Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea Region

Public Policy Challenges – European and Regional Dimensions

Written revised versions of the presentations delivered at the XIX Edition of the Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea Region, held in the period May 28 – June 1, 2018 in Albena resort (Bulgaria)

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PREFACE
Dear colleagues, partners and friends,

It is my and my colleagues’ immense pleasure to bring to your attention the current publication consisting of the written and revised versions of the presentations and speeches delivered during the 2018 Summer Seminar for Young Public Policy Professionals from South Eastern Europe and the Black Sea region. The traditional five-day-long international forum was organized by the Economic Policy Institute, Sofia (EPI) for an nineteenth consecutive time in the period May 28 – June 1, 2018 in Albena resort at the Bulgarian Black Sea coast and was made possible thanks to the kind financial support of the Hanns Seidel Foundation, the Representation of the European Commission in Bulgaria, the Central European Initiative and the Austrian Embassy in Sofia.

The concept of organizing the Summer Seminar series dates back to 1998/1999 – right after the foundation of the Economic Policy Institute by its first chairperson – Dr. Ivanka Petkova, (1947 - 2011). The first Summer Seminar took place in 2000, which was initially supported by the Bertelsmann Foundation and the World Bank, and sought to meet the most visible and pressing challenges for South-Eastern Europe (SEE) at that time – building administrative capacity...
for facing EU requirements as well as for preparing for EU negotiations and fostering regional cooperation. Back then its core target group featured young officials from public institutions from Bulgaria and Romania. Throughout the following years the Summer Seminar grew considerably both in geographical scope and participants’ background. This could be best seen in the patterns of the XIX Summer Seminar – after a rigorous selection process with a record number of applications, it gathered a talented pool of 37 participants from 14 countries – Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Georgia, Macedonia, Moldova, Montenegro, Romania, Russia, Serbia, Turkey and Ukraine. Thus, the overall alumni network of the initiative exceeded 600 people – many of them now having leading positions in public administrations, businesses and NGOs across SEE and the Black Sea. The group of participants in recent years includes not only emerging professionals from public administration structures but also experts from policy-oriented research centres in the above-mentioned countries, which adds another spin to the forum and value to the exchange of ideas and expertise.

The diverse group of young professionals who participated in the 2018 edition of the Summer Seminar benefited from the knowledge and expertise of 16 prominent speakers. They all dealt with topics gathered in several thematic panels such as: “SEE and Black Sea Region in a wider EU Context”, Panel “Political, Economic and Security Challenges in Europe”, “Further Perspectives for Economic Growth and Competitiveness” and “Rethinking Good Governance”.

An essential part of the Summer Seminar included the organization of interactive sessions embedded in the agenda. Participants could enrol in one of two parallel workshops – “Digital transformation” and “Chinese investments in SEE & Black Sea countries”. After each of the parallel sessions a summary of the discussions was delivered by its members to the whole group of Summer Seminar attendees. In this way, all participants received insights of both sessions. In addition, these workshops were preceded by an interactive foresight session in the very beginning of the forum that challenged young public policy leaders to form teams, strategize and pitch to the audience their ideas on two main questions: 1) Why the Black Sea area should be considered a region and how to justify its existence? 2) How to convince current EU Member States that an enlargement towards the Western Balkans would benefit them all?

During the XIX Summer Seminar EPI presented the findings of a second annual survey among Summer Seminars’ participants seeking to deliver a mapping of public policy challenges in SEE and Black Sea countries. Its inaugural edition preceded the XVII Summer Seminar in 2017 and provided insights on state of good governance in the broader SEE region. The 2018 survey was disseminated among the alumni network and participants selected for the XIX Summer Seminar. It aimed at mapping the sentiment among them on the current state of governance in SEE and is meant to build upon the bottom-up approach for examining current public policy challenges in SEE based on insiders’ point of view. The findings of this unique excerpt of opinions from public experts in neighbouring EU Member States and non-EU Member States were firstly presented at the forum and are now available in this publication.

I would like to take this opportunity and once again thank all supporting organizations that made the 2018 edition of the Summer Seminar possible; all panellists who took the time to share their expertise with the participants; the participants themselves for making the forum so thought-provoking and vibrant and, of course, to the small but devoted team of the Economic Policy Institute for going the extra mile in order to keep the event such a regional highlight.

By publishing this issue, both electronically and on a hard copy, and freely disseminating it to all participants, lecturers and stakeholders in the above-mentioned SEE and Black Sea countries, we at EPI believe that we not only actively contribute to the widening of beneficiaries’ circle but also to improving the perceptions and the image of South East Europe and the Black Sea region as a whole. We hope you will enjoy the read!

Yasen Georgiev
Executive Director
Economic Policy Institute
WELCOME ADDRESSES
Dr. Klaus Fiesinger
Regional Director for South-East Europe, Hanns Seidel Foundation, Zagreb

Dr. Klaus Fiesinger is regional director for Southeast Europe of the Hanns Seidel Foundation. In this function he is responsible for promoting the European idea, international dialogue, cross-border cooperation, political culture and civic education in new EU member states, candidate countries as well as potential candidate countries. Previously he has been head of the Division for Central, East and Southeast Europe and Central Asia at the Hanns Seidel Foundation in Munich since 1992. Furthermore, Dr. Fiesinger is member of IDM, the Austrian Institute in Vienna for the Danube Zone and Central Europe as well as of “Südosteuropa Gesellschaft”.

Dr. Fiesinger received his Ph.D. in Political Science from the University of Munich. He is author of the book “Ballhausplatz-Diplomatie 1945-1949.” From 2004 until 2012 he was visiting professor at the Andrassy University in Budapest. Occasionally, he gives lectures on Euroregions, cross-border police cooperation and political education.

Distinguished participants and friends,
Ladies and Gentlemen,

It has become a tradition for Hanns-Seidel-Office in Sofia, to cooperate with the Bulgarian Economic Policy Institute and its partners in the framework of the inter-regional Summer Seminar for Young Public Policy Professionals, which has been taking place for several years now at the convenient venue of Albena Black Sea resort.

With pleasure I welcome to this one-week-seminar all participants, coming from various public administrations and policy-oriented research-centers from 14 countries of South-East-Europe and Black-Sea-Region.

“Public Policy Challenges – European and Regional Dimensions” in the context and present situation of two regions – South East Europe and Black Sea – which are characterized by many similarities but also by large different problems, are not only encompassing all topics of our long-term very efficient conference cycle.
This special shape and frame of conference gives us the possibility and chance to meet together in a relaxed atmosphere for enlarging knowledge about current issues and exchanging mutual experiences.

In this respect, it is our aim at contributing to the promotion of good governance processes and intercultural dialogue. You may agree with me, that it is our overall intention to enhance and consolidate the EU integration and neighborhood process in the region.

Not only the European Union but Europe as a whole needs common values, ideas and visions in terms of democracy, peace and development.

As one of the German political foundations, Hanns-Seidel-Foundation is guided by the same principles. Relating to that background our branch office in Sofia works at the intersection of politics and science. It is our task to make analysis of political interrelations, to create scientific basis for political, administrative and economic progress and to gather experts, multipliers and decision-makers for joint efforts, as it is done here in our Albena summer seminar.

As in former years, the lectures and workshops will be held by distinguished, well proven experts from the scientific university sector as well as from the practice-oriented sector of politics and economy. By this you will receive useful information to your further functions besides building up a strong international network with your colleagues participating this week at the seminar, which is in our intention too.

In this year’s focus point of our seminar program will be, among others, for example, the analysis of the current EU Agenda according to the EU enlargement processes of Western Balkan region and the question of European identity in general. Some additional glance to the influence of external powers, so for instance China’s outreach to South East Europe by its “Belt and Road Initiative” will complete our multi-sectoral conference program.

It should be mentioned and emphasized by me at this place also the great endeavor and effort deriving from the just running Bulgarian EU Presidency referring to the Western Balkan EU applicant countries to get as soon as possible the aspired membership. Albania and Macedonia (FYROM) are expecting the concrete opening of chapter-negotiations up to the end of 2019 and Bulgaria is supporting their ambitions. Already last year Bulgaria proved as future-oriented peace-keeper within the Balkan region by concluding a treaty of friendship and good neighborly relations with Macedonia.

Such fruitful cross-border relations and interregional cooperation have been primarily also in the focus of project activities of Hanns-Seidel-Foundation (HSF) – both on state-level as well as on the NGO-level:

In relevance to that approach, our Sofia office but also all the other HSF-branch offices in the area of my responsibility as “Regional director for South-East-Europe”, that means our offices in Zagreb, Belgrade and Tirana, are engaged in the following sectors:

- Cross-border cooperation in the youth sector, mainly on level of university-network.
- Cross-border cooperation of local authorities by joint seminars and workshops.
- Cross-border cooperation of border police units mainly on the operational level in the framework of justice and home affairs.
- Cross-border cooperation on the high level of diplomacy by offering joint seminars for young diplomats in the framework of foreign policy and neighborhood relations.

At the end of my welcome address, let me finally refer once more to our intention with this seminar here in Albena:

Normally young people of South-East Europe and Black Sea region intend to get in contact with Western Europe and with the USA, but not with their generation in the direct neighborhood.

And it is also a fact that usually we all think in stereotyped way about our neighbors, often fulfilled by wrong perceptions and prejudice. Knowledge about our neighbor countries does not automatically include knowledge about their population’s mindset, attitude and perception.

This seminar should be therefore also considered a small attempt to leave old habits behind and to create among you a dialogue platform for future contacts.
Dear Participants,
Dear Guests,

It is now ten years since I first attended this Summer Seminar. It was very successful then and even more so today. It is an opportunity to create a real network of dedicated professionals, of ideas, of friends. So I really regret that I cannot be with you today but I am certain that the forum will be very productive.

The key topic today for all of us is digitalization. It is transforming our entire lives and offers huge opportunities, especially in the public sector, because for a public administration digitalization means better processes, better services for citizens, better and more transparent management. There is so much potential and I am sure you will discuss many ideas this week.

Because you are the digital generation, digitalization is not a revolution for you, it is a reality. Change is natural to you, it is an opportunity, not a risk.

So, I want to thank the Economic Policy Institute for giving you the right platform to create, to think and to exchange. I wish you all the best this week and I hope to see you next summer.
Bulgarian Presidency of the Council of the EU – Priorities, Opportunities and the Role of the Public Sector and the Civil Society in Delivering on Citizens’ Expectations

Dr. Monika Panayotova
Deputy Minister for the Bulgarian Presidency of the Council of the European Union 2018

Monika Panayotova has been appointed as Deputy Minister for the Bulgarian Presidency of the Council of the EU 2018, responsible for the relations with the European Parliament (the so-called - Ministre Délégué) since June 28, 2017. She is a Doctor of Political Science, with interests in the field of the EU security and defence policy.

In the period 2009-2012, Monika Panayotova was member of 41st National Assembly of the Republic of Bulgaria, chairwoman of Committee on European Affairs and Oversight of the European Funds and member of the Foreign Policy and Defence Committee. During the period 2012 – 2014, she was a member of the European Parliament and participated in the Committee on Budgetary Control, the Committee on Culture and Education and the Subcommittee on Security and Defence. From 2014 to June 2017, Monika Panayotova was General Manager of Inno Advisers Ltd, a consultancy company, owned by Comac Medical Ltd., with main purpose – the development of innovative projects and concepts in the field of education, health and science. In that period she was as well member of the Advisory Council of Bulgarian Memory Foundation, Board member of Sofia Security Forum and Co-initiator and Board member of the Global Entrepreneurship Monitor for Bulgaria. In 2016, she was independent expert, Member of Horizon 2020 Advisory Group on “Spreading Excellence and Widening participation”; European Commission. In the period 2006 – 2008, she was research fellow at Economic Policy Institute in Bulgaria and Director “Projects and Public Communications”.

Monika Panayotova has publications on security and defence, NATO, European affairs and Common European Security and Defence Policy.
I would like to thank the Economic Policy Institute for the opportunity to share with you the objectives and the activities of the first Bulgarian Presidency of the Council of the European Union during the XIX Summer Seminar for Young Public Policy Professionals from South-Eastern Europe and the Black Sea Region. The Summer Seminars of the EPI are now a well-established tradition, which contributes strongly to the processes of further European integration in Bulgaria and of the European perspective of the region as, on the one hand, they support the development of administrative capacity in our countries, and on the other hand, they encourage the regional cooperation in South-Eastern Europe.

The title of this year’s seminar resonates strongly with the political agenda at European and regional level, because the challenges faced by Europe and the world today require a comprehensive policy response, a vision and commitment from the public administration.

Herewith, I would like to focus your attention on three main points:

• Firstly, the objectives of the first Bulgarian Presidency as a response to the challenges on the European and the international scene today;

• Secondly, the role of civil society in policy-making and the role of the public sector in delivering on citizen’s expectations for effective, inclusive and sustainable policies in response to these challenges;

• Thirdly, the opportunities for the national public administrations by the experience of holding the rotational Presidency of the Council of the European Union.

Turning to my first point:

Bulgaria has the rare chance to be a Presidency of the Council during interesting and exciting times, when complex but inspiring decisions are taken, regarding the future of the European Union (EU), both in terms of the political process and in terms of policies. In terms of the political process, we are at the end of the legislative mandate of the current European Parliament, which places serious pressure upon the Council Presidency to move the legislative agenda forward on the numerous initiatives on the negotiating table. In terms of policies, the globalization, the Industrial Revolution 4.0, the complex character of the security threats, the need for guaranteeing social fairness and protection as well as competitiveness and cohesion, create new realities for Europe and the world today and pose various challenges, requiring a strategic response and a long-term vision beyond the traditional mandate of the political cycle. The EU is undergoing significant economic transformations, moving towards "low-carbon, circular and digital economy."

These transformations require a comprehensive policy response. In the past years the EU has been focused on responding to crises. Now it is the moment to assess the long-term perspectives and to address the deeper transformations in our economy and society. Therefore, today the EU institutions and many of the Member States are increasingly planning their policies in the 2030- and even 2050-perspective.

Before presenting the priorities of the first Bulgarian Presidency of the Council of the EU, I would like to share how we developed them and what the role of the civil society was in this process.

The elaboration of the priorities and the Programme of the Republic of Bulgaria for the Presidency of the Council of the EU was based:

• on the one hand, on a deep analysis of the complex challenges at the European and international stage;

• on the other hand, on a direct dialogue with the civil society in the country.

For almost 6 months, our Presidency’s programme has been kind of "a living document", developed on the basis of ongoing consultations with the business, the civil society organizations, the expert and academic community.

We strongly appreciate the expert contribution, creative and innovative approach of the non-governmental sector and civil society, which have a very important added value for us. The input of the expert community and the civil sector are decisive during a Presidency as they are the source of creativity and democratic legitimacy of EU legislation and policies. Today more than ever the European project needs their potential to address the challenges and opportunities, arising from the global transformations in our economies and societies.

Bulgaria assumed the responsible role to be a Presidency in a period when the European Union is faced with multiple challenges and opportunities, related to the globalization and the new realities. These challenges stem from climate change, the Industrial Revolution 4.0 and the development
of the Information and Communication Technologies, the need for social fairness and protection, the competitiveness-cohesion nexus, as well as the changes in the global security environment.

In view of these new realities, we conducted an in-depth analysis, having in mind the fact that Bulgaria has the chance to participate in the processes of shaping and reshaping the European Union as European citizens, and in particular, the young people, dream and want to see it.

At the start of the preparation of the Programme of the Bulgarian Presidency, we tried to define the response that the Union provides to these challenges through legislative and non-legislative initiatives, which are to be negotiated during the rotating Presidency. Thus, the analysis demonstrated that the European legislation and policies are a reflection and a response to certain processes, trends of development and expectations of the European citizens.

Challenges related to climate change and the climate-energy nexus

Today the European Union faces the need to formulate its response to the challenges, stemming from climate change and the need for protection of the environment and natural resources.

The EU played a key role in the adoption of the first global legally binding agreement on climate change in December 2015 in Paris. Building on these efforts, the EU today needs to continue working towards a more sustainable and competitive economy.

The topic of the climate-energy nexus is increasingly at the centre of the discussions on how to achieve economic growth, to create jobs and to respond to the challenges of the 21st century related to the need for energy security, sustainable and nature-friendly policies. The transition to low-carbon or carbon-free economy would foster European growth and employment. The use, and respectively misuse, of key resources such as energy, raw materials, soil and water would be reduced. The EU would be less dependent on the expensive import of petrol and gas, while the benefits for citizens' health, resulting from decreased air pollution and drinking water pollution, are unquestionable.

