.

The Iraq crisis in 2003 showed the frailness of the CFSP's foundations due to different views of the tasks faced by Europe in the political dimension. The attitude of European diplomats to matters pertaining to Iraq is very well illustrated by the title of an article published in *The Economist*: "United in theory, divided in practice" (22 February 2003, p. 29). The Iraq lesson has proven that decision-making mechanisms and structures alone are not enough to conduct the EU foreign policy – clearly defined common interests, common goals and willingness to reach a compromise are needed as well (Podraza, 2003, p. 382).

The cases of Kosovo (recognising independence) and Georgia (imposing sanctions on Russia after its military intervention in Georgia) of 2008, although giving rise to less conflicts and disputes between the Member States, nonetheless show the problem of different perceptions and assessments of the international reality by different members of the EU.⁶

The Treaty of Lisbon has not changed that, even though its provisions were supposed to strengthen the political dimension of the EU. The EU's actions in response to the Arab Spring, especially in Libya, and the later position on the events in Mali in early 2013 proved – as a French commentator observed – that with regard to security issues, there are more differences between European countries than similarities. Moreover, apart from the EU's political and strategic weakness, these events once again proved its technological weakness as well. In both cases the USA provided intelligence assistance and supplied the necessary equipment to the British and French

⁶ The extraordinary summit of the EU in September 2008 did not impose any sanctions on Russia. The reason for this were differences of opinion between the Member States. At present (June 2014), Kosovo is recognised as a sovereign state by 23 EU Member States, the others being Spain, Greece, Cyprus, Romania, and Slovakia.

forces (not the EU forces!): satellite communication devices, anti-aircraft missiles, transportation aircraft, tanker aircraft (Liberti, 2011).

The Arab Spring has fully revealed the indolence and lack of any strategic instincts of the EU, as best proved by the fragment of the declaration from the third EU–Africa summit: ‘2010 is the Year of Peace and Security in Africa’, which was held on 29–30 November 2010 in Tripoli, only weeks before the process of changes in the Mediterranean Basin was about to begin. The Arab Spring was the first serious test of the EU’s credibility in the post-Lisbon reality and the EU failed it. Academic literature on the subject mentions the so called ‘Arab (Libyan) Paradox’: for the first time since long ago, two European states, the UK and France, formally headed a coalition during an international crisis, while the CFSP proved completely useless. It is important to note that these two countries acted as independent entities and did not represent the EU as a whole. The situation is rather aptly summed up by the title of a press article: ‘Paris and London torpedo EU foreign policy’. During the conflict, Europe was unable to take initiative. The diplomatic union, represented by Catherine Ashton, voiced virtually no opinion on this issue, remaining far behind Washington, London and Paris. Some commentators even asked outright whether the office of HR still made any sense. It seems that apart from individual and personality traits, Ashton was limited in her actions by the shackles of the Lisbon Treaty. One of the comments was: “Ashton was saddled with Mission Impossible” (Torreblanca, 2011; Dassù, 2011).

The Crimean crisis has once again shown the weakness and flaws of the European Union. First, while the EU is making efforts to try and speak with a single voice during this crisis, there are clear differences between the Member States concerning, for example, the extent and nature of the sanctions against Russia and resulting from the particularistic interests of the individual EU members.⁷ Second, there is no vision and strategy towards Russia. The idea of Europeanisation of Russia promoted by the EU in the 1990s was a fiasco, but the EU has not proposed anything to replace it. Third, the relations between the EU and Russia in the field of international security are far less advanced than analogous relations developed by Moscow with the USA and NATO, because the EU does not constitute a serious alternative in the field of security.

10. Conclusions

The European Union aspires to the role of a global, omnipresent and comprehensive actor of international relations. However, the EU cannot become a full actor because it does not fully use all its instruments, primarily

⁷ An excellent example are the new gas-supply agreements with Russia, which show how little the European Commission’s requests for unity in Ukrainian matters are actually heeded. In June 2014, the Austrian concern OMV and Gazprom established a company that will construct the final section of the South Stream gas pipeline. This took place despite the European Commission’s negative opinion of this undertaking (Koška, 2014).

in terms of foreign and security policy. The weaknesses and deficiencies presented above have a considerable impact on its power and importance in international relations. Europe's political elites are aware of this fact; the question is, however, if anyone is doing anything apart from being 'aware'. Unfortunately, as shown in this article, there is no strategic vision for what the EU should become in a couple of years. The decisions, meetings and negotiations concerning the CFSP and the CSDP are limited. They fit well with the trend to develop in small steps, through technical improvements and bottom-up processes, but without providing the answer to strategic questions about the EU's ambitions and objectives in the sphere of international policy (Terlikowski, 2013).

The elections to the European Parliament held in May 2014 and the subsequent formation of the EU leadership in mid-2014, including the appointment of the presidents of the European Commission and the European Council as well as the High Representative, are not and cannot be perceived as an opportunity for a new chapter in the field of foreign and security policy. First, the EU faces the task to strengthen the euro area economically and to overcome the problem of unemployment and economic stagnation. Jean-Claude Juncker, appointed to the office of President of the European Commission in July 2014, referred to these issues as the priorities of his term. Second, the very dispute about the successor of Catherine Ashton shows how much the interests of the Member States are varied. The same is shown by the conflict in Ukraine.

Consequently, the deepening of cooperation under the CFSP and the CSDP – which is of key importance for the operational effectiveness of the EU members – is becoming less of a priority. Without a broader Community context, an agreement on the strategic vision of the EU's international dimension and the will to implement it, it is rather hard to achieve even satisfactory results.

Taking into account the weaknesses of the European Union outlined in this article, it seems justified to be concerned about the EU's future as a strong and active participant of international relations. As it has already been noted, the multifaceted crisis that the EU is going through stimulates the emergence and intensification of anti-EU sentiments and national egoisms especially dangerous in the sphere of foreign policy. Moreover, the implementation of the idea presented here, concerning greater Communitisation of this policy in order to make it more effective, is threatened not only by the present crisis, which will likely be over at some point. The structural weaknesses, which are immanent in the EU's mechanisms and institutions dealing with external relations and reduce the effectiveness of these relations, are a much more serious problem. The European Union must face all these challenges and weaknesses. Otherwise, we have to agree with Zbigniew Brzezinski (2013, p. 174) who believes that the vision of Europe as a political and military heavyweight actor is becoming increasingly illusory. At the same time, the EU's international surroundings are changing as well. The world is becoming multipolar, which has been especially visible after 2008. In order to be considered a serious player in this new reality, Europe must not only

have a strong and efficient economy, but also a reliable and effective foreign and security policy. The case of Ukraine shows us, Europeans, that the threat is closer than many would believe. Will the shooting down of the Malaysian Boeing over Donbas in July 2014 become a turning point in the European (Community) foreign policy? Only time will show. Although this was a terrible tragedy, we need to bear in mind that the interests of the Member States and the structure of the EU are governed by their own rights and mechanisms, which have little in common with logical thinking about the EU as a single whole.

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Egīls Fortiņš¹

Energy Security and EU Energy Policy Development

Abstract

This paper analyses the theoretical aspects of energy security and European Union (EU) energy policy development. Theoretically, energy security issues are discussed in the context of international relations. Most research has been devoted to direct national energy security rather than to the regional associations and energy policy analysis. There are two very closely related tasks in terms of national energy policy. On one side are aligned interests of Member States and to develop mechanisms for the coordination of mutual interest. On the other hand, a coherent policy with other countries, especially the neighbouring countries, is more beneficial. When looking at the EU energy policy in terms of energy security, a dichotomy effect can be seen. With the establishment of a common EU energy policy and the harmonization of national interests, problems might occur mainly in the countries from which the energy is delivered. From an energy security point of view, the relationship with neighbours is very important. Energy security concerns, however, are still not prominent in the EU Eastern Partnership program. Indeed, the program is part of the EU common energy policy measures, which highlights the need not only for enhanced cooperation between the EU Member States, but also closer cooperation between the EU and its neighbours on energy security.

Keywords: Energy security, Energy policy, Eastern Partnership, the European Union.

1. Introduction

One of the key dimensions prevalent in both long-and short-term energy policy is the need to ensure the efficiency of the European Union (EU) energy security policy. Ensuring energy security requires an efficient energy policy that includes all of the energy sector regulations and development functions in all stages of the energy sector including the energy assessment of stocks, exploration and production, energy efficient transportation policy, the implementation of adequate energy prices, and supply of EU economies with energy resources. The goal of the EU energy security policy is not just a simple function of the economy and providing Europeans' lives with the secure supply of energy, but also the introduction of new technologies providing scientific and technical progress in the promotion and improvement of energy efficiency, and ecological problem solving by reducing harmful impact on environment.

To achieve these objectives the EU cannot be limited to activities conducted by EU Member States only. There is a need for close co-operation with other countries, especially the EU neighbouring countries. Most countries that are geographically closest to current EU Member States are

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undergoing post-socialist economic reforms. Understanding this historical development, and the political and economic reforms that have resulted, in these countries should be taken into account when developing cooperation policy. The EU continues to work with the original Energy Charter, which started with the Eastern and Western States energy. One of the main objectives of the Eastern Partnership (EaP) is to promote reforms in the energy sector. Deepening cooperation in the energy sector increases the energy security of both EU Member States and the Eastern partners (Council of the European Union, 2009). National economies participating in the EaP are less competitive, ineffectively reducing their energy sectors, which are characterized by outdated energy infrastructure, uncertain energy market functioning conditions and dependence on energy imports. Therefore, their development will greatly affect energy problems. Countries participating in the EaP are able to integrate their energy markets into the EU energy market. Eastern Partnership initiatives have focused on improving energy efficiency and use of renewable energy. By helping these countries reform their energy markets, the EU strengthens its energy and security.

2. Theoretical Aspects of Energy Security

The issues regarding the energy security actualized after the energy crisis in 1970s. Until 1974, economic growth was associated with an increase of energy consumption. This, in turn, has increased demand for the energy resources in general, particularly the demand for oil. After the years 1973 – 1974, the oil crisis, along with energy problems, and energy security related issues came under the spotlight (Manne, Richels, & Weyant, 1979). The crisis showed that energy problems could not be ignored, and required proper energy policy. Such EU policy development was associated not only with getting the appropriate information but also with development of methodology.

During this period the main focus has been on reducing energy dependence on energy producing countries by developing various events to enable energy saving and its efficient use (Doukas *et al.*, 2008). Countries that import energy resources pay attention to the reduction of energy imports. As the energy crisis hit international economic and political relations, the aspect of energy security became as important an issue in international relations studies that have indicated several major approaches:

Rational approach – this means that energy security is perceived as a problem to be fixed. While energy production is concentrated in one part of the world, the energy consumption might exist in other regions (Chourci, & Ferraro, 1977, pp. 185-186).

- Therefore, issues of energy security are part of international security, which also includes political, military, economic, social and environmental safeguards. According to this, the energy security issues must be solved between countries as a part of the overall international security issue;

- The institutional approach. From an institutional approach the energy safety problems are within the competence of international economic institutions. Essentially this means creating a single political and legal framework for problem solving;
- The energy interdependence approach. The energy interdependence approach places emphasis on the fact that in today's world, as the result of globalization, trading with technologies and increasing of international investment flows is more important. Countries can either export capital and technologies, and import energy resources, or import capital and technologies, and export energy resources;
- Critical or anti-liberal approach. According to this approach, energy security cannot be analysed as only quantitative. The problem of energy security should be seen from both an economic and a political point of view. Thus, the energy security problems should be solved between countries and within the capacity of international organizations.

As noted by Brown, J. "the attractive ball problem, which consists of an unusually high oil prices, energy nationalism and energy producing countries' geopolitical position, attracts an increasing number of professionals from other sectors. That gives a reason to analyse the problem from many different aspects." (Sharples & Brown, 2008) Despite the different approaches to the energy policy development, it is obvious that energy security cannot be solved only as the energy sector's problem; it also requires a multi-country approach. Energy policy development should be studied and addressed as a complexity of measures that require a multidisciplinary approach with involvement of research in economics, political science, law and other disciplines.

3. EU's Energy Policy Development

Looking at the historical development of the European Union it is clear that it was based on the agreement of the European Coal and Steel Association and the agreement of the establishment of Euroatom. Those agreements were signed to ensure Europe with the safe and smooth supply of coal and nuclear energy. However the treaties of Rome, Maastricht and Amsterdam did not incorporate the section about common energy policy. Energy is only mentioned in the preamble of the Treaty of Amsterdam. As a result, energy policy issues were passed in the background.

Despite that the energy problems have always been prominent issues since the start of the first oil crisis, its effects have not been analysed from the point of view of energy security but rather other levels, such as internal market mechanisms, harmonization of national policies, environmental and fiscal policy. EU Member States are interdependent in climate change issues and single internal energy market creation issues. Any energy policy issue that is adopted by one Member State simultaneously affects other states' energy markets from functioning. That's why there is a need to develop an effective common energy policy in the EU as in other areas. While the EU's energy policy (in contrast to the agricultural or commercial policy)

is not a common policy yet, the need for a mechanism for the creation of supranational regulation of the energy sector is growing.

At the Dublin European Council meeting in 1990 the Dutch prime minister offered to set up an energy community, and in 1991 the European Energy Charter (*Europa.eu*, 2007) was adopted. The European Energy Charter, by its nature, was a political declaration aimed at promoting co-operation between East and West countries in the energy sector. This document clearly defines the principles that should guide energy cooperation. Based on the European Energy Charter, an energy Charter Treaty was drawn up along with the Protocol on energy efficiency in compliance with environmental aspects, and was signed the 1994 year and came into force in 1998. The Energy Charter Treaty is a legally binding and multilateral agreement. In essence, it is the only multilateral treaty that covers all aspects of energy. The main objective was to create uniform rules for the national energy actions. In order to implement the Energy Charter Treaty, an intergovernmental organization, the Energy Charter Conference, was established. With the creation of this organization, it can be considered that these documents represent the basis for further action (Energy Charter Secretariat, 2004).

In the beginning of the 21st century, the EU embarked to work on a trans-national energy security concept, its implementation and later improvement. In 2003, the European Council adopted the "European Security Strategy" (European Council, 2003) which formulated major challenges: the extension of Europe's security zone, the extension of international law and order and the fight against global threats. Based on the analysis in this document, threats and risks of the security of Europe were identified, and placed great emphasis on the development of the world's power plants as a factor that significantly affects interstate relations in the regional and global level.

One of the first documents has formulated a new approach called the Green Paper "Towards a European strategy for the security of energy supply" (European Commission, 2006). This document put forward options and recommendations, which could become the basis for the complex European energy policy. It also stressed six levels on which efforts must be focused:

- competitiveness and the internal energy market,
- diversification of energy supplies,
- solidarity and energy supply prevention crisis,
- robust development as a balance between climate protection and competitiveness while providing the security for supply,
- innovation and technology,
- creation of the EU's external energy policy which would allow EU to act as a single entity.

External energy policy should take into account the economic, social and geographical characteristics of Member States. It should reflect the overall approach that is accepted at the highest level and should be periodically reviewed.

In October of 2007 at the Energy Forum in Lisbon, the EU Energy Commissioner A. Piebalgs stressed that energy security is one of the most

important issues. Climate change, geopolitical uncertainties, changing global economic imbalance – each of these challenges reflect a very inconvenient truth. Assuming that the world is increasingly dependent on the increased energy consumption and economic and geopolitical consequences for the increased demand for oil and gas is practically impossible to predict. Traditional energy transportation is often associated with risks. This is due to the fact that oil and gas fields in the world are located unevenly (Piebalgs, 2007).

The need to safeguard EU economic development and the provision of energy is raised to a new level which can be defined as a supra-national security problem known as Europe's energy security. In the same year A. Piebalgs presented "The European Union's energy policy and legislation" in a speech at the conference, and stressed that "it is an illusion to think that the EU Member States will be able to independently solve energy problems. The need for a new energy policy is self-evident" (Piebalgs, 2007). In the year 2007 a document was issued, entitled "An Energy Policy for Europe" the greatest attention is paid to the EU's external energy policy, which is defined as "an international energy policy".

In the EU, common energy policy is defined as the following goals:

- complete internal energy market development,
 - improvement of energy efficiency at all levels,
 - increase of alternative energy sources,
 - investment flow diversion to the development of technology and innovation,
 - ensure the safety of nuclear power,
 - creating mutual assistance mechanisms in the energy crisis cases,
 - external relation and cooperation development in the energy sector.
- (Commission of the European Communities, 2007)

The Lisbon Treaty that was signed by all the EU Member States in the year 2007 represented a significant step further and it became a basis for the further development of a common energy policy. In this agreement, article 194 formulates the energy policy goals (Official Journal of the European Union, C 306/01, 17.12.2007):

- to ensure the functioning of the energy market,
- to ensure the security for energy supply to the EU Member States,
- to promote the energy efficiency and energy saving as well as the development of a renewable energy resources,
- to promote energy pooling.

The Treaty of Lisbon also includes a provision for mandatory corporate responsibility where if Member States shall be a subject of aggression, then other countries should be assisted by all possible means. P. Doran believes that the EU has concluded a Pact on the total collective energy security. The Pact members support each other in times of a crisis (Doran, 2009). Although this rule concerned the military sphere, it could also regard the energy security.

In the year 2010 the EU Strategy "Energy 2020" was adopted. The strategy mainly focuses on problems of the energy security. Indeed, the main task

was to “ensure continuous physical energy products and services available in the market at an affordable price while contributing to the EU’s broader social and environmental objectives” (European Commission, 2010).

One of the main prerequisites to achieve this objective is a common energy market development. The EU Energy Commissioner G. Oettinger pointed out “there is nothing that will help to ensure the security of energy supply at affordable prices as [a] genuine Europe [an] energy market.” (Oettinger, 2011) Although it should be noted that the work on the creation of a common energy market was started in the year 2005 when the treaty establishing the Energy Community was signed by the EU Member States as well as Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Romania, Bulgaria and Kosovo’s administration (European Commission, 2005). In the year 2010 Moldova joined this agreement and Ukraine in 2011. Norway and Turkey currently have observer status. Energy Community has meant that the overall EU energy market is also involved in the EU’s neighbours. This suggests that energy is becoming an important component of the EU Neighbourhood Policy. In 2009 the EU Eastern Partnership program was adopted. This program provides the opportunity of closer cooperation with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The EaP mission is to contribute to reforms in these countries. One of the most important aspects of the EaP is energy security. In this regard in 2009, the Eastern Partnership summit adopted a document “Eastern Partnership Energy Security Platform” (Platform 3). Approved Work Programme 2012-2013 of Platform 3 included the following activities:

- A framework of rules and strengthening solidarity;
- Support the development of infrastructure, energy systems and supply diversification;
- Increase the level of energy efficiency and renewable energies;
- Energy policy framework and national legislative approximation.

In the period 2014-2017 Platform 3 directions were slightly modified according to changes in the global energy sector:

- approximation of the regulatory framework;
- development of electricity, gas and oil interconnections and diversification of supply;
- stakeholder dialogue in energy efficiency and renewable energy;
- cooperation in establishing and strengthening a regulatory framework in nuclear safety;
- conventional and unconventional oil and gas resources.²

It should be noted that energy security problems in the EaP is complicated by the fact that it is involved in very different countries with very different political interests. Therefore, energy issues are dependent on other challenges.

² European Union External Actions (EUEA), *The Eastern Partnership Multilateral Platforms*. Retrieved from http://eeas.europa.eu/eastern/platforms/index_en.htm

In 2014, the EU Commission published document “A policy framework for climate and energy in the period from 2020 to 2030”. In this document the following main objectives are defined:

- to reduce emissions by 40% compared to 1990,
- to increase the share of the renewable energy in the total energy consumption for 27% compared to 1990,
- to increase focus on increasing energy efficiency,
- to develop and implement new indicators and to make the necessary changes to the EU’s energy management system to ensure the EU’s energy management system’s security and its competitiveness. (European Commission, 2014)

Defining objectives confirms EU energy policy direction to the low-carbon economy and development of energy security, but also provides EU diplomatic tasks for the next period.

4. Conclusion

EU energy policy is largely dependent on the changes taking place in the world. There is an urgent need to provide energy at competitive prices while ensuring continuity of supply as well as the reduction of energy consumption and pollution levels. It is also required to increase the share of renewable energy and to provide an increase of energy efficiency in general; they are focused on energy security. However, this task is related to the achievement of closer cooperation among the Member States, which implies a shift of policy coordination to trans-national energy security policy-making, which also includes co-operation with neighbouring countries through the Eastern Partnership experience.

Despite the different approaches to the energy policy development, it is obvious that energy security cannot be solved only as the sector’s problem and at the level of the energy sector and it also requires a multi-country approach. Energy policy development should be studied and addressed as a complexity of measures that requires a multidisciplinary approach with involvement of research in economics, political science, law and other disciplines.

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Vladimirs Rojenko

Creative Competitive Advantages: Perspectives for Cooperation between the EU and EaP Countries

Abstract

In this research, the author investigates the differences between the European Union (EU) and the Eastern Partnership (EaP) countries in understanding the value of creativity and strengthening its role in the development of modern, sustainable competitive advantages. Based on theoretical material, the article describes the link between national competitiveness and creativity, and the role of creative dimension in private enterprises. The Global Competitiveness and Global Creativity indexes data was analysed to identify and compare the interactions of creativity and competitiveness in the European Union and the Eastern Partnership countries. The results revealed significant differences between the creativity and competitiveness interaction of analysed countries. This indicates the main potential areas and perspectives for cooperation between the EU and the EaP countries in the field of organizational creativity and development of sustainable competitive advantages.

Keywords: creativity, global competitiveness, international cooperation, modern economics.

1. Introduction

Creativity nowadays is becoming a vital source of competitive advantages for countries and private enterprises. There is currently an ongoing fundamental switchover to the new, modern economics, driven by innovation and creativity. Human capital and especially its creative dimension becomes a key factor of successful innovative development, competitiveness and sustainability. In modern, rapidly changing international business environment, strengthening of creative dimension provides an opportunity to make a breakthrough, creating totally novel ideas, market sectors, science branches and industries with no or very low levels of competition.

In the modern international environment, a successful economic development depends on the close and systematic cooperation between businesses, government sectors and academic communities of different countries, which would facilitate a practical realisation of the most recent scientific achievements and implementation of the innovative ideas. The European Union (EU) is strengthening its global competitiveness by removing barriers to innovation, making it easier for the public and private sectors to work together and cooperate with other countries in the field of delivering, implementing and developing new, creative ideas. Cooperation with the Eastern Partnership (EaP) countries nowadays is one of the priorities of the EU and is a great potential for both parties. The opportunities and areas of cooperation between the EU and the EaP countries in the field of increasing

the intensity of innovations and strengthening the creative dimension of successful economic development.

Based on the considerations above, the goal of this paper is to investigate the differences between the EU and the EaP countries in developing creative competitive advantages, and to indicate the main potential areas and perspectives of mutually beneficial cooperation. In order to achieve the goal, The Global Competitiveness and The Global Creativity indexes data were analyzed to identify and compare the interactions of creativity and competitiveness in the EU and the EaP countries.

2. Creativity and Modern Competitive Advantages

Competitiveness that changes over time is a characteristic of any country, industry and company that rivals others on the global markets. It is the key factor that determines the opportunity to achieve success, lead the market, or be unsuccessful or forced out of the business. Changes occurring in the external and internal environment of the globalized economics affect the way in which economic developers foster the environment, which encourages growth in existing businesses and promotes the establishment of new businesses (Ajitabh, 2008, p. 2). Modern competitive advantages arise from the entrepreneurial ability to adapt to rapidly changing external environment in a country, industry, or company to develop its own trends and products that could meet unexpected or future market needs. Determining the source of competitive advantage is the foundation for planning and implementing a successful development strategy for any economic entity operating in a free international market.

Nowadays the development of sustainable competitive advantages is strongly connected with the development of innovations and new perspective technologies, which allows the creation of new, previously unknown private and corporate consumer needs. Creation of uncontested market space requires concentrated and targeted activities, aimed to develop unique competitive advantages that are difficult to reproduce (Mauborgne & Kim, 2005, p. 5-8). In rapidly changing, emerging and highly globalized markets, the range of competitive strategies to choose from is restricted by the competition for customers in the existing market, the attempt to expand the market share, or the creation of new demands and needs.

A fundamental transformation from a resource-based economy to modern creative economy is happening at the moment. The way of life and economic landscape for people all around the world is rapidly changing, affecting the structure of private and corporate consumption (Florida, 2010, p. 6-7). Preferences, habits and the understanding of the prosperity of the new customers are strongly different from those in the previous decades. Because of the shift to the modern economy, ordinary goods and services are not any more sufficient for customers who nowadays are seeking new experiences or memorable events that engage them in an inherently personal way (Gilmore & Pine, 2007, p 1-8). The most successful and profitable products on all kinds of markets are innovative, unique and highly qualitative goods and services

that give the customers an opportunity to gain new, previously unknown, experiences. Nowadays market leaders are successful only when they are meeting expectations of modern customers and creates new innovative market shares. In response to ongoing changes in the way of leaving and the structure of private and corporate demand, the importance of creative dimension in the public and private sectors of national economics have increased during the last decades. Modern demand satisfaction requires rapid dynamic development and continuous innovations that produce new previously unknown experience for customers.

Modern structure of demand requires a special group of workers – a creative class in which creating and developing new and innovative content is a daily routine (Florida, 2010, p. 10-15). Analysing the differences in the development of countries, R. Florida has determined that the regions with a higher proportion of creative class representatives are more successful and able to realize their inherent competitive advantage. To use creativity as the basis of comparison between countries, the Global Creativity Index was developed (The Martin Prosperity Institute, 2011, p. 3). The results of the research, conducted by R. Florida and the researchers from Martin Prosperity Institute, point out that there is a strong correlation between a country's creativity and competitiveness, which indicates a significant role of creativity in the development of modern competitive advantages.

The main source of new, creative ideas and innovative solutions is human capital – knowledge, experience and motivation. Human capital has now become one of the most important strategic capabilities of the countries, public and private enterprises. To achieve successful sustainable development, the strategic plan should provide a comprehensive framework, in which the organisation management of human capital is an essential element in the process of strategic execution and strategic change (Howard, Smith & Diez, 2013, p. 244).

Considering the fact that the main power of modern economy is constituted by private companies, it is possible to claim that the creative content (new ideas, products, organisational methods, etc.) produced by them drives national economies. Comparison across nations shows that the industries in which the government has been most heavily involved have been for the most part, unsuccessful in international terms. A country's government is indeed an actor in international competition, but rarely does it have the starring role (Porter, 1998, p. 4). This means that strengthening the creative dimension of private enterprises makes it possible to obtain a key factor for successful innovative development at the enterprise and country levels. In modern, rapidly changing markets, strengthening a company's creative dimension provides an opportunity to make a market breakthrough, creating completely new market shares with zero or low competition and modern competitive advantages.

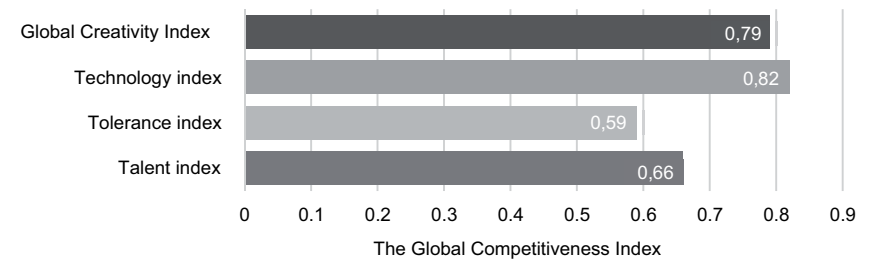
Summarising the ideas presented above, it is possible to claim that strengthening the creative dimension of private enterprises provides an opportunity to achieve an economic breakthrough and strengthen competitive advantages of an entire country. International cooperation supported by

the public sector gives an opportunity to accelerate the development of the creative dimension by using the experience of other countries and creating common structures. This gives an opportunity of creating a win-win situation, when both parties benefit from effective cooperation.

3. Creativity and Competitiveness in the EU and EaP Countries

In order to compare the link between the creative potential of the European Union and the Eastern Partnership countries, the author analysed the data summarized in the report *Creativity and Prosperity: The Global Creativity Index* developed by R. Florida and the group of researchers from Martin Prosperity Institute. In the framework of the research mentioned above, the Global Creativity Index and the Global Competitiveness Index are used to identify the link between the creative potential and competitiveness of a country or a region. The Global Creativity Index and the Global Competitiveness index, calculated by the World Economic Forum, are complex indicators, composed of various multidimensional values that represent the phenomena under study. In the framework of the report, the values of the appropriate indexes and correlation data are calculated and generalized for most countries of the world (The Martin Prosperity Institute, 2011, p. 10-19). The use of the data presented in the report gives an opportunity to evaluate dependences between the creativity and competitiveness of the groups of countries or regions.

The Global Creativity Index is measured using three core dimensions of creativity – Technology, Tolerance and Talent (Florida, 2010, p. 10-15). In the sample of 82 countries analysed in the mentioned report, The Global Creativity Index and its core dimensions are strongly associated with The Global Competitiveness Index (Figure 1). That quantitatively indicates importance of human capital and its creative dimension in the economic development and the creation of modern competitive advantages.