The European response to these challenges lies in the transition towards low-carbon energy sources, including broader use of renewables and increased energy efficiency. In this regard, the “Clean Energy” legislative package has a significant contribution to achieving these objectives, as it facilitates the transition towards renewables, increases energy efficiency, strengthens the common energy market and creates strong commitment to the governance of the EU Energy Union in order to guarantee the sustainability of policies. The Bulgarian Presidency has an important role in the negotiation process on the “Clean Energy” package, focusing on the so-called first “sub-package”, including the Directive on Energy Efficiency, the Directive on Promoting the Use of Renewables and the Regulation on the Governance of the Energy Union. As we are at the final stage of negotiation, I am sure that we will achieve our level of ambition and reach a political agreement with the European Parliament on the three files, taking into account the fundamental importance of the package for the establishment of the Energy Union.

Challenges, related to the Industrial Revolution 4.0 and the development of the Information and Communication Technologies

The Industrial Revolution 4.0 and the development of the Information and Communication Technologies create vast economic potential. High-technology sectors however are facing serious competition from other parts of the world, and many traditional sectors and small and medium enterprises lag behind in the global competition. According to European Commission data only 1.7% of EU companies use advanced digital tools like robotics, data analytics or Cloud computing. Furthermore, the pressure, which technological developments place on skills and competences, is unprecedented. Considerable investments are needed for developing digital skills, particularly for young people, taking into account the expectations that the future workplace will be more flexible and dynamic, but also more insecure. By 2020, 9 out of 10 jobs will require a certain level of digital skills. Today 40% of EU employers claim that they cannot find workers with the appropriate skills. This is why the European Commissioner for the Digital Single Market, Andrus Ansip defines digital skills as the “ticket to the digital economy”. The EU could not be able to establish the Digital Single Market without coping with the shortage of digital skills.

Cybersecurity is rising in importance as a factor with crucial effect both on the economy and on the security of the EU. European Commission data
shows that 80% of European companies have been a victim of at least one cyberattack and in the last four years the economic impact of cybercrime has increased fivefold. In this area, the Bulgarian Presidency has a strong ambition to achieve a general approach on the EU Cybersecurity act, which will establish higher standards in the cybersecurity area and will guarantee strong competitive advantage to the European enterprises, as well as efficient protection of the European citizens and public institutions.

In order to respond to these challenges, the EU aims to rapidly complete the Digital Single Market, which allows the European business and industry, the scientific and research sectors, the non-governmental organizations and citizens to be better connected and to take full benefit of the development of the digital technologies and ICTs, which create growth, jobs and endless partnership opportunities. The Digital Single Market Strategy presented by the European Commission in 2015 lays the foundations of a united and sustainable European digital society. A number of landmark achievements followed in 2016 and 2017: *the end of roaming charges, *the modernisation of data protection, *the cross-border portability of online content, *the provision of free wireless internet access points in public places. The work on the further development of the EU digital economy needs to continue and the remaining regulatory barriers between the Member States should be removed. The Bulgarian Presidency has a key role in the process of completion of the Digital Single Market, working on key dossiers such as the Audio-visual Media Services Directive, the European Electronic Communications Code, the Body of European Regulators for Electronic Communication (BEREC), the Regulation on Free Flow of Data. As a Presidency we are doing our best to finalize the negotiations with the European Parliament on these files. I am confident that we will do so, taking into account the current stage of the process as well as their fundamental importance for achieving Europe’s connectivity goals and building a truly digital Single Market.

All abovementioned opportunities and realities of the XXI c., resulting from globalization and the technological transformations, lead to changes in the economic market, which require modernization of the business, innovative approach to management, new skills and competences and change of mindsets. In this regard, in order to follow the path of sustainable, competitive and inclusive economy, the EU encourages a comprehensive transition of Europe towards:

- **Low-carbon economy** – the development of renewable energy sources and products and services for energy efficiency leads to the creation of new business opportunities and of new enterprises across Europe, offering new jobs. New professions emerge, related to renewable energy, energy efficiency and clean transport.

- **Circular economy** – the changes in the way we produce, create and consume can generate new opportunities for business and create new employment. This is a reliable and ambitious way of reducing the use of resources, minimizing waste and preserving the environment, encompassing the entire production cycle. The circular economy contributes to the prosperity of the European business, industry and citizens, protecting the business from resource shortages and creating new and innovative approaches to doing business and to production and consumption.

- **Digital economy** – it opens new horizons for the industry – to be more creative and effective, to improve the economic processes, to develop innovative products and services, guaranteeing a transition towards an economy, based on new generation ICTs – Internet of Things, big data, robotics, 3D printing.

**Challenges, related to security and defence**

The global security environment today has a complex nature, including threats of asymmetric, hybrid character, internal and external threats, as well as risks, comprising new elements – economic, financial, energy, environmental, societal and legal.

The security environment in Europe requires a strong European Union, able to guarantee the peace and security of its citizens and Member States.

The response to these challenges is related to initiatives for more effective management of migration and border security through the establishment of a well-functioning Common European Asylum System; development of the Common Foreign and Security Policy and Common Security and Defence Policy; elaboration of an Action Plan for European defence, the adoption of the Regulation on the European Defence Industrial Development Programme and the respective creation of the European Defence Fund.
In the area of border security, the Bulgarian Presidency is determined to contribute towards: **enhancing the security of the EU’s external borders** by working on an agreement with the European Parliament on the proposal for an EU Travel Information and Authorisation System (ETIAS); **strengthening the Schengen Information System** by aiming to finalise the negotiations with the European Parliament on three regulations relating to police and judicial cooperation, border checks and the return of illegally staying third-country nationals; **improving the interoperability of EU information systems** by working for a Council mandate on the two regulations in this sphere.

In the area of migration, our efforts are focused on the reform of the Common European Asylum System, and the revision of the Dublin Regulation, working intensively to strike the right balance between responsibility and solidarity in order to ensure resilience to future crisis. We have proposed a qualitatively new approach to the Dublin regulation, working article-by-article on the legal text and on concrete solutions. We have built into the Dublin Regulation a new crisis mechanism for managing the migration and asylum systems in the Union when under pressure. The Presidency proposal provides clear criteria, defining the levels of pressure and lays down measures, aimed at establishing proportionate response in each phase, allowing for timely mitigation, based on common actions, thus preventing escalation of the situation.

In the area of defence, the Bulgarian Presidency plays a pro-active role for the practical implementation of a well-functioning, inclusive and ambitious Permanent Structured Cooperation (PESCO) for reinforcing European security and defence. We are foreseeing to conclude the negotiations with the European Parliament on the Regulation establishing a European Defence Industrial Development Programme, which will allow the first capability projects from the European Defence Fund to be financed in 2019.

**Challenges, related to the need for social fairness and protection**

As the EU economy is recovering from the financial and economic crisis, economic growth has returned and unemployment is at its lowest since 2008. Nevertheless, social and economic challenges still persist across Europe and the EU needs to ensure that growth is more inclusive, to the benefit of all.

Young people are still especially vulnerable and our efforts should be focused on them, as they are the future of Europe, of our economies and our societies. We need to make sure that young people have better opportunities for education and training, for mobility and personal development, and improved access to employment.

Depopulation in rural areas is also posing serious challenges, as the agricultural sector is strongly related to regional development. The agricultural producers are the driving force behind European agriculture but today only 6% of European farmers are under 35 years, which calls for urgent measures to regenerate the generations in the agricultural sector.

Considering these challenges, the signature of the European Pillar of Social Rights in 2017 is an important step towards reinforcing the social dimension of Europe. But the work is not finished yet. Further legislative initiatives and measures at national and European level are needed, based on a shared commitment, for the real implementation of the principles, set in the Pillar.

As a Presidency, our motivation is to contribute towards building a Union, which promotes economic prosperity, social development, and equal opportunities for all. We invested strong efforts and finalized the negotiations with the European Parliament on directive on Posting of Workers in the Services Sector. In the coming weeks, we look forward to completing the work in the Council on three other key files – the Regulation on Social Security Coordination (Regulation 883), the Directive on Work-Life Balance and the Directive on Predictable and Transparent Working Conditions – and to reaching a general approach in the end of June on them.

**Challenges, related to the need for Competitiveness and Cohesion**

Competitiveness and cohesion are closely related to each other – these are the two sides of the same coin. The European Union cannot be competitive, Innovative and future-oriented without cohesion – the social, economic and territorial cohesiveness between the European countries. Inequalities between European regions exert pressure on the common market, and thus on the overall economic development of the Union.

At the same time, the competitiveness of the Single market can be strengthened further. The free movement of goods, people, services and
capital is the basis of Europe’s economic power. We have the largest Single Market in the world but its full potential still needs to be unlocked through cohesion and respectively, more competitiveness. Benefits do not always materialize because Single Market rules are not known or implemented, or they are undermined by other barriers. Small and Medium Enterprises (SMEs), start-ups and young entrepreneurs face many obstacles. Access to finance is a critical issue. SMEs also often complain about the complexity of taxation and company legislation, and about the need to comply with various regulatory requirements in different markets. Start-ups contribute a lot to the economy, but a number of entrepreneurs leave Europe because they cannot bring their innovative ideas to the market. Europe needs to become the first-choice place for great business ideas to grow into successful companies.

These challenges are closely linked to economic and monetary policy. The Euro-area needs to be strengthened and to remain inclusive. In order to bring economic stability and growth, the Economic and Monetary Union requires sound management.

As a Presidency we place strong accent on ensuring a smooth and timely start of the negotiation process on the next Multiannual Financial Framework (MFF) for the period after 2020 by organising an in-depth exchange of views between the Member States, EU institutions and relevant stakeholders, prior to the publication of the legislative proposals by the European Commission. Our efforts are focused on the open discussion of the future of the Cohesion Policy and its strategic role as a long-term EU investment policy for growth, competitiveness and job creation. We involved actively the Committee of the Regions and the European Economic and Social Committee and I am sure that the initiative “Cohesion Alliance” of the Committee of the Regions will have added value in the future debate, focusing our attention on the fact that EU’s Cohesion policy reduces regional disparities, creates jobs, opens new business opportunities and addresses major global issues such as climate change and migration.

We strongly believe that the discussions with broad participation and the political-level meetings will allow us to guarantee a smooth and timely start of the negotiations on the next MFF post-2020 and the realisation of the European Union’s priorities post 2020.

Our vision for Europe in 2018 is one of a *pragmatic and efficient Union providing more security to its citizens; a *Union that has taken firmly in hand the management of the migration processes; *a competitive, energy-independent and innovative Union, setting standards of employment and growth policies fit for the digital world and the Future of Work; a *Union of *improved connectivity, territorial and social cohesion; and last, but not least, a *Union that continues to be a force for inspiration on the global scene and for its neighbourhood, with a special focus on the European perspective and connectivity of the Western Balkans.

Considering this complex nature of the challenges (see the Mind Map on p. 34) and taking into account the expectations and concerns of the European citizens, the Bulgarian Presidency outlined four priorities:

- **Future of Europe and young people – with an accent on economic growth and social cohesion;**
- **Digital economy and skills of the future;**
- **European perspective and connectivity of the Western Balkans;**
- **Security and stability in a strong and united Europe.**

Furthermore, we work on youth and security issues as horizontal priorities, in view of the complex nature of the challenges in front of young people and the contemporary security environment.

The four priorities of the Bulgarian Presidency are a reflection of the view that the future of the European Union depends on several key preconditions:

- its ability to adapt to the growing pressure on the European business, including the need for a knowledge-based economy and for a transition towards a low-carbon, circular and digital economy;
- its ability to compete because the European Union’s economy operates in a global market of many players, including the new economic powers, which requires an increase of the economic growth and development of a global-scale competitive economy;
- its ability to be flexible in order to find the right mix of active labor market policy, flexibility, effective training and social protection;
- its ability to think large-scale, not only in European but in a global dimension.
The first priority **Future of Europe and Young People – economic growth and social cohesion** is determined by the view that today is the moment to think strategically and to consider the deeper transformations in our economies and societies, while focusing in particular on young people who have the strongest potential to be the visionaries that Europe needs, taking into account the fact that according to the World Economic Forum 83% of young people believe that they can find solutions to the global challenges in the world today. We need to consider that today more than 40% of Europeans are under the age of 35. And if for the so called silver generation, Europe was the point of arrival, for the young Europeans, Europe is the point of departure, since it is all they have ever known. This is why young people are a horizontal priority for the Bulgarian Presidency, considering the complex challenges facing young people today, and we place special accent on the structured dialogue with them.

The priority **Digital Economy and Skills for the Future** reflects our understanding that we need to prepare our citizens and society to take full advantage of the opportunities, presented by the digital revolution and to equip them with the right skills for the changing economy and the Future of Work. The EU institutions are determined to do their utmost to achieve the completion of the Digital Single Market by the end of 2018.

With the specific priority, **European Perspective and Connectivity of the Western Balkans** we aim, on the one hand, to motivate our partners in the region to continue their positive transformations and to be supported by the EU according to the merit-based approach, and on the other hand, to focus on physical and human connectivity which provides citizens with tangible results and opportunities – to travel more easily through the development of infrastructure and transport connections, to communicate more with each other and to use the possibilities offered by communications and internet through digital connectivity.

We view the EU-Western Balkans Summit in Sofia in May as a cornerstone of this process. The Summit successfully achieved its 3 main objectives: 1) to reaffirm the European perspective of the region; 2) to launch concrete and visible initiatives to improve the physical and human connectivity, and 3) to address how to better engage together on shared challenges such as security and migration. The documents adopted at the Summit – the **Sofia Declaration** and the **Sofia Priority Agenda** – outline a framework for enhanced cooperation with the region and define a wide range of new initiatives, aim-
ing to give a decisive impulse to the development of digital connectivity, energy connectivity, transport infrastructure, education and youth policy.

And it is our firm belief that Bulgaria has one very strong advantage in the discussion regarding the European perspective of the Western Balkans. This advantage is the support, shared not only by the political elite, but also by the expert community and the citizens. The role of the Bulgarian civil society with regard to the European perspective and connectivity of the Western Balkans is very important, as the Bulgarian civil sector and expert organizations strongly raised their voice in support of this specific priority of our Presidency. Further to that, the majority of the Bulgarian citizens are also supportive of further enlargement of the EU to the Western Balkans, according to a national survey by the Open Society Institute – Sofia conducted in April 2018. So, this shared support provides a unique opportunity to keep the European perspective and connectivity of the Western Balkans both high in the EU agenda (making it an important priority) and sustainably in the EU agenda (making it a long-term priority).

The fourth priority, **Security and Stability** reflects our aim to respond to the need of our citizens for security and stability in the increasingly insecure global environment. As the latest Eurobarometer shows, European citizens expect the EU to protect them and to be a pillar of stability.

Those four priorities are interlinked and the common point that unites them is, on the one hand: their **orientation to the future**, and on the other hand: their **citizen dimension**. The European project has daily impact and influence on the lives of 500 million people. Therefore, it is a great challenge to place citizens at the centre of its political action and policy outcomes. European citizens need, on the one hand, to be able to better understand how the EU affects their daily lives; and on the other hand, they need to feel that they are fully part of the European project.

**Turning to my second point**, I would like to focus your attention on the role of civil society in policy-making and the role of the public sector in delivering on citizen’s expectations.

- **The role of civil society in policy-making**

  We believe that sustainable policies are possible only when we have the three key components of the **formula for sustainability of the decision making process** – namely: political will, intellectual imagination of the expert and non-governmental community and citizens’ support.

Therefore, a kind of a **mechanism for participation of the civil society sector** was created, in response to the commitment of the Bulgarian Presidency to be a Presidency “**open-to-citizens**”. Within the framework of this mechanism, in the period September-December 2017, a large number of initiatives took place, aiming to improve the awareness and level of information of the Bulgarian society regarding the nature and the objectives of the Presidency and to foster a broad national and regional discussion on its priorities.

Each of the Bulgarian ministries conducted thematic discussions in the framework of the existing national and regional consultative, sectorial and other councils on the sectorial priorities of the Bulgarian Presidency. A large number of non-governmental organizations initiated events, related to the priorities of the Bulgarian Presidency. The higher educational institutions, academic and research bodies and representatives of the student councils were also part of these discussions through the contribution of the academic circles. A valuable addition to the debate on the formulation of the priorities was also provided by the active young people, the business, and the expert community in Bulgaria. In the period September-December 2017, the regional governors and municipal authorities throughout the country organized events, in the context of the 10th anniversary of Bulgaria’s EU accession and the discussion on the priorities of the Bulgarian Presidency, particularly in the smaller municipalities. As a result, many Bulgarian citizens had the opportunity to become acquainted with the Presidency and its objectives. The Europe Direct information centers also had an important role in these discussions as representatives of one of the largest information networks of the European Commission in the Member States.

In the framework of the mechanism for participation of the civil society sector in the process of preparation of the Programme of the Presidency, active cooperation was developed with the non-governmental organizations, which contributed with their experience and specific expertise to the discussions on the draft Programme. Over 50 non-governmental organizations across the country initiated the establishment of a **National Forum of Non-governmental Organizations for the Bulgarian Presidency of the Council of the EU 2018**, which had a valuable contribution to the generation of ideas for the priorities and initiatives of the Presidency, from a bottom-up perspective.