Source: The Martin Prosperity Institute, 2011:18

Figure 1. The Global Creativity index and Global Competitiveness index correlations

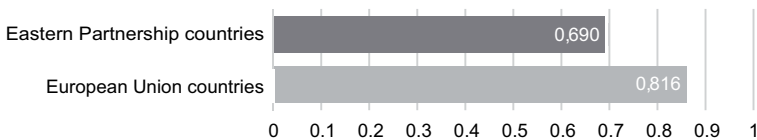
Correlation coefficients, calculated for the core dimensions of creativity shows that technology, tolerance and talent indexed together and separately make a great impact on the competitiveness of the a certain country or

region. All correlations are strong enough to assert that, in the modern market conditions, competitiveness of the country or region is dependent of creative potential of its human capital. As a result, the right combination of talent, tolerance and technology dimensions gives an opportunity to make an economic breakthrough and develop modern, sustainable competitive advantages.

Nowadays the features of globalization assign a significant role for international cooperation. Countries, regions, private and public organisations open to international cooperation, exchange of experience and changes in practice are more successful than those who are not open for cooperation and focused on themselves. Really innovative ideas and other creative content could be produced only under conditions of totally free access to the exchange of any kind of information that could be necessary for testing and development of the ideas. According to the above statement, it is obvious that international cooperation and freedom of information exchange plays a significant role in the development of creative potential and strengthening modern competitive advantages.

The EU and the EaP cooperation project is intended to provide an opportunity for dialogue in the areas of trade, economic strategy, travel agreements, and other fields. The EU enlargement has brought eastern neighbours and current EaP countries – Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine – closer to the borders of the EU, which determines the need for cooperation and mutually beneficial co-existence. The EU is vitally interested in further economic development, greater democratic governance and increased stability in the EaP countries. Strengthening the cooperation between the EU and the EaP countries gives an opportunity to find modern means for accelerating mutually beneficial economic development processes. The EU and the EaP countries are very different; however, the differences tend to give a way for effective and extensive cooperation.

In order to identify the differences between the EU and the EaP countries in the field of the creative potential influence on competitiveness, the Global Competitiveness and Global Creativity index correlations for EU and the EaP countries were applied (Figure 2). The analysed sample included 26 countries of the EU and four countries of the EaP. The corresponding data for Luxembourg, Malta, Belarus and Moldova was unavailable. In the course of the current analysis, Global Competitiveness and Global Creativity index data for Azerbaijan was classified as anomalous and, consequently, was not taken into account in further calculations.



Source: The Martin Prosperity Institute, 2011:18, author's calculations

Figure 2. Correlations between the Global Creativity and Global Competitiveness indexes in the EU and the EAP countries

Calculated correlation coefficients show strong relationship between the Global Competitiveness and the Global Creativity index for both country groups under study. The obtained results show that the competitiveness of the analysed EU countries has a stronger dependence on its creative capital than the competitiveness of the EaP countries. This suggests that, in spite of the decisive role of creativity in the economic development of the countries under study, the EU is using and developing its human capital more effectively than the EaP countries. The differences between the countries and their domestic and foreign policies in the field of economic development determine the way the countries are using to support and develop their human capital and especially its creative dimension.

Each country has a set of economic and political tools that gives an opportunity to influence the level of the country’s creative potential by supporting and developing appropriate areas of public and political life. Seeking to achieve modern and sustainable economic development requires strategic planning and goals that could ensure effective usage of human capital and its creative dimension. The Global Creativity index and measures of core creative potential dimensions – talent, technology and tolerance – give an opportunity to identify the areas where improvements are potentially needed. Only successful combination of mentioned creative potential dimensions gives an opportunity to achieve and develop modern, sustainable competitive advantages. The differences in the potential dimensions determine the weaknesses and strengths of the creative potential of the country or region under study.

In order to identify the differences in the core creative potential dimensions of the EU and the EaP countries, the Global Creativity index data was used. Exactly as the one above-analysed, the sample contained 26 countries of EU and four countries of the EaP. In this case, the data for Azerbaijan were taken into account for the calculations. In the result, the average measures for Global Competitiveness index components – talent, technology and tolerance indexes – were determined (Table 1).

Table 1. Differences between Talent, Technology and Tolerance indexes in EU and EaP countries

Country group	Talent average	Technology average	Tolerance average
European Union	22.85	25.69	32.58
Eastern Partnership countries	33.50	45.50	63.75

Source: The Martin Prosperity Institute, 2011, author’s calculations

According to Talent, Technology and Tolerance indexes calculation methodology, the largest value represents the worst result. Calculated results indicate significant differences between the core dimensions of the creative potential in EU and EaP countries. The most significant differences between Technology and Tolerance indexes averages indicate the lack of research and

development activities, as well as tolerance and life satisfaction in the EaP countries (a complete description of the Global Creativity index components is available from The Martin Prosperity Institute, 2011, p. 21-35). However, the difference between the corresponding Talent indexes is not significant and shows that talented representatives of a “creative class” are almost equally represented in the both country groups. That indicates that the existing creative potential of the EaP countries is not effectively supported, conditions for its successful development and implementation are not good enough in comparison with EU countries.

According to the obtained results, strong competitiveness of the analysed EU countries has stronger dependence on their creative capital than the competitiveness of the EaP countries: the weak points of the EaP countries are concentrated in the field of research and development activities and values – tolerance and life satisfaction. This gives an opportunity to identify potential areas of cooperation between the EU and EaP countries in the field of strengthening their creative potential and development of modern competitive advantages.

4. Perspectives for Cooperation between the EU and the EaP Countries

Nowadays strengthening of the creative dimension has become a key factor of successful and sustainable economic development of countries and regions. Governments and other policy makers around the world are becoming increasingly aware of the importance of creativity in modern economies and the need for strategic management of the corresponding creative dimensions. An excellent example of such policymaking is the National Development Plan of Latvia for years 2014 – 2020, which determines creativity as the core source of competitiveness and a necessary condition of economic breakthrough. Within the frames of the Plan, creative potential and its development is strongly connected with the sustainable economic development, innovations, freedom and prosperity (Cross-Sectoral Coordination Centre of the Republic of Latvia, 2012, p. 3-10).

With the aim to achieve an intellectually consuming, sustainable and inclusive economy in a changing world, an innovative strategy *Europe 2020* (EU 2020) was developed. This strategy should help the EU and the Member States to deliver high levels of employment, productivity and social cohesion for the coming decades. In the EU 2020 consultation document, published in November 2009, an important role associated with innovation in education and research sectors was assigned for creativity and human creative potential (Commission of the European Communities, 2009, p. 4-9). However, in the final document presented in 2010 the word “creativity” and any associated actions have almost completely disappeared (European Commission, 2010; Culture Action Europe, 2010). Creativity is naturally supported by a number of EU programmes connected with education, science and culture, but at the same time, the specific objectives are not defined. According to the Creative Europe program, the concept of creativity is mostly seen as a part of culture,

but not as a dimension or everyday routine, not a source of new innovative ideas or a basis for successful economic development.

Freedom of thought and speech, international cooperation, free exchange of experience, the development and support of talents, free multicultural contacts are core principles that give a chance for successful development and intensive utilization of the results of any creative activities. Cooperation with the EaP countries, for which the role of creativity in economic development is not so significant as in the EU countries, provides opportunities for a win-win situation for both parties to benefit.

The main objective of the EaP is to support political and socio-economic reforms in partner countries. According to the EU policy, the EaP is based on common values of liberty, democracy, respect for human rights and the rule of law. The EaP follows two parallel tracks: bilateral and multilateral. Bilateral dimension supports reforms in three main areas: good governance; rule of law and fundamental freedoms; sustainable economic and social development, trade and investment. In its turn, the multilateral dimension provides a room for experience exchange and cooperation in the field of democracy and good governance, economic integration and convergence with the EU, energy security and contacts between people.*

Both bilateral and multilateral tracks of cooperation between the EU and the EaP countries gives an opportunity to develop successful cooperation in the field of strengthening and development of modern competitive advantages, based on creative potential. The perspective areas of cooperation between the EU and EaP countries are the following:

1. Fundamental freedom and democracy gives an opportunity to share and implement values that support the development and disengagement of creative potential. Tolerance, freedom of thought and speech, and the ability to obtain, compare and discuss with others all possible types of information are the key factors that give an opportunity to develop and intensify the use of creative potential.
2. Economic and social development also provides an opportunity to allocate the role of creative potential in development or modern sustainable competitive advantages. Increasing the role of the creative dimension in management enables the involved parties to design strategic plans and models that would support further use of creativity in the development of innovations and new sustainable competitive advantages.
3. Contacts between people create an opportunity to share ideas and views, to develop effective experience exchange systems that would serve as a source for new creative ideas. Distinguishing new talents and supporting creative professionals gives an opportunity to share the best practices and achieve an intense process of information exchange.

* See EUEA, *Eastern Partnership*. Retrieved from http://eeas.europa.eu/eastern/index_en.htm (accessed July 23, 2014)

Nowadays it is not possible for a country to achieve successful and sustainable development without cooperation with its allies, competitors and neighbours. The modern economy and globalisation require cooperation, exchange of experience, openness and freedom in order to achieve better results and develop sustainable competitive advantages.

5. Conclusions

1. Human capital, especially its creative dimension, is a key factor of successful innovative development and an inexhaustible source of competitive advantages in modern, globalized markets;
2. International cooperation, support of basic human rights and freedoms and intensification in the field of research and development give an opportunity to gain creative competitive advantages.
3. The results of the conducted research indicate that there is strong positive correlation between the competitiveness and creativity in the European Union and the Eastern Partnership countries;
4. The main differences between the core dimensions of the creative potential in the EU and the EaP countries are concentrated in the field of tolerance and technology;
5. For the EU and the EaP countries it is desirable nowadays to pay special attention to and strengthen the core creative potential dimensions - talent, tolerance and technologies;
6. Potential areas of cooperation between the EU and the EaP countries in the field of development of modern creative competitive advantages are the following: fundamental freedom and democracy, economic and social development and contacts between people.

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EASTERN PARTNERSHIP: BEST PRACTISES



Aksel Kirch¹
Tarmo Tuisk²

Potential Emigrants and Stayers in the Baltic States and Possible Impact of Their Decisions to EU Eastern Partnership

Abstract

The article aims to study the socio-psychological aspects related to migration among higher educated youth. The labour migration process of these 'knowledge workers' that has been seen as a flow which originates from differences in the socio-economic potential between the state of origin and the state of choice can in many cases be harmful to donor states' economic development due to the brain-drain. Within the current study the origins of this process have been analysed by mapping discourses based on possible migrants' beliefs and values in relation to economic, social and cultural motivators. The influence of 'significant others' surrounding these possible migrants has been expressed via positive or negative identifications with their role models. Identity Structure Analysis as a metatheoretical framework and Ipseus as a tool have been applied to study perceptions of these complex processes among students of Tallinn University of Technology. Hopefully fulfilment of available jobs after 'knowledge workers' emigration from the Baltic States remains challenging for all newcomers including EU Eastern Partnership countries.

Keywords: Baltic Sea macro-region, Eastern Partnership, identity structure analysis, identification patterns, knowledge workers, migration.

1. Introduction

Migration is not a simple zero sum game given that it simultaneously exerts a positive and negative impact, implying that the optimal state from the viewpoint of the donor country is not necessarily zero emigration. The international migration of highly educated people functions as a mechanism of diffusion of knowledge, the creation of networks and the rotation of scientific personnel which may promote research and the development of educational systems also in the donor countries. This then raises the question of the optimal size of the expatriate population. Within this context it will be necessary to know how many Estonians should live in Estonia in order for it to develop, and see itself as an independent country. Would it be ideal if all Estonians lived in Estonia?

In the rapidly changing economic situation, the common problems and challenges that the Baltic region faces are best tackled on the regional level –

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within the EU this is according to the 'EU Strategy for the Baltic Sea Region'. The strategy of the Baltic Sea region is a part of the overall strategy of the European Commission 'Europe 2020: A strategy for smart, sustainable and inclusive growth' (European Commission, 2010). As a recently emerged field in EU policy-making, macro-regional cooperation is a precondition for further development and this macro-region strategy can be viewed as one of the priorities of the strategic framework for Europe 2020.

There are many promising developments within the socio-economic process in Baltic Sea Region in general, and all South-Baltic states (Poland, Estonia, Latvia and Lithuania) have meaningful positive economic results today. At the same time the out-migration from the four countries can negatively impact their future developments in a longer perspective. In a broad sense these countries have become countries of emigration; according to the most recent census data about 200 thousand have left Estonia, Latvia and Lithuania in last 8 years (2004-2011). Total emigration from Central and Eastern European countries to the Nordic countries has been 600,000 (Friberg & Eldring, 2013, p. 12).

What determines how many people emigrate and re-migrate? And what are the most likely effects of net outward migration on economic growth and innovation? According to Estonian demographers the determinants of migration can be divided into two main categories: economic and demographic (Tammaru *et al.*, 2013).

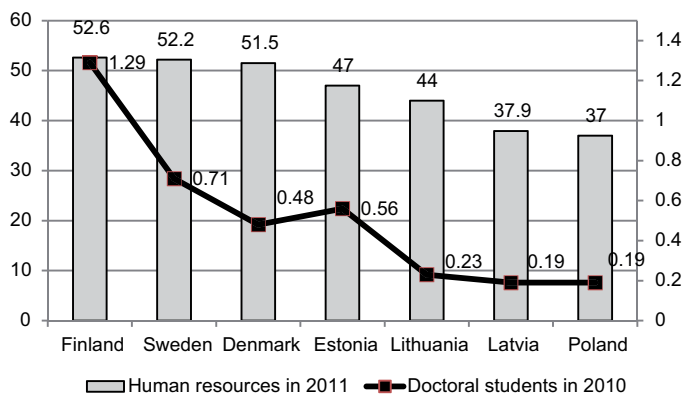
On the economic side, large differences between in the standard of living, the generosity of the welfare state and the quality of public services create powerful pull factors towards out-migration. Yet, the impact of these disparities on migration behaviour differs substantially between age cohorts. The cohorts of young adults traditionally is most susceptible to such pull factors, which is why the actual size of migration flows is also determined by the demographic structure of the country in question.

Yet, to these two powerful determinants analysed by Tammaru, there emerges a need to add a third factor, which we may describe as the identity structure of the individuals as of potential migrants. Countries with small populations, such as Estonia and the other Baltic countries of Latvia and Lithuania, need proportionally more highly educated civil servants and other professionals, and it is expected by some researchers that working in such an environment may provide such individuals with more challenges and opportunities. It is therefore likely that well-qualified people in such countries might decide to stay and work in their own country, despite the availability of higher salaries abroad. (Anniste *et al.*, 2012, p. 232).

The data presented in Figure 1 show the negative effects of labour migration on the development of an innovative economy in Poland, Lithuania, Latvia and Estonia.

As the countries of the Southern Baltics have experienced net-outward migration for at least the last five to seven years, there is an increasing shortage in the supply of academic labour, as exemplified by the very low number of doctorate graduates per 1,000 inhabitants aged 20–29.

In the Baltic Sea macro-region, Estonia continues to seek as much assistance as possible to attract ‘knowledge workers’ in the form of accumulation of human capital through processes of transforming its education systems. This might prepare a coherent framework and support initiatives for a larger-scale cross-border cooperation with knowledge-building institutions in the Baltic Sea macro-region. The most important problem, however, is to transform the mind-set of people in the region; to encourage networking and cooperation within the Baltic Sea macro-region for “brain-gain” from Scandinavian countries to Southern Baltic countries (Lithuania, Latvia and Estonia).



Source: Education, Audiovisual and Culture Executive Agency (EACEA, 2012)
Figure 1. Human resources in science and technology (HRST) as a share of labour force (%) and doctorate graduates per 1,000 population aged 20–29

Within the framework of EU Eastern Partnership (EaP) we take a short look at the history of the development of his initiative in Europe. In the 2000s, the European Union (EU) started to develop the European Neighbourhood Policy (ENP) with the aim of enhancing relationships with the neighbouring countries. In 2009, the EU launched the EaP within the framework of the ENP, and it became the EU’s initiative in order to build closer cooperation and integration process with six neighbouring partner countries of Eastern Europe and the South Caucasus: Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Belarus. In 2013-2014 competition between the EU and Russia in the Eastern European region became a very salient theme in the international relations, especially after the escalating conflict between Ukraine and Russia. Despite the current situation, the EaP continuously represents EU’s objective of promoting relations between the EU and these partner countries and thereby reduces the potential interest of Ukraine (and its people) for the Eurasian Economic Union and its Customs Union.

When looking at the potential of different Eastern Partnership countries it is evident according to Eurostat Labour Force Survey that among the 25-34 year olds, higher education attainment is the highest in Ukraine (48.4%) while the median among 38 European countries is 33.2% for this

age group (EACEA, 2012, p. 104-105). Armenia reaches 22.5% and Moldova 22.9% in higher education attainment in the same age group. Baltic EU member countries also demonstrate the levels above the median, namely Lithuania 46.4%, Estonia 38.0% and Latvia 33.9%. So, while these three southern Baltic countries lose their 'knowledge workers' to the West there a new immigration process has started – empty work places are going to be replaced by newcomers from the Eastern Partnership countries. In the case of Ukraine, as the emigration increases due to instability and war, it is hard to predict the educational level of emigrants as the crisis with Russia influences all population groups. Economic reasons and political situation will affect emigrants' decisions simultaneously. Recent migration trends show that during 2004 to 2012 1,420 people immigrated into Estonia from Ukraine while the total number of Ukrainian immigrants was around 6,085 during the same period to all Southern Baltic countries (Nõmmela, 2014, pp. 57-58).

The labour migration process of knowledge workers may be seen as a flow that originates in the emergence of differences in the socio-economic potential between two regions – the state of origin and the state of choice – from southern to northern Baltic countries (Kirch & Mezentsev, 2012, p. 120-121). When estimating out-migration flows of active labour force, we can see that the trend is predominantly towards the north to the Scandinavian countries or to United Kingdom and Ireland, and this means that at least an half of the emigrated people (400,000 during 2004-2013) stay in the Baltic Sea macro-region.

By exploring people's choices for residence via migration, it is possible to analyse the main interrelationships between the movement of people and economic developments of their countries. Labour migration has become an important tool in the European Union innovation process as returning migrants from UK or Germany to Lithuania/Latvia may offer a boost to economic growth in these two countries as they bring home skills, capital and new ideas obtained abroad.

The current study will focus on socio-psychological processes which influence individuals to make decisions before they decide to emigrate or to stay. In order to assess these processes, the Identity Structure Analysis (ISA) metatheoretical framework (Weinreich, 2003/2012) has been applied. The results of this exploratory study carried out in Estonian cultural setting are expected to show which 'significant others' influence people and which are these core and conflicted dimensions of their identity structure mostly used by the individuals to construe their identity as an 'emigrant' or a 'stayer'.

2. Study of potential migrants' identity processes

2.1. Aims and objectives

The aims of the investigation are:

1. To apply the ISA conceptual framework, operationalized by the Ipseus software, for assessing the identity processes of potential young migrants in respect of the inter-relationship between the migration related issues in contemporary Estonia and the persons' values and beliefs about

persistence of Estonian language and culture, the country's innovation potential, ethnic cleavage in society, job motivation and tolerance as dimensions of identity.

2. To ascertain the psychological consequences for individuals of disjunctions between expected migrants' values and the values and beliefs of the study participants.
3. To demonstrate the efficacy of ISA for elucidating the complex identity processes in relation to the perceived expected migrants' imperatives as these are judged by the study participants.

Specific objectives are to:

1. Measure the extent of the individual's aspirational and empathetic identification with salient influential societal agencies and agents (business circles, creative people, diplomats, the government, ethno-cultural group, low-skilled worker and knowledge-worker) and people of personal significance (mother, father and husband/wife/partner).
2. Assess the extents to which identification with these entities are conflicted.
3. Provide evidence of developmental processes in identification with others (change or resistance to change).

2.2. Synopsis of the Identity Structure Analysis conceptual and methodological tools

Identity Structure Analysis (ISA) as an open-ended framework was chosen to provide empirical evidence on how potential migrants construe their identity in the different contexts they encounter. In regard to the major identity theories, a literature review on migrants' identity is provided. The ISA was considered suitable to apply as it allows the researcher to examine individuals' social construct of themselves and others based on, and anchored in, their *own* value and belief systems. The approach recognizes that identity is not fixed and thus allows (in regard to potential migrants) the aptness of migration to be viewed as a developmental process rather than a given state. Therefore, we see that ISA will enable us to analyse the processes of identity formulation and reformulation also in the case of aspiring migrants as they adopt, adapt, consolidate, and redefine their migrational identity over time. Thus, potential migrant's identity can be examined as part of the totality of identity (Weinreich, 2003, p. 27). Within the current study the focus will be on potential migrant's identity as part of one's identity which the researchers have defined as follows:

One's migrational identity is defined as that part of the totality of one's self-construal make up of those dimensions that express the continuity between one's construal of past migration experience and one's future aspirations in relation to migration.

2.3. Method

Within the current study, 25 participants appraised the migrational identity. The research instrument was formulated by the Identity Structure Analysis requirements. For the discourses and domains of selves and others earlier researches and theoretical contributions of various authors (Benmayor & Skotnes, 2005; Kirch & Tuisk, 2008; Castles, 2011; Tuisk, 2012) were used.

2.4. Identity Instrument

2.4.1. Themes

Perception of necessity of public efforts to attract educated youth to stay in Estonia

Over the last decade the level of attraction of emigrating youth in order to keep them in Estonia has been present in public debate in all media channels of Estonia. Several scenarios of making Estonia attractive have been under discussion. At the same time statistical analysis based on the data collected by Estonian Statistical Office demonstrates that among those who have returned to Estonia the share of higher educated people is higher compared to the respective age group in Estonia (Tammur and Meres, 2013, p. 26). See age groups 20-24 years (22.4 vs. 13.0%) and 25-29 years (44.5 vs. 33.9 %) in Table 1.

Table 1. Total population and returnees by educational attainment, 2011 (percentages)

Vanuserühm Age group	Tagasirännanud Returnees				Kogurahvastik Total population			
	Üldpõhiharidus või madalam Lower secondary or lower	Üldkesk- haridus Upper secondary	Keskharidus ja kutse Upper secondary with vocational education	Kõrgharidus Higher education	Üldpõhiharidus või madalam Lower secondary or lower	Üldkesk- haridus Upper secondary	Keskharidus ja kutse Upper secondary with vocational education	Kõrgharidus Higher education
20–24	17,9	44,6	13,7	22,4	19,8	38,9	26,2	13,0
25–29	10,6	22,3	21,4	44,5	15,3	19,8	27,4	33,9
30–34	7,1	15,4	17,3	58,2	14,3	17,2	20,5	42,3
35–39	4,9	14,7	19,1	58,6	11,8	17,2	26,1	39,4
40–49	3,5	15,9	26,0	52,9	6,0	18,1	32,1	40,2
50–59	4,3	17,1	26,4	47,7	6,8	18,4	29,1	39,2
60–74	8,5	15,3	21,7	49,4	18,7	16,9	22,1	31,7

Source: Eesti Statistika kvartalikirj. 3/13. Quarterly Bulletin of Statistics Estonia p. 26

Beliefs in Estonia as reflections related to continuity of Estonian language&culture and towards innovation potential of the country

For those who see them as potential migrants the perceptions about themselves as carriers of Estonian culture and beliefs regarding the liveliness of the language and culture can be perceived as issues not of the ultimate importance. It is essential to notice that in new environments people tend to identify themselves in some situations with the new culture (e.g. at work) and in some situations (e.g. when being with family) they will not (Weinreich, 2009). In this respect the process of 'enculturation' takes place depending on the context where a person is placed. For possible migrants, to have the chance to project him/herself to believe in the traditions of Estonian language and culture should weaken generally when compared to current and past identifications. Also an evaluation about overall innovation potential of the country has been asked as 'belief into the future of Estonian language and culture' handles traditional-historical view of Estonia and the statehood in general, the success of it in the competitive and modern world bases largely not just on producing and manufacturing, but first of all on innovativeness in

science and technology. According Innovation Union Scoreboard (Hollander & Es-Sudki, 2013) when compared to other Baltic countries, Estonia is the only one qualified as 'active follower'. Still, perception of people may be different despite this measured success when compared to other Southern Baltic countries, to name a few.

Temporary vs. permanent migration

It is important for nations to differentiate between migrants that are just seeking a temporary move, or are looking establish a long-term resettlement. The current study clearly presents different options about emigrating asking migrants if they wish 'to study and then return to homeland with obtained qualification and foreign experience' or about 'one's willingness to emigrate for studying and thereafter continuing his/her educational and work career permanently'. These two confronting scenarios were presented in the study although recent studies in Finland demonstrate that 'studying' and 'working' as opposite scenarios in a lot of cases overlap with each other (Eskelä, 2013, p. 150). Within the current analysis, the participants will be divided into two categories based on their idealization of emigration. The first category has been formed of those who prefer to study in abroad and thereafter to return to their homeland while the other category consists of those who would like to leave forever. This division serves as an independent variable in regard of all those who were questioned.

Perception of ethnic split and continuing influence of the crisis as indicators of anxiety

The authors assume that those who perceive Estonian society as ethnically cleavage express their anxiety by doing so. Anxieties related to migration are based on connections to a clash of civilizations and anxieties in regard of social securities (Delanty, 2008, p. 676). While the Soviet past of Estonia exemplifies such a clash, it can be interpreted as a factor causing anxiety, and the societal cleavage (if expressed) will be interpreted as an indicator of anxiety. Furthermore, the anxiety that can cause people to emigrate can be based also on wider perception of lowering of their standard of life. Migrants have developed forms of collective, individual and community resistance that undermine top-down 'migration management' (Castles, 2011, p. 311). This phenomenon can be applied also for those whom have been considered as 'potential migrants' in the case of Estonia.

Tolerance

Those who are more apt to emigrate should envision their future in the world where neighbouring families and other surrounding actors represent totally different cultures involving different values, beliefs and attitudes (Niedźwiedzki, 2008). Often these people express a more tolerant world-view before leaving their homeland. Also they tend to be more sensitive about acceptance of their views by others. This is why the overall attitude about tolerance in regard to other people and views was asked for the assessment of the study participants.

Socialist vs. liberal worldview

While the return to the West (Lauristin and Vihalemm, 1998) has provided a liberal market economy that has subsequently provided equal possibilities to manage in a new capitalist environment for more than two decades, it is still obvious that not everyone in Estonia is benefitting economically. There are those who support a larger role of the state, and see it as responsible for a common person's well-being. The authors want to investigate how these aspects (socialist vs. liberal) can influence future behaviour of those who idealize emigration and among those who would rather return after their studies and stay in Estonia.

Material values vs. other values

Improvement in family income has been the main reason to emigrate in most cases. Although aspects related to tolerance, anxiety, perceptions of cultural, economic and innovative perspectives have been also been considered as essential; the intention to emigrate based material values as main motivator has been clearly reflected by the authors.

Evaluation of education vs. social connections and low transport & communication costs

It is crucial for Immigrants to have an established professional network through family and friends in order to be successful in the search for employment, which predates the time of their emigration. On the other hand in a new globalizing world where a large number of certificates and respective skills have been accepted across several countries, a formal job seeker's approach can still be very effective. The participants will be asked to evaluate this controversy based on their perspective and personal experience. At the same time a well-known, but not so much debated phrase "the world is flat" (Friedman, 2005) should be questioned among the study's participants, asking them to confirm whether modern ICT facilities and cheap airfare make worldwide job markets available for everyone. Based on personal experience, many participants are sure to agree with Stiglitz (2007) when he argues that the world is, in many ways, becoming less flat. Florida (2005) even asserts that the world is spiky by arguing that the world can only be considered flat just among those city-regions which share top knowledge with technology (e.g. London, New-York, Paris, Tokyo, San Francisco). People who live and work in these spiky areas are much more connected to each other. Even with those who are far away, geographically, from these areas of economic superiority are more connected to these 'spiky' areas than to the decent places in their own back yards (Florida, 2005, p. 50-51).

Disappointment about elite as a reason for emigration

Material reasons (i.e. higher salary) have not always been the main reasons for emigration. A recent study of UK trained doctors who have immigrated to New Zealand demonstrates that improvement in lifestyle, possibilities to spend time with family, travel/working holiday and disillusionment with the UK health care system were the reasons for leaving (Sharma, Lambert and

Goldacre, 2012). The study confirmed that emigrant doctors in New Zealand had significantly higher job satisfaction than their peers in the UK, and few were considering a return to the UK. Within the current study's Estonian setting, the accent of the issue is more specific as disappointment with local elite can affect decisions of all population groups who consider emigration.

Pendulum migration's effects on family

Pendulum migration, also called as cross-border commuter migration, in Estonia is mostly related to Northern Baltic countries (i.e. Finland and Sweden). As a legacy of Soviet occupation, women are almost as active in the labour market as men, but still there exists an average salary gap of approximately 25 per cent (Masso, 2010, p. 34). Still, the main breadwinner of a traditional Estonian family is considered to be a man, (Põdder, 2013, p. 137) and the country has been placed according to the Inglehart and Welzel's 'world values map' (2005, p. 63) typology among ex-communist countries. Although most of commuter migrants tend to be men the current study does not focus on the gender aspect within family and merely 'one parent' as such has been taken under observation and the role of the remittances he/she earns while abroad as contribution to family survival.