The Programme of the Bulgarian Presidency reflects the contribution of all sectorial ministries on the topics of their competence, the results of
the public discussions, held with the participation of employers’ and employee’s organisations, business associations, non-governmental organisations, academic community, as well as the contribution of the sectorial diplomats in the Permanent Representation of the Republic of Bulgaria to the European Union, as the Bulgarian Presidency is the so-called Brussels-based Presidency.

In its following consultations with representatives of international organisations and the diplomatic corps, the Bulgarian Presidency received very positive feedback and assessment for the established mechanism, and it was outlined as a good practice, which can be applied by future rotation Presidencies of the Council of the EU.

- **The role of the public sector in delivering on citizen’s expectations**

As regards the role of the public sector in delivering on citizens’ expectation, the public sector and in particular, the public policy experts and administration, I am strongly convinced that their role is key in the elaboration of public policies, at European, regional and national level. Because politicians are accountable but the administration is responsible, as mostly the political decisions are taken on the basis of the proposals and expertise of the administration. This is the reason why their role in this process is not just important but crucial.

On the one hand, as public policy experts and administrators, they contribute with their expertise for the development and implementation of policies that respond to the expectations of citizens. Citizens expect policies to be effective and pragmatic, reliable and inclusive, but also visionary and sustainable. Because, if we paraphrase the old proverb, “where there is no vision, people perish.”

This means that where there is no foresight or capacity to anticipate future developments, policies fail, and ultimately the potential of a generation can be lost.

On the other hand, the contribution of the public administration to the process of communication with citizens and stakeholders, and civil society is especially valuable. The new communication tools provide an opportunity for exchange between the public and the civil sector, giving them the chance to “feel the pulse” of citizens’ expectations and concerns. They can effectively use this channel of communication to define their arguments in the process of preparing policy proposals. Thus, they have real possibility to influence the debate, guaranteeing that the final policy decisions are more effective, based on rationality and argumentation.

We often tend to connect qualities like the entrepreneurial spirit and the innovative thinking only with the business and the entrepreneurial ecosystem. However, today all sectors, including the public sector are faced with the need to respond to the new challenges, to be adaptive and to be bolder. Therefore, the public service can also take full advantage of having such sets of skills and competences, including soft skills and digital skills. I am sure that the public servants are all convinced that today digital literacy, problem-solving, critical and creative thinking, and team work have moved from optional to critical for their daily work in the public sector. Therefore innovators in the public sector are taking centre stage. They are the so called “internal entrepreneurs”, who can be a driving force of change, transforming processes and structures within the administration, and ultimately, delivering more and better services for Europeans and re-connecting citizens with policymaking and government.

In this context, the role of the rotating Presidency of the Council of the EU provides important opportunities for developing the administrative capacity and institutional culture of the Member State.

**And this is the third point of my intervention today:** the opportunities for the national public administrations by the experience of holding the rotational Presidency of the Council of the European Union.

We often say that the Council Presidency has great responsibility in dip-
diplomatic, political and administrative aspects, but we should also remember
that it is a rare opportunity – only once in every 14 years! And it creates
important possibilities, particularly for the public sector.

Firstly, the Presidency is an opportunity to build capacity for active
participation in the negotiation process related to the development of EU
legislature and policies and opportunities for closer collaboration with
European institutions’ teams. In the meeting halls of the EU institutions
in Brussels or Strasbourg, credibility is the most valued quality. As an expert,
a team, a Member State you have to work for it for years. The Presidency
is an opportunity to demonstrate this credibility for the benefit of the EU
decision-making process.

Secondly, the Presidency is a useful possibility not only to participate
in a more effective way in the EU policy-making process, but also to be
the driver of the European agenda, taking active part in setting the priorities
and objectives of the long-term development of the Union.

Thirdly, as an extraordinary coordination exercise, the Presidency allows
the national decision-makers, policy experts and diplomats to broaden
their perspective on the EU policy-making process and develop a much
more comprehensive picture.

The EU negotiation process is a complex combination of institu-
tional interests, governmental preferences, leadership strategies and
normative procedures for reaching agreement and policy-making. This
multi-faceted and complex negotiation process – a true “negotiation
marathon” – is subject to continuous monitoring and coordination
through the developed Coordination Mechanism of the Republic of
Bulgaria on EU Affairs.

In this complex process, the success of a Presidency is measured by its
performance, or in other words – by the progress achieved in the nego-
tiations of concrete legislative initiatives between the Member States in
the Council and in the negotiations with the European Parliament as a
co-legislator. With the introduction of the ordinary legislative procedure
today the majority of the legislative initiatives are adopted by this pro-
cedure – around 90% of all legislation during the 2009-2014 European
Parliament mandate) the rotating Presidency has to work in a close and
open cooperation with the EP in order to ensure the continuity of the EU
agenda.

In the process of preparation for our Presidency we created a
Coordination mechanism in order to be able to effectively manage the
complexity of the European Union decision-making process and to suc-
cessfully fulfil our tasks as Presidency. This mechanism complements the
Coordination mechanism on EU affairs, created in 2007 with the Council of
Ministers Decree № 85 of 2007, which guarantees the smooth function-
ing of all processes, stemming from the membership of Bulgaria in the
European Union.

The Coordination mechanism on EU affairs has a three-level decision-
making structure, including *the inter-institutional working parties,
created by the sectorial ministries and some other national bodies, *the
inert-institutional consultative Council for European Affairs, chaired by
the minister for the Bulgarian Presidency of the Council of the EU 2018, and
*the Council of Ministers, chaired by the Prime minister of the Republic
of Bulgaria (see the figure on p. 42 for details).

In addition to the existing mechanism, in the process of preparation for
the Presidency, the Council of Ministers issued a Decree № 190 of 2017,
establishing a Coordination Board for the Bulgarian Presidency of the
Council of the EU 2018, chaired by the deputy-minister for the Bulgarian
Presidency, responsible for the relations with the European Parliament
(minister delegate). Among the members of the Board are the head of
the political cabinet of the Prime Minister, a deputy minister of foreign
affairs, the deputy ministers responsible for the Presidency and/or deputy
ministers according to their respective European policy competence,
representatives of the management of other institutions and bodies, the
Permanent Representative and the Deputy Permanent Representative of
Bulgaria to the EU, the director of the “EU Affairs Coordination” directorate
in the Administration of the Council of Ministers and the director of the
“EU Policies and Institutions” directorate in the Ministry of Foreign Affairs.
This composition of the Board guarantees an effective synergy between
the political and administrative level of decision-making and between the
capital and the Permanent Representation of Bulgaria to the EU.
The Coordination Board monitors the course of the negotiation process in the Council and its preparatory bodies and, if necessary, gives instructions for the direction of the negotiations observing the principles of neutrality, impartiality, balanced decisions and the national interest. So, considering that each Presidency should be, by principle, a neutral mediator and intermediary between the various interests, but at the same time, it should be able to overcome in a delicate manner potential neuralgic issues from national point of view, if the necessity should arise, the Board proposes amendments to framework positions of the dossiers to the Council for EU Affairs. The amendments to the framework positions are adopted by the Council for EU Affairs according to the provisions of Decree № 85 of 2007. The Board also prepares the participation of the deputy-minister responsible for the Presidency (minister delegate) in the European Parliament’s plenary sessions. The Board holds meetings on particular topics, concerning draft acts (dossiers) of the EU and other documents in the decision-making process in the EU. The Board also performs other tasks assigned by the Minister for the Bulgarian Presidency of the Council of the European Union 2018.

We saw that the Presidency is a great responsibility in diplomatic, political and administrative aspects, but what are the opportunities it gives? Let me outline some of them:

- **Capacity building** for active participation in the negotiation process related to the development of EU legislation and policies and opportunities for closer collaboration with EU teams;
• Visibility as a constructive and pro-European participant in the decision-making process;
• Country branding and demonstrating the specific role of the Member State for the future of the EU and the region of South-Eastern Europe;
• Cooperation and better coordination within and between ministries, which will have long-term positive effects for the governance of the country and its participation in the integration process;
• Transformation of Sofia not only into a cultural but also into a congress center, and revealing the potential of Bulgarian cities and regions through improving the infrastructure;
• Stimulation of the economy and tourism industry.

From the very start of our term, we follow the key rule that the greatest tool in the hands of the Presidency team is not keeping information to yourself – it is the transparency and sharing of this information. Therefore, the Presidency serves as a platform to improve the cooperation and coordination within and between the national institutions. This has long-term positive consequences for the governance of the country. Because the EU legislation and policy process is becoming increasingly complex and horizontal – for example, legislation in the area of environment reflects on the areas of transport, energy – and the Presidency is an opportunity to broaden the perspective on this process and develop a much more comprehensive picture.

In conclusion, today we mark the beginning of the final month of the first Bulgarian Presidency of the Council of the EU. Many of today’s participants are from Romania that will soon be holding its first Presidency of the Council of the EU. Croatia follows in 2020. For our countries, which travelled the challenging and often difficult path of EU integration, these six months are a real opportunity to develop the image of an integrated Member State, having its specific role for the future of the EU and to receive better visibility as a constructive and pro-European participant in the decision-making process. And for those of you who come from countries from the EU’s neighbouring regions, the Western Balkans, the Eastern Partnership – working in contact with the Presidencies will give you a possibility to keep the cooperation with your countries and regions high on the EU agenda, building on the achieved momentum, developing networks and opportunities.

Thank you very much for your attention. I am sure the Summer Seminar has been a success for you and a valuable opportunity to get to know one another, make new connections, developing your networks. And hopefully you will use those new friendships in your professional endeavours in the future for the development of further European and regional cooperation!
Dear young public policy professionals, 

I am delighted to meet you here today and to be able to talk to you. I would like to thank the Economic Policy Institute for organizing this forum and for giving me the opportunity to address you. Our partnership to gather together bright policy professionals from Southeastern Europe and the Black Sea Region have become traditional. We are doing it because I am convinced that only through dialogue we could tackle the challenges that we are facing today in Europe. And we, as public servants, are on the first line to deliver national and European policies to citizens which makes our role so crucial.

Today, in Europe, more than ever, we speak about political challenges, economic growth and security threats – all of which are topics to be explored and to be addressed not only on national and on European level, but have also regional dimensions and require international cooperation.

As there is a quite dynamic political change which is rapidly passing through Europe, it is important to meet and discuss the challenges it is making us face, thus making our work even more visible and responsible.

The challenges related to the new political realities, keeping sustainable economic growth and the security issues, raised many questions about the hard decisions and the direction we need to take in order to respond to the expectations of the citizens towards Europe and what Europe can give them in practice.

EU working together with Member States and regions as well as with international partners and other stakeholders for the best possible decision on any topic is how we move forward. Let’s not forget that Europe, devastated after the two wars, not relying on fossil fuels fast money but on its institutions and human capital, managed to become the most prosperous region in the world.

We have to admit that it is our region - Southeastern Europe and the Black Sea region that is lagging behind but we should not forget that more needs to be done to recognise that the partners of the Union are very diverse. Some countries such as Ukraine, Macedonia or Montenegro want a closer integration with the EU, unlike others, both East and South.

Concerns that geopolitical developments might lead to a further weakening of the membership perspective for the Western Balkan countries have not been confirmed. To the contrary, high-level visits to the region, democratic backsliding, a rise in foreign influence, and a continued stalling of the accession process of some of the countries have brought the region back to the top of the EU agenda. In this regard, 2018 can be seen as a window of opportunity for the region.

On 17 May, the EU - Western Balkans Summit took place in Sofia and it was the first since the 2003 Thessaloniki summit that opened the accession perspective for the region. It is positive that the Bulgarian Presidency of the Council of the EU that put the Balkan agenda on focus will be followed by a series of EU Presidencies of countries that are considered supporters of the region, including Austria, Romania, Finland, Croatia, and Germany.

During the summit EU Leaders reaffirmed their unequivocal support for...
the European perspective for the region. Our Western Balkans partners re-
committed to this perspective as their firm strategic choice and the reform
process that comes with it. The Summit focused on increasing connections
between the EU and the Western Balkans in all dimensions: transport,
energy, digital, economic and human. Bringing people and economies
closer together will, in turn, increase political stability, economic prosper-
ity, cultural and social development in the region and beyond. Particular
emphasis was placed on the need for Western Balkans partners to fight
corruption and organised crime.

The Leaders adopted the Sofia Summit Declaration, to which the Western
Balkans partners aligned themselves. As an annex to the Declaration, the
Sofia Priority Agenda further outlines new initiatives to increase the socio-
economic development and connectivity through investments in areas such
as energy grids and interconnectors, transport infrastructure, roaming and
broadband. In the margins of the Summit, the Western Balkans partners also
signed a statement of intent on a Digital Agenda for the Western Balkans,
as well as a number of bilateral connectivity projects.

Beyond doubt, the main factor which decisively contributed to the evolu-
tion of the European construction was the continual integration process.
The European Commission believes that the European Union needs to
reflect each country’s specific needs, priorities and aspirations and the
common interests they share with the Union, while always promoting
universal principles.

Let us not forget that “European integration” stands for a very complex
process and it is important to recognize that accession negotiations are not
- and never have been - an end to them. They are part of a wider process of
modernization and reforms.

The governments of the Enlargement countries need to embrace the
necessary reforms more actively and truly make them part and parcel of
their political agenda – not because the EU is asking for it, but because it
is in the best interests of their citizens. Embracing core European values
such as the rule of law is central to the generational choice of aspiring to
EU membership. Public support for future enlargements will depend on the
degree of preparedness of candidate countries. Reforms conducted through
the EU accession process should contribute to increasing the confidence of
citizens of EU Member States and of the candidate countries alike.

Dear colleagues,

Today we talk about supporting sustainable economic growth. We discuss
various measures to stimulate growth and boost our economies. Today, we
all agree that our economies need growth. But the truth is that there is no
unique recipe for achieving growth. Growth is not a magic word. By spell-
ing “growth” you do not create growth. By pumping billions in unreformed
sectors, as well! What is needed is potential for growth.

To meet the challenges of the digital revolution Europe needs to un-
wind the potential of its entrepreneurs, businesses and civil society, all of
it supported on all levels of government. Thanks to the European common
agricultural policy the food security is not an issue. It is time to shift our
focus on common digital policy.

Investing in basic infrastructure, reducing the cost of doing business,
lower trade barriers, facilitating entry of start-ups, strengthening competi-
tion authorities, and facilitating competition across digital platforms can
make businesses more productive and innovative.

While basic literacy remains essential for children, teaching advanced
cognitive and critical thinking skills and foundational training in advanced,
technical ICT systems will be key as the internet spreads. Investing now in
areas such as research and innovation, young people, the digital economy
will contribute to prosperity, sustainability and security in the future.
Following this idea the European Commission will double the budget for
the Erasmus + program and the European Solidarity Fund.

Europe has a huge scientific potential which is vastly discordant and
hardly commercialized - in that regard, we have a lot to learn from the US.
The US, most particularly the Bay Area, continues to be the largest recipient
of venture capital investments.

Europe should strengthen research, technological development and in-
novation. This means competitive education and science oriented towards
innovations and business. Enhancing access to information and commu-
nication technologies should enable this process. The result should be
competitive, export-oriented and innovative SMEs.

Over the recent years, the European Commission has placed scientists
and researchers together with entrepreneurs at the heart of their policies.
We are working hard to strengthen the innovative ecosystem - so that the
necessary links between education and business, access to finance and support for people with ideas to be built and functioning.

On the doorstep of a transformative industrial and technological revolution, in a rapidly changing, interconnected digital world Europe's competitiveness and productivity is decreasing. If we do not keep up there is a real risk for Europe to become a second tier player, lagging not only behind the US but China and India as well.

This is why the European Union is planning to spend more than €28 billion on digitization in the 2021-2027 period - twice more than the current programming period. The new program - Digital Europe has a budget of 9 billion euros and five priorities: cyber security, supercomputers, artificial intelligence, digital skills and digitization of the public sector.

Dear friends,

We don't realize what profound change has occurred in the last 10-15 years. In this regard - the World Cup starts in two weeks in Russia. Do you know what the most used app was during the World Cup in 2006 in Germany? None. We had no smartphones just 12 years ago. Now we cannot imagine our lives without them.

The last decade gave us a tremendous learning opportunity – we faced not only an economic and monetary crisis, but also refugee crisis, crisis of trust among EU member states, fake news, cyber-attacks and security threats.

The threats are not new – what is new is the speed at which they are developing.

What is critical infrastructure nowadays? Is it bridges and railways? Or is it all the connected devices we all have with us or in our homes or at work? Cyber-attacks on governmental institutions, banks and retailers cause severe data breaches. But the risk for oil and gas, utilities, transportation and even healthcare has much higher and dire consequences on human life, assets and the environment than a data breach. So what is a critical infrastructure in the all connected modern world?

In today's dynamic world, one has to be able to respond to challenges which can arise anytime; to be able to respond with clear vision, intelligence, strategy and expertise which are the core when it comes to moving forward or dealing with a real challenge.

Just a few examples on the actions we are taking: The European Union is strengthening its cyber security rules in order to tackle the increasing threat posed by cyber-attacks as well as to take advantage of the opportunities of the new digital age.

The new and ambitious European Defence Fund will contribute to a European Union that protects and defends its citizens, complementing other ongoing work strands. The Fund will coordinate, supplement and amplify national investments in defence research, in the development of prototypes and in the acquisition of defence equipment and technology.

Energy and energy security showed us how vulnerable we are. This is an area where regional cooperation is crucial. Geopolitical events have reminded us that Europe relies too heavily on fuel and gas imports. We suffer from a lack of integration and from insufficient supply diversification. This is why the European Commission is heavily investing in gas interconnections in Member States and Energy Community countries located in Central- and South-Eastern Europe and the Western Balkans.

Ladies and gentleman,

In the near future only nations that have a long-term vision will be successful. Lack of strategic thinking and action lead to low efficiency and bad results. A very important duty we have is to tackle the strategically important issues that will shape the lives of people in the next decades.

It is evident that we can cooperate in many areas that are currently on the European agenda.

Like it or not, we live in interesting times. This might be a curse but it is also the times where creativity and energy of man catalyse in a positive change for the future.

There is no doubt that the efforts of all of us are needed for a better European future. I would like to emphasise once again on your role as public servants and on how much your contribution is crucial. On one hand, by raising awareness about the EU and its achievements among citizens, you can contribute to building confidence both in the EU member states and in your respective countries.

It is of utmost importance that citizens know the EU and why we need to continue to write and tell the story of Europe. On the other hand, you can
support needed reforms from the inside by bringing in your know-how, energy and motivation.

Finally, I would like to once again thank the Economic Policy Institute for bringing us all here today. I wish you all success in your work and your future endeavours.

Thank you for your attention.
The last year’s volume of the papers prepared for the Summer Seminar included my contribution focusing on key external and internal challenges the European integration is facing. Since none of these challenges disappeared or could be mitigated, this paper uses the previous paper as a background of reference. The additional input consists in complementing the increasingly complex global, regional and intra-EU picture by new trends. In this context, three factors have to get particular attention since they are likely to influence the EU’s developments in the next and most probably crucial period for the integration.

First, accelerated globalisation with increasingly contradictory developments and, more importantly, accompanied by highly controversial and dangerous national reactions (policy measures) does not exclude serious conflicts and collisions in the next period. Even the best informed and experienced strategic analysts, policy-makers and decision-takers are unlikely to be prepared to successfully face the „triad” of challenges: complexity, interdependence and interdisciplinarity. In other words, global and European developments reveal a highly complex structure, the understanding and answering of which requires in-depth professional knowledge and socio-psychological empathy. Due to the rapidly increasing interdependence, substantially accelerated after the global crisis of 2008 and involving not only trade but almost all areas of economic activities (services, capital flows, monetary system), each „national” decision generates regional and/or global consequences, with repercussion on the decision-makers. Finally, the impact of political decisions does not remain within the direct political framework, but has economic, social, institutional, regional, psychological consequences as well. Similarly, economic decisions have political and other interdisciplinary implications. Therefore, any impact study, in advanced countries generally preceding decisions with serious consequences, should not only be based on a narrow spectrum of the character of decision (political, economic, social, etc.) but include the potential (or likely) impacts on other areas as well. In addition, it cannot be excluded that any slowdown or temporary stop or reversal of the decades-long globalisation, produced by the nature of globalisation, its negative effects or accompanied or just reinforced by sluggish growth or a new economic and financial crisis, could result in a „grand turning point” in international relations.2

Second, most challenges have been accumulated in a period of lasting, even if not very strong, economic recovery following the global crisis. The last decade proved to be one of the (or the) longest period(s) of continuous growth in large part of the global economy and in the European Union as well. Unfortunately, the historically granted time has not been used to successfully manage the key external and internal challenges. The EU enters the next period of lower growth or even recession accompanied by financial turbulences (or even a new global financial crisis) and with a lot of other unmanaged issues. It is difficult to foresee how at least some basic challenges will be addressed in a less favourable macroeconomic environment.

Third, the coming elections into the European Parliament in May 2019 have already diverted attention from the management of burning problems. Member states and politicians are focusing on the future party-based composition of the Parliament, and on the personal aspects of key positions in different organs of the EU, with special interest in the future president of the Commission. At the same time, many external and internal challenges continue and their management can hardly wait for the post-election period, the first months of which will again be covered by implementing personal (and member country) priorities. In a period characterized by accelerated speed, any loss of time may generate irreparable costs and fundamentally influence the future of the European integration.

In the following part of the paper, specific notes will be made on key areas of external and internal challenges, based on recent developments and potential consequences for the future of the EU.

1. Key external challenges

1.1. From threat to practice: trade protectionism of the US administration

Already in his electoral campaign, Trump could convince a substantial part of the US citizens that the huge American trade deficit cannot be sustained. Particularly countries with enormous surplus in bilateral trade, such as China and Germany („evil countries”) have to be punished. He did not care about the causes of this deficit (outward investment and production by US companies, consequences of globalisation started by and with huge benefits for US firms, losing competitiveness of domestic US firms in an increasingly global competition, etc.). Words were followed by deeds, when import duties were introduced on steel and aluminium products. Although in the first round the EU, Canada and Mexico were exempted and

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2 Giuliani, Jean-Dominique (2018), The grand turning point. (on Twitter)
trade protectionism targeted mainly China, in June 2018 the same measures started to be applied in transatlantic trade as well. Simultaneously, Trump introduced 25 percent tariffs on 818 Chinese goods, including high-tech commodities in the value of USD 34 billion and further punitive steps have been announced. China’s reaction did not wait a minute, and a similar 25 per cent tariff was imposed on Chinese imports from the USA in the same value, including agricultural produces. Indeed, if this process continues, the largest trade war of the economic history seems to be unavoidable. Interestingly, not due to an economic crisis which always tends to introduce protectionist measures but at the peak of the current economic cycle.

Concerning the European Union, US duties on steel and aluminium products include 186 commodities, with a volume of USD 7.2 billion. The EU’s countermeasures affect 183 US products (in the value of USD 3.2 billion). If the American protectionist practices were continued and extended to much more EU products, not least on German cars, the already started trade war could easily get a qualitatively new dimension with unpredictable consequences and costs. Less attention was devoted to the potential and not less important impact of the relevant reduction of the corporate tax rate in the USA from 35 to 21 per cent. Since large (and some smaller) EU member countries have a corporate tax rate above 30 per cent, the US move can generate a global tax competition.

In a global and European economy with signs of slowing down and eventually heading for recession, the most disturbing factor is Trump’s unpredictability. One day he declares a full-fledged trade war, and a few days later invites the G7 countries to create the largest ever free trade zone of the world. He wants to punish Germany for its huge export surplus but does not realize that Germany is a member of the EU and trade policy cannot be directed just against one country of a free trade and customs union. (In addition, most of the „unwanted“ BMW cars sold in the American market, are manufactured in the USA itself.) Then he offers Macron immediate free trade provided France leaves the European integration. The same for the United Kingdom, without realizing that as long as Brexit negotiations will not be finished, there is no chance for such a deal.

Transatlantic relations have been burdened by three additional moves of the American president. First, strong and justified concerns were formulated by the European partners of NATO. Although most of them are likely to be eliminated during the last NATO summit, but the US requirement to raise NATO-related military expenditures to 2 per cent of the GDP is based on quantity rather than quality of defense. Second, the Trump-Putin meeting in Helsinki, a few days after the NATO summit did not contribute to higher reliability of the US president. Third, the US withdrawal from the Iran deal creates a new conflict zone. All other signatory countries of the nuclear deal with Iran (Russia, China, United Kingdom, France and Germany) would like to keep the agreement alive. Contrary to the USA, all of them have substantial economic interests in Iran, both trade, energy supply and investments. However, due to potential retaliatory measures by the USA affecting European firms continuing economic relations with Iran, already several companies started to suspend or substantially reduce their activities (such as BMW, Total or the cancellation of flights by British Airways and Air France to Teheran). Much more concern is related to the potential impact of no-deal with Iran. Any (internal) destabilisation could lead to unpredictable responses of the Iranian government in the Middle East. In addition, massive migration waves based on domestic instability, social hardship or even military actions would not reach the USA, but certainly Europe. Therefore, based on security considerations, the EU – together with Russia and China – should do everything to avoid the cancellation of the Iran deal, despite potential retaliatory measures of the Trump administration.

Finally, Trump’s statement that „trade wars are good because they are easy to win“ can already be confronted by recent economic repercussion on the US economy. As well known, trade wars do not have winners, only losers, on macroeconomic, social, company and consumer levels alike. US protectionism has led or in short time will be leading to higher domestic prices of all products containing steel and aluminium. In consequence, higher consumer prices would mainly affect those US citizens who consider themselves the losers of globalisation, with stagnating or sometimes falling real income. In order to counteract declining income, many people switched from higher-priced US products to lower-priced imported goods. As costs of the protectionist policy hit low-income people above average, most of the losers who voted for Trump could deny support to the president. (It is another interesting question why low-income people see their savior in a multibillionaire entrepreneur.) In addition, US companies manufacturing higher-duty products in various countries (first of all in Canada, Mexico but also in China) will also be hit by the protectionist measures. Finally, the costs of countermeasures have to be compensated for. Due to higher Chinese duties on US agricultural products, already as a first step, American
farmers needed a USD 12 billion subsidy financed by the US budget, usually struggling with huge deficits (financed by treasury bonds purchased by foreigners). Moreover, US companies forced to or still expected to return to the US and starting production at home may also ask for subsidies, since their (price) competitiveness is less than granted even against imported commodities with higher tariffs imposed.

In a highly interdependent world, trade sanctions can easily spread to the financial markets, particularly if some retaliatory measures will not be directly trade-related. Although the massive selling of treasury bonds by the Chinese government (owing 6 percent of all treasury bonds) cannot be expected, because it would hit back to the Chinese economy as well, devaluation of the national currency can partially absorb the negative effect of higher tariffs on exported goods. In fact, in the last months, the Chinese government let the yuan depreciate by 7 per cent against the US dollar.

1.2. Russia

In one area, the current leaders of the USA and Russia seem to share the same common goal: the weakening or even dismembering of the European integration. However, they use very different instruments. Trade protectionism and NATO-related uncertainties practiced by the USA are accompanied by cyber attacks, intervention into electoral campaigns in various EU member countries and special relations to (right-wing) extremist parties, EU- sceptic or even anti-EU governments supported by Russia. Some new member countries such as Hungary but also the Czech Republic and Slovakia belong to this group, let alone some Western Balkan countries which are not yet EU members. In addition, not only energy-driven (North Stream 2) relations between Russia and Germany add to the uncertainties shared by several member countries. On the other hand, not least obeying continuous US pressure, the EU has prolonged economic sanctions against Russia imposed after the illegal annexation of Crimea in July 2014. The measures target the financial, energy and defence sectors, and limit the access of Russian state-owned financial institutions to the EU capital market as well as to certain sensitive technologies and services that can be used for oil production and exploration. In addition, a visa ban and asset freeze against 155 Russian citizens remain in place. The prolongation of the economic sanctions was unanimously adopted in July 2018 for another six months and its suspension made dependent on the complete implementation of the Minsk agreement between Russia, France and Germany in 2015. Despite Russia-friendly attitude of some member countries (mainly the current Hungarian government), nobody dared to veto this measure, despite the fact that it is particularly the new member countries that suffer from the export ban and register huge trade deficits with Russia that could be reduced if their exports were not affected by the sanctions.3

It is likely that sanctions in this case started to work. The mono-structured Russian economy is struggling with growing problems, both technological and financial ones. The impact of sanctions has split the Russian elite between those who benefit from Western sanctions and those who suffer. According to some analysts, the split of the Russian elite may have profound consequences for Russia’s future.4 In addition, the proposal of the Russian government to increase the retirement age (from 60 to 65 for men and from 55 to 60 for women) resulted in a rapid fall in Putin’s popularity.5 It remains an open issue how Russia will react to this phenomenon – with more hostility and additional military moves in some nearby regions or with more openness to cooperation with the EU. For the EU, the overall picture gets more complicated by the growing competition between Russia and the USA, as current and potential main energy suppliers to the continent (already functioning gas pipelines from Russia and potential liquid gas shipped from the USA).

1.3. A strategic reappraisal of relations with China?

The new global (dis)order created by the Trump administration automatically nurtured the idea of forging a strategic partnership between the EU and China. Not only because EU-China economic relations had been obviously strengthening over the last two decades, particularly after China’s accession to the WTO in 2001 but due to both sides’ high-level exposure to international trade. On the one hand, US sanctions generate “second-best” solutions and search for new markets for EU and Chinese products. Part of them can be included into the rapidly increasing bilateral trade stream, while another needs further liberalization of world trade, including bilateral and regional free trade agreements. Thus, both parties are fundamentally interested in keeping global trade free from further protectionism and

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5 Kolesnikov, Andrej, Why Putin’s approval ratings are declining sharply. Carnegie Moscow Center, August 14, 2018
preserving or even strengthening the role of the WTO. On the other hand, the immediate answer of China to widespread use of increased US tariffs on Chinese goods and introducing adequate countermeasures against US products, improves the market access conditions for European companies, not least in the agricultural sector. Moreover, US withdrawal from the Paris Club on climate issues and other international obligations definitely enhanced the global responsibility of and cooperation possibilities between the EU and China. This situation helped create a common vision much beyond economic relations among two of the leading powers of the world.

However, a breakthrough still faces serious obstacles. The EU wants better market access to China, including investment rules (overcoming the current joint venture obligations), financial institutions and technology control. At the same time, growing anti-China attitude in the EU has to be successfully encountered, with particular reference to the massive buyup of technology-intensive small- and medium-sized EU firms (mainly in Germany and Italy, but also in other member countries) by Chinese companies in order to get (illegal) access to new technologies.

The last EU-China summit in mid-July 2018 in Beijing ended up with a joint statement summarized in 44 paragraphs. Among the most important common priorities are:

- reinforcing the global dimension of the partnership,
- consultations in foreign policy and international security issues in Africa, the Middle East, Asia and Latin America,
- fostering an open world economy and the multilateral trading system within the WTO,
- special attention to be paid to climate change and sustainable development (including Blue Partnership for the Oceans),
- development of clean energy systems,
- regional policy cooperation,
- connection of synergies between China's Belt and Road Initiative and the EU’s investment projects in the framework of the Transeuropean Transport Network.

Of special importance is the last priority, since a few years ago China set up a special cooperation framework consisting of 16 European countries (11 EU members and 5 Western Balkan countries) and China as a key arm of the Belt and Road Initiative (or New Silk Road). For some time, there existed well or less justified concerns to what extent this project is embedded into the EU framework and is considering and accepting EU rules of the game (public procurement, local content, environmental and energy standards, etc.), and how much can it be used to undermine the EU’s (not always very strong) unity. The last high-level meeting during the Bulgarian Presidency of the European Council in June tends to support the view that China is first of all and definitely interested in a strong and deepening EU, as an indispensible player in a sustainable and stable multipolar global system in the next decades of the century. Therefore, the special importance of the 16+1 initiative has been reduced and increasingly involved into and combined with similar EU efforts. In fact, unique synergy could be created if the East-West-oriented Chinese project could be connected with the still missing third North-South corridor between the Baltics and the Mediterranean and incorporated into the Trans-European Transport Network programme.

1.4. Short remarks on the future of competitiveness

Despite growing and regional political, economic and social problems and persisting uncertainties, the process and progress of digitalisation of our life seems to be unstoppable. Within a relatively short period, but certainly in the life of the current young generation, it will have unique impact not only on the economy but also on our everyday life, social behaviour and the functioning of societies and institutions. Some experts emphasize that, in fact, we are not heading towards the fourth industrial revolution (after the steam engine, electricity and computers) but much more towards the third historical revolution of mankind (after the common language that enabled us to communicate and the alphabet that made the transfer of knowledge and experience to the next generations possible). The consequences are not only enormous but absolutely unpredictable and unmanageable at the moment. Full-fledged digitalisation could provide the current global GDP with 20 percent of the current workforce. Even if digitalisation will remain limited (due to partly unforeseen technological barriers or widespread social resistance), its impact on the labour market will be unprecedented. Not only concerning the quantity of employment needed but also with reference to the quality of labour and its sectoral (re)distribution. In 20 years (or less) the structure of the labour market demand will be very different from
that of today. Several jobs will disappear while completely new demand will appear. In order to create the adequate labour supply, already today the education in the primary schools should be guided by the future demand structure, which, at the moment, is mostly unknown. What education can, however, do is to prepare the young(est) generation(s) with basic knowledge which is indispensable to enter the labour market, including English (and other) language(s) and clever use of computer and other new technologies. Not less importantly, the adjustment capacity, including geographic and skill-related mobility has to be substantially increased, accompanied by openness, solidarity, cooperation and social cohesion. At present, in the best case we are at the very beginning of this process, let alone several movements and sometimes official politics in various EU member countries, evidently leading targeting the opposite direction.