Table 2. Translation of themes into 'bipolar constructs'

Const. no.	<i>Perception of necessity of public efforts to attract educated youth to stay in Estonia</i>	
1	<i>Efforts made to keep educated youth as qualified labour force in Estonia are necessary</i>	<i>Efforts made to keep educated youth as qualified labour force in Estonia are not necessary</i>
	<i>Beliefs in Estonia as reflections related to continuity of Estonian language&culture, and towards innovation potential of the country</i>	
3	<i>...share/s an opinion that Estonian language and culture basing on history and traditions, have future</i>	<i>...Estonian language and culture are determined to vanish in contemporary globalising world</i>
7	<i>...think/s that Estonia's potential for innovation is pretty good</i>	<i>...think/s that situation in Estonia is hopeless in regard of innovation potential</i>
	<i>Temporary vs. permanent migration</i>	
4	<i>...consider/s first at all as essential to study and work in abroad as and experience in order to return to Estonia afterwards</i>	<i>... consider/s first of all as essential to leave Estonia to abroad in order to make educational and working career there</i>
	<i>Perception of ethnic split and continuing influence of the crisis as indicators of anxiety</i>	
5	<i>...share/s an opinion about Estonian society as being ethnically split has no grounds</i>	<i>... share/s and opinion that there is an ethnic split in Estonian society</i>
2	<i>...share/s an opinion that the decrease in the standard of life due to the economic crisis is still continuing in Estonia</i>	<i>...share/s an opinion that the economic crisis has not significantly influenced the well-being of Estonian people</i>

	<i>Tolerance vs. intolerance</i>	
6	<i>...am/is/are tolerant about different people and views</i>	<i>...do/does not accept other people and views</i>
	<i>Socialist vs. liberal worldview</i>	
8	<i>...think/s the government is responsible for well-being of a common person</i>	<i>...think/s that each person has first at all to manage by her/himself</i>
	<i>Material values vs. other values</i>	
9	<i>...would not mind doing routine unchallenging work just if the pay was good</i>	<i>...think/s work has to be motivated by self-satisfaction</i>
10	<i>...share/s an opinion that expectations related to improvement in one's economic possibilities are the main motivators for leaving to abroad</i>	<i>...share/s an opinion that improvement of economic possibilities is not the main reason why people leave to abroad.</i>
	<i>Evaluation of education vs. social connections and low transport&communication costs</i>	
11	<i>...share/s an opinion that in abroad a good professional successes granted first at all by proper education, social connection for getting a job are less important</i>	<i>...share/san opinion that getting a good job depends first at all on social connections, previously gained education has a smaller role.</i>
12	<i>...share/s an opinion that contemporary accessible communication devices together with offers to economy flights create equal possibilities for everybody to participate in international job market</i>	<i>...share/s an opinion that despite the possibilities of ICT and free movement are only challenges to those who have acquired necessary qualification</i>
	<i>Disappointment about elite as a reason for emigration</i>	
13	<i>...share/s an opinion that there are people who leave from Estonia as they are disappointed in hypocrisy and non-competences of the current elite in power</i>	<i>...share/s an opinion that people leave rather because of personal motivation, persons in power are less important when deciding about leaving.</i>
	<i>Pendulum migration's effects on family</i>	
14	<i>...share/s an opinion that participation of one parent in pendulum migration is a good possibility for families to manage with difficulties and stay together</i>	<i>...share/s an opinion that participation of one parent in pendulum migration leads to collapse of family despite the income earned in abroad.</i>

2.4.2. Participants

Exactly the same ISA instrument was administered for all participants. The idea was to investigate the identity of 'a potential migrant' and of 'possible non-migrant' by using bipolar constructs and entities as representations of 'migrants' identity' in the case of both groups. The instrument was then prepared consisting of 15 entities and 14 constructs. Thereafter the instrument was employed in the study. During appraisal all bipolar constructs appeared on each page together with the list of the entities (210 combinations). The participant had to appraise each combination at the bi-directional centre-zero rating scale (4-3-2-1-0-1-2-3-4) and no *a priori* assumptions of favourable or unfavourable connotations associated with either end of the scale were made.

3. The Study

The purpose of the current study is to have an in-depth insight of labour migration patterns of Estonia. This is to be used as an example of donor countries of Baltic Sea macro-region in order to determine the risk factors of adaptation in the case of university educated youth (aged 20-29) as potential work migrants and shifts in migration directions and dynamics. In order to analyse these problems, a study was carried out among first and second year bachelor students majoring international relations at Tallinn University of Technology in October 2013. Identity Structure Analysis (Weinreich, 2003/2012) was applied and 25 students were asked to respond to the study instrument.

A pilot study was carried out in September 2013 among the student group of 10 people in order to test the original instrument at the same university. Two entities ('low-skilled worker' and 'knowledge-worker') as possible identification patterns were added. As additional literature review provided more essential aspects influencing intentions to migrate (or to stay), four more constructs were added (see constructs no. 11-14 in Table 2).

4. The Results

4.1. Extents of the potential emigrants and stayers aspirational and empathetic identification with salient influential societal agencies and agents

The results from the Table 3, concerning idealistic identification, shows that potential emigrants, when compared to stayers, are much less likely to aspire to become similar to entities like 'the government', 'Estonian diplomats' and 'Creative people' while they idealize stronger Estonians and their family members. For stayers the lowest idealistic entity is the 'unskilled worker' (.27), although their current identification with this one is even higher (.35), still being noticeably less when compared to the potential migrants (.49). In short, for potential migrants the push for their decision to leave can be related to their family, also their idealization of 'unskilled workers' discloses their motivation to emigrate. At the same time those who stay seem to be (and also aspire to become) more professional in regard to their training, and see their future career more likely as 'Estonian diplomats' loyal to the state supporting the government and their family members. The emigrants' decisions seem to be based more on expectations of their individual fast and easy-coming benefits while the stayers devote themselves more to being a professional 'knowledge worker' and loyal to their country of origin. Interestingly, the two groups do not differentiate in regard to their beliefs and values towards entrepreneurship.

Table 3. Aspirational, empathetic and conflicted identifications³⁴⁵⁶

Domain	Entity	Positive aspirational identification (idealistic-identification) ³		Negative aspirational identification (contra-identification) ⁴		Empathetic identification with respect to current self (Me, as I am now) ⁵		Conflicted identification with respect to current self (Me, as I am now) ⁶	
		Emi-grants	Stayers	Emi-grants	Stayers	Emi-grants	Stayers	Emi-grants	Stayers
Influential public circles, role models & institutions	My fellow students	.72	.75	.25	.24	.81	.80	.42	.41
	Government of Estonia today	.41	.62	.51	.37	.42	.60	.45	.44
	Knowledge worker	.72	.71	.22	.28	.72	.70	.29	.39
	Unskilled worker	.49	.27	.49	.71	.49	.35	.47	.48
	Estonian diplomats	.65	.77	.28	.22	.65	.71	.35	.36
	Creative people in Estonia	.61	.75	.31	.25	.62	.73	.40	.41
	A successful entrepreneur	.66	.70	.29	.29	.71	.69	.41	.38
Ethnic groupings	Estonians	.62	.51	.36	.47	.58	.57	.44	.47
Family	My mother	.73	.66	.21	.32	.76	.73	.33	.41
	My father	.72	.63	.23	.36	.74	.68	.33	.45
	My husband/ wife/ partner	.71	.69	.23	.24	.79	.79	.40	.38

* Scale range 0.00 to 1.00

4.2. Assessment of the extents to which identification with the entities is conflicted

Table 3 also demonstrates that the ‘unskilled worker’ causes for both groups the highest conflicts expressing the nature of controversy among university students when evaluating themselves against uneducated people as it has been constructed within the current study. The leavers conflict less in their identifications with their mother and father which indicates that their views in regard to leaving, ‘the government’ and proximity to unskilled workforce

³ The highest aspirational identifications of potential emigrants is with ‘my mother’ (.73), for stayers with Estonian diplomats (.77).

⁴ The most negative aspirational identifications (desiring not to be like) are with ‘the government’ (.51) for potential emigrants and for stayers ‘unskilled worker’ (.71).

⁵ Empathetic identifications for both groups are ‘my fellow students’ (.81-.80).

⁶ The highest conflicts in identification for both groups are ‘unskilled worker – varying from .47-.48.

are also more steadily supported by their pattents. This can be also related to dominance of material values by their families through the generations while also supported by lower conflict with ‘knowledge workers’. The leavers tend to be individuals who know more exactly about targets and are confident about their choices and actions while the stayers expose themselves more towards conflict-filled personal and societal demands according to their aspirations.

4.3. Evidences of developmental processes in identification with others (change or resistance to change)

Table 4 expresses more professionally oriented developments among those who would like to stay in Estonia as their identification with the government drops noticeably less (just -3%) when compared to their construction of the past, thereby their loyalty to the country is more prevalent. In comparison to this, ‘the emigrants’ disance from ‘the government’ is almost -11%.

Table 4. The Participant groups and their socio-developmental and biographical processes

Domain	Entity	Empathetic identification with respect to past self (Me, when I was a gymnasium student)		Empathetic identification with respect to current self (Me, as I am now)		Difference, %	
		Emi-grants	Stayers	Emi-grants	Stayers	Emi-grants	Stayers
Influential public circles, role models & institutions	My fellow students	.65	.72	.81	.80	+19.8	+10.0
	Government of Estonia today	.47	.62	.42	.60	-10.6	-3.2
	Knowledge worker	.62	.60	.72	.70	+13.9	+14.3
	Unskilled worker	.51	.51	.49	.35	-3.9	-31.4
	Estonian diplomats	.60	.60	.65	.71	+7.7	+14.1
	Creative people in Estonia	.51	.60	.62	.73	+17.7	+17.8
	A successful entrepreneur	.58	.60	.71	.69	+25.3	+13.4
Ethno-cultural groupings	Estonians	.65	.70	.58	.57	-10.8	-18.6
Family	My mother	.62	.61	.76	.73	+18.4	+16.4
	My father	.64	.62	.74	.68	+13.5	+8.8
	My husband/wife/ partner	.59	.65	.79	.79	+25.3	+17.7

* Scale range 0.00 to 1.00

Furthermore, the emigrants do not demonstrate any noticeable change in regard of unskilled workers (merely -4%) while the stayers distance from this entity by -31% and increase their identification with 'the diplomats' almost twice as much as the emigrants (14% vs 8%). For emigrants it is possible to notice that their entrepreneurship has increased about twice (25%) when compared to stayers (13%). Increase in identification with father is also an expression of one's masculinity (14% vs 9%) of one's actions when aspiring to leave the homeland and to establish educational and professional career in abroad. In sum we notice that there exists two different paths for the two groups classified and observed within the current analysis. The possible emigrants tend to be entrepreneurial and masculine while developing stronger identity overlaps with 'unskilled worker' patterns and more definitely distancing from official policies exposed by strict confrontation with 'the Government of Estonia today'. The stayers vice versa move towards their 'knowledge worker's' professional identity being more loyal to the government while being also more decent in changes with any of their family members.

5. Conclusions

An earlier study (Kaska, 2013, p. 43) indicates that the majority of those who have left Estonia are blue-collar male workers, and thereby strong effects of brain-drain are not the case which have taken place so far. At the same time the number of emigrants when comparing the categories of blue-collar workers and 'knowledge workers' can have different influences on developments in Estonia when emigrating. Possible material benefits produced or generated to the society (also indirectly) by the latter category exceed several times of the emigrant unskilled workers although over represented in numbers. These aspects should be carefully prognosed, although in the case of Finland the migrants from Estonia are rather eager to improve their qualification either by additional training or attending school or university (Kaska, 2013, p. 38). This can be also due to strictly limited working hours in Finland where the employee has more spare time and can use his/her energy for self-development. Despite the fact that Estonia shares similar legal norms in regard of working hours, working overtime is much more common.

Comparison of the two groups based on their attitudes towards emigration shows that potential emigrants identify themselves much more with unskilled or blue-collar workers. Their identifications are strong and increase even more with their father and successful entrepreneurs indicating their propensity to emigrate not as an educated specialist but rather as an entrepreneurial blue-collar worker. Those who expressed that they would stay in Estonia are more critical about the government and conflict themselves even more with the government while knowledge workers and Estonian diplomats form their role models.

Identity Structure Analysis efficiently demonstrates that even among an educationally homogeneous group of students there exists two principally

different identification patterns: those who idealize quick profit and are more likely work abroad and are even supported by family in this endeavour, while others focusing on their studies foresee their career in Estonia.

Although the current empirical study did not include any bipolar statements about the latest events taking place in Ukraine, and the concept of 'EU Eastern Partnership' was not directly presented to the participants there is a need in the future also to study Latvian and Lithuanian (potential) emigrants in order to learn about their emigration motivation. This new knowledge will also help to understand how to prepare any measures to avoid highly skilled labour force turning to 'low-skilled workers' within their emigration aspirations (as the current study has shown). Although the degrees and qualifications achieved in EU member countries should be compatible across all countries, downward mobility still seems inevitable as we have to notice that capabilities for cultural adaptation and language skills have, in many cases, an even more significant role before one finds his/her place in host country's labour market. At the same time newcomers from EU Partnership countries to Southern Baltic States have (despite some common historical and cultural background) similar challenges to overcome as well as certain thresholds to meet EU standards applied in these three countries during last 10 years of EU full membership.

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Comparative Analysis of Migration's Economic Effects in Serbia, Latvia and Moldova in Last Decade

Abstract

This paper analyses the negative and positive effects of emigration on Latvian, Serbian and Moldovan economies over the last decade. Four models of emigration analysis were created, and may be used for examining the same issues in other regions and countries. An innovative way of using SWOT&PEST multidimensional analysis is also introduced. More than a quarter of Moldova's GDP relies on remittances, while Latvia's economy receives fewer transfers from abroad, but Serbia is gaining more from transfers. The paper concludes that if the level of life and salary grow in the country of origin, the negative effect of emigration increases.

Keywords: emigration, SWOT&PEST, remittance, taxes, salaries.

1. Introduction

It is important to stress that this analysis was only done using elements which could be mathematically quantified. Of course, there are non-quantifiable elements – such as the intellectual 'brain drain' or social innovation transfer, which could in some cases even out-weight quantified part of the research, but due to its character and as well framing of the methodology of this research – non-quantifiable elements are not taken in consideration.

As well the issue of circular migration, which may have a significant positive effect on the country, is not considered in this research because of lack of statistical information regarding this issue. So it is important to take in consideration that this research shows a framed by quantified dataset influence of migration on economies of three countries – Moldova, Serbia and Latvia.

For European Union (EU) it is important to track and monitor actual changes that are happening in EU neighbouring countries, that is why it is significant to foster a more deep discussion on Eastern Partnership (EaP). It is becoming even more urgent, because of the crisis in Ukraine, which makes it important to track social, economic and political changes in Moldova. EaP currently urges for more detailed overlook and research.

As well current economic crisis and economic reforms, which are happening in Serbia, are worth monitoring, especially nowadays, because Serbia is planning to become an EU Member State in 2020.

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Recently, emigration has become a more popular issue of academic analysis. The International Organization of Migration reported that in 2013 more than 230 million people were living outside of their homelands (International Organization of Migration, 2013). In the last five years emigration has grown by 15%.

The World Bank reports that remittance amounts are growing globally at around 3.3% annually (World Bank, 2013). For example, in 2013 more than 543 billion USD were sent abroad as remittances, and more than 75% (404 billion USD) of those funds were sent to developing countries.

Many countries depend on these remittance flows. For example, remittance levels in Tajikistan are more than 52% of the country's GDP. In Moldova, remittances account for 1/4 of GDP (World Bank, 2013). In Serbia remittance levels in the last five years were between 7 and 9% of GDP, and in Latvia only accounted for 2 to 3% of GDP.

UNFPA State of the World reports that every 1% of remittance in GDP lowers the country's poverty levels by 0.4% meaning that remittances not only have an economic effect, but can also have important social implications.

Recent Latvian emigration studies done by O. Krasnopjorov and M. Hazans prove that emigration from Latvia in the last 10 years has had a very significant impact on the economy. In his research, M. Hazans has been analysing the number of Latvian emigrants registering for residence or work permits in foreign migration offices. M. Hazans (2013) reports that emigration could be up to 200 000 people, which is currently more than 10% of the Latvian population. Migration researcher O. Krasnopjorov (2011) uses a completely different methodology and analyses emigration size by comparing inflows and outflows of people at the Riga airport and different Latvian harbours. He concludes that the total number of emigrants in last 10 years could be up to 177 000 people.

Current research on emigration from Serbia shows that in last decade approximately 414 000 people emigrated (Government of Serbia, 2010).

Migration policy centre studies on Moldova show that either 615,171 (17.3 per cent of the population) or 390,280 (11.0 per cent of the population) citizens resided abroad in the year 2012. The discrepancies in these two estimates depend on whether Moldovans-migrants living in Russia are counted according to the country of birth or citizenship criterion. (Migration Policy Centre, 2013)

It is important to bear in mind the economic effect as well as the figures of the migration's size. That is why an economic formula was developed in order to compare the negative and positive effects of emigration.

2. Calculation of Emigration's Economic Effect

The International Organization of Migration reports that high-skilled emigration, or the so-called 'brain drain', can cause a loss of public resources invested in education (Ratha, Mohapatra, Scheja, 2006). It is then possible to determine the cost of emigration by calculating the potential investments of

each migrant. Of course, the size of an investment depends on the level of education and social security paid by the state.

In previous research it is mentioned that there are negative aspects that cannot be calculated, such as emotional or physical stress and fragmentation of social networks, including family structures and other relationships. Thus, temporary circular migration can add emotional stress to migrants and their families, and increase the risk of eroded family structures and relationships. For example, in Jamaica, it has been found that the absence of the mother is correlated with greater incidences of children in conflict with the law (UNICEF, 2009).

In 2006, economist M. Kazaks reported that maintaining social security, welfare and economic development will only be possible by immigration management, as well as productivity growth. Immigration management is also an expense, occurring as a result of the initial migration from the source country (Kazaks, Kūle, Strašuna, 2006).

It is important to note that in last decade there is a growing body of evidence that suggests that the income from remittances is disproportionately spent on education and health rather than everyday consumption (food and clothes) (Ratha, 2011). However, the evaluation of the effect of spending on education and health can be done only in a long-term analysis.

Some of the migration factors cannot be mathematically described, either because of its specific characteristics or lack of statistical data. In this paper, only the factors that could be statistically gathered, mathematically transformed and predicted for a short-term period were considered to provide a better vision of the economic terms of emigration flow.

Each economy is based on a taxation system of its users – people. As a result, in economic terms, emigration translates into unpaid taxes from salary and from the everyday expenditure on goods and services. At the same time, the economy of the origin-country is gaining remittances and expenditure tax, which is paid from spending the money received from emigrants. Four scenarios were developed with different impacts to the emigrants' origin-countries' economies in a short-term perspective.

In the first scenario, the smallest impact on emigrants' origin-countries' economies were projected. In this model, factors such as average emigration size, minimal subsistence level and Added Value Tax (AVT) are taken in consideration.

The second model is an average impact scenario on migrants' origin-countries' economies. Here average emigration size, minimal wage, salary taxes and AVT are considered.

In the third model, average salary is taken in consideration in a high-impact scenario on emigrants' origin-countries' economies, given that it projects that all the emigrants would have been paying taxes from average salary and AVT from the expenditure had the emigrants stayed in the origin-country.

In the fourth model, the first, second and third scenarios are considered together with the structure of the society. The distribution of wages and taxes

in this model is assessed upon different groups of the society or workforce, including employers, employees, students and those who are unemployed. As a result, this scenario is able to account for the socio-economic differences of emigrants and their differing impact on the economy of their origin-country.

It is important to mention, however, that all the models are taking a limited amount of factors into account, which makes it possible to measure only short-term effects of emigration. In more long-term calculations many more factors must be considered, such as emigrants’ intellectual capacity, possible added-value production, investments in social care, education and others.

2.1. The Case of Latvia

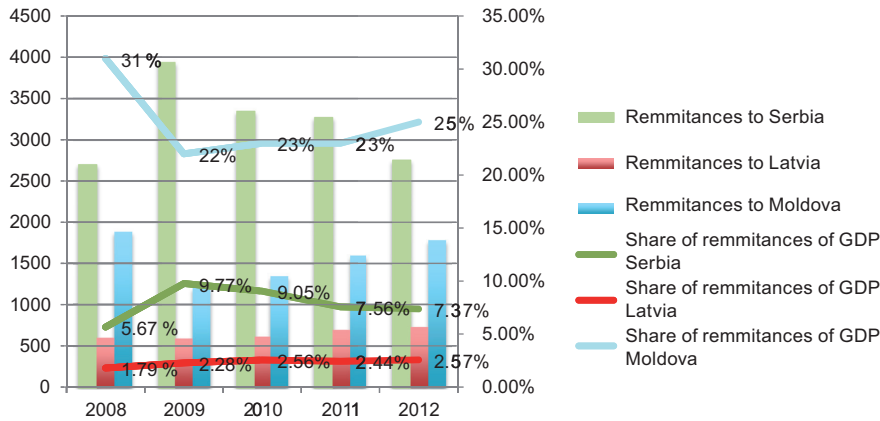
Table 1. Minimal negative and minimal positive effects from emigrants on Latvian economy

	Minimal negative effect from 1 emigrant(EUR)				Minimal positive effect from 1 emigrant (EUR)
	Model 1	Model 2	Model 3	Model 4	
2008	-418	-1816	-5439	-1264	1745
2009	-498	-2043	-5224	-1384	1800
2010	-493	-2121	-5242	-1413	1976
2011	-534	-2385	-5532	-1556	2134
2012	-541	-2385	-5742	-1572	2426
2013	-526	-2356	-5929	-1564	2432
Average	-502	-2184	-5518	-1459	2086

Remittance levels are relatively small in Latvia. Approximately 400 million EUR as remittances from emigrants is received each year, but a five year trend shows that the size of the remittances continuously grew over last five years by 35%. Still, the relative size of the remittances in 2012 was only 2.7% of the GDP (Fig.1).

In the first model it was projected that if all the emigrants stayed in Latvia they would have spent only subsistence allowance, paying ATV to the country’s budget. This scenario shows that, on average, each year one emigrant would have generated approximately 500 EUR paid as AVT. Alternatively, one emigrant, on average, in one year sends more than 2000 EUR as remittances (Tab.1). That means that emigrants, in terms of factors included in first model bring more benefits for the origin-country than they could give by staying in the country.

The second model shows that one emigrant in economic terms for the Latvian budget equals to 2184 EUR in unpaid taxes. This model projects that each year, on average, the Latvian budget loses around 100 EUR from each emigrant (Tab.1). Then in terms of factors included in the second model, emigration is not beneficial for the economy of the origin-country.



Graph 1. Remittances received and its share in GDP (Moldova, Latvia, Serbia)

In the third model, one emigrant equals to 5518 EUR in unpaid taxes, which means that, on average, the Latvian budget lost more than 3400 EUR each year over the last five years from each emigrant (Tab.1).

In the fourth model, the structure of the society is taken in consideration. It is obvious that the positive impact from remittances is larger than the possible negative impact from unpaid taxes. In this case, annually, the Latvian budget is gaining more than 600 EUR from each emigrant (Tab.1).

2.2. The Case of Serbia

Table 2. Minimal negative effect on Serbian economy from 415000 emigrants

	Minimal negative effect from 415000 emigrants (million EUR)				Minimal positive effect from 415000 emigrants (million EUR)
	Model 1	Model 2	Model 3	Model 4	
2008	-84	-412	-1263	-223	+2302
2009	-125	-527	-1270	-284	+3343
2010	-125	-544	-1484	-297	+2846
2011	-125	-560	-1751	-312	+2781
2012	-125	-576	-1780	-318	+2349
2013	-125	-613	-1818	-330	+2100

In 2012 emigrants from Serbia sent more than two billion EUR in remittances, totalling around 7.4% of GDP (Fig.1). During last five years, remittance levels had been fluctuating, and since 2009 levels have decreased by more than one billion EUR.

In all the scenarios calculated, the impact from the emigration was positive. Therefore, in short term period, emigration brings more positive effects than negative ones to the economy of Serbia, taking measurable data

and factors only into consideration. The first scenario shows that in last five years, on average, the negative effect of emigration was equal to 117 million EUR each year, while the average positive effect was more than 2.6 billion EUR annually.

The highest negative impact measured was in the third scenario, where hits to the Serbian economy were 300 million EUR less than it receives as remittances. This negative effect equalled to 1.8 billion EUR, while the positive effect equalled to 2.1 billion EUR.

In calculations for the third scenario, the marginal salary level is around 575 EUR per month. If the amount of remittances, emigration size and taxation system do not change and the salary moves up to a marginal level, then the economy of Serbia will no longer continue to benefit from emigration.

In the fourth model, the structure of the society is taken in consideration. It is obvious that the negative impact from unpaid taxes is larger than the possible positive impact from remittances. In 2013 Serbian budget lost more than 330 million EUR from emigration. The size of negative effect grows gradually and each year it is growing approximately by 20 million EUR (Tab.2).

2.3. The Case of Moldova

The economy of the Republic of Moldova heavily depends on the remittances from emigrants. In 2012 the relative size of remittances was 25% of the GDP (Fig.1). Approximately 1.3 billion EUR are received as remittances from emigrants in Moldova.

The case of Moldova is similar to Serbia because all four developed scenarios showed a positive effect from emigration. Therefore, Moldova, from economic point of view, is benefiting from emigration.

The first scenario, where only subsistence allowance and ATV are taken into consideration, estimates emigrants' negative impact on the economy of Moldova is approximately 70 million EUR annually. The second scenario, where minimal salary and taxes are considered, shows that Moldova, on average, is losing 269 million EUR each year from emigration. In the third scenario, average salary is taken into account to calculate the possible negative impact of emigration. On average, by this model, Moldova is losing 650 million EUR. The fourth scenario shows that over the last five years Moldova lost 190 million EUR annually.

On the other hand, the positive impact from remittance and ATV equals 1.2 billion EUR each year, which is over 15 times more than negative effects from the first scenario and two times more than the third scenario's calculated negative impact to the economy of Moldova.

3. SWOT&PEST Multidimensional Analysis

SWOT&PEST analysis is a connection of three methods in one. It is a collaboration of SWOT analysis, PEST analysis and expert interviews. The main reason for connecting three methods in one is that it creates the

possibility of having a two-dimensional view of the problem and effective organization of information.

In this analysis three types of experts were interviewed: professors, economists and entrepreneurs both from Latvia and Serbia. It is important to mention that the answers varied in accordance to the expert group.

Professors mainly had a very pragmatic point of view about the migration trends and impact of the economy. The majority of experts in this group forecasted that, with current preconditions, re-emigration of no more than 2–3% of emigrants is possible. As well, it was emphasized that regional development should be promoted in order to help those regions that lost most of the population because of emigration.

Economists emphasized the impact of remittances, which are especially important in the Moldovan case. It was also mentioned that emigration is an inevitable result of economic slide-down, and the country should reverse the situation from threats towards opportunities by structural reforms and investments in intellectual and high added value businesses.

Entrepreneurs and CEOs mainly drew attention towards the flow of migrants, who will substitute those who emigrated, highlighting the potential social and cultural threats of migration flows. Also it was emphasized that only Latvia has the remigration plan as a policy document, but it is still assumed that the effectiveness of such a plan would not go beyond 5% of emigrants who will come back.

4. Conclusions

During highly politicized crisis in Ukraine, it is important to forecast future developments of the Eastern Partnership initiative of the European Union. Economic situation in EU is partly influenced by the neighbouring regions as well, that is why monitoring and keeping a track on fluctuations of migration flows in EaP countries is more than relevant for EU interests. Connections in between EaP countries and EU may become even stronger after the Ukrainian crisis is solved.

Nowadays EaP initiative may become one of the most important EU neighbouring programmes because of social, economic and political tensions. It is one of the reasons why EaP programme should be fostered and studied in much more details.

Migration issue in between EU and EaP countries becomes even more significant. Migration is an inevitable condition of nowadays society, which consists of very blur borders and vast possibilities around the globe. Therefore it is important to know its positive and negative impacts on a country's economy. In this paper, in conducting an analysis of emigration's economic effects, only a few factors were taken into consideration in order to make a controlled analysis through a certain time period.

Of course, even the fourth scenario, which accounts for socio-economic differences in the society, still cannot give a complete and comprehensive overview of emigration's economic effect. That is why it is important to use

all four scenarios simultaneously in order to construct possible economic effect models on the economy.

For the last five years the Serbian economy has benefitted from emigration variations between 1 billion EUR to 2.5 billion EUR each year. It means that in terms of factors included in the formula, the Serbian economy, in a short-term period, is gaining much more than it could get from emigrants if they stayed in the country. Mainly such a tremendous financial impact of emigration on the Serbian economy is due to the latest economic crisis as well as the political instability in Balkan region. Furthermore, relatively small emigration generates huge amount of remittances; 5% of the population sends approximately 1/10 of the GDP annually through remittances.