In addition, we need much more than future demand-adjusted education, both formal and informal. Most probably, the next generation will have more free time (for the same income) which generates new demand for selected goods and mainly for services. The intelligent and cooperative spending of the additional available time is a huge challenge to the mankind. Also a new distribution of income will be needed due to the decreasing number of jobs or jobs that can be performed outside the working place (mostly at home). The introduction of a basic income system may be one instrument, although, at the moment its impact on the potential labour force and entire societies cannot be unequivocally assessed. Finally, not only the structure of the labour market and the available „free“ time will be changed but, more importantly, also large part of our current, value set7: How the human being will be facing, reacting to and, in a positive scenario, adapting and adjusting to this unique challenge is, at the moment, absolutely open.

2. Unsolved and partly further pressing intra-EU challenges

2.1. Brexit

According to the originally set schedule, the Brexit deal should be finished on March 29, 2019, preceded by the finishing of official negotiations in October 2018 and by the approval of the European Council’s meeting. Although some delay would not jeopardize the deal until the end of 2018, but national parliaments, including the current European Parliament have to vote on Brexit until March 2019. This process may be questioned by three factors: first, the mountain of still unsolved issues of Brexit in negotiations between the European Commission and the United Kingdom, second, by partly already foreseeable internal political developments in Britain and, thirdly, the impact of the forthcoming election campaigns to the European Parliament, most probably at full steam at the moment of voting on Brexit.

The two-year track of Brexit negotiations made clear that the original idea of the British government was wishful thinking. It is Brussels that is determining the conditions of exit and not the „cherry-picking“ illusion of the United Kingdom.2 The manoeuvring room of the UK had become narrower by each negotiation round. Consequently, „soft Brexit“ options seem to have today a very low probability as compared to „hard Brexit“ or no Brexit at all. Practically „anything could happen in the next half year“.8

As a last attempt, the White Paper prepared by Her Majesty’s Government on July 06,3 proposes a mix of high-level integration in the single market for goods with greater British freedom in the areas of services and finance. It is clear, this proposal is a non-starter and would only prolong negotiations most probably running out of the original time schedule – with no visible outcome in the near future. At the same time, negative impacts of a potential Brexit are already increasingly perceived in the UK. In addition, no meaningful option has emerged concerning the future state of the border between Ireland and Northern Ireland, not only an economic and employment, but also a highly risky political and security issue. Also the Scottish question remains unanswered. Moreover, and more importantly for the outcome, are the domestic political changes in the UK, with growing opposition to the current government and to Brexit. Although those who are against Brexit are not yet strong and united enough, but Brexiters seem to have lost control of Brexit and the Brexit camp of the government has been broken, signalised by the retreat of several ministers representing the „hard Brexit“ line.

7 The UK would like to keep the current membership situation in such key areas as Galileo, scientific research, Erasmus, security and terrorism, various industrial areas (medicines, aviation, chemicals, energy), financial services, etc. See: Randerson, James – Hervey, Ginger: 12 Brexit cherries the UK wants to pick. Politico, June 11, 2018.
8 Donnelly, Brendan, Brexit: Anything could happen in the next half year. The Federal Trust, April 23, 2018.
At the moment, four scenarios are on the table:

- Brexit goes ahead and membership will be discontinued on March 29th, 2019. This needs the full support not only of the Tory Brexeters but also the backing by part of the opposition. Cost-benefit sharing will largely be dependent on to what extent Britain will remain a “rule-taker” in the new deal (and, as a precondition, agreement on the Irish problem).
- Brexit falls at Westminster leading to political and economic crisis with substantial negative impacts. General election in early 2019 may be the consequence leading to delaying Brexit. Even more, developments may end up in a new referendum on membership or non-membership in the EU.
- The “no deal scenario” extends the deadline of negotiations and may generate an overall crisis leading to new elections in the UK, a “reinvented” negotiation approach to the EU or to further referendum.
- Finally, the UK may decide to stay in the EU with far-reaching consequences for the (already changing) EU and a new United Kingdom giving up the already outdated idea and historical reminiscence of “global Britain” (indeed, “global Britain” would be even more lost as the consequence of Brexit than that of staying in the EU).11

2.2. Still not stabilized Eurozone

Future will show to what extent the EU lost time and opportunity to stabilize and further deepen the Eurozone, including not only ongoing institutional and legal measures but also a qualitative jump towards creating a fiscal union. In fact, the last year granted calm and stability to the Eurozone, reinforced by overall growth in the member countries. The initiative of Macron to strengthen the Euro by establishing a special Eurozone budget and nominate a common finance minister for the Eurozone came at the right time. In addition, the Greek problem could be successfully managed (although not without serious economic, financial and psychological costs). Ongoing Brexit negotiations could have also contributed to the necessity of fostering the position of the common currency without any potential British move in the contrary direction. The Euro could enhance its stability in the international monetary system and experienced a substantial appreciation against the US dollar. Practically zero interest rate, at least on paper, promoted investment activities and public and private spending, accompanied by the adverse impact on savings looking for profitable deposits (and creating a threat for the future stability of the system due to huge amount of “floating money” – not only in Europe but also worldwide). Finally, the attraction of the common currency was rapidly growing in some member countries, still outside the Euro area, such as Bulgaria, Romania and Croatia. In fact, Bulgaria has a fixed exchange rate system since 1997 and could easily join the Eurozone. The Romanian government has announced to put on the table a detailed plan of joining the Eurozone as of December 2018. Also the Croatian government declared to join the Eurozone in the next five years.

Unfortunately, this historically positive atmosphere, including any serious discussion on Macron’s approach, seems to be largely missed. The main obstacle is Germany in general and the German Chancellor Merkel, in particular. She clearly refused Macron’s plan and, as an interim solution, proposed to analyse the possibility of creating a special Eurozone budget within the overall budget of the EU. In addition, she swept away the idea of a common finance minister saying that he/she would miss two important competences: no special budget and no parliamentary control. Although Merkel is not alone with this argument in the Eurozone, it is more than surprising that Germany, by far the biggest winner of the common currency, does not support the deepening of the monetary integration which would be a key element of macroeconomic growth and the sustainability of export-oriented pattern of the German economy. (Any return to national currencies or even a split between “strong” and “weak” Euro currencies would immediately appreciate the new German currency by 30 to 40 percent, with disastrous impact on the German economy.)

A less calmer or, most probably, a more stormy period for the Eurozone is approaching. It roots in the slowdown of economic growth, growing global (and mainly transatlantic) protectionism, but may also be generated by growing economic and political problems of Italy, a different magnitude than that of Greece a decade ago. In addition, the financial crisis of Turkey puts extra pressure, because some Eurozone banks have high exposure to credits provided to Turkey (not least Italian banks).

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10 Hughes, Kirsty: Brexit: Heading to a deal or no deal while UK politics implodes? The Federal Trust, July 2018.
2.3. The never-ending (never-solved?) story of migration

After the shock events of 2015, and the EU deal with Turkey, migration pressure on the EU had been substantially weakened. The previously mostly used Western Balkan route has lost importance due to the fence built by the Hungarian government, cooperation among transit countries, strict border control and, to an unknown portion, because of the inhuman treatment of asylum seekers and economic migrants. According to a recent report by Frontex, the number of illegal migration dropped last year by 43 percent to 73,500 persons. Simultaneously, there occurred a clear shift towards the Western Mediterranean basin, with doubling of migrants amounting to more than 23,000 persons. The Eastern Mediterranean basin reported just 4000 migrants and the number of people arriving to the Italian coasts fell to 1900 persons.12 Despite the calming down of the situation but still facing medium-term massive migration threats, the EU was unable to develop and even less, to implement a common migration policy. Some member countries blatantly refused to accept any migrant and to participate in a common EU-level policy of redistribution. Public opinion and official politics in some major host countries, mainly in Italy (but also in Sweden, Malta and Germany) started to distance themselves from previous practice. The new Italian government refused access to Italian territory of migrants arriving in various ships and made their acceptance dependent on a functioning redistribution scheme. Passangers of some ships were taken over by Spanish ports and also France was asked to jump into easing the situation. Growing anti-migrant attitude in Italy, partly due to the large number of migrants who arrived over several years and still remained here in the last years, is fed by government propaganda but also by the uneven burden-sharing between Italy and the member countries (despite some, although late arrival of EU financial support).

Although the refusal of accepting more (or any) migrants seems to bring together some European politicians (Italy and Hungary), their fundamental position is very different. Italy would be ready to stop migration, including new policy instruments (turning back migrant ships to Africa, a method successfully used by Australia more than a decade ago, when South East Asians wanted to enter the country). However, it considers the equitable distribution of migrants (and the respective financial costs) among the member countries as a key element of any agreement. However, such a clause will hardly be accepted by Hungary and the other Visegrád or other new member countries.

Time is running short for the EU and member country reactions as existing or just imagined migration have started to undermine the basic pillars of cooperation of the integration. Official anti-migration policies filled with hatred, discrimination and inhuman treatment further contaminate not only the minds and attitude of EU citizens in some countries but also contradict the basic „European values“. As a result, reaction to migration could easily create a „multi-value“ European Union, a much more dangerous development than multi-speed Europe or a Europe of „concentric“ circles.

The EU should urgently take concrete actions.13 First, the role of Frontex has to be fundamentally strengthened, and equipped with competences not only in defending the Mediterranean but also sending back ships with illegal migrants to their departure point. Second, member countries not ready to participate in a common migration policy (both by accepting a certain number of legal migrants and contributing to the financial costs of the „migration architecture“ of the EU) should be excluded from selected areas of the integration (from decision-making to budgetary financing). Third, as already agreed on and to be supported by the next Multiannual Financial Framework (2021-2027), the EU will dispose of a substantial amount of money to develop cooperation with African countries able to control migration pressure. Obviously, this is an absolutely necessary investment, but only for the longer term and not without risks. Money made available to African governments in order to control borders and convince citizens to stay at home because their decent living standard can be guaranteed, including education, healthcare, employment and entrepreneurial activities, may only have fruits in the longer term. Border control seems to be easier but with methods hardly to be reconciled with European values, in other words, in cooperation with authoritarian regimes or just dictators. In this context, basic European values and similarly basic security needs contradict each other. In addition, even if medium- and long-term programs in Africa, continuously and efficiently financed by the EU budget, generate meaningful results, the attraction of Europe will remain strong for the foreseeable time, particularly for highly talented young Africans. Global communication facilities will keep on contributing to the „attraction capacity“.

12 See https://www.euscoop.com/eu/2018/8/14/frontex-drop-migratory-flow-eu
Migration characterized the entire history of mankind without which the human being could not have survived. No doubt that international migration will remain or, even more, become a more dynamic factor of globalisation. Most of this process is likely to be regionally limited and not reaching Europe. However, the EU has to develop a comprehensive plan how to deal with the migration pressure. Not less important is, however, to deal with the already visible negative impacts of anti-migration campaigns that not only produce hatred and fear in large segments in the society of selected member countries but blatantly contradict basic European (and human) values.

2.4. Unstopped rise of populism

Looking back to the situation in the summer of 2017 when my last year’s paper was prepared, one can state that populism and demagogy kept on rising not only in selected member countries but were spreading to additional members previously rather resistant to such mentality. Enhanced intensity and geographic spread of populism is rooted in and nourished by several factors.

As mentioned at the beginning of this paper, less and less people are able to understand the complexity (let alone the interdependence and interdisciplinarity) of current events and developments. They need simplified or even falsified information in a few seconds.

Inevitable (positive and negative) challenges of globalisation, unprecedented interdependence and accelerated time, let alone the combination of both of them, appear as threats, risks, dangers against which one has to defend himself. Populist politicians are always ready to explain „evil intentions“ instead of preparing people for successful adjustment and forward-looking attitude. The ongoing propaganda of hatred against migrants in Hungary (which largely contributed to a two-third majority victory of the current government early April 2018) is an evident proof that such an approach works, even if there has not been any threat of migration or by alleged „terrorists“.

Domestic economic, political and social difficulties, including the costs of crisis management, have left deep wounds in some member countries with longer term psychological, mental and social consequences. The emergence of right-wing governments in several member countries definitely supports or just directly generates populist trends (Hungary, Poland, but also the Czech Republic and, most recently, Italy). In addition, even in countries with deeply-rooted democratic traditions and strong democratic institutions, populism is advancing. Although a populist breakthrough could be successfully prevented in the national elections in several member countries, populist sentiment and activity did not disappear. The rise of populism in Germany (AfD) and in Sweden (just before elections) deserves particular attention.

As an additional and dangerous phenomenon, populism in some of the new member countries has been coupled with the reemergence of old-fashioned nationalism. The roots partly go back to historical traumas (or just unfounded dreams and illusions). An important factor is the late perception of the consequences of political, social and economic transformation for which most citizens were not prepared. It is almost „normal“, that the psychological repercussions of the dramatic changes manifest themselves two or three decades after the fundamental political, legal, institutional and economic changes (see the telling example of the AfD in Germany). Rightly or wrongly perceived, „second-class membership“ can also be added as an explanatory factor, even if in most cases perceived lagging behind is more connected with the inability of using opened up opportunities adequately, or of investing EU money in competitive sectors. Not less importantly, the consequences of „self-peripherisation“ (or self-marginalisation) trends in some new member countries have to be taken into account.

Finally, the less than adequate role of the European institutions, including the activity of the Commission has to be mentioned. Although the Commission initiated a process against Poland based on Article 7 of the Treaty, it will take a lot of time and a decision to suspend voting rights would need unanimity which – as everybody knows in advance – can hardly be reached. Also the sanctioning of clear breach with the basic values of the EU by any member country has been missing, although the suspension of financing several projects from the EU budget could have been a meaningful warning. Just the opposite happened, when large-scale fraud with EU funds (mismanaged public procurement, obvious overpricing and use of money for projects differing from the original contract) remained not only unpunished but, with the silent knowledge, and sometimes even with support of the Brussels beaurocracy ended up in the hands of corrupt politicians and entrepreneurs, several times with clear anti-EU attitude. At least stopping the financial support to evidently anti-EU governments which used
massively EU money to create the economic background of the previously established political maffia, could have been rightly expected not only from the relevant institutions but from the European taxpayers as well.

The forthcoming elections for the European Parliament seem to become a real test to the current situation of the European integration. Even more, it could become a determining factor of the future evolution of the EU. If populist parties will be the winners, whatever party structure will be characterizing the next European Parliament, the EU will be facing another and dramatic internal challenge. It is no exaggeration, that the very future of Europe is at stake.

Contrary to the populist-nationalist propaganda based on widespread opposition to and revolt against current European institutions, while stressing the recreation of „strong nation-states” as the key success factor of the future of Europe, Europe definitely needs strong common institutions with open, solidarian and cooperative member countries. The number of the participating countries is open – both above or below the current 28 members. What will be decisive are openness to global and intra-EU developments, readiness to cooperate and ability to adjust to inevitable and continuously arriving challenges. Are leading European politicians prepared? If not, even more important is to prepare our societies not only in order to survive in a rapidly changing global, regional and national environment but to keep or even foster Europe’s place in the global setting for the next, and probably turbulent decades, as well.

CHAPTER II:
SEE AND BLACK SEA REGION IN A WIDER EU CONTEXT
“It Is Not Only the Economy, Stupid” – the Importance of National and European Identity for the Future of Europe

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Eckart D. Stratenschulte read Sociology, Political Science and German Studies at the University of Marburg. After receiving his PhD (1978) and working as a lecturer at the Institute for Inter-European Studies in Berlin, he became Managing Director of the Institute in 1982. The mission of this Institute was to provide analysis of German and trans-European political issues.

In 1989 Dr. Stratenschulte took up a post as Head of Department responsible for the press and publications within the Office of the Governing Mayor of Berlin; from here he moved to become the Director and Member of the Managing Board of the European Academy Berlin in 1993.

Since 1999 Dr. Stratenschulte has additionally held a lectureship in Political Science and Social Studies at the Free University (Freie Universität) of Berlin. In 2005 Dr. Stratenschulte was appointed Professor for Political Science at the Free University of Berlin. He also teaches the Master course “European Studies”, organised by the Free University and the Technical University of Berlin.

2017 Dr. Stratenschulte left the European Academy to become the Managing Chairman of the German National Foundation.

Over the past 30 years he has published numerous articles dealing with European and German current affairs and about the Berlin situation; he is also the author of several books in this field. Prof. Stratenschulte has been awarded an Honorary Doctorate by the Taras Chevchenko University in Kiev, Ukraine, and honorary medals by the Presidents of Romania and Lithuania and the Foreign Minister of Bulgaria.
The economy as an instrument of politics

The European Union is a misconception. This is true at least for many people who are engaged with it – or who indeed do not engage sufficiently with it.

The misconception lies in the fact that the EU is considered to be primarily an economic union. The single market is regarded as the centrepiece of European integration. This is at the same time correct and incorrect.

From the start, the European Union has been a political project. The economy was and still is an instrument used to attain political goals.

When on 9 May 1950, the day on which the European institutions are now celebrated, the French Foreign Minister Robert Schuman put forward the idea of the European Coal and Steel Community, he said, among other things, that:

“World peace cannot be safeguarded without the making of creative efforts proportionate to the dangers which threaten it.

The contribution which an organized and living Europe can bring to civilization is indispensable to the maintenance of peaceful relations...

Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity. The coming together of the nations of Europe requires the elimination of the age-old opposition of France and Germany.”

To refer to this does not mean to deny the economic importance of the EU. Naturally, the single market is of great importance to all EU citizens, and is incidentally still the largest in the world in terms of its value. However, it does not constitute the core of European integration. This is demonstrated by a brief mental exercise: is a single market without the European Union – a common market in which the four basic freedoms apply, but in which each state otherwise pursues its own model – imaginable? Indeed it is – and there are even some within the EU who support such an idea, according to the principle of “Let us trade, work and invest freely, but otherwise, leave us alone”.

When in March 2017 the European Commission presented its white paper with five scenarios, one of these consisted of focussing on the single market. There is reason to doubt that this was meant particularly seriously by Jean-Claude Juncker. This scenario is likely to have been intended as a cautionary one, designed to lead those considering it to the conclusion that an EU that consists solely of a single market would in fact no longer be a European Union.

All the important strategic courses of action taken by the EU have been of a political nature, as was already made very clear in the preamble to the treaty establishing the European Coal and Steel Community (ECSC) of 1951. Here, the following is stated:

“RESOLVED to substitute for historic rivalries a fusion of their essential interests; to establish, by creating an economic community, the foundation of a broad and independent community among peoples long divided by bloody conflicts; and to lay the bases of institutions capable of giving direction to their future common destiny; ...”

The ECSC did not emerge from thin air, and was also not created as the result of an exuberance of friendly feelings between Germany and France. Other attempts to integrate Europe, or more precisely, Western Europe, had already failed by that point in time. The OEEC of 1947, which did not meet American expectations as a nucleus of European integration; the Brussels Pact of 1948, which was intended to unite Western Europe without and even against Germany; the largely unknown Fritalux free trade zone of 1949, which had similar aims in the economic arena but which never came to existence; and the Council of Europe of 1949, which could not agree on any real-life competencies, and which still lacks them today.

The focus of the ECSC was not therefore on coal and steel, important as they were at that time for rebuilding Europe, but on securing peace after two devastating wars and on gradually extinguishing the hereditary enmity between Germany and France.

All other steps towards integration pursued this logic. The next stage was the Treaty of Rome of 1957, in which the European Economic Community (EEC) and the European Atomic Energy Community (EAEC) were founded.

“The founding of the EEC was a political decision. The renewed initiatives … reflected the view that alone and in isolation, the ECSC could not continue to play a significant role in terms of integration policy. In light of the dual suppression of the Hungarian uprising in October and November 1956, the expanded core integration was not only related to the potential Soviet threat, but was also to be understood as a type of defensive stance against ongoing attempts at foreign influence and against the background of successful assertion of power against individual nation state resistance.”

Two major, interconnected projects had previously, in 1954, come to nothing: the European Defence Community and the European Political Community.

The impulse for integration in the Treaties of Rome was incidentally intended to come above all from the EAEC. At that time, atomic power was still unquestioningly accepted as the solution to energy problems and as the basis of ongoing economic growth. The EEC, which to a certain extent formed the core of today's single market, was by contrast treated as a 'by-catch', with which the partners were to be mutually compensated for potential disadvantages arising from the EAEC treaty.

The EEC was also regarded critically in Germany. The extremely popular economic minister at the time, the “father of the economic miracle”, Ludwig Erhard, openly criticised the EEC concept from an economic perspective and for political reasons was unequivocally rebuked for doing so by Federal Chancellor Konrad Adenauer.

As we now know, things turned out differently. While the EEC evolved into today’s economic union, the EAEC would never play an important role.

The next significant step in European development was the southward expansion during the 1980s. While there had already been one round of expansion previously, which revolved primarily around the United Kingdom, this was to a greater extent the incorporation of Great Britain at a late stage, which due to British reticence, on the one hand, and French rejection, on the other, had not been possible until then.

The southward expansion to include Greece in 1981 and Spain and Portugal in 1986 was not primarily conducted in order to pursue economic goals. The level of development in all three countries was extremely moderate, and they did not strengthen the European Community economically. In addition, their agriculture was regarded as an annoying competitor in the common agricultural market. The reason for including them lay in the stabilisation of Southern Europe after all three countries had succeeded in liberating themselves from the grip of their dictators.

The eastward expansion of the EU in 2004 and 2007 pursued this logic in just the same way, as did the acceptance of Croatia, which was intended to serve as an example for the other countries among the so-called “Western Balkans”. The often-cited theory that the established EU states simply wanted to secure new markets through these expansion rounds makes no sense. These countries had already been very strong on these markets for a long time without EU membership, and would also have remained so.

The European Community evolved not out of love and trust, but hate and mistrust. What Frenchman could have been expected to love a German in 1950? The basic principle according to which European integration could function at all was that one country did not dominate over another one – least of all Germany over its European partners. This precondition was fulfilled by a balance that existed to a large extent between (West) Germany and France, and later also Great Britain, although it began to falter with the prospect of German reunification. This resulted in the currency union, with which Germany's most important means to power, the Deutschmark, was chained to a common currency.

17 Michael Gehler: Europa, 3rd expanded and revised edition, Reinbek 2018, p. 246
18 Behind the scenes, there was intense discussion as to the extent to which Germany should be granted access to atomic technology, and above all also to atomic weapons – something that the German chancellor endeavoured to achieve with all means available to him. Cf. Wolfgang Zank: Adenauers Griff nach der Atombombe, in: Die Zeit No. 31/1996; http://www.zeit.de/1996/31/Adenauers_Griff_nach_der_Atombombe; last accessed on: 31 March 2018
19 Thus, Adenauer wrote to Erhard: In your response, you adopt a tone that I would no longer wish to see emanating from you […]. Your assessment is off the mark. European integration was the necessary springboard for us in order to re-enter foreign policy activity at all. European integration is also intended for the benefit of Europe and is thus necessary for us. Above all, however, European integration is necessary because the United States regards it as being the basis for its entire European policy, and because I, just like you, regard assistance from the United States as being absolutely necessary for us. I am of the view that we must have a “common market”: It will have to come about in stages and piece by piece. But we must never lose sight of the direction of this goal.” Letter by Adenauer to Erhard, 13.04.1956, quoted from: Geiger, Tim: Ludwig Erhard und die Anfänge der Europäischen Wirtschaftsgemeinschaft, in: Hrbek, Rudolf (ed.): 40 Jahre Römische Verträge: der deutsche Beitrag; Dokumentation der Konferenz anlässlich des 90. Geburtstages von Dr. h.c. Hans von der Groeben. Baden-Baden: Nomos, 1998, p. 50-64, here: p. 53
At that time, the economic prerequisites of such a currency union, namely the presentation of an “optimum currency area” had not been provided, and they still remain to be achieved today. In 1991, the currency union was agreed in the Maastricht Treaty, which came into force in 1993 and which introduced the common currency in 1999. However, the starting gun was fired at a meeting of the heads of state and government of the European Community on 8/9 December 1989 – four weeks following the fall of the Berlin Wall. In the past, the possibility had already been considered of interlinking the currencies of the EC states, but now, for purely political reasons, the wind was in the sails of this project.

**The EU before a new start**

For a long time, the European integration project was not questioned. The economy and the currency fulfilled their purpose as acting as the glue that bonded the European Union together as long as the economy continued to improve. However, the financial crisis from 2007, which also became the euro crisis, the dispute over debts, debt sustainability and the salvaging of one euro state by the others, and the dramatic social consequences of the stability of the euro in several member states, all left this bond in a fragile condition. This already occurred years before the refugee crisis divided Europe and exposed new rifts between the member states.

Currently, the European Union is attempting to start anew. New projects and structures are being discussed. The aforementioned white paper by the European Commission and the keynote speech by French president Macron provided important impulses for this development.

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21 “We will make the European Union stronger and more resilient, through even greater unity and solidarity amongst us and the respect of common rules. Unity is both a necessity and our free choice. Taken individually, we would be side-lined by global dynamics. Standing together is our best chance to influence them, and to defend our common interests and values. We will act together, at different paces and intensity where necessary, while moving in the same direction, as we have done in the past, in line with the Treaties and keeping the door open to those who want to join later. Our Union is undivided and indivisible.”The Rome Declaration. Declaration of the leaders of 27 member states and of the European Council, the European Parliament and the European Commission, Rome March 25, 2017, Statements and Remarks 149/17; http://www.consilium.europa.eu/en/press/press-releases/2017/03/25/rome-declaration/pdf; last accessed on: 31 March 2018

22 “Identity is similar to love. Everyone experiences it and feels what it is, while at the same time, it is difficult to define. Identity is not something that simply is. It is constructed – and according to a very simple principle: we are who we are because we are different from the others. Identity, therefore, has an aspect of inclusion that is based on commonalities and one of separation that relates to differences.

The result of this is twofold. On the one hand, a commonality must not only be present; it must also be felt, since otherwise, it cannot be used for the identity construct. It is therefore not enough to objectively have something in common, be it the same design of spectacle frames or a certain kind of passport; this shared asset or feature must also be perceived as being relevant and distinctive. On the other hand, this also means that in order to forge an identity, there must be an outside world from which one differs in one’s identity. The “we” is simultaneously inclusive and exclusive.
It is common knowledge that each and every one of us has multiple facets. It is possible to be a woman, a Catholic, a politician, a cyclist, a mother and a chess player all at the same time. Each of these features is a reason to feel either similar or different, in ways that are of importance in some situations and irrelevant in others. It is only when one of these features is assigned a quality that a similarity becomes a sense of commonality.

While identity may be very easy to construct within one’s direct living environment, the situation becomes more complicated when it comes to identities that cover a broader scope. Germans are cyclists and car drivers, men and women, left and right, pious and irreligious, rich and poor. What does it mean, therefore, to be “German”?

Commonalities are used to construct German identity overarching individual identities.

Language is, of course, a focal element that we have in common, followed by a common history. Here, too, questions arise. It is of no small significance, for example, whether since 1949 a person has lived in the Federal Republic of Germany (West Germany) or the German Democratic Republic (East Germany), or whether they experienced life in the GDR in a residential complex for members of the Politbureau or in prison. The next element is German culture, to take Goethe, Schiller, Heine, Hegel or Kant as an example – but who is familiar with them, and how high is the percentage of Germans who are not?

The challenges manifest in forging a German identity become all the more complex when it comes to European identity. The electoral slogan of the EU is “United in diversity”. One could say, rather polemically, that what unites us is that we have nothing in common. Here, too, European history is invoked, although until the middle of the last century, this history consisted above all of attempts at mutual annihilation. Does Auschwitz really create a common identity between Germany and Poland? There is no common language in Europe, if we set aside the “broken English” that remains widely used. Ways of living already vary widely between northern and southern Italy, quite apart from those between Denmark and Romania, or Malta and Estonia.

What, therefore, is the substance of European identity? This is a question that we do in fact rarely ask. At home, it doesn’t emerge as a problem issue, while when we are in China, for example, it seems natural to us that we are Europeans and the others are not. Suddenly, all kinds of things occur to us that make “us Europeans” different from the Chinese and which from the Chinese perspective are highly similar: our food and our way of eating, or our understanding of individual and societal rights, working conditions or culture.

However, caution is necessary here. Identity is not the same as having identical ways of living. Does eating rye bread mean that all Germans share an identity, or that cucumber salad has the same effect on Bulgarians? The most likely answer is “no”.

While European identity is highly nebulous, therefore, individuals’ identity as EU citizens becomes more clearly visible. Here – regardless of all the discussions as to whether or not Georgia and Turkey are a part of Europe – it is at least entirely clear who belongs, and in this regard, there are a series of commonalities that we share. These include the European judicial area, which is also symbolised by the uniform EU passport.

Different intensity levels of identity

Different identities are forged not only on the basis of substance, but also intensity. As well as the all-encompassing human identity in which “we” includes anyone able to conceive of a “we”, and which therefore, it is assumed, excludes plants and animals, Cathleen Kantner has developed two additional identity levels. She contrasts the “we” of society (“commercium”) with the “we” of the community (“communio”). While the societal “we” is held together by a common organisation and common interests, the members of the community “we” also share a common ethical base and from this, generate the will to implement common projects.

For the “normal operation” of the EU, the identity of the commerccium is sufficient, i.e. the feeling of being in the same boat and as a result to facilitate one’s own progress.

The commerccium identity is the basis for the trust that citizens (must) have in their institutions and their partners, which is in turn the necessary basis for ongoing identity. Each individual wants to be able to rely on the fact that the others are (also) abiding by the rules. To take a banal example, if you buy an ice cream in Bulgaria, you want to be able to rely on the fact that the ice cream parlour is abiding by the same EU food regulations and is inspected by the authorities in the same way as in Germany. This trust

in turn reinforces the sense of commonality that Kantner has described as the commercium identity.

These observations apply to normal times, in which we are not living, however. Cathleen Kantner points out that in times of major crises or significant changes, a higher intensity of identity, the community identity (“comunio”) is required.

This community identity does not emerge from the shared boat in which we sit, and which involves a common legal framework – all the less so in that it is often not perceived as such. How many people are aware of the fact that the green stickers on the windscreens of German cars that permit the driver to drive in inner city areas is the product of EU regulations? And who feels a common identity with the Bulgarians due to the fact that they too are subject to the same regulations? Commonality does not exist where it is not felt.

Yet where are the commonalities beyond the legal framework, in a community that is Orthodox, Catholic, Lutheran, Jewish and Muslim; in which 24 official languages, and many more unofficial ones, are spoken; where the types of food eaten vary widely; in which the different peoples look back on very different historical narratives; where there are rich and poor regions, conurbations and village settlements?

**Distance instead of exclusion**

We do not make progress with the concept of a European identity by persisting with this identity as a form of exclusion. In an insightful essay with the provocative title “There is no cultural identity”25, the French philosopher François Jullien recommends replacing identity differentiation, which is always exclusive as well as inclusive, with the concept of distance. According to this concept, differences in cultures are certainly taken into account, but they are not used for exclusion, but to construct a greater common whole.

“What really makes Europe special is of course the fact that it is at the same time Christian and laicist (and more). It has developed at a distance apart between the two: at the great distance between common sense and religion, faith and enlightenment. In a between that is not a compromise, not a simple half-way house, but a tensioning, so that both currents stimulate each other.”26

Often, European identity is regarded as being in opposition to national identity. However, here, the fact is overlooked that national identity not only does not stand in the way of a European identity, but is even the basis for it. Only someone who is aware of their own identity can enter a common sense of belonging and feel comfortable there. The goal cannot therefore be to “de-Bulgarianise” or “de-Germanise” people in order to Europeanise them, but rather quite the opposite: the European Union can only exist as a consolidation of states and people who feel comfortable with themselves and who therefore voluntarily enter into a supranational context in order to shape their common future. German, Bulgarian, Polish and French culture, to name just a few examples, are not in opposition to European culture, but are components of it.

European identity is not created, and does not continue to exist, by setting national cultures apart from each other or by denying differences, but to a far greater extent by assessing the differences and setting them in relation to each other. Europe is not a “melting pot”, in which differences are merged together, but – to stay with this analogy – is rather like a soup tureen to which different ingredients are added that together create a delicious whole, which no single ingredient alone would be able to produce.

National identity does not therefore stand in contrast with a European identity, but is instead a prerequisite for it. If we pursue the soup analogy, anyone who denies or relativizes their national identity removes an important ingredient from the tureen. National identity does not have to be dissolved for the benefit of a European one, but must be included as a part of European identity.

The “will to power” may sound ugly to European ears, but it is a prerequisite for being able to influence international politics. Those who decline to use it can rub out Article 21 of the Treaty on European Union27, which sets out the goals of external action by the EU in ambitious terms. However, those who take it seriously – and at stake here are peace, democracy, environmental protection and the fight against poverty – require a sense of commonality in order to be able to act. A European identity is the basis for this sense of connectedness.