The Latvian economy could have benefited from emigration by 121 million EUR each year over the last five years. This assumption is made through the fourth scenario, where the structure of emigration flow, emigration size, unpaid taxes and received remittances are taken into consideration. However, it is important to understand that this is the average cost of emigration, which shows only the proportion of remittances to the size of the taxes, which could have been paid by emigrants if they stayed in Latvia. As well, using only the average number of emigrants creates certain mistakes in calculations of emigration's effect on the Latvian economy.

Out of EU EaP countries – Moldova has the highest share of remittances in correlation to its GDP. The Moldovan economy is receiving between 559 and 1259 million EUR more in remittances each year than it would receive in taxes if all the emigrants would re-emigrate. The Moldovan case is an example of the country's high dependency on the foreign investments of emigrants. These remittances are forming more than 20 per cent of the country's GDP. Overall poverty level, high unemployment, small wages and disproportionally distributed taxes are the main reasons remittances stay at dramatically high levels.

It is important to mention that all calculations are based only on tangible factors that can be used in mathematical formula. That is also the reason why each scenario projects only the short-term effects of the emigration to the economy, and does not take into account psychological factors and human resources added value capabilities, known also as 'brain drain' or from the destination country by obtaining foreign education and re-emigrating back home.

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Olga Rajevska¹

Social Justice in Pension Systems of the Baltic States – Possible Inspiration for Eastern Partnership

Abstract

After restoration of independence, the Baltic States chose different paths of pension reforms. The distribution of old-age pension benefits is analysed. In Latvia it is very much skewed, and the asymmetry is increasing. Pure NDC systems, like the one adopted in Latvia, are not adequate for countries with relatively large gap between the rich and the poor and lead to massive poverty among elderly. In Estonia and Lithuania distribution is much more even. Estonia has the most clear and comprehensive pension formula, higher public trust in pension system and lower levels of concern over income adequacy in old age. The experience (both good and bad) of the Baltic States could be useful for reforming and development of pension systems in other countries, including the countries of Eastern Partnership.

Keywords: public pensions, NDC, inequality, social cohesion, good governance.

1. Introduction

Social justice belongs to the kernel of social policy. However, its interpretation in the policy-making and policy implementation processes is quite versatile and contradictory. The author analyzes the approaches of understanding this notion in pension policies, chain of pension reforms and current functioning of pension systems in the Baltic States, the balance of solidarity and individual responsibility in those. Estonia, Latvia and Lithuania had entered the era of restored independence with absolutely identical social security systems (including identical pension schemes, as well), inherited from the Soviet times, but then chose different paths of reforming their public pension legislation. The Baltic experience can be very instructive for other post-Soviet countries, especially for the members of the European Union Eastern Partnership, giving examples of what can be considered as good governance practices in the field of social policy and old-age poverty prevention and could be useful case studies for other countries including countries of Eastern Partnership.

The author has also studied statistical data on the distribution of old-age pension benefits by size and its dynamics over the recent years. Latvian pension formula practically lacks any redistribution mechanism; pension benefits do not have any upper limits, and the minimum level is set as low as 70.43 EUR – more than three times lower than the official subsistence minimum. Almost 60% of old-age pensioners receive net pension benefits

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below the subsistence minimum, meanwhile 0.5% get more than 1000 euro per. The distribution is very much skewed, and the asymmetry is constantly increasing. The situation roots in the pension reform undertaken in 1995, when Latvia was the first country in the world to adopt the so-called Notional Defined-Contribution (NDC) pension system. Actually, it is recognized that pure NDC systems are not adequate for countries with relatively large gap between the rich and the poor – material stratification is not smoothed in old age, and combined with low replacement rates it leads to massive poverty among elderly. The author provides a comparison with the situation in neighbouring Estonia and Lithuania where the distribution of pension benefits is much more even, due to presence of flat demogrant component in state old-age pension benefits.

2. Social Justice as a Policy Keystone

In 2007, the UN General Assembly proclaimed 20 February the World Day of Social Justice, which is celebrated every year. “Social justice is more than an ethical imperative, it is a foundation for national stability and global prosperity,” stressed the UN Secretary-General Ban Ki-moon in his message devoted to this day in 2011 (UN, 2011). This year he repeatedly highlighted that the “experience shows that economic growth, on its own, is not sufficient. We must do more to empower individuals through decent work, support people through social protection, and ensure the voices of the poor and marginalized are heard.” (UN, 2014)

Ever since G. Esping-Andersen had published his famous “The Three Worlds of Welfare Capitalism” (Esping-Andersen, 1990), pension systems are considered as a clear indicator of the welfare state characteristics and as a powerful tool for comparative analysis of social policies in different countries.

The ‘degrees of justice’ (fairness, equity) and even the understanding of the meaning of these terms vary across countries, as well.

The European Commission documents stipulate that the “Member States are committed to providing [...] the financial sustainability of public and private pension schemes, bearing in mind pressures on public finances and the ageing of populations, and in the context of the three-pronged strategy for tackling the budgetary implications of ageing, notably by: supporting longer working lives and active ageing; by balancing contributions and benefits in an appropriate and socially fair manner; [emphasize mine – O.R.] and by promoting the affordability and the security of funded and private schemes; [...]” (EC, 2010). However, no criteria of what manner can be considered as fair are provided.

OECD also includes the notion of ‘fairness’ into the concept of ‘sustainability’ (OECD, 2009): “Fiscal sustainability implies four main characteristics:

- solvency, or governments’ ability to finance existing and probable future liabilities/ obligations;

- growth, or the capacity of government to sustain economic growth over an extended period;
- fairness, or governments' ability to provide net financial benefits to future generations that are not less than the net benefits provided to current generations; [emphasize mine – O.R.] and
- stable taxes, or the capacity of governments to finance future obligations without increasing the tax burden."

Here, the principle of justice is applied to inter-generational distribution only.

The conceptual framework for assessing existing pension systems and their degree of being in need for reform was also developed by the World Bank experts (Holzmann & Hinz, 2005; Holzmann, Hinz & Dorfman, 2008; Holzmann, 2012). These authors are distinguishing equity as a separate criterion and as one of the major goals of any successful pension system. They offer the following definition: "an equitable system is one that provides the income redistribution from the lifetime rich to the lifetime poor consistent with the societal preferences in a way that does not tax the rest of society external to the system; and one that provides the same benefit for the same contribution". It is worth to mention, that initially the set of criteria consisted only of four factors: adequacy, affordability, sustainability (in its pure financial sense) and robustness. Equity and predictability were added to this set only in 2008. The reassessment of what constitutes a good target for pension system reform was influenced, inter alia, by the refocus on basic income protection for the elderly, reforms of earnings-related schemes towards a tighter contribution-benefit link limited the capability to redistribute income towards low income groups within the schemes.

Although this latter wording is the most explicit compared to the former two cited above, it still lacks a very important dimension: the attention is paid only to the distribution of benefits, omitting the issue of the fair distribution of burdens and risks.

As shown by August Osterle, "equity is about three types of choices. First, they are characterised by the goods to be shared. These goods might include resources and burdens, goods in cash as well as in kind, rights and responsibilities, etc. The second choice concerns the units among whom these goods, resources or burdens, are shared. These might be individuals, families or households as well as institutions or geographical areas. Finally, choices have to be made in terms of principles or criteria according to which the goods are shared. Again, a broad range of criteria might be applied" (Osterle, 2002, p. 50-51).

In order to apply the above approaches and considerations to pension systems of the Baltic States, the next sections provide a brief description of the post-socialist pension reforms and present structure and principles of pension schemes in these countries.

3. Pension Legislation in the Baltic States – a Retrospective Review²

Latvia, Estonia and Lithuania entered their new eras of independence with identical old-age security systems, inherited from the Soviet period. They also faced very similar transition-related challenges: the severe economic turmoil surrounding the collapse of the Soviet Union, leading to extremely high inflation rates and deep recession in all three countries. Our Eastern Partners – Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine – had the same Soviet heritage and experienced parallel transition processes in 1990s, as well.

Social protection system in the USSR was based on the existing political and economic system with state ownership on land and enterprises. The Law on State Pensions of 1956 regulated the situation of employees, while the Law on Kolkhoz Members (1964) covered the farmers.

The Soviet pension system was rather generous and included the following features:

- low general pensionable age – 55 for women and 60 for men with minimum working record of 25 or 20 years respectively;
- privileged retirement rules for several occupational groups, including lower pensionable ages (e.g., teachers, workers in public transportation, artists, pilots, those working under hazardous conditions);
- entitlement to a pension based on previous work, benefits linked to the former wage during the last years of working career;
- a relatively high replacement rate ranging from 100 percent for low-income earners down to 50 percent for higher-income earners;
- financing from the general state budget, no individual contributions by workers. The cost of social insurance was included into production cost, the rates varied among the sectors of national economy.

The processes of radical economic and political reforms were accompanied by reforming the old soviet social security system. Some reforms have been commenced already in 1990. The countries were motivated to escape from the legacy of the communist period and to build up new pension systems to suit new political and economic realities.

However, the features of the Soviet pension system influenced people's image of the optimal pension arrangement, including such features as the pensionable age, benefit rates, and the willingness to pay contributions (or rather the lack thereof). New laws regulating social protection were formulated and enacted. Although these laws provided for guarantees of incomes they neither had the respective financial covering, nor were they economically justified. As the economic situation grew worse, it became clear

² This section mainly is a very brief "digest" from three chapters of the multi-author book Fultz, E. (2006), *Pension Reform in the Baltic States*, Budapest: International Labour Office. The chapter on Lithuania is written by R. Lazutka (pp. 267-350), on Estonia by L. Leppik and A. Võrk (pp. 17-142), on Latvia by I. Vanovska (pp. 143-266).

that, in view of the demographic situation, it was not possible to implement many norms of the newly accepted laws.

Generally, the actions taken at this first stage of pension reforms were the same in all three Baltic States:

- 1) Introducing of social insurance contributions (social tax) and financial separation of the social insurance system from other budgetary expenditures;
- 2) Introducing of two-component pension benefits, consisting of a flat (basic) demogrant and earnings-related components.
- 3) However, extremely high inflation caused the earnings factor to lose its significance; and the flat-rate part of the pension became dominant; the disparity among pension levels was greatly reduced. In fact, pensions were flattened.

The second wave of pension reforms was very much influenced by the seminal report "Averting the Old-Age Crisis: Policies to Protect the Old and Promote Growth" published in 1994 (World Bank, 1994). The paper has introduced the concept of three-pillar pension system and actively propagated the substantial shift to privatization of mandatory pensions. While the role of the World Bank counsellors was the most explicit in Latvia (that was the first Baltic state to accomplish the second wave of reforms), Estonian and Lithuanian legislators generally followed the same principles, and by the beginning of this century, the structure of pension systems in all three countries included:

- I pillar: a state-managed compulsory pension scheme, operating on the pay-as-you-go principle, financed by social insurance contributions ('pension tax'), and offering earnings-related benefits;
- II pillar: a privately-managed, compulsory, and fully-funded pension scheme, financed by social insurance contributions;
- III pillar: privately managed voluntary pension schemes, in the form of pension funds or insurance policies offered by insurance companies.

The first pillars were created by reforming the existing state pension schemes, while the second and the third pillars were introduced as new schemes.

4. Pension Legislation in the Baltic States – Current Status³

The first-pillar benefit in Estonia and Lithuania comprises two main components: a basic non-contributory one (in Estonia it is absolutely flat and presently equals to EUR 126.82, in Lithuania it depends on the length

³ This section is based on the author's analysis of the actual versions of the respective laws (State Pensions Insurance Act (2001), Republic of Estonia. Funded Pensions Act (2004), Republic of Latvia. Law on State Pensions (1995), Republic of Latvia. Law on State Funded Pensions (2000), Republic of Lithuania. Law on State Social Pension Insurance Pensions (1994), Republic of Lithuania. Law on State Social Assistance Benefits (1994), Republic of Lithuania. Law on Pension Funds (1999) and Cabinet Regulations), as well as country reports available in ASISP online publications (from <http://socialprotection.eu>) and statistical data.

of service and lies in the interval from EUR 62.56 to EUR 125.11) and an insurance component, constructed quite similarly in the two countries and based on what is called a point-system. A person is annually awarded with a number of points that are equal to the ratio between his/her salary and nationwide average insured wage in the respective year (average insured wage differs from average wage, since the first is taking into account those unemployed, on sick-leave, on maternity or child-care leave, etc.). Thus, if one's salary was equal to the average insured wage – s/he gets one point, if it was twice higher than average – two points, if twice lower – 0.5 points, and so on. The points earned throughout the working career are then summarized, and the sum multiplied by the monetary value of one year. There is also the third component for the pre-reform service period (however, it is losing its importance as the years go by), and it is calculated likewise. In Estonia, all pre-reform years of service (i.e. those before 1 January 1999) have a value of one point, irrespectively of actual earnings. In Lithuania for each pre-reform year of service (i.e. those before 1 January 1994), a person gets as many points, as was his/her average ratio in post-reform working career (or as was his ratio in 1984-1993 if reliable wage data for this period is available).

Both the basic component and the monetary value of one year are annually revised and approved by the government. In Estonia, the law prescribes strict and univocal rules for such revisions: a) in no case these values can decrease, even in periods of deflation and/or downfall in average insured wage; and b) the basic component grows faster than the monetary value of one year. In Lithuania, both figures are approved discretionary, which makes easier to manipulate the flattening (by increasing the basic part) and differentiation (by increasing the one-year value) of pensions. There is no rule prohibiting diminution, and in 2009 the monetary value of one year was even lowered by 21.4% (but the basic part was concomitantly increased by 9.1%).

Latvian first-pillar benefits do not include any basic flat component. The benefit is earned by insured individuals by “directing” part of their social insurance contributions to the personalized notional pension capital account. No actual money transfer takes place, this capital exists only as a record in State Social Insurance Agency database, and the whole scheme is known as NDC: notional (or, in another abbreviation expansion, also ‘non-financial’) defined-contribution. The pension value is the sum of notional capital at retirement divided by the projected life expectancy at retirement age. The notional capital for the pre-reform period (years of service prior to 1996) is calculated based on average actual personal earnings in 1996-1999, and this rule is extremely unfair to those whose wages were low, unemployed or those employed in shadow economy (that was quite widespread in 1990s).

The accrued notional capital is annually valorised (uprated) in line with increase in the covered wage bill. These annual indices imitate the role of interest rates in funded schemes. When the total amount of wages on a nationwide scale drops below the last year figure – the interest rate is negative, and all prospective pensioners will suffer lower pensions. This mechanism was incorporated into the system in order to maintain financial sustainability

in the times when the cardinality of cohorts entering the labour market is lower than the cardinality of cohorts retiring from the labour market, and it was anticipated that the constant growth in wage rates and labour productivity would neutralise the effect of decreasing working population and the index therefore would manage to remain above 1. Massive emigration, accompanied by wage-cuts and sharp rise in unemployment in the crisis years resulted in negative pension capital indexation in three successive years 2009-2011, and the average amount of a newly-awarded pension benefit dropped by 15% in the first quarter of 2012 compared to the first quarter of 2009. Abolition of the so-called “supplements” (one euro per each pre-reform year of service, i.e. prior to 1996) for newly awarded pensions from 2012 had enhanced this tendency. It was calculated, that a person with 45 years’ service record who was receiving the average nationwide wage throughout his/her career retiring in 2009 got a 24% higher benefit, than a similar person retiring in 2012 did. No pension indexation rules are currently in force in Latvia, the previous formula was prescribing annual indexation according to changes in the consumer price index, but it was revoked in 2009, and since then the government has only once made ad hoc indexation of small pensions (not exceeding 285 euros) in 2013.

There are possibilities of premature retirement (up to two years before the legally stipulated retirement age in Latvia, three years in Estonia and five years in Lithuania), but in such case the amount of pension is reduced. The premature pension benefit makes 50% of an ordinary calculation in Latvia irrespectively of the time left until the official pension age, while in Estonia and Lithuania the amount the premature benefit is reduced by 0.4% for each month falling short of the legally stipulated retirement age (4.8% per year). As to the postponed retirement, in Estonia the pension benefit is increased by 0.9% for each month by which a person postpones his or her application for the pension (that is 10.8% per year), in Lithuania the pension is increased by 8% for each year of postponement. In Latvia, since the factor of average life expectancy is a part of general formula, the benefit is automatically increased when a person opts to retire later than the official pensionable age and no additional incentives for late retirement are provided.

The second pillar is mandatory in Estonia to the persons born in 1983 and later and in Latvia for the persons born on July 1, 1971 and later. Participation is voluntary (or, rather, quasi-mandatory) in Lithuania irrespectively of age, voluntary for those born between July 2, 1951 and June 30, 1971 in Latvia, and was open for voluntary subscription until October 31, 2010 for those born in 1942-1983 in Estonia. Those who have joined the 2nd pillar voluntarily do not have right to “change their mind” and leave the pillar in all three countries. Practically, almost all potential voluntary participants have exercised their right to join the II pillar because of massive advertising campaign by private pension funds.

In Estonia and Lithuania, if a participant dies before reaching the pension age and starting receiving payments from the II pillar fund units of mandatory funded pensions are inheritable. In Latvia, on a contributor’s death, funds are returned to the first pillar and subsumed in the overall pension’s budget.

While the role of funded pillars is increasing with the ageing of population they do not contribute to ensuring compliance with the equitability goal: benefits in funded schemes are very much depending on rates of return produced by the pension plan(s) chosen by a participant and on volatile security markets, thus the rule “same benefits for same contributions” conflicts the very nature of funded pillars. No redistribution from lifetime rich to lifetime poor is provided in these pillars, as well. Even more, promotion of third pillar voluntary pension plans (by granting tax reliefs on the contributions made to private funds) can be successful only among those persons who have enough “extra” money that can be directed to long-term savings. Those who live from paycheck to paycheck can hardly afford to withdraw any additional amounts from their household budgets and cannot, therefore, expect any significant third-pillar supplement to their mandatory 1st and 2nd pillar old-age pension benefits. This effect is enhanced by level of financial literacy: as shown in a recent international research (Lusardi & Mitchell, 2011), persons with higher levels of education – who, as a rule, have higher incomes and therefore make larger contributions to pension funds, - are better informed in financial matters and are less vulnerable to risks of choosing an inappropriate investment strategy. Less educated persons, whose incomes are lower, are more exposed to the risk of making a wrong investment choice. In this context, funded pillars are rendering a disservice to lifetime poor, causing further distortion in income distribution in old age. The larger share of total pension tax goes to the second pillar – the higher degree of inequity the system generates.

One of the main equity objectives in the social policy is the guaranteeing minimum standards. While the general design of pension system is mainly focused on the lifetime smoothing of consumption levels, the minimum pension or other forms of guarantees (what is sometimes called “zero pillar”) are aimed to achieve this exact objective.

The elderly people are a particular group of poverty risk, especially those who have been poor on a lifetime basis and therefore unable to save enough, both through voluntary savings and through mandatory pension schemes. Statutory minimum pensions are designed to fight absolute poverty in this group of population.

Table 1. Minimal amounts of state old-age pension benefit (May 2014)

Estonia	Latvia		Lithuania
	Length of service	Amount	
148.98 EUR	15-20 years	70.43 EUR	93.83 EUR social assistance pension
	21-30 years	83.24 EUR	
	31-40 years	96.05 EUR	
	>40 years	108.85 EUR	

Source: author’s compilation from national social insurance agencies data

The eligibility for an old-age social insurance pension is restricted by minimum mandatory period of work experience. These periods are set equal to 15 years in all three Baltic countries (with minimum guaranteed amount varying depending on the length of service record in Latvia). The figures in the table below show the minimum amounts in euro, as they were in force at the time of drafting this paper. The Latvian law prescribes the increase in the minimum mandatory period of service up to 20 years in 2025.

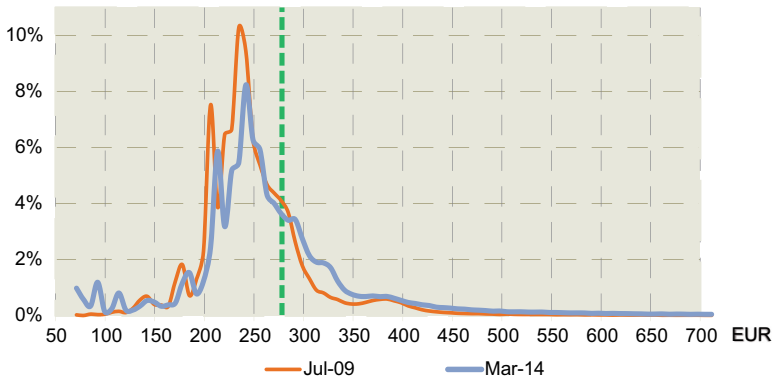
Apart from social insurance pensions, there are also social assistance benefits for persons of pensionable age who do not qualify for a social insurance old-age pension because of lack of the required service years. In Estonia and Lithuania, these benefits are equal to minimum old-age pension, and Estonia additionally requires that the recipient of such benefit should have resided in the country for at least 5 years before applying for the pension. In Latvia in addition to the 5-year qualifying period the applicant's age must exceed the normal pensionable age by 5 years, and even in that case the amount of the benefit is only 64.03 EUR (social security state benefit).

In Estonia, the minimal amount of state pension is indexed annually, taking into account inflation rate and increase in total wage bill. In Lithuania, the minimum amount is set as 0.9 of the so-called basic pension (a component of the general pension formula), which, in its turn, lacks any clearly defined indexation procedure and is revised on discretionary basis. In Latvia, the minimum is affixed to the amount of the social security state benefit that also lacks any prescribed indexation and has not been changed since 2006.

Poland has introduced notional defined contribution pension system quite similar to Latvian one; compared to other types (e.g., so called 'point system' used by Estonia and Lithuania) of pension systems this one, as rightly been noted by Polish researches (Chłoń-Domińczak & Strzelecki, 2013), reduces almost entirely the income redistribution within the pension system. That means that the minimum pension guarantee is the principal mechanism of income protection of old-age pensioners in the future.

The actual statistical data demonstrate much higher level of inequality among Latvian pensioners compared to their Estonian counterparts (unfortunately, I was unable to find the relevant figures for Lithuania). And the inequality is deepening. The lines on the Figure 1 show how changed the distribution of old-age pension benefits by size from July 2009 (earlier figures are incomparable due to methodological reasons) till March 2014. The vertical green dashed line marks the amount of average pension in March 2014 – 278.24 EUR. 67% of all Latvian pensioners receive a monthly benefit below this average. It was impossible to show the average value for July 2009 on the same plot, so I will give the figure here in the text: 253.48 EUR with 64% of pensions below this benchmark. Public pensions have no upper limits (and there are pensions of 5000 EUR and higher), and the distribution curves have very long right 'tail' not shown on the diagram, because only 1.9% of pensioners are getting benefits above 700 EUR. A slight slip to the right in the interval 150-250 EUR is mainly caused by small pension's indexation that took place in autumn 2013. Although the average pension has increased by almost 25 euros, the majority of pensioners experienced much more moderate

increase of their incomes. The peaks are becoming lower, meanwhile the left and the right tails – higher. The left tail is upheaving because of the growing number of persons, to whom pensions are granted in accordance with the international regulatory enactments, i.e., when determining the rights of pension receipt the insurance periods of Latvia and other EU/EEZ Member States are taken into account, but each country grants the pension on own insurance periods. Regrettfully, Latvian statistics does not distinguish such pensioners into a separate group (Rajevska, 2014).



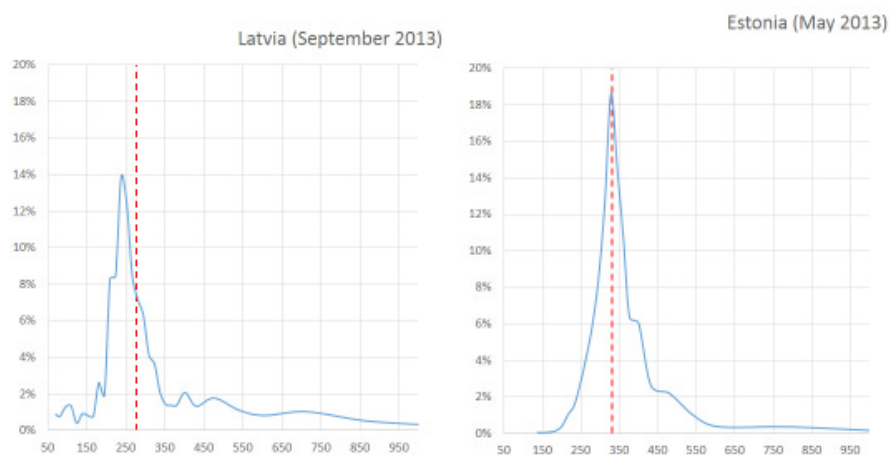
Source: State Social Security Agency, author's plotting

Figure 1. Distribution of old-age pension benefits by size in Latvia (share of pensioners receiving the corresponding amounts in the total number of pensioners)

Estonian sources do not publish data of such distribution, but the author has received some unpublished statistical data in personal communication with Estonian Social Insurance Board.

Estonian statisticians are operating interval data with increments, differing from width of intervals used by their Latvian colleagues (here the intervals are more fractional) - although currently both countries have joined the Eurozone, the interval increments are still consisting of aliquot values in former currencies. However, after re-grouping of interval data, the comparison expectedly demonstrates that the distribution in Estonia is much more equal (see Figure 2). Red dashed lines mark the respective amounts of average pensions in both countries.

Another interesting comparison can be made between distribution of old-age benefits among men and women in the two study countries (see Figure 3). In both countries, women's pensions are lower than men's, in both countries income stratification among men is more expressed. However, gender disparities are smaller in Estonia.



Source: State Social Security Agency (Latvia), Estonian Social Security Board, author's calculations and plotting

Figure 2. Comparative distribution of old-age pension benefits by size in Latvia and Estonia (share of pensioners receiving the corresponding amounts in the total number of pensioners)

One can expect that distributions in Lithuania would be closer to Estonian model, because of similarities in pension formulae in these countries. As concerns gender distributions, Lithuanians have a special type of pension benefit, which is absolutely missing in Latvia and Estonia – a widow(er)' pension. Widows and widowers (and there are, naturally, much more widows, than widowers, since women mainly tend to outlive their husbands) have the right to receive widow(er)'s pension if they are not remarried, and are above official retirement age. Widow(er)'s pension is supplementary to the recipient's own pension. According to the initial version of the law, it was granted as a percentage of the deceased person's pension. Later, the widow(er)'s pension was transformed into a flat rate benefit (presently amounts to EUR 20.30).

5. Conclusion

Having analyzed pension legislation in Estonia, Latvia and Lithuania and having performed comparative analysis of statistical data, the author came to conclusion that Estonian public pension scheme complies with the principles of social justice better than the other two countries. The presence of flat demogrant and diversified pension indexation rules not only ensure income redistribution for the benefit of most needy, but also provide adherence to the rule "same benefits for same contributions" in inter- and intragenerational dimensions. By contrast, Latvian pension system includes no mechanisms of income redistribution, neither does it ensure conformity with the second principle. These goals - should Latvian policy-makers (or

policy-makers in other countries) actually place such goals on the agenda - can be partially reached by adopting elements of Estonian pension system design: implementing a flat basic component (or at least raising the level of minimum pension bringing it more in line with the subsistence standards) and elaborating more equitable indexation rules. Lithuanian pension formula is the most complicated and non-transparent for an ordinary potential pensioner, it is to greater extent relying on ad hoc solutions, which is harmful to the credibility of the pension system in the eyes of its participants that do not understand the "rules of the game". The experience (both good and bad) of the Baltic States could be exemplary for reforming and development of pension systems in other countries, especially for the countries of Eastern Partnership due to our past commonalities.

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Assessment of Competitiveness of the Manufacturing Industry: Case of Eastern Europe

Abstract

Investment incentives for regional and economic development are important around the world. Many countries compete for investment by creating special economic zones (SEZ), tax incentives, subsidies and fiscal schemes for industry, infrastructure and land development. Decisions on investment incentives for regional economic or industry development are usually made at local and municipal levels. Nationwide and centralised investment attraction strategies are uncommon, but usually affect investment attraction strategy efficiency and a region or industry's investment attractiveness in the long term. This paper presents a statistical economic analysis of investment attractiveness and competitiveness in manufacturing sector in the Czech Republic, Hungary, Poland and Slovak Republic. The results may be beneficial for the Eastern Partnership countries in understanding the role of economic incentives.

Keywords: incentives, regional economic development, Eastern Partnership.

1. Introduction

Socioeconomic disparities between regions are an important issue in many countries. The aim of both state legislation and governmental institutions is to reduce or eliminate imbalances between regions by implementing regional development plans, and creating funds and policies in order to ensure security, stability and prosperity.

Regional economic growth and development encompasses multiple disciplines, including geography and planning, regional science, entrepreneurship, technology policy and economics. Malecki states that the concept of regional development consists of the qualitative or structural features of a region's economy not its sheer size or growth rate (Malecki, 1997).

Țegledi (2011) claims that regional development policy is one of the most important policies and one of the most complex, as its status is derived from its goal of reducing the economic and social gaps existing between different regions and it influences different domains that are important for their development, such as economic growth and small and medium enterprises sector, transport, agriculture, urban development, environmental preservation, employment, professional training and education. Regional

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development has a new framework where economic activity diversification and growth, private sector investment climate improvement and unemployment reduction lead to improved living standards (Tegledi, 2011).