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25 Jullien, François: Es gibt keine kulturelle Identität, 3rd edition, Berlin 2018
26 Jullien, François: op.cit., p. 51; emphases in the original
27 “The Union’s action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world: democracy, the rule of law; the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law; Treaty on the European Union, Art. 21 (1), Official Journal C 326, 26/10/2012 P. 0001 – 0390; https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12012M/TXT&from=EN; last accessed on: 31 March 2018
A sense of national identity and national chauvinism are not the same. Identity means self-assurance, while chauvinism is arrogance, which is the precise opposite of self-assurance. Arrogance is based on insecurity and a sense of inferiority – qualities that one attempts to conceal through swaggering behaviour. The same is true of politics as it is in private life.

Identity and the shaping of policy

Naturally, a European identity is no replacement for the economic and political success of the EU. The European Union must not only reinforce its promise of well-being in relation to its citizens, but must also fulfil it. High unemployment rates, among young people in particular, a deepening rift between rich and poor, and failing legal systems that leave citizens exposed to threats, all endanger the European project. This can also not be compensated by a European identity. If everyone has the feeling of being on the “road to ruin”, this is also a commonality, but not one that can be turned into a productive force for shaping the future.

However, conversely, a European identity, the feeling that we have much in common and can also work together to shape the future, precisely because we bring cultural diversity from our national identities into the project, is an important prerequisite for tackling problems by the horns and finding compromises with which everyone can not only live, but also live better.

The Current EU Agenda and Implications for the Countries in SEE and the Black Sea Region

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The European Union is doing better than a few years ago. There has been no implosion of the euro, no ‘Grexit’, no end of Schengen, and no Marine Le Pen as president of France. There has been a unifying effect of Brexit and one determined by the election and behaviour of the American president Donald Trump, a return to economic growth and an increase in citizens’ confidence in the European project. Europe’s economy is growing at its fastest pace in a decade, with high employment, recovering investment and improved public finances.

Moreover, for the first time since 2007, more Europeans than not believe that their “voice counts in the EU,” according to a European Parliament ordered Eurobarometer survey of over 27,000 people across the EU. Levels of support for the EU have gone up in 26 of the Union’s 28 member states,
the exceptions being Germany and the United Kingdom. At the same time, more Europeans think the bloc is headed in the wrong direction (42%) than in the right direction (3%), which points to a potential further increase for anti-establishment and Eurosceptic parties.

However, despite the generally more positive mood, the European Union will continue to be faced in the next months and years with a number of important challenges. I will highlight just some of the challenges the EU will be facing in the next months and years, generally refraining from making recommendations.

As mentioned, the Union has been remarkably resilient but Brexit has not yet taken place, there are still structural deficits in the European construction, the parliaments of EU member states are increasingly populated with populist parties and a number of external challenges (from migration to Russia) will continue to keep decision makers busy.

Moreover, after several difficult years, the EU27 must also repair the collateral damage caused by the several crises it suffered in the last decade: the fragmentation and distrust among member states, and between national capitals and ‘Brussels’; the perception that European cooperation is no longer a win-win exercise from which all EU countries and citizens benefit; the belief that the Union is unable to balance national interests fairly, with smaller countries feeling that the ‘rules of the game’ are not the same for everyone; the rising social inequalities and political divides within countries; the frustration with the EU’s inability to tackle the various problems facing citizens; and the damage to the EU’s external reputation.

**European leadership and EU reform**

At the EU level, it appears that the EU’s overlapping economic, political and identity crises have for the moment consumed the capital for further integration.

Moreover, over the last years, it had become evident that the Franco-German engine is underperforming. There are important divergences between Germany and France over how to manage Eurozone reform. The French president’s ambitious European plans have been met with German inertia. German chancellor Merkel had a central role in responding to the various crises affecting Europe but critics view her as being too hesitant and tactical in many instances, rather than acting as a leader of Europe. She managed to hold on to power but came out weakened in her re-election bid. For the first time since World War II, a far-right party, Alternative for Germany, took seats in the German Bundestag.

Many analysts consider that for the EMU to survive and withstand asymmetric shocks, it is likely to need a European treasury, some form of fiscal capability, a fully-fledged banking union and a degree of debt mutualisation. In Germany, some think that the EU should complete the banking union, transform the European Stability Mechanism into a European Monetary Fund, and appoint a European Finance Minister responsible for the EU budget and accountable to the European Parliament. But there is also considerable opposition to some of these ideas. Recently, 154 German economics professors have warned that creating a eurozone budget and a post of the Union finance minister, as the French president has pushed, will damage prosperity throughout Europe. They also rejected the idea of creating a European Monetary Fund (EMF). The planned shared system of deposit insurance is also viewed by the German academics as a threat, as it would socialize the cost of past mistakes made by banks and governments. They also reserved criticism for the idea of a European minister of finance who would be able to negotiate with the European Central Bank as, in their view, this would make monetary policy more politicized.

The German budget plan announced recently, the first proposed by SPD’s Olaf Scholz, the new finance minister and vice chancellor, gave president Macron a good idea of what to expect from Berlin. Despite statements in support for a big public investment push for Europe, the budget announces an actual decline in investment by 2022. Even if the German defence budget will increase in euro terms, it appears that it will decline from 2020 as a percentage of GDP, contrary to Germany’s pledge to increase it close to the NATO requirement of 2% of GDP. It is likely that Germany will seek to put the emphasis on other issues than EU and EMU reform, such as immigration, defence and promoting European unity in dealing with a number of challenges.

Despite Paris and Berlin’s attempts to move forward, it is likely that some
of the more fundamental differences of interests and views are likely to stay with us.

**Brexit. Recent developments**

There has not been much progress in the last weeks due to UK government’s indecision over the customs question. The idea of a temporary solution is being discussed. According to this, instead of moving immediately to the post-Brexit customs conditions at the end of the transition period in January 2021, the UK would agree to remain temporarily inside the EU’s common external tariff until a future customs agreement would be agreed. This would avoid a shock to business and a hard border in Northern Ireland by avoiding falling into the “backstop” proposal of keeping Northern Ireland within the EU’s customs union\(^{30}\).

In any case, the departure of a member state is unprecedented in the EU’s history and I think we are still not fully grasping its impact.

Brexit will have significant political and economic repercussions for both the UK and the EU. The United Kingdom is the EU’s second-largest economy and a key diplomatic and military power, representing roughly 16 % of the Union’s GDP and around 12 % of its population.

Brexit will also diminish the EU’s role as an international actor. The UK’s departure will diminish the EU influence in world affairs. It would be a smaller Union, and one with less weight in world’s affairs. The UK had frequently assumed a leadership role in building EU consensus on major foreign policy and security issues.

The UK still is one of the two main military powers of the EU, with a strong military tradition and a modern army with nuclear capabilities. The UK plays a prominent role in the area of security and intelligence.

The UK was an important advocate of free trade, an influential and high-ranking member of all major international organisations, has a permanent seat at the United Nations Security Council.

The UK is also a major player in the fields of research and education. Its media, soft power and cultural reach is substantial, going beyond Europe.

The UK’s departure is a blow to the European integration project, and its lasting consequences will mainly depend on the nature of the future relationship, on how close or not it would be.

At the same time, Brexit is also a threat to the core of the European project, by excluding the sharing of sovereignty as impractical, by considering extra-territorial jurisdiction an unacceptable foreign intervention, and by affirming that supranational democracy is not desirable\(^{31}\).

Brexit shows that European integration has moved from the “permissive consensus” of the early period of integration towards a time when the EU is an increasingly contested and politicised issue.

**Populism**

We see that the influence of those advocating simplistic solutions to complex problems is expanding. Over the last years, many EU countries have seen a rise in support for populist, nationalist, anti-establishment political parties. Increasingly, politicians question the effectiveness and usefulness of the EU and in some cases, this surge in populism is testing the foundations of liberal democracies. At the same time, national agendas are increasingly taking priority over EU-wide solutions.

The reasons for these phenomena are diverse but have in part to do with Europe’s economic troubles, the austerity measures and the eurozone crisis from the past decade, fears about immigration and the sizeable migrant and refugee flows that arrived in Europe, and fears about globalization and a loss of European identity.

Austria, Denmark, Finland, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Spain, Sweden, and the UK are among those EU countries with increasingly successful populist, and to at least some extent, Eurosceptic parties.

In the UK, Brexit has taken place thanks to the influence of populist, Eurosceptic parties.

In Finland, a moderate Eurosceptic party is part of the coalition government, while in Denmark, a minority government relies on a Eurosceptic party for parliamentary support.

In Poland we have the Law and Justice party, a nationalist party with a

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relatively Eurosceptic approach.

Populists were elected in Austria and they were brought into government, as in the Czech Republic, and most recently Hungary.

In Italy, we saw the electoral success of the anti-establishment 5-Star Movement and the far-right League. In Italy 61% of people believe their voice isn't heard at EU level and only 30% believe that it is. Among the EU, Italians are also the least likely to think their country has benefited from EU membership (44% agree while 41% disagree), and twice as many think the EU is going in the wrong direction (49%) as the right one (24%)\(^{32}\).

Thus, anti-EU rhetoric is present in the EU member states governments and in four European political groups: the European People’s Party (via Hungary’s Fidesz party), the European Conservatives and Reformists (Poland’s Law and Justice party), Europe of Freedom and Democracy (Italy’s 5-Star and the League), and Europe of Nations and Freedoms (Marine Le Pen’s National Front).

If these trends are not reversed, the EU is at risk of becoming more introverted, more protectionist, more nationalistic, more intolerant as well as more inclined to oppose globalisation, trade, migration, cultural diversity, and the principles of an open society. Though this is not confined to the European Union, this threat is more fundamental for the EU given that the Union is more vulnerable to these threats than its constituent member states.

The future of the EU hinges more than ever on the citizen’s support for the European integration project. The challenge for European leaders, at both national and European level, is to find ways of addressing the concerns and fears of the many citizens who have not felt the economic benefits of free trade and globalisation, and who fear that their distinct identity and culture is under threat from immigration and European integration\(^{33}\).

2019 European Parliament elections

Next year’s European elections are approaching and will be a test case for the Union. We see that despite the increased support for the EU, the European elections are still ignored by a good part of the population. Only half of Europe’s adult population say they are interested in the election, according to a May 2018 Eurobarometer survey\(^{34}\).

Most Europeans see EU elections almost exclusively through a national lens, contributing to turnout dropping since 1979. While twice as many people think now that the EU has been good for their country as those who think it’s been bad, they don’t care much about voting for it.

Eurosceptics are often more organized and more passionate about EU elections than their centrist counterparts – this is a danger for the Parliament’s pro-EU majority.

While support for the EU has increased, support for the traditional European centrist parties has decreased. While the centre-right and the centre-left parties made up 53% of the vote at the last elections, the social-ist parties are expected to gain less votes in the next European elections. Opinion polls show poor results for the Socialists in almost all the big EU countries, Germany, France, Italy and Poland; this will undoubtedly also affect the European Parliament’s pro-EU majority.

If populist/Eurosceptic parties win elections, they could potentially stop or reverse at least some aspects of European integration

Migration

The migrant crisis of 2015-2016 has threated the core EU principle of solidarity and it has created deep divisions within the EU. Frontline states such as Greece and Italy and destination countries in Northern Europe were dismayed by a perceived lack of European solidarity, while others retorted that mistakes made by German politicians and generous asylum policies in countries such as Sweden and Germany were “pull” factors, increasing the migratory flows.

Two weeks ago Juncker stated that he “was shocked by disruption and splits in solidarity, which emerged in the context of the migration crisis, which we have not overcome yet”.

Establishing an EU resettlement program, in which each EU member state would accept a certain number of asylum-seekers, in part to relieve the burdens on Greece and Italy, was controversial and was only partially implemented. The issue was and remains deeply divisive. The adoption of a proposal on such a

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\(^{32}\) European Parliament, Eurobarometer 2018. Democracy on the move - European Elections: One year to go, 23 May 2018

\(^{33}\) For more, see New Pact for Europe, Re-energising Europe. A package deal for the EU27, third report, November 2017

sensitive issue directly related to a state’s sovereignty and territorial integrity by qualified majority was largely unprecedented in the EU\textsuperscript{35}.

A number of measures were discussed and are prepared: creation and operationalization of the European Border and Coast Guard to reinforce national capacities at the EU’s external borders through joint operations and rapid border interventions; improve Greece border controls; “hotspot” facilities in Greece and Italy to help register and process all refugees and migrants.

President Tusk aims for a summit compromise on migration between the south and north. Italy, Spain, Greece, Cyprus and Malta. Criticized in a three-page position paper, the Bulgarian proposal aimed at revising the so-called Dublin. The Bulgarian proposal, backed by Germany, would extend that period after which a migrant can seek asylum in another member state to 10 years, meaning that the frontline states would potentially be responsible for any new arrival for a decade. Proposals for voluntary “allocations” of refugees from frontline countries to other EU countries, in part by offering financial inducements, will be controversial in Central and Eastern Europe.

EU officials hope to use the EU’s new long-term budget plan to increase funding to help with the absorption of migrants and also to increase border policing to win over the frontline countries. The EU has also decided to increase funding for projects outside the EU that address migration issues.

There are tough questions about European countries’ ability to integrate minorities into European culture and society. Anxieties among EU citizens have increased after reports of criminal activity and sexual assaults allegedly committed by migrants and by information that many of the recent terrorist attacks in Europe were carried out by extremists of Muslim background born and/or raised in Europe\textsuperscript{36}. At the same time, concerns exist about increasing societal tensions and xenophobia in Europe.

The economic impact of migration will depend on how well migrants and refugees are integrated into the labour market. The increased migratory flows have also led to increased support in many EU countries for far-right, anti-immigrant, Eurosceptic political parties.

Even if we hear less about this challenge, as the numbers have gone down, the challenges posed by the increased migratory flows will stay with us for the foreseeable future.

**FOREIGN POLICY CHALLENGES**

**Russia**

Developing common EU positions towards Russia has been at times difficult given the different historical experiences and economic relations with Russia of the EU’s various member states. However, over the last years, the EU has managed to maintain the sanctions policy it has developed after Russia’s annexation of Crimea and intervention in Eastern Ukraine. The EU has tied lifting the sectoral sanctions to the full implementation of the Minsk peace agreements.

Moreover, on 14 March 2016, the foreign ministers of the EU Member States agreed on five guiding principles for the EU’s policy towards Russia:

- Insist on full implementation of the Minsk agreements before economic sanctions against Russia are lifted;
- Pursue closer relations with the countries in the EU’s Eastern Neighbourhood and in Central Asia;
- Become more resilient to Russian threats such as energy security, hybrid threats, and disinformation;
- Despite tensions, engage selectively with Russia on a range of foreign policy issues, among them cooperation on the Middle East, counter-terrorism and climate change;
- Increase support for Russian civil society and promote people-to-people contacts.

The support for the five principles was confirmed at the April 2018 Foreign Affairs Council.

As we see almost every week, Russia will remain a challenge for the foreseeable future. In recent years, it has become evident that Russia seeks to influence European politics, elections, and policymaking in an effort to sow disunity and destabilize the EU and NATO.

Russia has employed disinformation and fake news, conducted cyber-attacks on government and political parties and cultivated relations with


and funded far right, populist and Eurosceptic European political parties. Russian actors have attempted to influence voters in several referendums which took place in Europe, including the April 2016 Dutch referendum on the EU-Ukraine association agreement and the June 2016 Brexit referendum in the UK. Since 2015, the EU’s East StratCom Task Force has worked to raise awareness of Russian disinformation but its resources are still far from what is needed to deal with this challenge.

**United States. Trump administration**

President Trump expressed scepticism about the EU’s future, asserted his belief that other members may follow the UK in leaving the EU, has proposed to the French president to leave the EU, and has put into doubt NATO and the strength of the transatlantic relationship.

The US has also adopted a number of protectionist U.S. trade policies, has imposed tariffs on EU steel and aluminium and threatened with other measures. The Trump administration has also weakened the rules-based international order and international security by exiting from the Paris Agreement on climate change and from the Iran nuclear deal.

While the actions of the Trump administration have to some extent increased EU unity, any additional significant negative changes in the US posture toward the EU could pose important challenges to EU cohesion and security.

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**Europe in the Catch-Up Index: Findings of the Latest Index 2017**

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This article is based on the findings of the latest, seventh edition of the Catch-Up Index, focusing on the process of these CEE countries catching up with the older EU member states. It measures the performance of 35 European countries in four categories – Economy, Quality of Life, Democracy and Governance – across 47 basic indicators. In a sense, this is the citizen bottom-up perspective of looking at the process to include a broader definition of catching-up to include not only economic convergence, but also quality of public services, level of democracy, and good governance. There have been five editions of the index since 2011. As the Index is based mostly on data released in 2017, it is dubbed “Index 2017” although it was released in 2018.