Manufacturing is considered to be one of the most important factors spurring economic growth. One of the key reasons for the manufacturing industry's growth is investment in knowledge, particularly, investments in public-private collaboration, R&D, technology, engineering and manufacturing. It is necessary to understand the role of economic, trade, financial and tax systems, and review recent progress made by the European Union Member States in Eastern Europe, particularly in reforming tax systems and implementing incentives to stimulate economic development with a focus on the manufacturing industry. This industry, in any country, is undoubtedly an important source of high value-added goods and jobs for a broad range of qualifications. This paper aims to assess the situation in the manufacturing industry in Eastern Europe and whether changes in tax systems and incentives in manufacturing will leave a positive impact on Eastern European economic development. The paper analyses different factors such as tax burden, the quality and availability of a skilled workforce, stability of economic policies, cost competitiveness, infrastructure quality and government investment, as well as research and comparisons of economically similar countries' experience.

The goal of this paper is to track the manufacturing industry's development and taxes in a group of selected countries; identify major incentives offered by a group of selected countries and current tax incentives applicable to the manufacturing industry; and identify tax reforms that could drive manufacturing industry growth in Eastern Europe. In order to achieve these goals, a group of selected countries (the Czech Republic, Hungary, Poland, and the Slovak Republic) were chosen based on their manufacturing competitiveness similar to that of Eastern European countries. Data comparison and empirical data analysis methods of the manufacturing industry growth and tax rates in the group of selected countries were used.

2. Statistical-Economic Review

In this paper, an assessment of the selected countries takes the following factors into account: GDP growth, manufacturing industry growth, corporate income tax, labour cost, electricity cost and access to global markets. Due to the limits of this paper, other relevant parameters are not included, but can be assessed in further study.

For our assessment, we have selected four countries in Eastern Europe that are the most mutually similar with respect to manufacturing industry share of GDP and manufacturing industry compound annual growth in the last twenty years. Countries in the selected assessment pool are: the Czech Republic (22.12% manufacturing industry share of GDP on average from 1995 to 2010), Hungary (19.15% manufacturing industry share of GDP on average from 1995 to 2010), Poland (16.43% manufacturing industry share of GDP on average from 1995 to 2010) and the Slovak Republic (20.89%

manufacturing industry share of GDP on average from 1995 to 2010). Our goal is to track the development of the manufacturing industry and taxes in the selected countries as well as identify major incentives offered by the selected countries and current tax incentives applicable to the manufacturing industry, in order to identify the reforms that drive manufacturing industry growth.

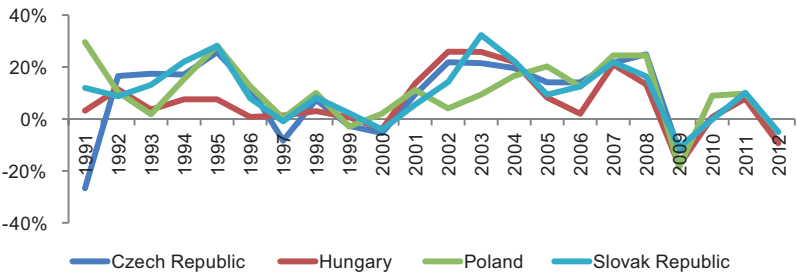
Table 1. Manufacturing industry compound annual growth rate

	7-year growth: 2002-2009	8-year growth: 2002-2010	15-year growth: 1995-2010
Czech Republic	12.78%	11.77%	16.89%
Hungary	9.40%	9.29%	15.08%
Poland	13.68%	12.95%	14.49%
Slovak Republic	11.79%	10.99%	13.27%

Source: Own calculated with data from World Bank Database

As seen from table 1, 15-year compound annual growth rate from 1995 to 2010 in Czech Republic (16.89%), Hungary (15.08%), Poland (14.49%) and the Slovak Republic (13.27%) is very similar.

One of the first important driving factors of the manufacturing industry is GDP growth. In fig.1, a comparison of Czech Republic, Hungary, Poland and the Slovak Republic GDP growth rate from 1990 to 2012 is shown.



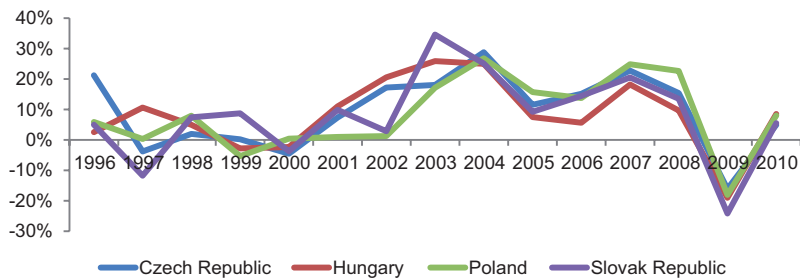
Source: World Bank Database

Figure 1. GDP growth rate, 1990-2012, %

All selected countries, except Poland show somewhat similar dynamics until 2002, when a more significant growth started, which continued moderately steady until 2008. A number of differences between the four countries can be discerned. First, the Czech economy in 1991 experienced a significant decline of -26.69%. Second, the Polish economy started 1991 with substantial growth at 29.59%. Third, the Hungarian economy's growth rates

are most moderate and stable with only a couple of years with a negative growth percentage, in 2000, 2009 and 2012. The Czech economy returned to 1990 levels by 1993. The Czech economy peaked in 2008 with 225 billion US dollars, while the Hungarian economy reached 154 billion US dollars and the Slovak economy reached 98 billion US dollars. The fall after 2008 may be very well described by the Great Financial Crisis. The decline in 2009, stagnation in 2010 and decrease in 2012 is possibly due to the turbulent period of the aftermath of the financial crisis. The Polish economy is the largest in size among the other three countries' economies. In 1991, it was worth 64.5 billion US dollars, while the Hungarian economy was about 33 billion US dollars in size, similar to the Czech and Slovak economy faring behind with 11 billion US dollars. The Polish economy experienced a slight decline in 1999, but after 2000 went through a period of almost exponential growth until its peak in 2008, with 529 billion US dollars. After the financial crisis in 2008, Poland has experienced a severe decline of -18.61% and, similar to the other three countries, another decline in 2012. None of the four countries have reached their 2008 peak as of 2012.

The second important factor is manufacturing industry growth. All four countries' manufacturing sector shares of GDP is quite similar: approximately 1/5 of GDP.



Source: World Bank Database

Figure 2. Manufacturing value added growth rate, 1995-2010, %

All selected countries have shown somewhat similar dynamics from 1996 to 2010, with a relatively turbulent period of 1996-2000, and similar growth tendencies from 2000 to 2008. The financial crisis in 2008 had a severe impact on the manufacturing industries of the four Eastern European countries. All countries' manufacturing sectors experienced declines from as low as -16.09% in the Czech Republic to -24.19% in the Slovak Republic. Manufacturing sectors of each of the four countries have grown in 2010, but did not reach the levels of 2008. As of 2010, these manufacturing sectors comprise 42 billion USD in the Czech Republic, 25 billion USD in Hungary, 76 billion USD in Poland and 16 billion USD in the Slovak Republic.

In order to determine manufacturing sector environment favourability, it is important to assess labour costs and electricity prices in the manufacturing

sector, given that both factors play a significant role in manufacturing profitability because they comprise a large part of manufacturing costs. Table 2 shows a comparison of hourly compensation costs in manufacturing, on average, from 2008 to 2012 in the Czech Republic, Hungary, Poland and the Slovak Republic.

Table 2. Hourly compensation costs in manufacturing, average 2008-2012, USD

Czech Republic	13.13
Hungary	9.17
Poland	8.83
Slovak Republic	11.77

Source: Bureau of Labour Statistics, *International Labor Comparisons*

The most expensive labour in the manufacturing sector among the four selected countries is in the Czech Republic: \$13.13 per hour on average in 2008-2012. The Slovak Republic is second highest with \$11.77 per hour. Labour in the manufacturing sector in Hungary on average from 2008 to 2012 is \$9.17 per hour. The cheapest labour in the manufacturing sector among the four selected countries is in Poland at \$8.83 per hour on average between 2008 and 2012. Therefore, it can be concluded that Poland may be, on average, the most favourable for investment in the manufacturing sector in terms of labour cost among the four selected countries.

Electricity costs are as important as labour cost as both comprise the largest shares in total manufacturing costs. Four selected Eastern European countries’ electricity costs in manufacturing, on average from 2008 to 2012, are shown in Table 2.

Table 3. Electricity costs in manufacturing, average 2008-2012, \$US per MWh

Czech Republic	150.7
Hungary	149.1
Poland	120.3
Slovak Republic	179.1

Source: Data provided from International Energy Agency (IEA, 2012)

Electricity costs in manufacturing are highest in the Slovak and Czech Republics among the four selected countries and comprise \$179.1 per MWh in the Slovak Republic and \$150.7 per MWh in the Czech Republic. Electricity costs in manufacturing in Hungary are only \$1.6 cheaper per MWh than in Czech Republic and is \$149.1 per MWh. The cheapest electricity in manufacturing among the four selected countries is in Poland at \$120.3 per

MWh, which is about \$30 per MWh cheaper than in the Czech Republic and Hungary, and almost \$60 per MWh cheaper than in the Slovak Republic. Bearing the data on electricity costs in mind, it can be concluded that Poland may be, on average, most favourable for investment in the manufacturing sector in terms of electricity cost as well as labour cost among four selected countries.

In order to assess an equally important factor of access to international markets to those already described, three rating agencies scores are used: Standard & Poor’s, Moody’s and Fitch.

Table 4. S&P Ratings, May 2013

S&P (May 2013)			
Entity	Local Currency Rating	Foreign Currency Rating	T&C Assessment
Czech Republic	AA	AA-	AA+
Hungary	BB	BB	BBB-
Poland	A	A-	A+
Slovak Republic	A	A	AAA

Source: Standard & Poor’s Ratings

According to S&P ratings as of May 2013, the best local currency, foreign currency ratings and T&C assessment are given to the Slovak and Czech Republics. In terms of ratings, Poland is close with slightly lower foreign currency rating (A-) and T&C assessment (A+). Hungary has the lowest ratings among the four selected countries with BB local currency rating, BB foreign currency rating, BBB- T&C assessment.

Table 5. Moody’s Government Bond Ratings, May 2013

Moody’s Government Bond Ratings (May 2013)				
Sovereigns	Local Currency Rating	Local Currency Outlook	Foreign Currency Rating	Foreign Currency Outlook
Czech Republic	A1	STA	A1	STA
Hungary	Ba1	NEG	Ba1	NEG
Poland	A2	STA	A2	STA
Slovak Republic	A2	NEG	A2	NEG

Source: Moody’s Government Bond Ratings

The general situation among the compared countries is similar according to Moody’s Government Bond Ratings as of May 2013. The best local and

foreign currency ratings are given to the Czech Republic, with the Slovak Republic and Poland tying for second. Nevertheless, it is important to stress that while the local and foreign currency outlook for Czech Republic and Poland is stable, the same ratings for Hungary and the Slovak Republic are negative.

Table 6. Fitch Ratings, April 2013

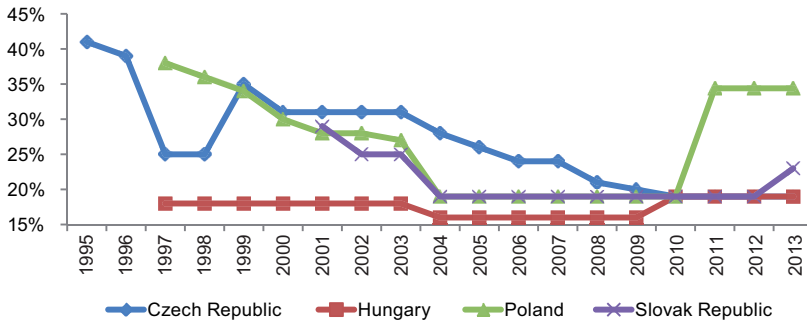
Fitch (April 2013)					
Country	Foreign Currency	Foreign Currency Outlook	Local Currency Rating	Local Currency Outlook	Country Ceiling
Czech Republic	A+	Stable	AA-	Stable	AA+
Hungary	BB+	Stable	BBB-	Stable	BBB
Poland	A-	Positive	A	Positive	AA-
Slovak Republic	A+	Stable	A+	Stable	AAA

Source: Fitch Ratings

Regarding Fitch ratings as of April 2013 of the selected Eastern European countries is similar according to S&P and Moody's Government Bond Ratings as of May 2013. Best local and foreign currency ratings are given to Czech Republic, with Slovak Republic and Poland coming tied in second. Hungary is last among the compared group with BBB- local currency and BB+ foreign currency ratings. Local and foreign currency outlooks for Hungary, the Czech and Slovak Republics is stable, however the same outlooks for Poland are positive, which shows that Fitch's belief in Polish currency potential is quite high. It is important to address that while local and foreign currency rating ceilings for the compared countries are BBB for Hungary, AA+ for the Czech Republic and AA- for Poland, currency rating ceiling for the Slovak Republic is higher than other compared countries' ceilings on scale with existing currency ratings and is equal to AAA.

3. Review of Corporate Tax Rates

It is clear that state tax rates and tax system play a crucial role in investment attractiveness. Corporate tax rate percentage dynamics from 1995 to 2013 in the Czech Republic, Hungary, Poland and the Slovak Republic are shown in figure 5. Due to the limitations of this paper, only corporate tax rates were reviewed. Nevertheless, capital gains tax, value added tax, withholding taxes, personal income tax and social security tax as well as tax regulations bear a significant impact on the state's investment attractiveness. A proposal for future study would be to include a variety of taxes that have an impact on labour cost, raw material cost, energy cost and profits.



Sources: *Corporate Tax Rates Table* (KPMG, 2014) and *OECD Tax Database* (OECD, 2014)

Figure 5. Corporate tax rates in Czech Republic, Hungary, Poland and Slovak Republic 1995-2013, %

As seen from figure 5, the most fluctuating corporate tax rate is in the Czech Republic, starting with 41% in 1995, followed by a rate decrease to 39% in 1996 and 25% in 1997-1998, and an increase in 1999 up to 34%. Starting from 2000, the corporate tax rate in the Czech Republic decreased to 31% between 2000 and 2003, 28% in 2004, 26% in 2005 and 24% in 2006/2007. Following the financial crisis, the corporate tax rate in the Czech Republic decreased again to 21% in 2008, 20% in 2009 and as low as 19% between 2010 and 2013. We assume that the Czech Republic kept a corporate tax rate reduction strategy both during the manufacturing sector growth in the 2000-2008 period and after 2008 up to 2013 in order to stimulate internal growth. It may be concluded that the Czech Republic applied a fiscal strategy to decrease taxes after the recession, justified by the need to drive consumption. The most stable corporate tax rate among the selected countries is in Hungary, which was 18% in the 1997 to 2003 period, followed by a rate reduction to 16% in the 2004 to 2009, and an increase to 19% from 2010 to 2013. However, a 10% corporate income tax rate applies for taxable income up to 500 million HUF (about 2.5 million USD), whereas the excess is taxed at 19%. The Polish corporate tax rate consistently decreased from 38% in 1997 to 27% in 2003. A stable period began in 2004 and continued until 2010 when the tax rate dropped to 19%. However, in 2011 the corporate tax rate in Poland almost doubled to 34.4%. This is a completely different approach to exit recession from that of the Czech Republic. The corporate tax rate in the Slovak Republic showed very similar dynamics to the corporate tax rate in Poland from 2001 to 2010. However, the Slovak Republic corporate tax rate remained the same through 2010 to 2012 at 19%; and increased slightly in 2013 to 23%.

4. Review of Investment Incentives

LupsaTataru and Sanda (2006) suggest that policy liberalisation was implemented in most countries to attract investment from foreign multinational corporations. These particular incentives include: pseudo incentives, like tax holidays, tax deductions for foreign investors, grants and

preferential loans to multinational investors, as well as market preferences, infrastructure and in some cases even monopoly rights.

In the Czech Republic, incentive supported areas include: introduction or expansion of production in sectors of the manufacturing industry, and construction or expansion of technology, research and development centres, business support services, software development and high-tech repair centres' expansion and activity.

According to Czech Invest, there are various forms of investment incentives. If a new company (legal entity) is established for the investment project, the new company is eligible for corporate income tax relief for up to 10 years. If the investment takes the form of an expansion project within an existing Czech company, the company is eligible for partial corporate income tax relief for up to 10 years. The tax relief is terminated when the company has reached the maximum permissible state aid intensity. Job-creation amounting to 200,000 CZK (about 10,040 USD) per employee and training and retraining grants amounting to 25%, 35% and 45% depending on size of the company (large, medium and small), of total training and retraining costs are provided only in districts with unemployment that is at least 50% higher than the national average. Cash grant on capital investment is available only to strategic investment projects. For capital investments in projects in this category, the level of financial support may be up to 5% of the costs in addition to the standard investment incentives. This support is available for projects in the manufacturing industry and technological centres. Decisions concerning support to eligible projects will be made by the Government of the Czech Republic (Czech Invest, 2014).

In Hungary, development tax incentives apply in the form of a tax credit for certain investments, depending on the amount of the investment, the industry and the region within the country. In addition, a maximum 500 million HUF (2.5 million USD) tax deductible "development reserve" set aside for material investments may apply. R&D tax incentives allow for a double deduction of qualifying R&D costs. A 50% deduction rule is available for royalties received. From 2014, expenses arising from the R&D activity of associated entities may be deductible from the corporate income tax base if certain conditions are satisfied (Hungarian Investment and Trade Agency, 2014).

In Poland, expenses incurred for acquiring technological knowledge may reduce the taxable base in certain cases. A one-time depreciation write-off up to 50 thousand EUR also may be available for small and start-up taxpayers.

In the Slovak Republic, investment incentives may be available to start new production or the provision of services, to expand or modernise production or the provision of services or for R&D. These incentives are subject to special rules in the State Aid Act and the Investment Stimulus Act (Deloitte, 2014).

5. Conclusions

The analysis has shown that some countries in the compared countries' group are better off in terms of manufacturing competitiveness than others. Manufacturing investors are interested in a favourable environment for business; meaning lower labour, electricity, material costs, lower taxes and incentives that stimulate business growth, profitability and ensure global competitiveness. Incentives are the cornerstone of investor management or stakeholder management in an investment environment. Most incentives are not industry specific; most popular allowances/deductions are research and development credit, accelerated depreciation and social security tax, and a very small number of countries offered VAT exemption for low-externality technological products, such as electric cars. Incentives offered by a number of Eastern European countries are aimed at encouraging exports and innovation, but no incentives on social security tax. Another issue regarding investment incentives is pointed out by Auerbach *et al.* (1988), that almost all tax-based investment incentive analyses assume that investors never anticipate any tax changes, despite the frequent fluctuation of tax rates. We authors have concluded that there is no correlation between tax burden and manufacturing competitiveness of the comparable countries. Bearing the existing issues regarding regional economic development in mind, it can be pointed out that the tax systems in Eastern Europe are somewhat very different, intricate and complex. Flawed and often contradictory directives and taxation procedures, with a large number of different laws and legislative acts that affect taxation, may play a pivotal role in the lack of growth of foreign direct investment. Inefficient control over the collection of taxes, lack of a systemised approach to tax incentives and a considerable shadow economy contribute to a large percentage of uncollected taxes, SME reluctance and unaccounted funds, as well as tax abuse and corruption.

Eastern European Member States should be committed to implementing urgent reforms of their tax and investment incentive systems in order to spur the development of the manufacturing industry and encourage foreign direct investment (FDI) in manufacturing – a pillar of economic development. In turn, this may play an efficient role in the reduction of structural unemployment and emigration issues in Eastern Europe. Further reforms must aim to make joint incentive programs in order to enhance common values, increase the efficiency of active economic policies and strengthen European economic integration between Eastern European Member States. Eastern European countries are better off economically in comparison with the situation before their integration in the European Union. Therefore, their example and experience in the current state of affairs may be a sophisticated model for future decision making processes in Eastern Partnership countries like Georgia, Armenia, Ukraine, Moldova and Azerbaijan. The Caucasus countries all rank very high in terms of starting a business, registering property, and protecting investors according to World Bank's Doing Business 2013 report (European Investment Bank, 2014). All Eastern Partnership countries, with the exception of Georgia, tend to rank poorly in terms of trading across

borders, paying taxes, and getting electricity, which are important questions in terms of manufacturing competitiveness.

Further study may include analysis of all types of taxes along with the scope of tax base and tax revenue contribution, in order to make concrete conclusions on which taxes are relatively high or low in the selected group of countries as well as develop an index or manufacturing competitiveness score on a scale from 1 to 10. A study of non-tax related factors that have an impact on the competitiveness of the manufacturing industry may be beneficial in order to identify a number of approaches to increase the competitiveness of the manufacturing industry in the Eastern Partnership countries. Moreover, a proposal for further study may include issues such as FDI growth dynamics, tax avoidance and exemptions in Eastern Partnership countries that can help in the assessment factors that influence tax administration, government corruption and economy inefficiency levels.

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EU – EASTERN PARTNERSHIP: DIFFERENT POLICIES



Maija Dziesma*

Cultural Aspects in the Eastern Partnership Cooperation

Abstract

The aim of the paper is to propose cross-cultural approach in the development of the Eastern Partnership.

Knowledge of the partner's culture is the most important factor in building a successful partnership. Richard Lewis and Geert Hofstede observe features of world cultures, based on fundamental research work. Lewis explains how cultural background affects peoples' way of thinking. Geert Hofstede developed a model of measuring national culture by observing cultural elements.

Georgia is one of the strongest candidates due to their inherently European culture. The author compares common and different features in Latvian and Georgian's cultures. Respondents shared their opinion about the Georgian culture which was analysed to find the differences and similarities between Latvians and Georgians in hopes of establishing a common cultural ground for future partnership.

Keywords: cultural competence; cross- cultural communication.

1. Introduction

Cultural theorists Richard Donald Lewis and Geert Hofstede observed specific features of world cultures, based on fundamental research work. Following their ideas, author of the paper explored how cultural background affects peoples' way of thinking, behaviour and how they respond. As other theorist - Aaron Castelan Cargile notes, culture exists in the minds of people and "in the symbolic behaviour between people" (Starosta, Chen, 2005, p. 102). There are significant differences in the cultures among European and the role that the cultural elements of these nations play in international cooperation. Cultural theorists explored many European cultures, explaining how communication varies from one culture to another, excepting specific cultures of the European Union (EU) Eastern partners. Georgia is currently one of the strong members of the Eastern Partnership.

2. Why is it Important to be Cultural Aware?

Building the Eastern Partnership Cooperation between the EU from the one side and the post-soviet republics; Georgia, Armenia, Azerbaijan, Ukraine, Moldova and Belarus from the other side, demands competence in current situation in the field of economics, social development, security and other issues , including culture, in the countries of Eastern partners.

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"Cultural studies can be defined as a field of study that crosses disciplinary boundaries." (Littlejohn & Foss, 2009, p. 268)

Eastern Partnership countries share common soviet regime experience however there are many considerable differences in cultural background and national identity of each nation which EU countries should also take into account to promote effective cooperation. "The effects of cultural values on communication patterns vary greatly across cultural value dimensions and specific communication features." (Merkin, Taras & Steel, 2014)

What do we need to know about self-image of Georgians to establish a successful partnership? What can we expect from partners in Ukraine, Moldova, and Belarus? What to bear in mind in negotiations with Armenians to conclude beneficial agreement? Do we have to pay attention to the customs and taboos working with Azerbaijani partners? Those and other similar questions could appear before meeting partners from Eastern countries. Knowledge and awareness of specific cultural traits of other nation are important issues in partnership and cooperation to help avoid misunderstandings, financial losses and other disadvantages.

Georgia could be perceived as a part of Europe, although there is an opinion that Georgia could be considered culturally and by Georgians' mind-set as a part of Central Asia or even Middle East. The uncertainty of the identity of the region is could be a cause or result of its historical rise and fall, endless wars, victories and losses. This country is situated in the cultural area (Bolaf, Bracalenti, Braham & Gindro, 2003, p. 54) between the Black Sea and the Caspian Sea and is one of the most important routes from Asia to Europe. For many centuries Georgia has been an object of other superpowers political, economic and military-strategic interests. Georgian culture could be considered as a synthesis of European culture, culture of Middle East and local traditions, customs and beliefs. Despite the geographical proximity to Persia and Turkey, Georgians always aspired to Europe.

In the publication of the Latvian Institute of International Affairs "From the Vilnius Summit to the Riga Summit: Challenges and Opportunities of the Eastern Partnership" authors state that "Over the last 10 years, Georgian leadership has been loudly voicing Georgia's European credentials. EU flags have been raised all over the country and Georgia's ruling elite have embarked on a mission to reform the country and convince Europe that Georgians are also Europeans and their identity is fully European" (Kuznecova, Potjomkina & Vargulis, 2013, p. 12).

3. Survey about Georgians in the Light of the Richard D. Lewis Types of Culture

Taking into account that Georgians identify as Europeans, the author of the paper focuses on investigating main features in Georgian's cultural values and communicative habits. Survey as a method of qualitative research was used to obtain specific information about the opinions, behaviour, values, beliefs, habits and relationships of Georgia's people, based on the Richard Lewis concept of three categories of culture. Participants received questions

in written form in the mail. Recipients answered the questions by choosing from given three versions, provided insight how cultural preferences affect working environment, such as problem solving, decision making, working in teams and other. This method was used to identify also gender and social roles of individuals (Deardorff, 2009, p. 468). The survey was used as a tool of assessment of Georgians behaviour that is rooted in their history and culture. The author used the results of the survey among the 22 officers of seven EU Member States, who take part in the Monitoring Mission in Georgia who have served in Georgia for 2-5 years. To get some insight into the cultural traits of Georgians and to draft some general tendencies in their mind-set, the author of the paper used Richard Donald Lewis's three cultural categories description (Lewis, 2006, pp. 33-34).

Answering on the given questions about the Georgians and communication accordingly the R. D. Lewis cultural categories description, respondents characterized their partners roughly in the following way: Georgians are emotional, mostly impatient, display feelings, body language is quite unlimited, they often interrupt, mostly say clear what they think and sometimes use humour in their business. Respondents believe that Georgians are people who are oriented, very communicable and love to talk most of the time. It is considered that most preferable communication with Georgians is oral, good personal relationships are very essential to do business with them. Almost all the answers note that they often arrive over 15 minutes late to the meeting, and their meetings frequently lack a strong structure leaving room for more flexibility. In accordance with the opinion of respondents, there is very high hierarchy in the Georgian society; bosses always keep distance from subordinates, dominate at the meetings and take decisions. One of respondents observed a difference in work culture among those Georgians who have either worked or studied abroad, or worked considerable amount of time with foreigners in Georgia. These people are more accustomed to the European ways of doing business. There is a huge difference between the life in the urban and rural areas of the country, as respondents noted; besides the long-term functioning under the communist system still polluted many people. Almost all respondents emphasized that Georgians are very friendly, warm, and hospitable and take care of guests.

Theory of the world's cultures groups was developed by cultural theorist, British researcher, writer and cross-cultural communication consultant Richard Donald Lewis. Lewis is well known in the field of cross-cultural understanding among students of cultural studies, researchers, specialists of international companies and governments. According to the R. D. Lewis theory, the world's cultures are divided into three categories:

- Linear-active — organized planners, job and result oriented people—'... those who plan, schedule, organize, pursue action chains, do one thing at a time' (Lewis, 2006, p. xviii). In the Lewis model Baltic and Nordic countries and also European countries speaking German are related to this group.
- Multi-active — emotional, impulsive, relationship-oriented, not punctual people—'...those lively, loquacious peoples who do many things at once,

planning their priorities not according a time schedule, but according to the relative thrill or importance that each appointment brings with it” (Lewis, 2006, p. xviii). Southern European countries belong to this group.

- Reactive — compromisers, good listeners, reacting carefully to the other side’s proposals–‘those cultures that prioritize courtesy and respect, listening quietly and calmly to their interlocutors and reacting carefully to the other side’s proposals” (Lewis, 2006, p. xix). From European countries only Finns and Estonians are closer to this group.

Table 1. Categories of the world’s cultures by R. Lewis: description (Lubin, 2013)

Linear- Active	Multi-Active	Reactive
Talks half of the time	Talks most of the time	Listens most of the time
Does one thing at the time	Does several things at once	Reacts to partner's action
Plans ahead step by step	Plans grand outline only	Looks at general principles
Polite but direct	Emotional	Polite, indirect
Confronts with logic	Confronts emotionally	Never confronts
Job-oriented	People-oriented	Very people-oriented
Sticks to facts	Feelings before facts	Statements are promises
Result-oriented	Relationship-oriented	Harmony-oriented
Sticks to agenda	Roams back and forth	Often asks for "repeats"
Written word important	Spoken word important	Face-to-face contact important
Restrained body language	Unrestrained body language	Subtle body language

The R. D. Lewis description of the cultural categories and the chart of the cultural types help to come to the conclusion to which cultural category Georgians are more relevant. According to the results of the interviews and viewpoint of some respondents, the Georgians, in terms of their customs, beliefs, relationships, forms of the communication, expression of feelings, work culture, decision taking, punctuality and flexibility, could be more belonging to the multi-active category of culture. Corollary, we could presume that the most fruitful collaboration and understanding Georgians could find, is within the representatives of the countries from Southern Europe.

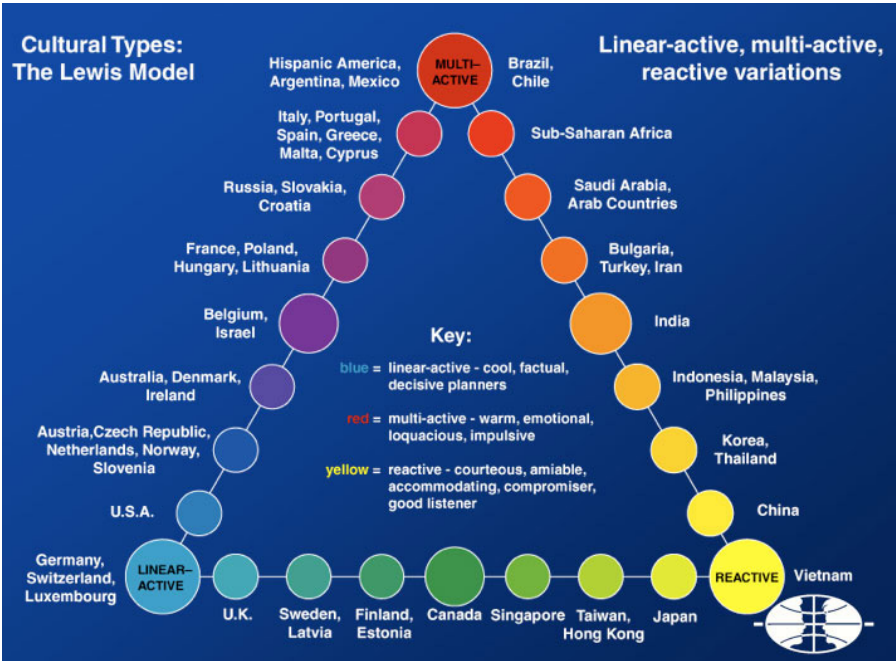


Figure 1. Culture types, Richard Lewis Model (Lubin, 2013)

This figure illustrates inter-category relationships. There are some commonalities between all types, however the interaction between Linear-Active and Multi-Active people are difficult enough. As Lewis notes, “the entirely disparate worldviews of linear-active and multi-active people posed a problem of great magnitude in the early years of a new century of international trade and aspiring globalization.” (Lewis, 2006, p. 41) Common linear-active behaviour for Swedes, Latvians and Estonians or common multi-active mentality between Italians and Greeks or also Lithuanians will help to make better contacts for successful cooperation.

4. Interviews about Georgians in the Light of the Geert Hofstede’s Dimensions of National Cultures

For the more detailed characteristics on Georgians, three Latvian officers, having some cross-cultural experience in Georgia, were interviewed. One of them, Latvian Liaison Officer of the Administrative Board Headquarters of the State Border Guard, currently working in European Union Monitoring Mission in Georgia, was interviewed to clarify the main conclusions about Georgians national characteristics from the point of view of a Latvian. Two more interviews were taken from the Defence Attaché to Georgia and from the manager of NATO Georgia Professional Development Program. Author used face-to-face interview method according to the Bernard’s concept of qualitative research methods (Bernard, 2006, p. 251). In the beginning of

interview interviewer used maps, tables and other visual aids, explaining Lewis' and Hofstede's theories of cultures. Interviews were designed starting with common general questions, in accordance to the Hofstede's cultural dimensions theory, and move on to specific questions, related to individual experience. Respondents shared their opinion about Georgian people and their cultural traits that are important to working together towards common goals. The author of the paper compared the obtained data with the description of Latvians and some other European countries from the culture theorists' viewpoint, finding differences and some common cultural ground for building trust between EU nations, including Latvians, and Georgians during the collaboration in future.

G. Hofstede is recognized specialist of a comparative intercultural research and a founder of cultural dimensions theory. One of the most important cross-cultural studies of national attitudes and values was the analysis of 116 000 responses (Littlejohn & Foss, 2009, p. 249). Based on this study he developed the model of dimensions of national culture, observing cultural elements in international economics, communication and cooperation. "Hofstede conceptualized culture as a mental program or software of the mind. He operationalized these patterns of mental programs through measuring group members' preferences." (Littlejohn & Foss, 2009, p. 283)

Power/Distance (PD) Index - according to the Hofstede's theory, the Power Distance dimension refers to the degree of inequality that exists, and is accepted, among people with and without power. A high PD score indicates that society accepts an unequal distribution of power, and that people understand "their place" in the system. Low PD means that power is shared and well dispersed. It also means that society members view themselves as equals (Hofstede, 2011). As respondents consider, Georgians refer to the high Power Distance culture.

Individualism (IDV) versus Collectivism - this dimension refers to the strength of the ties people have to others within the community. A high IDV score indicates loose connections. In countries with a high IDV score there is a lack of interpersonal connection, and little sharing of responsibility beyond family and perhaps a few close friends. A society with a low IDV score would have strong group cohesion, and therefore would possess a large amount of loyalty and respect for members of the group. The group itself is also larger and people take more responsibility for each other's wellbeing (Hofstede, 2011). From the respondents' point of view, for people living in Georgia are both – individualists and collectivists, depending on situation.

Masculinity (MAS) – the dimension Masculinity versus Femininity refers to how much the society sticks with, and values, traditional male and female roles. High MAS scores are found in countries where men are expected to be "tough," to be the provider, and to be assertive. If women work outside the home, they tend to have separate professions from men. Low MAS scores do not reverse the gender roles. In a low MAS society, the roles are simply blurred. You see women and men working together equally across many professions. Men are allowed to be sensitive, and women can work hard for professional success (Hofstede, 2011). Georgian women work outside of the

home and do all work also at home, they are very respected, however there are many restrictions for them. The masculinity and femininity in this society are on the similar level.

Uncertainty/Avoidance Index (UAI) - this relates to the degree of anxiety that society members feel when in uncertain or unknown situations. High UAI-scoring nations try to avoid ambiguous situations whenever possible. They are governed by rules and order and they seek a collective "truth." Low UAI scores indicate that the society enjoys novel events and values differences. There are very few social rules, and people are encouraged to discover their own truth (Hofstede, 2011). From the respondents point of view Georgia is a nation with equal scoring of this index.

Long Term Orientation (LTO) - the similar situation is also in the field of Long Term Orientation. This refers to how much society values long-standing, as opposed to short-term, traditions and values. This is the fifth dimension that Hofstede added in the 1990s, after finding that Asian countries with a strong link to Confucian philosophy acted differently from Western cultures. In countries with a high LTO score, delivering on social obligations and avoiding "loss of face" are considered very important (Hofstede, 2011). Understanding partners behaviour's reasons and motives in terms of Hofstede's theory of cultural dimensions have direct implications on cooperation and negotiation process.

Respondents hold a view that the Georgian virtues are quite different to Latvian ones. Georgians are absolutely extended family-oriented, unlike Latvians who's primary world focuses on their family and close friends. Their well-being is their primary concern and affects the rest of their decisions and actions; there is a lack of statehood oriented thinking and understanding of public ethos. Respondents consider that Georgians appreciate and nurture family ties much more than Latvians. Besides, Georgians are more optimistic and cheerful by nature than Latvians. Respondents believe this strength to overcome daily problems and difficulties to maintain the optimism comes



Picture 1. Members of the European Union Monitoring Mission in Georgia



Picture 2. Latvian Member of the European Union Monitoring Mission in Georgia Raitis Tiliks and old Georgian man

from the family/friend support. In Georgia it is common to share everything: your wealth/property, your private life, and your everyday business (health issues etc.). You are expected to share and others share with you unconditionally. As respondents admit, although the women in Georgia can be quite emancipated, the general attitude in the society is that woman's main role is the primary homemaker. Although the family means everything, fidelity, at least among men, is not a virtue in Georgia.

Like in the whole Caucasus region personal connections are extremely important while arranging or doing business. Origin of the partner and a general look play a vital role in establishing connections with the Georgians. If Georgia has a negative view of a country, the representative of that country most likely will have a problem in collaboration. One of respondents mentioned, that contractor's "good, honest eyes" sometimes is an argument for Georgian, why the contract could be concluded. Georgians are people who are not tent to make plans and to think about the consequences of their action. They do no search for possibility for improving themselves. For them important thing is finding a compatriot who makes them feel comfortable in business.

5. Conclusions

According to the survey and interviews, Georgians values, style of communication, time and space concept more belong to the multi-active cultural type (Lewis model). In terms of Hofstede's cultural dimensions people from Georgia, Central and Southern European countries share similar characteristics. Common linear-active behaviour from Swedes, Latvians and

Estonians or common multi-active mentality between Italians and Greeks or also Lithuanians will help to make better contacts for successful cooperation.

To understand the motives and symbolism of Georgians' and other Eastern European partners' behaviour and reactions, it is desirable to count on their historical and cultural experiences. "Every human being is born into a family, a religion, a system of knowledge, and often into a social stratification and political constitution, which, often having existed for ages beforehand, are not changed or even affected during his lifetime" (Malinowski, 2002, p. 46).

To apply knowledge of the culture and values of individuals, it is necessary to develop cross-cultural mediation – "a set of strategies to reduce the risk of conflict situations in communication" (Bolaf, Bracalenti, Braham and Gindro, 2003, p. 51). To achieve a better understanding among potential partners from different cultures cross-cultural approach is one of the most important factors and elements in the development of the successful Eastern Partnership.

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Appendix

Questions and answers from the interviews:

How do Georgians perceive the advice and guidance or criticism from foreign partners?

Criticism generally not perceived very well, so you have to be very careful about how to present it. However, the advice and guidance, if they are presented in a positive context, Georgians could perceive quite well. Sometimes there will be need for regular inspection of the work. Often you will be surprised that everything is done perfectly, but when a colleague feels that there is no control, and then there can be no results at all. I would say that self-regulation is not common.

Are they willing to learn from others?

Yes, they are. They're all happy to learn, but the tutorial should be practically oriented - must see a practical application.

How do they make decisions?

Decisions are taken by the person who is the leader - the company owner or his "right hand", or in public institutions minister / vice minister or his "right hand". Everyone knows who are the leaders and are waiting for their decisions. Public decisions are usually made collectively, in private life everything is discussed and everyone has their own opinion about each person's life.

How they are able to adapt to the unusual situation in a foreign environment or foreign, multinational collective?

On the one hand, they can integrate quite well, as they are extravert oriented. But in reality, I have observed (and also heard from themselves) that they have difficulties to adapt to the other, even starting from the food and the weather issues, and ending with the work culture. However, they are able truly appreciate the beauty or greatness of other cultures. If Georgian is alone, there is no problem, if they are in group, then try to impose their views.

How do they behave in the unusual situation in a foreign environment or foreign, multinational collective?

They generally behave well, but use to complain. If they have the opportunity to be with others Georgians, they immediately set up communes and very close hold together; trying to establish their own traditions in a foreign land.

What is incomprehensible and unacceptable in their behaviour?

Hypocrisy - often speaking one, but think of something else; gossips - it's a way of life; unwillingness and inability to respect other people's individuality and privacy. The work problems can be resolved almost at midnight, it is the norm. Georgians often are excessive emotionally.

What is incomprehensible to them other people's behaviour and traditions?

Differently from European or Western cultures it is difficult for them to understand personal freedom. I think that they also seem incomprehensible Western cultures family relations - weak links between family members, relatives' reluctance to be permanently together. The accuracy is not important - hinder is normal.

Have you noticed violence between them?

Yes, men are often violent (psychologically and physically) against both men, and the women (especially in the family). Yes, the attacks on gays, even the servants of the church hand with violence.

How do they deal with conflict?

Conflicts are usually sharp, with radical behaviour and statements, insults action. The conflict seeks to involve other people in order to form a support group, or apply effects. If the conflict rises between managers and subordinates, it most likely will not be revealed, but rumours of leaders create them a bad image.

What are the “unwritten” rules should be taken into account when communicating with Georgians?

A woman in business relationships and social life should behave and dress withheld, as well as not to smile too much. Georgians like to say compliments and to give promises - it all must not be taken as the absolute truth. It is important to demonstrate knowledge of Georgian history and culture. It is expected of foreigners and it helps smooth working relationship. Respect their history and traditions.

What are the common features can be found between the Georgians and the representatives of other countries? Please give examples.

Georgians are collectivists, they have a good sense of humour, they are friendly, they enjoy a long dinner at a widely covered table - it can also be a part of the working day. Successful work is essential to establish the social, personal contacts. I think that southern nations - including in Europe - are similar. They like to relax.

In what situations you had to adjust your behaviour to achieve the goal?

There always has to be a plan B and C in case plans change or colleagues are overdue. Do not believe the rumour or unconfirmed oral interpretation of personal information; so everything has always to be checked from reliable sources (primary or written documents). If you are a woman, every expression of kindness or friendliness to the men can be misunderstood as a desire to enter into a personal relationship. It is best to say that a woman is married, even if it is not.

Iuliia Sushkova¹

Cooperation between Russia and Finland in the European Partnership within Finno-Ugric World

Abstract

One of the main factors in expanding the cooperation between the Russian Federation and the European Union is the comprehension of the common historical heritage of certain groups of peoples, which developed and maintained their ethnic identity until the present day, and further pursue to connect with their kin, within and outside of their national borders. In the article author researches some aspects of historical and modern cooperation between Russia and Finland.

Keywords: Cooperation, partnership, historical cognition, Finno-Ugric contacts.

1. Introduction

One of the main factors in expanding the cooperation between the Russian Federation and the European Union (EU), is the comprehension of the common historical heritage of certain groups of peoples, which developed and maintained their ethnic identity until the present day, and further pursue to connect with their kin, within and outside of their national borders. One example of such historical cognition is found among the Finno-Ugric people. Consisting of around 25 million people, they mostly inhabit their ethnic territories, located in the Eurasian continent, within six states: The Russian Federation, Hungary, Finland, Estonia, Norway and Sweden. For many years, Finno-Ugric peoples have been interested in each other's heritage and experiences.

Each of three nations (Finns, Hungarians, Estonians) by the number of population exceed a million. According to the data of the National census (1989) the number of the Mordvins, living in Russia, used to be over a million (1.2 million in USSR, 1.7 million in RSFSR), though later there has been fixed significant decrease of its number (845 thousands in 2002, 745 thousands in 2012). Certain Finno-Ugric peoples (for example, the vod', the Izhorians) are very small and can be considered being on the verge of disappearance. Five of the Finno-Ugric peoples (the Karelians, Komis, Maris, Mordvins, Udmurts) in the Russian Federation have their own statehood in the form of the Republic of Karelia, Republic of Mari-El, Mordovia, Udmurtia Republic. In 2012 there has been celebration of the 1000th anniversary of the unity of the Mordovian people and the peoples of the Russian state, within which in the Republic of Mordovia took place a complex of the actions devoted to this significant date. The historical importance of the Finno-Ugric peoples in

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the formation of the Russian state, and the ethnic connection with peoples from the other European States, bridge the gap between nations for greater understanding and further cooperation between Russia and the European Union. "Russian" window to Europe opens through the Russian-Finnish border. This interaction can be traced in the key areas of political-legal, socio-economic, cultural, scientific and educational relations.

2. Political and Legal Cooperation

Until recently, the legal basis of relations between Russia and the European Union was the Agreement on Partnership and Cooperation, whose goal was the promotion of political, trading, economic and cultural cooperation between the countries. The agreement, signed in June 1994, entered into force on the 1st of December 1997, legitimized the common commitment of the EU and Russia to develop mutually beneficial partnership and understanding. In the framework of political cooperation there have been established deeper relations through economic convergence, the promotion of rapprochement of positions in the field of international affairs, strengthening security and stability, cooperation on observance of principles of democracy and human rights (Article 6). The term of the agreement ended on the 1st of December, 2007. In the context of events in Ukraine, Crimea, The German Chancellor A. Merkel expressed her position on the sanctions against Russia, which could have three levels, including those related to the suspension of negotiations of a new agreement on partnership and cooperation between Russia and the EU, as well as simplification of visa regime between EU and Russia (Preobrazhensky, 2014).

Generally, European countries of the Finno-Ugric world paid special attention to Russia's position on partnership with the EU, known as the development strategy of the program "Northern dimension". The most active political dialogue took place between Russia and Finland. The state border in Finland is not yet defined and runs along the border of the former USSR. In the post-Soviet period in Finland increased the Russian-speaking community, reaching more than 50 thousand people (about 1 % of the population). As of the beginning of 2013 more than three million Russian citizens annually come to Finland mainly for the purpose of tourism or economic cooperation. On the Russian-Finnish border there are eight international border crossing points, and the further development of the border infrastructure is continuing.

Currently, over 90 interstate and intergovernmental documents, regulating almost all areas of bilateral interaction, act between Russia and Finland. On the 20th of January 1992 after the disintegration of the USSR Finland concluded an "Agreement between the Russian Federation and the Republic of Finland on the basic principles of relations", which in 2001 was extended until 2007. The Presidents of Finland Martti Ahtisaari and Tarja Halonen visited Russia on official visits at the beginning of their terms (respectively, May 1994 and June 2000). In 2002, the presidents of Russia and Finland (26 May and 5 October) met twice in St. Petersburg. On the May 30-31, 2003 T. Halonen visited St. Petersburg to attend the summit Russia-EU and the

celebration of the 300th anniversary of the city. Later she visited Arkhangelsk region (June 28-29, 2003) and participated in the opening of the new building of Consulate General of Finland in St. Petersburg (November 24, 2004), coordination meeting in St. Petersburg (December 14, 2004), celebration in Moscow of the 60th anniversary of Victory over fascism (May 8-9, 2005).

The first official visit to Finland by President of the Russian Federation V.V. Putin took place in 2001. During his second visit in Finland in 2005, the head of the Finnish presidential chancellery Jarmo Viinanen stated: "Finland is interested in dialogue with Russia, so that when discussing the future of the Agreement on Partnership and Cooperation between the EU and Russia and the Northern dimension during the Finnish presidency in the EU in the second half of 2006 will be taken into account Russia's position and act in accordance with it" (Andrianova, 2005). At that point on the agenda there were the problems of terrorism, cooperation in the UN and Council of Europe. The heads of states intended to discuss the economic perspectives in the framework of bilateral cooperation and within the framework of cooperation between Russia and EU. As a result, Russia became the largest trading partner of Finland. Among the issues of partnership are neighbor cooperation in the contiguous regions, interaction in the sphere of high technologies, the environment in the Baltic region, transport, forestry, and optimization of the process of border crossing. Despite a number of minor problems and disagreements, relations between Russia and Finland are developing dynamically and positively. When Finland had its chair in EU in the second half of 2006, the necessity of economic and political cooperation between EU and Russia was emphasized. V.V. Putin during the thirteenth meeting with T. Halonen in September 2007 admitted that perceives Finland in the "special warm feeling", and "not only because he lived near Finland for many years and was born in St. Petersburg, but also because of long engagement in the development of Finnish-Russian relations" (*Vesti*, 2007).

Finland presents a good example of how to deal with the problems of preservation of linguistic, cultural diversity, and protection of rights of national minorities. Organizations of Finno-Ugric peoples in Russia stand for ratification by the Russian Federation of the European Charter of regional languages and languages of national minorities (1992). Russia signed the Charter in 2001, but still has not ratified it. Final conference on the results of the three-year program (2009-2011) of the Council of Europe and the EU "National minorities in Russia: developing languages, culture, media and civil society", the main task of which was to discuss the issues of ratification of the European Charter of regional languages or minority languages, took place in Moscow (November 23, 2011). Russian organizations, representing the interests of national minorities, indigenous peoples agreed to increase attention to the situation of the peoples, promoting ratification of the Charter.

With the development of the institutions of private property in Russia, there was a question on the property of the Finns deported from the territory of Karelia, transferred to the USSR according to the Paris Peace Treaty of 1947 (*NEWSru.com*, 2007). Due to limited resources, the Russian decision to expand their frontier zone from 5 to 30 km deeply concerns Finland (*NEWSru*.

com, 2006). On February 25, 2014, in Helsinki, the head of "Rosatom" S. Kiriyenko and Minister of Economic Affairs Jan Vapaavuori signed Russian-Finnish intergovernmental agreement on the strategic partnership in nuclear energy (Communications Department of ROSATOM, 2014). On the 2 March, 2014 in connection with the Crimean crisis, the President of Finland Sauli Niinistö and the government commission on foreign policy and security have held an emergency meeting. At the press conference concerning the meeting, Niinistö said that "Russia's actions in Ukraine, apparently, are contrary to international law". However Niinistö stressed that it is important to maintain dialogue between the European Union and Russia (Yleisradio Oy (Yle), 2014).

3. Trade and Economic Cooperation

An important component of international relations of Russia with foreign countries of the Finno-Ugric world (Finland, Hungary, Estonia) is the trade-economic cooperation. The Agreement on Partnership and Cooperation between the EU and Russia (1994) confirmed favorable conditions for trade between Russia and EU. The potential for bilateral economic cooperation and the gradual recovery of Russia from the economic recession, create significant preconditions for further growth of mutual trade in goods and services, developing new opportunities for diversification of Russian export and the intensification of trade in services. Thus, the traditional spheres of the Russian-Finnish trade and economic relations remained energy, transport, telecommunications, forestry, building complexes, and high technologies. In 2006 the "Days of Russian Economy" took place in Finland.

Since the late 1990s, Russia's economic policy was oriented to minimize the export of raw materials, improving competitiveness through the development of high-quality production. Trade and economic cooperation between Russia and Finland became beneficial, and the growth of trade has maintained positive dynamics. In recent years, Russia was the largest trading partner of Finland. The share delivered to Finland Russian goods is at the level of 16%. Russia's share in Finnish exports is approximately 10-12 %. Great volume of services ordered by Russian companies in Finland is about 15% of the total financial services exports. Trade turnover between the two countries in recent years is constantly increasing. In 2010 the trade turnover was \$ 16.8 billion, Russia was on the first place in export turnover of Finland (2006 – 17.5 billion dollars, 2007 – 18.7 billion dollars, 2008 – 26.1 billion, 2009 – 15.4 billion dollars). By the end of 2013, the trade turnover amounted to more than 19 billion dollars. In the Russian export to Finland fuel and raw materials dominate with more than 50 %. The main goods of the Russian export to Finland: oil and oil products - 58%, natural gas - 10%, raw wood - 7%, chemical products - 3%, electricity - 4%, coal and coke - 3%, ore and scrap metal - 7%, ferrous metals - 3%, machines and equipment - 2%. The largest items of Russian imports are machinery, equipment and vehicles - 57%, chemical products - 13 %, paper and cardboard - 7%, food products - 4%, medicines - 4% (*RiaNovosti*, 2005).

Finland has been traditionally ranked among the largest foreign investors in the Russian economy, with the accumulated amount of investments of more than \$1 billion. Priority areas of investment activities of Finnish companies in Russia are: fuel, pulp-and-paper, woodworking and food industry, trade and ferrous metallurgy. About 80% of Finnish investment in Russia comes in the North-West of the country. There has been established intergovernmental Russian-Finnish Commission on economic cooperation for promotion the development of trade and economic relations.

Russian-Finnish relations are developed on the base of the Russian regions according to the intergovernmental agreement on cooperation in the Murmansk region, the Republic of Karelia, St. Petersburg and the Leningrad region (1992). Perspectives of further cooperation between Finland and the Republic of Mordovia were discussed during the visit of the Finnish delegation to the Republic on October 3, 2013 including representatives of authoritative Finnish industrial companies. The visit of the Finnish delegation was a continuation of the events that took place in Saransk – V Congress of Finno-Ugric Peoples and the XVIII International Exhibition “Business Mordovia” (2013), which was the topic of multilateral cooperation between Mordovia and Finland. Ambassador Extraordinary and Plenipotentiary of Finland in Russia Hannah Himanen stressed “the importance and necessity of closer mutual contacts between Russia and Finland in different directions”.

Between Finland and the Republic of Mordovia there have been established partnership relations in the sphere of education, science and business. For many decades a number of leading industrial enterprises of Mordovia actively uses in the production Finnish technology and equipment. Development and introduction of innovative technologies, production and processing of agricultural products of the Republic of Mordovia occupies the leading positions in Russia. Chair of the Government of the Republic of Mordovia V.F. Sushkov and Ambassador H. Himanen discussed the possibility of expanding the partnership between the companies in Finland and Mordovia. In Chamber of Commerce and Industry of the Republic of Moldova was organized the business forum, where representatives of Finland got acquainted with the investment potential of the Republic (the Technopark, Ogarev Mordovia State University, enterprises), state stimulation of foreign investments, and support of the business infrastructure. In the World Bank rating “Doing business in Russia – 2012” Saransk took the second place. A special interest of the Finnish colleagues was connected with the preparation of Mordovia to hold matches of the World Cup FIFA 2018 that would open up great possibilities for mutual partnership (The Government of the Mordovia Republic, 2013). The reached agreements between Finland and Mordovia are directed on strengthening and expansion of cooperation between the countries, to support the investments of Finnish companies in the sphere of high technologies, the construction of sports and tourist infrastructure for preparation for the World Cup FIFA 2018.

In foreign trade activities of the Republic of Mordovia, the level of foreign investment remains relatively low: \$ 57.1 million (2009), \$ 45.7 million (2010). The largest share (over 90%) in the foreign investments belongs

to the trade credits, loans from international financial institutions, Bank deposits and other. Republic of Mordovia's economy has received other investments from 35 countries, among which Kazakhstan, Belarus, Cyprus, Estonia and the Netherlands. The most priority directions of investment activity in the Republic of Mordovia are production of cable-wiring products, semiconductor devices and power converters, development of car-building, light engineering, cement production, food processing industries, development of new types of building materials and products. Russia is also developing economic relations with Hungary. Currently, Hungary and Mordovia are cooperating in the field of technologies. Consistently increase Hungarian exports to Russia and vice versa. Hungarian companies are involved in construction of hospitals, residential areas, and waste processing companies in Russia.

On the September 4, 2013 on the basis of the Institute of Physics and Chemistry of Ogarev Mordovia State University, Finnish Beneq Oy was opened Russia's first research laboratory ALD-technologies to improve the properties of products and materials that are deposited nanoscale coating, and also find new applications of existing technologies. This is the 15th modern laboratory, which was established at the University for the last 3 years. Within the framework of the development program at the University were opened or modernized. The rector of the Ogarev Mordovia State University S. M. Vdovin and Tommy Vainio signed a memorandum of cooperation between the Ogarev Mordovia State University and Beneq Oy (The Government of the Mordovia Republic, 2013).

4. Scientific, Educational and Cultural Cooperation

The interest in the study of Finno-Ugric peoples among scientists of Finland, which became a part of Russia in 1809, was mainly in the field linguistics. The growth of national consciousness of the Finnish people stimulated appeal to ethnic roots, to search for the homeland, to the problems of formation of its people, its language and culture. The largest Finno-Ugric researchers were made by Mathias Castren (1813-1852) and August Alquist (1826-1889), mostly engaged in problems of linguistics (Mokshin, 1993, pp. 126-128).

For several years, Castren wandered through the regions of the European North, and then in Siberia, and became famous as a traveller-linguist. He travelled and worked in extremely difficult financial conditions, which ruined his health and led to premature death. In the second period of traveling he was supported by the Russian Academy of Sciences, who paid him regularly subsidy and financed the trip. Castren's scientific journeys lasted 11 years (1838-1849). Their main purpose was to clarify the language of communication of the Finns with other peoples. He worked to research common ethnic roots among Finno-Ugric peoples. One of the most important results of his research was the accumulation of large empiric materials on the Finno-Ugric, Turkish, Mongolian, Manchu-Tungus languages. Travelling put forward the hypothesis on relationship of all these languages, combining them with the

concept of the “Altaic” languages (now they always called Ural-Altaic), the origin of which he considered the Altai-Sayan highlands. In total, travelling gave scientific description (particularly, grammar) of twenty languages and dialects, and for some of them – especially Samoyed – extensive dictionaries.

His works have been systemized by Anton Shefner and published in Petersburg in German in twelve volumes under the title “Nordische Reisen und Forschungen” (Spb., 1853-1858, 1862). The travel observation was printed in Russian in the sixth volume (part 2) “Shop of geography and travel” by N. Frolova (“Journey of Alexander Castren through Lapland, Northern Russia and Siberia, 1838-1844, 1845-1849”).

Alquist was the author of the first grammar of Moksha-Mordvin language, published in Saint Petersburg in German in 1861². Collection of materials on linguistics was made during the trip the Mordvins, living in Kazan province. Alquist showed interest in ethnography of the people whose language he had been studying, in particular to the ethnic structure of the Mordvins.

In the second half of the XIX century in the circles of the Finnish intellectuals, appeared an idea to establish a special organization, which would deal with the systematic study of Finno-Ugric peoples. On the initiative of scientists O. Donner, I. Aspelin, A. Alquist, well-known collector of the Karelian-Finnish epos “Kalevala” E. Lönnrot, poet Z. Topelius and some other representatives of the Finnish intelligentsia in 1883 in Helsingfors (Helsinki) founded Finno-Ugric society. Under a Charter approved by the Senate, the aim of the Society was the development of knowledge about the Finno-Ugric peoples (study their languages, antiquities, history and ethnography). The funds of the Society included, in addition to government grants, contributions from its founders and members. From 1886 begins publication “History” of Society, 1890 – “Works”, since 1901 – collections “Finno-Ugric studies”, in which Finno-Ugric studies have been published in Finnish, German and French languages. Moreover, works of the members of the Society were published as separate books. Among members of the Finno-Ugric society, who made a great contribution to the study of the Mordvins, should first of all be called Axel Heikel (1851-1924) and Heikki Paasonen (1865-1919) (Mokshin, 1993).

Finland became a part of Russia in 1809. Soon after the October revolution (1917) the Soviet government recognized its independence. However, the circumstances began to evolve in such a way that the Soviet-Finnish relations have become tensioned, and scientific and cultural relations was interrupted, and few scientists, specialized in Finno-Ugric studies, held in the USSR, were subjected to repressions. There were times when mentioning the kinship and the common roots of the Mordovian and Finnish languages was considered a political mistake. This is negatively reflected on the study of the problems of ethno genesis and ethnic history as the Mordovian and all other Finno-Ugric peoples living on the territory of the former USSR. Several times, Mordovia

² Original title of the publication: Ahlquist, A. (1861), *Versuch einer Mokscha-Mordwinischen Grammatik*. (Forschungen auf dem Gebiete der Ural-Altäischen Sprachen, 1.), St. Peterburg: Kaiserliche Akademie der Wissenschaften, 243 pp.

was declared a closed area for foreigners, so it negatively affected on scientific research. This status of secrecy was withdrawn only in 1990. If some foreign researchers-travellers were able to work with Mordovian respondents to collect ethnographic, folkloristic or linguistic information, it was not on the territory of Mordovia, but on the territory of the republics and regions, not included in the category of "closed", where Mordvins also lived.

More opportunities for Finnish-Mordovian cooperation in the field of scientific research, concerning the whole complex of knowledge, called Finno-Ugristics or Finno-Uralistics, began to emerge only in recent years. Scientists from Mordovia began to visit Finland as guest researchers of the universities and other research institutions, and Finnish researchers were coming to Mordovia. It seems that the intensity of these contacts increased. A significant contribution to the establishment of these contacts was made by International Congress for Finno-Ugric Studies held every five years since 1960 in countries where Finno-Ugric peoples. On the plenary and sectional meetings of the Congress is discussing the major problems relating to past and contemporary life of the peoples united in a common Finno-Ugric and the Ural language family.

The world congresses of the Finno-Ugric people play an essential role in establishing and developing relations between the Finno-Ugric peoples. This forum is representing Finno-Ugric and Samoyed peoples, independent of governments and political parties and their activities, based on "Declaration of cooperation of Finno-Ugric peoples of the world", which was established in 1992 on the 1st Russian Congress of Finno-Ugric Peoples. Goals of the world congresses are the preservation and development of Finno-Ugric languages and cultures, protection of rights and interests of Finno-Ugric peoples, the intensification of inter-regional and international Finno-Ugric scientific, cultural and social contacts to public-public and international levels, the strengthening of national identity of ethnic groups and self-perception as a single spiritual-cultural community. The World Congress is convened once in 4 years. Coordinating body of the World Congress is the Advisory Committee, formed of an equal number of representatives from each nation. Decisions of the Congress had a character of recommendation for the official authorities.

"The International Advisory Committee of Finno-Ugric peoples has undergone changes and new building work in the Finno-Ugric world", stated the General secretary of the Society "Finland-Russia" M. Hannus at the opening of the III International Conference "Native language in modern conditions of bilingualism" in Syktyvkar, October 28, 2013. The Advisory Committee held an internal reorganization of work and adopted a new Charter that would allow it to become more dynamic and open... After the World Congress of Finno-Ugric Peoples in Siofok in 2012 the problem of lack of information about the present public organizations of Finno-Ugric peoples, and therefore the planned operational data collection, disclosure of which is expected in 2014 monitoring of public organizations of Finno-Ugric peoples is essential for the preparation of the World Congress of Finno-Ugric Peoples to be held in the Finnish city of Lahti in 2016" (*Finugor.ru*, 2013).

Association of Finno-Ugric Peoples is presented in the International Congress of Finno-Ugric Peoples, which includes Hungary, Russian Federation, Finland, Estonia. The main goal of the Congress is the implementation of international norms in the field of the right of peoples to self-determination, the rights of indigenous peoples, national minorities and human rights. The first meeting of the Executive Committee of the organization was determined to be in Izhevsk. From 7 October 1994, the headquarters of the Executive Committee moved to Khanty-Mansiysk. Since July 2002 its headquarters is located in Saransk.

The Youth Association of Finno-Ugric Peoples is an international association of youth organizations of Finno-Ugric and Samoyed peoples. The Association was founded in 1990. Today the Youth Association of Finno-Ugric Peoples unites the Finno-Ugric young people from more than 35 national organizations. One of the tasks is the convergence and the organization of cooperation of Finno-Ugric youth from Hungary, Russian Federation, Finland and Estonia. Objectives of the Association according to the Charter are convergence and cooperation of Finno-Ugric youth; the creation of conditions for self-realization and promoting the growth of national consciousness of the Finno-Ugric youth, participation in the elaboration and implementation of state programs, draft laws and other normative legal acts aimed at the preservation and development of Finno-Ugric peoples, the protection of indigenous peoples' rights (protection of political, socio-economic and other rights of Finno-Ugric peoples), the preservation, revival and promotion of traditional spiritual and cultural values of the Finno-Ugric peoples as part of world culture. The directions of Association's activity: assistance to the organizations-Association members in implementing their own programs, assistance in creation of youth organizations, associations, unions of youth Finno-Ugric peoples, cooperation with public organizations, with government institutions; training of national staff, exchange and dissemination of information about the activities of the Association.

The International Association of Finno-Ugric Universities voluntarily unites universities of countries and regions populated by Finno-Ugric peoples, and it plays an important role in the field of education. It was established in 2007. The goal of this project is exchange of experience, coordination and organization of joint universities in improving educational-methodical, scientific-research, cultural-educational and social activities. Main directions of activity: development of a unified system of university education for specialties and directions of higher professional education, postgraduate study, doctoral study; the study of history, language, culture, law of Finno-Ugric peoples; the creation of a single information space for the Finno-Ugric problems and the development of academic mobility. The highest governing body of the Association is Association Conference with the change of chairmen every three years. In 2014 the chairman is Vdovin Sergei Mikhailovich, rector of the Ogarev Mordovia State University. The members of the Association are: Udmurt State University, Mari State University, Syktyvkar State University, Mordovia Ogarev State University, Yugorsky State University, Petrozavodsk State University, Komi Republican Academy

of State Service and Administration, University of Western Hungary, and University of Eastern Finland.³

Since 2000, Russian Finnish forums of culture are held annually. An important event in development of foreign Finno-Ugric contacts took place in Saransk in July 19, 2007. It was the I International Festival of Finno-Ugric Cultures "Shumbrat, Finno-Ugria" with participation of the President of Russia V.V. Putin, the President of Finland Tarja Halonen and Prime Minister of Hungary Ferenc Gyurcsany. In this event there were presented more than 30 delegations from Hungary, Finland, Estonia, Karelia, Mari El, Udmurtia, Bashkortostan, Tatarstan, Chuvashia, Republic of Komi, Permian Komi, Khanty-Mansi and Yamalo-Nenets autonomous districts, as well as from 18 Russian regions with compact habitation of Finno-Ugric peoples (Russia-InfoCentre, 2007).

Nowadays it is necessary to support the development of bilingualism, study of native languages at school, and their use in the mass media. Today all-Russian Finno-Ugric newspaper, festival "Volga - river in the world", has been published. In Hungary there have been established the program "Collegium Finno-Ugricum" for implementation of educational programs in the native language and on the development of the native language through a system of institutions. Association of Finno-Ugric Universities promotes integration of universities functioning in Finno-Ugric regions of Russia into European university system. Published monographs about all the Finno-Ugric peoples of Russia translated into Hungarian, Estonian, Finnish and English languages. Such events will undoubtedly strengthen the interethnic consent in Russia and will contribute to the development of dialogue between the countries.

5. Conclusions

Russia and Europe are interested in mutual cooperation for further expansion of partnership in economic, political, cultural relations, development of ethnic traditions. Common historical heritage of Finno-Ugric peoples could promote the processes of stabilization and development of modern humanitarian relations in Europe. Deepening the connections in the Finno-Ugric world could become one of the mechanisms to achieve common goals. Political-legal status of the Finno-Ugric peoples in Russia, especially those that have their own statehood, provides more opportunities to formulate strategy in social, economic, scientific, cultural priorities. Cooperation between Russia and Finland can be regarded as a positive example within European partnership. The processes of increasing cooperation in various fields of interaction help strengthening the contacts.

³ Information has been collected from the official websites of the organisations related to the Finno-Ugric peoples, its education and culture: the Consultative Committee of Finno-Ugric Peoples – <http://www.fucongress.org/>; the Association of Finno-Ugric Peoples of the Russian Federation – <http://www.afunrf.ru/history/>; the Association of Finno-Ugric Universities – <http://marsu.ru/mafu/userassoc.php>

Action of over 90 interstate and intergovernmental documents between Russia and Finland demonstrate mutual interest in continuance of the upgrading partnership. Russian-Finnish relations are developed on the base of the Russian regions according to the intergovernmental agreement on cooperation. In the Russian economy Finland is considered to be one of the largest foreign investors, having in mutual priorities fields of industry and modern technology. Remarkable input in deepening collaboration has been made by organization of International congresses of Finno-Ugrians, which take place every five years from 1960 in the countries, where the Finno-Ugric peoples live. There are functioning International Advisory Committee of Finno-Ugric Peoples, Association of Finno-Ugric Peoples, Association of Finno-Ugric Universities.

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EU – GEORGIA RELATIONS



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Eastern Partnership: Reality and Challenges for Georgia

Abstract

Relations between Georgia and the European Union began in 1992. Though, the mutual relations between the abovementioned have been strengthening since 2003, after the Rose Revolution when undesirable processes between Russia and Georgia were launched. The creation of the Eastern Partnership program was an important program for Georgia following the Russian-Georgian war of 2008 when the European Union increased cooperation with Georgia.

The aim of this work is to analyze of some aspects of the Eastern Partnership (free trade zone, conclusion of pacts on mobility security, and energy security) specifically with Georgia, make comparative analyses of different political documents and highlight the existing reality and challenges within the country.

Keywords: Eastern Partnership, Georgia, European Union, Mobility, Energy Security.

1. Introduction

"I'm Georgian, and therefore I am European!" – When the former Prime Minister of Georgia, Zurab Zhvania, said these important words to the General Assembly of the Council of Europe (Mestvirishvili & Mestvirishvili, 2012, p. 52), on January 27th, 1999, it was seen as a public declaration by Georgia that the country was striving for European ideals, clearly defining the foreign policy agenda for the next decade.

Following the 2003 "Rose Revolution" in Georgia, the irreversible process of integration into the Euro-Atlantic structures became even more apparent. Today, Georgia and the European Union (EU) stepped into a new phase of relations. In the last few years, integration into the EU has become essential for the region of South Caucasus. The European Parliament, in its official resolution of 2010, emphasized the particular circumstance of the region, affirming that the EU considers "the strategic geopolitical location of the South Caucasus and its increasing importance as an energy and communication corridor connecting the Caspian Region and Central Asia with Europe [...], and considers it of the utmost importance therefore, that EU cooperation with the South Caucasus be given high priority. At the same time, geopolitical circumstances and domestic developments have led to an increased attention of the EU especially for Georgia." (Rinnert, 2011, p. 5)

Nevertheless, it is not easy for Georgia to become an EU member country without fulfilling some preconditions. The EU is an economic union, which, for the last decade, has been trying to redefine itself in terms of security and

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political integration. However, it remains an economic union because the economic indicators continue to be the core criteria by which suitability of membership candidate countries are being estimated. Meeting the criteria is still unattainable for Georgia (Kapanadze, 2004).

2. Eastern Partnership

For the purpose of more rapprochement of Georgia with the European Union, Sweden and Poland, by the joint initiative, elaborated the Eastern Partnership (EaP) cooperation format in regard to the Eastern European neighboring countries (Azerbaijan, Belarus, Moldova, Georgia, Armenia, Ukraine), which was the most important fact following the war of 2008. After the EU's intervention in the August 2008 Russian-Georgian war (Nichol, 2009, p. 4), the EU has strengthened the visibility of its involvement in the South Caucasian state. The aforesaid document is viewed as the new EU policy in regard to its Eastern neighborhood (Hillion & Mayhew, 2009, p. 5).

The cooperation format of EaP aims to assist relevant partner countries (Azerbaijan, Belarus, Moldova, Georgia, Armenia, Ukraine),² promote the European Neighborhood Policy (ENP),³ and implement and strengthen the Eastern dimension. The ENP initially depended on political association with the EU, step by step economic integration, and increased mobility with a phased abolition of EU visa requirements with the partner countries, which will become attainable when there are well managed and secure conditions. This action by the EU clearly expressed its readiness to assist Georgia, especially in terms of overcoming the difficulties created as a result of the conflict.

It is worth mentioning that the EaP format, as a rule, considers development of cooperation in two directions – as regarding bilateral relations, as well as the multilateral (regional) cooperation.

“Along the bilateral route, the EU will offer Eastern partners the following possibilities: developing strong political ties with the bloc, economic integration and convergence with the EU through association agreements, deep and comprehensive free trade areas, increased citizen mobility, energy cooperation, establishment of the rule of law and aid for institution-building and regional cohesion.

The multilateral format of the Eastern Partnership provides a mechanism for structural convergence with the EU through regular meetings between the representatives of various services of the European Commission and partner countries...” (Shapovalova, 2009)

² EaP Community. *What is the EaP?* Retrieved from <http://www.easternpartnership.org/content/eastern-partnership-glance> (accessed July 1, 2014)

³ EU Neighbourhood Info Centre, *The European Neighbourhood Policy (ENP)*. Retrieved from http://www.enpi-info.eu/main.php?id=344&id_type=2 (accessed July 23, 2014)

"The new multilateral dimension is based on a novel mechanism aimed at fostering co-operation between the EU and all the partner states, and between the partner states themselves..."⁴

This format can be useful for Georgia, giving it the possibility to position itself among the EaP countries and to get a deeper insight of the advantages and disadvantages of the reforms being carried out.

When speaking about the EaP format, it is necessary to distinguish the following aspects: free trade zone, conclusion of pacts on mobility and security, and energy security.

2.1. Free Trade Zone

The formation of free trade zone will be based on broad and comprehensive Agreements on Free Trade concluded with each of the countries.

Since the Russian embargo of 2006 was carried out and the war with Russia took place in 2008, as a result of which Georgia lost the biggest and most closely situated market (Kvelashvili, 2010), the deepening of trade relations with Europe and diversification of export markets have been of vital importance for Georgia. That is why entering the EU market, one of the biggest, most stable, and strictly regulated markets in the world, is crucial for the stable export development of Georgia. It must be mentioned that the first free trade zone of the Caucasus is forming up on 3 060 000m² in the Georgian port, Poti, at the Black Sea. That is (German Business Association Georgia (DWVG), 2010) why inclusion of Georgia in the free trade zone will contribute to development of a number of fields of the world market in a competitive environment, which will cause a chain reaction; to be more precise: development of economy, overcoming of unemployment related problems, strengthening of the middle class.

As, today, Georgia is experiencing an investment hunger, there is a high rate of unemployment and poverty. From the personal point of view, getting into the free trade zone will create a foundation for development of Georgia and its establishment as a democratic country. Besides, if we consider the EU recommendations and bring the Georgian trade and trade related legislation and standards in conformity with the European standards, this will have very apparent, long-term economic, political and social effect.

Georgia is a member of the World Trade Organization (WTO) (Aly Sergie & Kaplan, 2013), a requirement that, for other countries, was a prerequisite for granting the free trade regime. In this regard, Georgia is ahead of other countries in fulfilling its membership requirements. Furthermore, the fact that Georgia has concluded agreement on free trade with Turkey, Azerbaijan, Armenia, Ukraine, Russia, Moldova, Turkmenistan, Uzbekistan, Kazakhstan, Belarus, Tadjikistan and Kirghizstan, and it has signed the Agreement on Avoidance of Double Levying with 33 countries, and with 32 countries – the

⁴ EaP Community. *What is the EaP?* Retrieved from <http://www.easternpartnership.org/content/eastern-partnership-glance> (accessed July 1, 2014)

Agreement on Mutual Protection of Investments and Encouragement⁵, gives us an opportunity to presume that there is no objective ground for refusal of granting the free trade regime to Georgia.

2.2. Conclusion of Pacts on Mobility and Security

In the corresponding part of the Agreement of Eastern Partnership, there is an emphasis on the promotion of citizens' mobility, including the establishment of a visa-free regime on some stage in a well-managed and secure environment.

Since March 1st, 2011, agreements on Facilitation of the Issuance of Visas and Readmission of Persons Living without Permission, concluded between Georgia and EU, came into force. The Agreement on Facilitation of the Issuance of considers a number of privileges for Georgian citizens, including cutting down of costs related to visa application discussion (from 60 EUR to 35 EUR) for Georgian citizens of some categories (e.g. pensioners, children up to 12 years, handicapped persons, close relatives of those Georgian citizens, who live in the EU, students, scientists, journalists etc.), abolishment of payment of visa charges, making decisions on issuance of visa within 10 calendar days and so on. On the basis of the agreement on Readmission of Persons Living without Permission the Georgian citizens who are illegally living on the EU territory will be returned to Georgia (Official Journal of the European Union, L 52/34 .25.2.2011).

It should be mentioned, however, that liberalization of the visa regime within the bounds of cooperation with the EU is an independent process, which takes place within the format of Georgia-EU visa dialogue. One of the prerequisites for gaining the visa free regime with the EU is an effective implementation of Visa Regime Liberalization Action Plan (Ministry of Foreign Affairs of Georgia, 2013).

The present government of our country considers that for the purpose of visa regime simplification in some concrete fields, such as border protection, fighting organized crime and corruption, Georgia has taken a step forward in comparison to countries such as Moldova, Russia and Ukraine, with which the EU already has a simplified visa regime.

Significant measures have been taken in regard to fighting trafficking in human beings (Transparency International Georgia, 2013). The Parliament of Georgia adopted the Law on Combating Trafficking in Persons, which expresses a legal base for the prevention and fight against this crime. Also has ratified United Nations Convention against Transnational Organized Crime, (Palermo Protocol) and Council of Europe's Convention on Action against Trafficking in Human Beings.

Georgia has completed bilateral International Agreements with 20 countries on police cooperation and on cooperation in the fight against crime, which also comprehended cooperation in the field of combating

⁵ Ministry of Foreign Affairs of Georgia, *Trade: Overview*. Retrieved from http://www.mfa.gov.ge/index.php?lang_id=GEO&sec_id=74 (accessed March 14, 2014)

trafficking in persons. For the purpose of undertaking certain measures to combat trafficking in human beings, relevant Protocol was signed with the Republic of Turkey.

In order to coordinate activities of the governmental agencies, the Interagency Coordination Council on Combating Trafficking in Persons has been established. In the implementation process of an Action Plan and in order to develop the national referral mechanism, the Council has approved the Strategy for Rehabilitation and Reintegration in Society of Victims of Trafficking in Persons. Also the State Fund for the Protection and Assistance of (Statutory) Victims of Human Trafficking started to operate under the supervision of the Ministry of Labor, Health and Social Affairs of Georgia. The Fund provides the protection, assistance and rehabilitation measures for the victims of trafficking in persons. Furthermore, the Fund provides shelters as well as the relevant rehabilitation programs for the victims.⁶

A legislative data-base has been elaborated; Georgia joined a number of European and International Conventions (Beruashvili, 2010).

2.3. Energy Security

Besides the abovementioned, the Agreement of EaP considers cooperation in the field of energy security, which, along with the other activities, implies conclusion of the Memorandum of Understanding with the partner countries of Moldova, Georgia and Armenia. As the EU is mostly dependent on Russia's energy resources (this especially concerns the natural gas), and tries to find alternate ways of its delivery, it is quite possible that Georgia can be involved in this process as an important transit country. Georgia can make a notable input to Europe's energy security in partnership with Azerbaijan and Turkey. The Southern Gas Corridor project will allow Europe to diversify its hydrocarbon source supply and expand its energy security, while Azerbaijan continues to buy a new market, that is, Europe. The project is planned to pass through Azerbaijan, Georgia, and Turkey in 2019, and extend to Greece, Albania, and Italy later on (Babayeva, 2014). This, in some aspect, can have a positive impact on Georgia-EU cooperation in the field of energy, since, from the perspective of the EU, Caucasus is defined as an important region in the southern corridor through which the energy resources should be passed to the direction of Europe, while avoiding Russia (Beruashvili, 2010).

Despite of the aforesaid circumstances, there are some critics of the EaP. Critics often call this document the Paper Partnership because the first letters of the six partner countries spells "Bumaga", which is Russian for "paper". In case of Eastern Partnership, the centralized and vertical ruling of the EU, which is based on socialization (passing of rules and norms) and relativity, is absolutely irrelevant to the partnership idea. Therefore, the contribution of the EU in terms of implementation of reforms in the third world countries is quite restricted (Khuntsaria, 2012).

⁶ For more information see Ministry of Internal Affairs of Georgia, *Human Trafficking*. Retrieved from <http://www.police.ge/en/projects/you-are-not-for-sale> (accessed July 25, 2014)

"The new initiative is insufficient to tackle the roots of Georgia's secessionist problems. The Union needs to establish a genuine conflict policy to complement the bilateral and multilateral framework of the EaP. Furthermore, the Union's Member States need to apply themselves to the EaP's elaboration in order to ensure the project's success; otherwise it risks becoming an empty gesture rather than a viable tool for the development of the EU's partners in the region.

In addition to this reluctance to debate enlargement, there is suspicion of Georgia's motives.

Particularly since Georgia seems to measure the EU's credibility against its willingness to stand up to Russia. This does nothing to endear Georgia to Member States: EU unity in August 2008 was a reaction against Russian excess, not a rallying to Georgia.

We should always remember that potential risk to the EaP comes from Russia. The Russian government is extremely sensitive to any kind of Western influence in its sphere of interest. Moreover, the EU is not ready to withstand Russia's opposition to the growing EaP there is no single EU position on Russia, the whole Eastern Neighborhood project will be at risk in the long term..."

We think that, Georgia, Ukraine and Moldova – the countries that really wish to become members of the EU – should stand together and strive for EU membership. Since one of the main directions of the foreign policy of both Moldova and Ukraine is gaining EU membership, Georgia should manage to find the ways that would lead to the EU to closer cooperation with the two countries (Kapanadze, 2004, pp. 1-19).

Therefore, we do not need only "paper cooperation" that serves rapprochement with the EU, but more effective activities that will make Russia suppress its imperial intentions, given that the latter implies maintenance of its own influence and prevention of inroads by NATO, the EU, the United States and others (Muižnieks, 2008).

While Georgia has gone a long road of democratic reforms, the biggest challenge is still ahead. The last EU report tells about the progress made by Georgia, mentioning that the country "... needs to speed up the steps for strengthening of democracy, particularly in the direction of media pluralism. The minority rights and their integration, as well as corruption among the high rank officials, still remain the spheres, where more efforts should be made. The second big challenge concerns freedom of membership, labor rights, employment and social policy, fighting poverty and development of agriculture." These and far more questions are considered by today's agenda of the country (Khuntsaria, 2012).

Finally, as the former Vice-President of the European Commission, Gunter Verheugen mentions: "Perhaps, a window for cooperation will be opened again, the countries will be open toward each other and the restraint policy will be changed, this can happen even in some years, but the country should be ready for this, as when opportunity exists, it should be maximally used." (Lejava, 2012)

3. Conclusions

Based upon the abovementioned, we conclude that:

1. The cooperation format of the Eastern Partnership is a step forward for the Eastern European Neighborhood countries (Azerbaijan, Belarus, Moldova, Georgia, Armenia, Ukraine). Nevertheless, until the final goal is reached, there is a long road ahead.
2. Despite a number of successful reforms in Georgia, the labour market is still in a poor state. Rather large numbers of people decide to emigrate because of the unemployment situation, low salaries and nepotism.
3. In case of free trade zone we have to take into account the EU recommendations and bring the Georgian trade and trade related legislation and standards in conformity with the European standards for having very apparent, long-term economic, political and social effect.
4. Georgia can make a notable input to Europe's energy security in partnership with Azerbaijan and Turkey.
5. And finally Georgia, Ukraine and Moldova (the countries, which really wish to become members of the EU) should stand together and strive for EU membership.

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Rati Abuladze ¹

Challenges and Prospects Obtained for Georgia as the Result of Eastern Partnership

Abstract

The present thesis analyses the effectiveness of the economic policy of the EU Eastern Partnership. The aim of the research is to show the regularities of the prospects and challenges of the integration of Georgia with the **European Union**. The Eastern Partnership, with its programs and specific mechanisms, supports more intense relationship with Georgia in many fields. It is focused on the development of cooperation and formation of a comprehensive free trade setting. The Eastern Partnership is considered in the context of its, vast potential and new challenges. The recommendations given in the work are significant for Georgia and for other countries willing to be a part of the **European Union** in adopting their economic policies.

Keywords: European Union, Eastern Partnership, Political Economy, Trade, Caucasus Region.

1. Introduction

The work, with the prospects and challenges of the European Union (EU) Eastern Partnership describes the consequences of Euro integration. The Eastern Partnership (EaP) is a political initiation, aiming at harmonizing the Eastern countries with the EU. Georgia is one of the countries aspiring to be integrated in the European space. The Eastern Partnership initiative for Georgia may be viewed as a five-year plan of the EU, with its programs targeted on intense cooperation with the EU countries and thorough cooperation in line with its standards.

For Georgian reality, the EaP is an economic gateway, instrument of the country's institutional development, foundation of democracy and barometer to evaluate the level of the country development. The Eastern Partnership focuses on ensuring the political and legal stability with the Eastern countries and their social and economic welfare, improving democracy and forming the global structure balance.

The report analyzes the economic policy of Georgia formed through the EaP with the EU and focused on the global cooperation, which before initialling the Association Agreement (EU-Georgia Association Agreement), gave only general directions with the ways to realize those directions being quite ambiguous.

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2. Advantages of the Eastern Partnership for Georgia

The Eastern Partnership is a joint initiative of the EU, its Member States and countries of the EU EaP. The Partnership allows its partner countries showing their interest in being a part of the EU and enhancing their political, economic and cultural links for this purpose. It is consolidated by general international legal standards and such fundamental values, as democracy, rule of law and respect for human rights and fundamental freedoms, as well as market economy, sustainable development and good governance.²

The Eastern Partnership is explained as 'a common endeavour of the Member States of the European Union and their Eastern European Partners', intended to ensure a clearly egalitarian engagement in this project.³ The Partnership is based on two dimensions: bilateral, implying the development of close cooperation between the EU and partner countries, and multilateral, bringing partners closer within the framework for exchange and cooperation⁴.

The EaP has a potential for transformation what 'obliges' Georgia to introduce the European standards and improve the harmonization of the reformation processes and efficiency and transparency of administration, as well as to ensure better protection of the rights and safety, liberalization of tariffs and sectors and economic sustainability of the country. By initialling the Agreement of Association with the European Union, Georgia formed the platform for harmonizing with the Union, ensuring the Europeanization of the country, political association and economic integration. By cooperating with the EU, Georgia wishes to become a plenipotentiary member of the EU Policy, benefiting from the simplified visa regime, system of trade preferences, thorough economic integration, investment and financial support, mobility, communication between the peoples and formation of the platform of safe and stable environment.

The EU is an economic partner of the European Post-Soviet countries. The economic interests of the EU lie in developing trade and investment opportunities with the Post-Soviet region and developing its energy resources. The European Union is a major trade partner for the four of the European Post-Soviet economies (Ludvig, 2013), with Georgian economy as one of them.

The economic aspect of the EaP for Georgia implies the country's integration with the EU economics.

In 2013, the foreign trade of Georgia yielded 10.8 billion USD, which is over 6% more the same indicator of the previous year; the export is 2909 million USD, while import amounts to 7874 million USD. The major trade partner of Georgia is the **European Union**, accounting for 27% of the

² EUEA, *Eastern Partnership*. Retrieved from http://eeas.europa.eu/eastern/index_en.htm (accessed December 15, 2013)

³ For more see EaP Community, *What is the Eastern Partnership?* Retrieved from <http://www.easternpartnership.org/content/what-eastern-partnership> (accessed December 10, 2013)

⁴ See EUEA, *The Eastern Partnership: The European Union and Eastern Europe*. Retrieved from http://eeas.europa.eu/eastern/docs/eap_vilnius_ppt_201113_en.pdf (accessed December 10, 2013)

country's total trade (European Commission, 2014). The volume of foreign trade turnover with the CIS countries amounting to 3787 million USD (35% of total turnover) is also worthwhile (Ministry of Economy and Sustainable Development of Georgia, 2014). The CIS countries account for 56% of the export of Georgia in the total turnover of country's foreign trade and 28% of the country's import, with the share of other countries of 38%, with Turkey (1.529 million USD), Azerbaijan (1.348 million USD), Ukraine (795.1 million USD), Russia (779.6 million USD), China (597.5 million USD), Armenia (497.6 million USD), USA (390.3 million USD), as the largest trading partners of Georgia (National Statistics Office of Georgia, 2014).

The so-called "GSP+" system of the EU Trade Preferences allows importing the goods of approximately 7200 denominations to EU the market at a Zero tariff.

The Partnership's benefit of economic indices show that by implementing Deep and Comprehensive Free Trade Area (DCFTA), the export and import of Georgia will increase by 12% and 7.5%, respectively (in the EU Countries), while the GDP of Georgia will increase by 4.3% (European Union External Action, 2013) .

Development of the infrastructural strategy and implementation of the infrastructural projects within the frame of cooperation between EU and Georgia in specific fields (transport, power engineering, telecommunication, environment, R&D, innovations) may be reviewed as the policy to support the economics and long term development policy (Delegation of the European Commission to Georgia, 2006).

For the Georgian society, the expectations from the EU economic policy are associated with more investments, employment generation, social defence, and reduced social inequality. The EU EaP in Georgia supports the democracy, supremacy of law, good governance and stability, power safety, environmental protection, sector reformation, economic and social development, economic integration and convergence with EU policies, reduction of social inequality, better contacts between people, and improved safety and dispute settlement procedures, with 120 millions of EURO allotted in 2007-2010 (European Commission, 2007), and 180.7 million EURO in 2011-2013 respectively (Anastasiu, 2013).

For the purpose of the Agreement of Association, the mechanisms and instruments to finance Georgia are focused on developing the cooperation in 25 different sectors.

The fact that the EU Countries view Georgia as a major transit road and supplier of energy resources yields additional economic benefits for the country.

Within the scope of the agreement with the EU, the stay of the citizens of Georgia in the European countries was prolonged, and visa fee was reduced to 35 Euro (from 60 Euro), while it was ultimately cancelled for 12 different categories of citizens (Official Journal of the European Union, L 52/34 .25.2.2011).

The research evidences that 70% of the population of Georgia is for Georgia's affiliation with the EU (The Caucasus Research Resource Centers, 2012). Georgia with its geopolitical position, orthodox relationships, and civilization and culture is a part of the Christian Europe, and in line with the Patriarch's appeal⁵. The Georgian Church and parish show readiness to be harmonized with and become a part of the European Culture.

One of the benefits of the EaP for Georgia is the harmonization of the Georgian legal environment and protection of the country's economic interests, in particular: regulation of open and hidden monopolies through antimonopoly legislation; harmonization of the Consumer Agreements (on credits, insurance) with the EU legal environment in the banking and financial sector, and protection of citizens in the field of food safety, etc. It is true that the existing agreements do not violate the international laws, but they imply little social responsibility and offer crushing terms for customers.

After impaired economic and trade relationships with Russia and in terms of foreign challenges of 2008 in the post-crisis period and global crisis, the EU is viewed as a "Galaxy of sustainable development" for Georgia.

3. Challenges of Eastern Partnership for Georgia

The Agreement of Association with its essence is profitable for Georgia in the economic, political and social respects. However, the "Program-Reform" envisaged by the Agreement to solve the country's versatile problems and challenges, present recommendations to consider the development of the region in a harmonious way on the background of the turbulent "political, economic and social resources" is ambiguous and too general, or give the prospects of only long-term or fragmentary regulations of the problems in the country.

There is a causal effect between the strategic partnership and the processes of configuration of the Caucasian region, variation of administrative landscape of the states, mutual relations and collaboration between the countries and formation of the Caucasus generally.

The above-mentioned Agreement is a new impetus and catalyst during the harmonization of Georgia with the EU countries; however, it also enhances foreign challenges, the factor of Turkish and Russian policies and conflict territories (Abkhazia and Tskhinvali), what will have an essential impact on the realization of the rational policy of the Caucasian Region, interdepartmental and intergovernmental communication, as well as the prospective partnership and trade.

Theoretically, the EU EaP is a kind of response to the recognition of the statehood and territorial integrity of Georgia, though in practice, in light of

⁵ Catholicos-Patriarch of All Georgia, the Archbishop of Mtskheta-Tbilisi and Metropolitan bishop of Abkhazia and Bichvinta, His Holiness and Beatitude Ilia II. Christmas epistle, 01.06.2014.

the EU strategic partnership with Russia, the ways to resolve the regional problems of Georgia are complex and obscure.

The Agreement of Association with the EU obliges Georgia to harmonize its legal environment with the EU legal standards. This implies adopting new laws and/or changing the existing laws, with their number reaching 350 as per different assessments. Based on the analysis of 'rate of work' of the Georgian legislative body and 'legislative hours of service needed for the country' (1642 laws were adopted in 2008-2011 and 500 laws were adopted in 2012-2013)⁶, one may conclude that affiliation with the **European Union** will be an essential challenge for the Georgian legislative environment. Besides, if considering the inevitable 'bureaucratic procedures' with the EU countries, this will take no less than 4 to 5 years.

A significant challenge is seen in that the legislative and institutional reforms of the self-governing bodies recommended by the Eastern Partnership imply political and financial independence, capable of leading to certain risks of possible separatism in Georgia.

The partnership with the EU will help improve the business climate in the country on the one hand, but will put the local manufacturers to a non-competitive position to global European Companies on the other hand. Similarly, the establishment of free trade environment implies significant challenges for the Georgian economics.

Due to the indefinite time before joining the EU, there has been certain scepticism among the population is also worth mentioning. In addition, it should be considered that the country failed to promptly respond to the contemporary demands of free market (due to the social and political processes of the 1990s in Georgia). Consequently, the level of the social and economic development of the country is low, while the rate of unemployment is high (it was 14.6% in 2013, though the real figure is higher)⁷. The level of education is mostly in line with "the Post-Soviet requirements" and is relevant to "the times of the centralized planned economy"; as for the youths, "free entry" to the EU or immigration policy is quite complicated for them leading to different opinions of the people regarding Georgia's affiliation with the EU.

The social, economic, public and administrative model of the EU is acceptable for Georgia, and the dynamics of the relationship also seems positive; however, no exact date of affiliation with the EU is known for the people, and the final date of becoming a part of the EU (like a "wedding day") "is guessed" by the Georgian society following the "optimistic analysis" of the statements the European and EU leaders make from time to time.

In the final run, the aforesaid challenges and problems do not diminish either the role, or the value of the Eastern Partnership.

⁶ Parliament of Georgia. Information supplied by Aparatus of Parliament of Georgia regarding the Law creation work, Letter №1907.

⁷ For additional information see National Statistics Office of Georgia (GEOSTAT), *Employment and Unemployment*.

4. Conclusions

In fact, the role and value of the Eastern Partnership for Georgia lies in the economic, political, legal and social benefits for the country. However, evaluating the consequences of the planned partnership or complications following the introduction and realization of the EU association program, making exact estimate of costs and incomes, or guaranteeing the successes is much difficult.

It should be noted that Georgia is heading for sustainable development, and is well aware of the course and trends beneficial for the country and has relevant (still underused) resources for development. Georgia's affiliation with the EU will be beneficial not only for Georgia, but for the EU as well, who will get certain benefit by having a civilized and cultural neighbour with underused resources (geopolitical, intellectual, energy, political, etc.).

Within the scope of the EaP, the economic, political, social and trading benefits are equally important for Georgia and EU countries, though it will not bring equal benefits to both. The European business circles have more resources, better technologies and far more privileges. Consequently, the Government of Georgia, by the EU support will need to care and improve the competitiveness of the local business environment.

Despite the common opinion of the Georgian authority and society regarding the EU integration, current political will, responsibility of authority and society, transformation of the country by considering the EU standards and relevant efforts in this respect, establishing the neighbourhood with Europe only by "declaring agreements" will lead to reappraisal of the relations.

Finally, Georgia plans to sign the Agreement of Association with Europe. Today, Georgia successfully meets the requirements and discharges its obligations, and the public opinion of the EU integration is firm; however, the "today's society" measures and analyzes the outcomes of the processes. Therefore, Georgia's affiliation with the EU is to be accelerated by the support of the EU countries so that the monetary, human, material and technological resources dedicated to the transformation to the "European Model" should not be fruitless and the impetus for the Georgian society to become a part of the EU should not disappear when the Georgian people will probably be forced to reappraise the Agreement as an association of belief.

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Annex 1: Programme of the JM Conference

Wednesday 11 June 2014

Mazā aula / Small Hall, University of Latvia, Riga, Raina bldv.19

**10:30 – 18:30 PRE-CONFERENCE JEAN MONNET RESEARCH SEMINAR:
INTERNATIONAL EXPERIENCES IN LABOUR MARKET
INTEGRATION, SOCIETAL AND DEMOGRAPHIC CHALLENGES –
FOCUS ON THE BALTIC STATES AND EU EASTERN PARTNERSHIP
COUNTRIES**

(programme is available at <http://www.lu.lv/jeanmonnetconference2014/welcome>)

**10:30 – 13:00 Panel I Towards Labour Market Challenges for Inclusion and
Equal Employment**

**14:00 – 16:00 Panel II Conference Doctoral School “European Integration and
Baltic Sea Region Studies”, University of Latvia**

**16:00 – 17:00 Concluding Session followed by the Graduation Ceremony of the
European Studies Masters Programme, University of Latvia**

17:00 – 18:00 STRAWBERRIES, CHEESE AND WINE

Thursday 12 June 2014, morning

Mazā aula / Small Hall, University of Latvia, Riga, Raina blvd.19

9:00 – 10:00 REGISTRATION AND COFFEE

10:00 – 10:45 OFFICIAL OPENING SESSION

Indriķis Muižnieks, Vice Rector for Research, University of Latvia

Inna Šteinbuka, Head, European Commission Representation in Latvia

Andrejs Pildegovičs, State Secretary, Ministry of Foreign Affairs of the
Republic of Latvia

Conference Chairperson:

Tatjana Muravska, Professor, Director, Jean Monnet Centre of
Excellence, University of Latvia

**10:45– 12:00 INTRODUCTORY KEY NOTE STATEMENTS:
EASTERN PARTNERSHIP – TIME FOR A NEW
COOPERATION STRATEGY**

Chairperson: **Inna Šteinbuka**, Head, European Commission Representation in Latvia

Speakers: *Eastern Partnership after Vilnius Summit. Legacy of Lithuanian EU
Presidency, Challenges Ahead*, **Darius Vitkauskas**, Deputy Director,
Eastern Neighbourhood Policy Department, Ministry of Foreign Affairs
of the Republic of Lithuania

Opportunities for Jean Monnet Activities in EaP Countries – the Erasmus+ Programme, **Renato Girelli**, European Commission, Directorate-General for Education and Culture

Research and Innovation- Cooperation with EaP Countries in the Horizon 2020 Programme, **Thierry Devars**, European Commission, Directorate-General for Research and Innovation

EU-Ukraine Association Agreement: Road to the EU Membership? **Roman Petrov**, Professor, Jean Monnet Centre of Excellence, Kyiv-Mohyla Academy, Ukraine

INTERVENTION

by H.E. **Georgios Chatzimichelakis**, Embassy of Hellenic Republic to Latvia

DISCUSSION

12:00 – 13:30 LUNCH Restaurant “Daily”, Private Hall, University of Latvia

Thursday 12 June 2014, afternoon

Senāta sēžu zāle / The Senate Room

13:30 – 15:00 THE REGIONAL SECURITY ISSUES ROUND TABLE: SOFT VERSUS HARD POWER

Chairperson: **Žaneta Ozoliņa**, Professor, University of Latvia

KEYNOTE STATEMENT

H.E. **Māris Riekstiņš**, Permanent Representative of Latvia to NATO

Speakers: *Current Issues in the Security Policy*, **Mark Opgenorth**, Russia and Ukraine Relations Section Political Affairs and Security Policy, NATO

Russia's Soft Power with a Hard Edge? **Jānis Kažociņš**, Advisor on International Security Issues to the Minister of Defense and the Ministry of Foreign Affairs of the Republic of Latvia

Political Aspects of Security Policy in Relation to Eastern Partnership: Perspectives for Georgia, **Eka Sepashvili**, Dr, Chief Adviser to the State Minister, Office of the State Minister of Georgia on European and Euro-Atlantic Integration, Georgia

Peace and Security through Law - the Role of the Individual Rights as a Stabilizing Factor for National and International Politics, **Rainer Arnold**, Professor, Jean Monnet Chair “Ad Personam”, University of Regensburg, Germany

DISCUSSION

15:00 – 15:15 COFFEE BREAK

15:15 – 16:45 FIRST EASTERN PARTNERSHIP PANEL: RESEARCH AND INNOVATION IN H2020

Co-chairpersons:

Thierry Devars, European Commission, Directorate-General for Research and Innovation

Indriķis Muiznieks, Vice Rector for Research, University of Latvia

Introductory Note:

Reinforcing Cooperation EU - EaP Countries on Energy Research and Innovation, **Manfred Spiesberger**, Centre for Social Innovation, Vienna, Austria

Panel members:

Through FP7 to H2020: Armenian practice - IPERA project, **Aram Papoyan**, ERA-WIDE, Director, Institute for Physical Research of the National Academy of Sciences of Armenia, Ashtarak, Armenia

History and Best Practice in Bridging the Gap between Research and Innovation, **Daniela Chiran**, Steinbeis-Europa-Zentrum, Stuttgart, Germany

Latvian Institute of Organic Synthesis: From East to West – Keeping the Best, **Ivars Kalviņš**, Professor, Head, Department of Medicinal Chemistry, Latvian Institute of Organic Synthesis and Chair of the BIRTI Council

DISCUSSION

16:45 – 17:00 COFFEE BREAK

17:00 – 18:30 **FIRST EASTERN PARTNERSHIP ROUND TABLE**
THE EU'S EASTERN PARTNERSHIP IN TURMOIL – FRONT LINE ISSUES: STABILITY, DEMOCRACY AND ECONOMIC INTEGRATION

Chairperson: **Anders Paalzow**, Rector, Stockholm School of Economics in Riga, Latvia

Speakers: *European Crises: Even External Ones?* **Michael Bolle**, Professor, Jean Monnet Centre of Excellence, Free University, Berlin, Germany
An Eastern Foreign Policy for the EU: EU - Russia Relations in a Prospect of Further Enlargement of the EU, **Andrea Bosco**, Professor, Jean Monnet Centre of Excellence, University of Florence, Italy
Post-Soviet Regionalism: the Case of Ukraine, **Viktor Chuzhykov** and **Oleksandr Fedirko**, Professors, Jean Monnet Chair, Kyiv National Economic University named after Vadym Hetman, Ukraine

DISCUSSION

Friday 13 June 2014

Baltic Beach Hotel, Jurmala, Juras str. 23/25

8:00 – 8:30 REGISTRATION AND COFFEE

8:30 – 9:30 **SECOND EASTERN PARTNERSHIP ROUNDTABLE**
FRONTLINE ISSUES AND CONVERGENCE WITH EU POLICIES: STABILITY, DEMOCRACY AND ECONOMIC INTEGRATION

Chairperson: **Roman Petrov**, Professor, Jean Monnet Centre of Excellence, Kyiv-Mohyla Academy, Ukraine

Speakers: *European Territorial Cooperation with Non-EU-Member States*, **Wolfgang Streitenberger**, Dr, European Commission, Directorate-General for Regional Policy and Urban Development
OSCE Commitments in the Area of Migration. ODIHR's Support to Participating States in their Implementation, **Juris Gromovs**, Adviser on Migration and Freedom of Movement, The Office for Democratic Institutions and Human Rights, Organisation for Security and Co-operation in Europe
Challenges and Prospects for Georgia as the Result of Eastern Partnership, **Rati Abuladze**, Professor, Georgian Technical University, Tbilisi, Georgia

DISCUSSION

**9:30 – 10:30 SECOND EASTERN PARTNERSHIP PANEL:
RESEARCH AND INNOVATION IN H2020**

Chairperson: **Indriķis Muižnieks**, Vice Rector for Research, University of Latvia

Speakers: *Smart Specialisation and EU Eastern Innovation Cooperation – a Conceptual Approach*, **Gunnar Prause**, Professor, Tallinn University of Technology, Estonia

Strengthening of EU-Ukraine S&T COOPERATION: ERA-Wide Program and Its Results Based on the Nanotwinning Project, **Olena Fesenko**, Head, Institute of Physics, National Academy of Sciences, Kiev, Ukraine
EU-Ukraine STI Cooperation in Aeronautics: FP7 Experience and New Opportunities in H2020, **Igor Rybalchenko**, National Aerospace University “KhAI”, Kharkov, Ukraine

10:30 – 10:45 COFFEE BREAK

10:45 – 11:15 REGIONAL ENERGY ISSUES

Speakers: *Regional Energy Policy Issues: the Case of Latvia*, **Jurijs Spiridonovs**, Dr, Deputy State Secretary, Ministry of Economics of the Republic of Latvia
Energy Relations between Turkey and the European Union with Reference to EaP, **Tolga Demiryol**, Professor, Istanbul Kemerburgaz University, Turkey

DISCUSSION

11:15 – 12:45 AGORA: POLICIES AND PRACTICES IN EASTERN PARTNERSHIP (PART I)

Chairperson: **Alexandre Berlin**, Dr, Honorary Director, European Commission, Paris, France

Speakers: *Cooperation with EaP Countries: Experience of the Stockholm School of Economics in Riga*, **Anders Paalzow**, Rector, Stockholm School of Economics in Riga, Latvia

Significance and Impact of Innovation Network of Academia and Business with Special Emphasis on Work Based Learning, **Max A. Hogeforster**, Dr, Chairman, Baltic Sea Academy and **Elina Priedulena**, Hanse Parliament, Hamburg, Germany

Eastern Partnership and Ukrainian Crisis – Geostrategic, Economic and Social Challenges with Reference to European Studies, **Kamil Zajączkowski**, Dr, Vice Chair, Polish ECSA and Centre for Europe, University of Warsaw, Poland

Adolescence of European Lawyer: Promoting Legal Education through Eastern Partnership, **Tanel Kerikmäe**, Professor, Jean Monnet Centre of Excellence, Tallinn University of Technology, Estonia

DISCUSSION

12:45 – 14:00 LUNCH

14:00 – 15:00 AGORA: PRACTICES AND POLICIES IN EASTERN PARTNERSHIP (PART II)

Chairperson: **Alexandre Berlin**, Dr, Honorary Director, European Commission, Paris, France

Speakers: *Financial Policy Instruments for Enhanced Cooperation with EaP Countries*, **Valdona Darskuvienė**, Professor, Vytautas Magnus University, Kaunas, Lithuania

ENP Financial Instruments, **Ewa Latoszek**, Professor, Jean Monnet Chair, Warsaw School of Economics, Poland (presented by Kamil Zajączkowski, Dr, Vice Chair, Polish ECSA and Centre for Europe, University of Warsaw, Poland)

DISCUSSION

Need for Service Design Development for Sustainable Rural Tourism in Azerbaijan, **Aytan Poladova**, Dr, Ekoloji Tarazliq NGO, Baku, Azerbaijan and **Jonna Heikkilä**, Dr, Turku University of Applied Sciences, Finland

DISCUSSION

Latvia–Russia & Eastern Partnership in Agriculture **Ainārs Nābels-Šneiders**, Dr, Agricultural Attaché in Moscow, Ministry of Agriculture of the Republic of Latvia

DISCUSSION

15:00 – 16:30 CONCLUDING SESSION AND GENERAL DISCUSSION THE EASTERN PARTNERSHIP MULTILATERAL PLATFORMS 2014-2017: IS INSTITUTIONALLY THE EU READY?

Speakers: *EU Presidency Priorities for Latvia*, H.E. **Juris Poikāns**, Ambassador-at-Large for Eastern Partnership, Ministry of Foreign Affairs of the Republic of Latvia

Institutional setup of European Neighbourhood Policy- Increasing Efficiency Ahead, **Ilze Rūse**, Dr, Director, European Department, Ministry of Foreign Affairs of the Republic of Latvia

Concluding Remarks:

Tatjana Muravska, Professor, Director, Jean Monnet Centre of Excellence, University of Latvia

16:30 FAREWELL

Annex 2:

List of the Conference Participants

The Conference, an initiative within the framework of the European Commission Jean Monnet Programme, is organized by the Jean Monnet Centre of Excellence at the University of Latvia

Surname	Name	Institution	Country
Abuladze	Rati	Georgian Technical University	Georgia
Aleksejeva	Inese	University of Latvia	Latvia
Allena	Signe	University of Latvia	Latvia
Andreičika	Arina	Management Sciences of Doctoral Study Programme, University of Latvia	Latvia
Aprāns	Jānis	University of Latvia	Latvia
Arnauts	Frank	Belgian Ambassador to Latvia	Belgium
Arnold	Rainer	Jean Monnet Chair “Ad Personam”, University of Regensburg	Germany
Aseradens	Arvils	Latvian Parliament (Saeima)	Latvia
Baakashvili	Nino	Advisor to the Georgian Ambassador to Latvia	Georgia
Baltiņa	Līga	University of Latvia	Latvia
Ben-Yaakov	Hagit	Israeli Ambassador to Latvia	Israel
Berlin	Alexandre	Honorary Director, European Commission	Belgium
Boikova	Tatyana	Baltic International Academy	Latvia
Bolle	Michael	Free University in Berlin	Germany
Bosco	Andrea	University of Florence	Italy
Buka	Inta	International Education Programs Centre, The Baltic International Academy	Latvia
Buligina	Ilze	University of Latvia	Latvia
Busby	Joel	University of Victoria	Canada
Carlsen	Per	Danish Ambassador to Latvia	Denmark

Surname	Name	Institution	Country
Chatzimichelakis	Georgios	Ambassador of the Hellenic Republic (Greece) to Latvia	Greece
Chiran	Daniela	Steinbeis-Europa Zentrum	Austria
Chuzhykov	Viktor	Kyiv National Economic University named after Vadym Hetman	Ukraine
Dahs	Aleksandrs	University of Latvia	Latvia
Degutis	Ričardas	Lithuanian Ambassador to Latvia	Lithuania
Delangre	Jean-François	Université Libre de Bruxelles	Belgium
Demiroğlu	Tolga	Istanbul Kemerburgaz University	Turkey
Devars	Thierry	DG Research and Innovation, European Commission	Belgium
Dimante	Džineta	University of Latvia	Latvia
Dovladbekova	Inna	Riga Stradiņš University	Latvia
Dubra	Elena	University of Latvia	Latvia
Dziesma	Maija	Latvian Academy of Culture	Latvia
Eize	Valija	Future Institute of Latvia	Latvia
Fedirko	Oleksandr	Kyiv National Economic University named after Vadym Hetman	Ukraine
Fesenko	Olena	National Academy of Sciences	Ukraine
Findorak	Wendi	Student	United Kingdom
Fortiņš	Egils	University of Latvia	Latvia
Girelli	Renato	DG Research and Innovation, European Commission	Belgium
Greco	Stefano	Manipal University and University of Latvia	Latvia
Grieve	Sarah	University of Alberta	Canada
Gromovs	Juris	The Office for Democratic Institutions and Human Rights	Poland
Hakoniemi	Teemu	Embassy of Estonia	Estonia
Heikkilä	Jonna	Turku University of Applied Sciences	Finland
Hermansone	Ieva	Nordic Council of Ministers office in Latvia	Latvia
Hogeforster	Max A.	Baltic Sea Academy	Germany
Jarohnovica	Natalja	Ventspils University College	Latvia
Järvpõld	Kaisa	Tallinn University of Technology	Estonia
Kalniņa-Lukaševica	Zanda	Chairperson, European Affairs Committee, Latvian Parliament Saeima	Latvia

Surname	Name	Institution	Country
Kalviņš	Ivars	Head of the Department of Medicinal Chemistry, Latvian Institute of Organic Synthesis and Chair, BIRTI Council	Latvia
Kapustans	Jānis	Vidzeme University of Applied Sciences	Latvia
Karpovičs	Andrejs	Ministry of Foreign Affairs, Latvia	Latvia
Kažociņš	Jānis	Advisor on International Security Issues to the Minister of Defence and the Ministry of Foreign Affairs for the Republic of Latvia	Latvia
Kerikmae	Tanel	Tallinn University of Technology	Estonia
Kirch	Aksel	Tallinn University of Technology	Estonia
Kirwan	Aidan	Irish Ambassador to Latvia	Ireland
Klemeier	Jessica	Embassy of the Federal Republic of Germany	Germany
Kozlovs	Mihails	University of Latvia	Latvia
Kristaps	Gatis	University of Latvia	Latvia
Krumins	Juris	University of Latvia	Latvia
Kukhianidze	Ketevana	Akaki Tsereteli State University	Georgia
Latoszek	Ewa	Jean Monnet Chair, Warsaw School of Economics, Poland	Poland
Lavoie	Erica	Embassy of Canada in Latvia	
Leontjevs	Jevgenijs	Riga Stradiņš University	Latvia
Muižnieks	Indriķis	Vice Rector, University of Latvia	Latvia
Muižnieks	Kārlis	University of Latvia	Latvia
Muravska	Tatjana	Jean Monnet Centre for Excellence, University of Latvia	Latvia
Nābles-Šneiders	Ainārs	Agricultural Attaché in Moscow, Ministry of Agriculture of the Republic of Latvia	Latvia
Neilands	Aksels	University of Latvia	Latvia
Opgenorth	Mark	NATO	
Ozoliņa	Žaneta	University of Latvia	Latvia
Ozoliņa	Ilona	Transport and Telecommunication Institute	Latvia
Paalzow	Anders	Stockholm School of Economics in Riga	Latvia
Palkovits	Valer	Deputy Head of Mission, Embassy of Hungary to Latvia	Hungary

Surname	Name	Institution	Country
Papoyan	Aram	Director, Institute for Physical Research of the National Academy of Sciences	Armenia
Pastore	Gunta	University of Latvia	Latvia
Petrov	Roman	Jean Monnet Centre of Excellence, Kyiv-Mohylaa Academy	Ukraine
Pildegovičs	Andrejs	State Secretary, Ministry of Foreign Affairs, Latvia	Latvia
Plotnieks	Dāvis	University of Latvia	Latvia
Poikāns	Juris	Ministry of Foreign Affairs, Latvia	Latvia
Poladova	Aytan	Director, Ekoloji Tarazliq NGO	Azerbaijan
Ponomarjova	Denīze	Jean Monnet Centre for Excellence, University of Latvia	Latvia
Prause	Gunnar	Tallinn University of Technology	Estonia
Priedulena	Elina	Hanse Parliament	Germany
Putāns	Romāns	Jean Monnet Centre for Excellence, University of Latvia	Latvia
Rajevska	Olga	University of Latvia	Latvia
Ratiu	Ovidiu	University of Victoria	Canada
Retzignac	Camille	Intern at the International Relations Office, University of Latvia	Latvia
Rezepina	Irina	University of Latvia	Latvia
Riekstiņš	Māris	Permanent Delegation of Latvia to NATO	Latvia
Rojenko	Vladimirs	University of Latvia	Latvia
Rolph	Patrick	Office of the Embassy of Canada in Vilnius	Canada
Rūse	Ilze	Director, European Department, Ministry of Foreign Affairs, Latvia	Latvia
Rybalchenko	Igor	National Aerospace University "KhAI"	Ukraine
Semanis	Einars	Economic and Bilateral Relations Directorate, Ministry of Foreign Affairs, Latvia	Latvia
Sepashvili	Eka	Chief Advisor, Office of the State Minister of Georgia on European and Euro-Atlantic Integration	Georgia
Silis	Māris	Future Institute of Latvia	Latvia
Smirnov	Igor	BIRD institute	Latvia
Sommers	Jeffrey	University of Wisconsin-Milwaukee (Institute of World Affairs)	USA

Surname	Name	Institution	Country
Speckbrock	Sebastian	Embassy of the Federal Republic of Germany in Latvia	Germany
Spiesberger	Manfred	Steinbeis-Europa Zentrum	Austria
Spiridonovs	Jurijs	Ministry of Economics, Latvia	Latvia
Sproģe	Vēsma	newspaper "Kurzemes Vārds"	Latvia
Stacenko	Sergejs	University of Latvia	Latvia
Stanciene	Merje	Estonian Ambassador to Latvia	Estonia
Šteinbuka	Inna	Head, European Commission Representation in Latvia	Latvia
Streitenberger	Wolfgang	DG Regional Policy and Urban Development, European Commission	Belgium
Studāne	Agnese	Ministry of Justice, Latvia	Latvia
Sushkova	Iuliia	Mordovia Ogarev State University	Russia
Tuisk	Tarmo	Tallinn University of Technology	Estonia
Vaivads	Jānis	Ltd EUroconsulting	Latvia
Valdone	Darskuvienė	Vytautas Magnus University	Lithuania
Vitkauskas	Darius	Deputy Director, Ministry of Foreign Affairs, Lithuania	Lithuania
Wiktorin	Andrea Joana-Maria	German Ambassador to Latvia	Germany
Zajączkowski	Kamil	Polish ECSA and Centre for Europe, Warsaw University	Poland
Zeibote	Zane	Jean Monnet Centre for Excellence, University of Latvia	Latvia
Žigalova	Anna	University of Latvia	Latvia