The Catch-Up Index is created and supported by the Open Society Institute-Sofia. The special online platform with all the data for the new index is available at www.TheCatchUpIndex.eu , where you can find also the full index reports for the years 2011 to 2017.
The countries are then ranked according to their scores in the four categories and there is an overall score. Performance in the broad categories is assessed on the basis of indicators and sub-indicators, each having a different weight assigned to it, depending on its importance in the Catch-Up Index model. The raw data from different sources is standardized on a scale of 0 to 100 points, so that comparisons or other processing of scores can be made between countries, categories and indicators. The countries’ performance is measured relative to each other and not to external targets, because the standardization method assigns the highest score to the best performing country and vice versa. As mentioned above, the scores run on a scale from 0 (lowest score) to 100 (highest score), while the ranks range from 1 (highest position) to 35 (lowest position) – the number of countries included in the index.

The EU member states are divided into four main groups – the EU10+1 and the EU15+2, the CC – candidate countries and PCC – the potential candidate countries. The EU10+1 group includes the ten post-communist countries from Central and Eastern Europe (CEE), which joined in 2004, 2007 and Croatia in 2013. The other, the control group, is the EU15+2 – the older member states plus Cyprus and Malta, which also joined in 2004 but come from a different context and path of development, and thus are closer in characteristics to the older EU members.

The table below shows the scores and ranking in the latest index as well as differences in scores and ranking with the previous six editions, providing basis for comparison and trends.

**The Index results and clusters by Overall Score**

In the 2017 Catch-Up Index, the Northwestern countries have the highest overall scores. These include all the Scandinavian countries included in the Index, as well as the Netherlands and Luxemburg. The top performers Denmark and Sweden have 71 points on a scale from 0 to 100 (lowest to highest). The Southeast European countries are at the other end of the ranking with the lowest scoring country of Bosnia & Herzegovina (BiH) with 19 points and the last 35th place.

The best performing countries in the first cluster of overall performance are mainly in Northwestern Europe and Austria in Central Europe. There are no new EU member states in this cluster. However, the second cluster of very good performers already includes one new member – Estonia – following France and Belgium in the ranking. The third cluster of good to decently performing countries includes mostly a mix of South, Central European countries as well as the two Baltic states of Latvia and Lithuania. This is the group with most new member states (EU10+1).

The cluster analysis divides countries in the Catch-Up Index into groups based on shared characteristics. In addition, it also shows the proximity of the clusters to one another, i.e. some clusters are closer to each other and more distant from the rest. The clusters are also hierarchical, with better performing countries in clusters of higher order.

The findings of the cluster analysis reveal divisions in Europe along the lines of shared characteristics as identified by the indicators of the Catch-Up Index. This “Europe” is different from the one that is usually perceived to be divided along political lines and by legal arrangements.

The findings of the cluster analysis provide an alternative narrative about the divergence and convergence processes in Europe. It can be argued that countries within one cluster or those clusters in closer proximity are more likely to forge common approaches or policies even if they have disagreements in the short term. Thus the cluster analysis shows a more “organic Europe” - a snapshot of similarity and dissimilarity, based on characteristics of countries, not political agreements or legal bindings.

The next cluster (fourth) is a transitional one and includes Hungary, Croatia, Bulgaria, Romania alongside the old member Greece. Serbia and Montenegro form the fifth cluster while Macedonia, Albania, Bosnia and Herzegovina and Turkey form the last, sixth cluster.

The map shows that the main division in Europe is between the Balkans and the rest. In contrast, previous editions of the Index showed how the old
East-West divisions were giving way to a North-South gap. But already with the 2016 Index edition, there was a visible trend of a lagging Southeastern Europe separated from the rest. The Balkans, in this case includes also Hungary, which is part of Central Europe neighboring SEE and Greece – an old member state. It should be noted that in 2016 both Hungary and Croatia were in the transitional, fourth cluster but in 2017, they missed a chance to progress and joined the lower ranking group.

**EU10+1 catching-up by overall score**

The EU10+1 countries success in catching-up can be assessed by comparing their scores against the background of three benchmarks. These are respectively the maximum score of the EU15+2 group, which corresponds to the best performing country in the group, and often in the index; then the minimum of the EU15+2 group, corresponding to the worst performing country in the group; and finally the “desired European average”, which is the average score of the EU15+2, the EU older member states.

The EU10+1 Catching-Up by Overall Score 2017

The Catch-Up Index 2017 results show that no new member state of the EU10+1 group has reached the desired benchmark, which is the average score of the old member-states (EU15+2) and are far from the best performing countries. However, three countries come close to the benchmark as they are catching-up faster than the others. Estonia is 13th in the overall ranking with 56 points followed immediately by the Czech Republic and Slovenia, which are 14th and 15th in the ranking with identical scores of 55 points.

Hungary and Croatia with similar scores of 42 and 41 respectively, and Romania and Bulgaria with 37 and 35 points are at the end of the catching-up process. The rest of the countries occupy the middle ranking positions...
among the 35 countries included in the Index.

When the latest 2017 results are compared to the results of the first edition of the Index in 2011, there are several visible trends. The champions’ trio of best performers Estonia, the Czech Republic and Slovenia has remained in the same formation over the years but they have swapped places. Estonia has earned its first position in the catching-up by being the most dynamic one. It managed to advance 5 positions compared to 2011. The Czech Republic also managed to advance by 3 positions compared to 2011.

Lithuania and Latvia are also among the countries that have been making considerable gains in both the ranking and the scores for several years in a row, i.e. by 5 and 4 positions up from 2011 to 2017. Croatia has been at a standstill since 2011 with Bulgaria in a similar position with small fluctuations in the performance.

Slovenia lost some places in the ranking and points but managed to stay firmly in the top trio. In contrast, Hungary, Poland and Slovakia have been slipping down the ranking and losing points. In the case of Hungary, it lost 2 positions compared to 2011 and 2012, 1 down compared to 2013, with the respective loss in the scoring – down by 4 points compared to 2011.

Romania is an interesting case of a modest, yet steady improvement in the catching-up process. Second to last in the Index, in previous years it has been just swapping places with Bulgaria. In the current Index, it has pulled ahead, advancing by 2 positions and 5 points compared to 2011 and further advancement compared to all next years. It should be seen whether it can continue its winning streak.

There are certain geographic trends to the catching-up process. The Balkan countries are lagging behind and are slow to catch-up, although Romania is trying to break the mould. The Baltics are the most dynamic with Estonia leading in the ranking, but Lithuania and especially Latvia should keep up the speed to converge more successfully. The rest in Central Europe, which includes basically the Visegrad 4 is somewhat of a letdown. Slovakia, Poland and especially Hungary have been backsliding and losing their initially good showing and tempo in the catching-up process.

There is also another peculiar pattern – the timing – as most of the changes occur largely until 2014 when the results from 2017 are compared to those in the period 2011-2016. After 2014, there is a slowdown in both progress and regress, with just few exceptions.

The Economy is the Index category where the EU10+1 countries are catching up relatively most successfully. Estonia, the Czech Republic and Lithuania are the best performers. Estonia stands out as it is positioned 11th out of 35 countries and has identical score of 57 points as the desired average benchmark of the EU15+2 group. The majority of countries have made significant gains compared to previous years, jumping by 4, 5 or even 6 notches in the ranking. The exceptions are Slovenia and Croatia, which have went down the ranking by respectively 4 and 3 positions compared to 2011. Slovakia and Bulgaria have modest performance, but they are still catching up, too.

But there is a slowdown in the catching-up process, beginning around 2014. Nearly all countries are affected by it, save for some progress by Estonia and the Czech Republic and regress of Lithuania.

Slovenia is the closest EU10+1 country to the desired quality of life benchmark with 60 points and 13th position in the ranking of 35 countries. The Czech Republic and Estonia are second and third among the CEE countries. However, Estonia is a distant 18th among all countries in the Index. Latvia, Romania and Bulgaria are the last in quality of life catching-up of CEE countries.

The catching-up in the quality of life is the slowest compared to the other categories. With the exception of Slovenia and the Czech Republic, the rest of the countries do not have particularly good performance, starting from 18th position (Estonia) to 30th (Bulgaria) on a scale from 1 to 35. The old EU member states maintain higher quality of life with even the lowest ranking
EU15+2 country is not lagging so far behind, as for example in economy ranking.

Hungary is the country, which suffered the biggest regress, dropping by 3 and 4 positions compared to 2011 and 2012 respectively.

In terms of longer-term trends, most of the countries have improved their performance in comparison to 2011. The Czech Republic advanced significantly by 4 positions compared to 2011, but then began to slowdown in 2013. Estonia and Romania have sustained progress over three years, e.g. when the 2017 results are compared to those in 2011, 2012 and 2013.

The data shows also there are not many changes after 2013, e.g. the catching-up have stalled and the countries rather retain their results.

**EU10+1 catching-up in the Democracy category**

Estonia, the Czech Republic and Slovenia are the countries closest to the desired goal of catching-up in the democracy category. Moreover, Estonia occupies 13th position out of 35, surpassing many other member states and is just one point below the old-member average score.

Bulgaria (28th) and Hungary (29th) are at the bottom of the ranking with negligible difference in the scores.

In terms of longer term development, Hungary has regressed significantly by losing 6 positions in the ranking in comparison to 2011 and has minus 15 points in the score, respectively. Similarly, Poland and Slovakia have been backsliding too, going down the ranking and losing score points, especially in comparison to 2012. Poland has slipped 5 positions down the ranking.

Latvia and Romania have climbed up in the ranking, making considerable gains with respectively 5 and 3 positions up compared to 2011. In general, the Baltic countries have stayed on course to democracy gains, all Central European countries of the V4 have regressed compared to their initial strong showing, the Balkan countries have stagnated with Romania as the exception from these geographic patterns.

**EU10+1 catching-up in the Governance category**

Estonia, Slovenia and the Czech Republic are the best performing countries with identical scores 56, 56 and 55 respectively on a scale from 0 to 100. They are close, but still below the average benchmark with 61 score. The three top performers are 14th, 15th and 16th in the ranking out of 35 countries.

The countries that lag behind the most are Bulgaria (28th) and Romania (27th) with identical scores of 35 and 36 points. The rest of the countries have average performance in the middle of the ranking.

In regard to longer-term trends, only Estonia and Lithuania have made the most considerable gains, advancing in comparison to several consecutive years from 2011 to 2017. Their neighbor Latvia has less impressive gains in the ranking, but has comparable gains in scores. Romania, though lower down the ranking, has made gains in both the ranking and the scores.

Hungary and Poland have regressed the most and for several years in a row, when their 2017 results are compared to those of 2011 and later, right up to 2016 for Poland.

The governance table shows that there are not many changes and, similarly to other categories, there is generally a slowdown of the catching-process after 2014-2015.
### Catch-Up Index: Change of Scores and Ranks

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#### The Balkans: how the candidate countries are catching-up

There are often marked differences in the catching-up process between the countries in Europe in the Catch-Up Index, but the Balkans deserve a special mention. Whereas some countries showed stagnation or even regress in one or two of the four Index categories, the Balkans countries show overlap of poor performance and longer-term trends in all four – Economy, Quality of Life, Democracy and Governance.

A closer look shows the state of catching-up of the Balkans – these are the candidate countries of Albania, Macedonia, Montenegro, Serbia and Turkey as well as Bosnia and Herzegovina (BiH) as a potential candidate country. It should be noted again that the Index uses per capita metrics, so the size of a country does not matter and internal regional differences within a country are not accounted for.

The scores of the countries for 2017 are compared and ranked to the average scores of two groups – the older (EU15+2) and the newer (EU10+1) EU member states. The tables also show each country’s changes over the years – from the first Index edition in 2011 to 2017 (released in 2018) in terms of both scores and ranking positions.

The ranking by Overall Score shows that all these Balkan countries are below the worst performing old and new member states and far from the desired average benchmarks. Montenegro – 30th out of 35 positions with 30 points and Serbia – 31st position with 29 points are the best performers in the group.

In terms of trends, only Albania demonstrates progress, advancing by 3 positions when 2017 and 2011-2012 are compared, by 2, 3 and 1 position up respectively for each year from 2013 to 2016. Albania makes gains also in terms of scores addition from 5 to 2 points between 2011 and 2016. Serbia and Montenegro show mostly stagnation in the ranking, though Serbia has some increase in scores, while Montenegro loses points. Macedonia, Turkey and Albania slowly lose positions in the rankings between 2011 and 2016 – generally 1 position down compared to previous year and they lose points at a faster pace with 3-4 points lost each year.

In the Economy category, three countries outperform the lowest scoring old member state, but this bar is set too low. All candidate countries are far from the desired average benchmarks. The best performers in the group are Turkey – 29th position out of 35 with 39 points, Macedonia – 30th place
In terms of longer term trends, the countries mostly stagnate or have fluctuating development. BiH position has stagnated while losing points, especially compared to 2013-2014. Similarly, Montenegro makes a drop compared to 2013-2014. Macedonia registers increase by 3 positions compared to 2011, by 1 position compared to 2013-2014 with respective gains in scores. Turkey makes modest gains compared to 2011, 2013 and 2014 in positions and a little better in terms of scores.

In the Democracy category, the best performers in the group are Serbia – 30th place out of 35 with 32 points, Montenegro – 31st place with 27 points and Albania – 32nd place with 26 points. But none of these countries is above the minimum or close to the average Democracy benchmarks of either the older or newer member states. In terms of trends, only Albania and to lesser extent Serbia make progress - Albania by 2 positions up compared to its 2011-2013 results with significant gains in points – 11 points more compared to 2011 and then by 4 to 7 points in the rest of the period. Serbia progresses by 1 position each year from 2011 to 2014 with 6 points more compared to 2011. Macedonia registers drops from 2011 onwards in both positions and points, but it should be noted that the Index score does not register the latest events in full there. Turkey has basically retained its last position in the Index from 2011 to 2017, but has registered significant decreases in the Democracy scores compared especially to 2012 with 10 points less.

In Quality of Life, Montenegro manages to outperform in 2017 the worst performing new member state on 28th place and 33 points, but it is not very close to the average benchmarks. Serbia – 31st out of 35 countries and 26 points and Turkey – 32 place with 25 points follow in the ranking. Apart from Montenegro, which registers modest progress compared to 2011 and 2012, Turkey and Albania gain some points and positions, while Serbia's performance is inconclusive with modest gains compared to 2014 and 2015, but bigger losses compared to the period 2011-2013. Macedonia registers decrease in both positions and especially scores and BiH follows a similar trend.

In regard to the Governance category, Serbia is the best performer in the group – 30th place out of 35 and 28 points, followed by Montenegro – 31st with 27 point and then Macedonia – 32nd place with 24 points. In term of longer term trends, Serbia makes substantial progress by 4 positions up
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## The Balkans Catching-Up: Trends by Quality of Life Scores 2011 - 2017

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## The Balkans Catching-Up: Trends by Governance Scores 2011 - 2017

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compared to 2011 and 2012 and 10 points in each of these years, then 3 positions up compared to each 2013 and 2014 with 6 points each and then 2 places up compared to 2015. Turkey registers substantial decrease in good governance positions and scores – 3 positions down compared to the period 2011-2014, 1 position down compared to 2015 with respectively loss in points – 10 points compared to each year from 2011 to 2013, 11 points down compared to 2014, and by 4 points compared to 2015 and 2016. Albania has some improvement mainly for the period 2013-2014 with more substantial gains in points – 7 and 10 additional points respectively.

**The Balkans: the catching-up by country in the Index 2017**

The spider graphs show how the different countries are catching-up in Index 2017 compared to the average score of the two control groups – the older (EU15+2) and newer (EU10+1) EU member states – in regard to Economy, Quality of Life, Democracy and Governance. The graphs show also in what categories the countries fare better or worse compared to the other areas.

The results show that the candidate countries, which are all Balkan countries, are still very far from the desired levels defined by the old member states EU15+2. In the majority of cases, they are also far from the newer member states average score (EU10+1).
CHAPTER III:
RETHINKING GOOD GOVERNANCE
Mapping Public Policy Challenges in SEE and the Black Sea Region – 2018 Survey Results

Mariana Trifonova
Senior Analyst, Economic Policy Institute, Sofia

Mariana Trifonova joined EPI in 2009 and since then has conducted research and implemented projects on a variety of topics related to economic policy and EU affairs. At present, her professional interests are focused on promoting e-government implementation and digital transformation in Bulgaria.

In terms of SEE & Black sea region commitments, Ms. Trifonova oversees two youth training initiatives dedicated to regional cooperation and people-to-people exchanges. She is the driving force behind the launch of EPI's PYW International Academy “Is My Europe the same as Yours?” involving students from three neighbouring EU member states – Bulgaria, Romania and Greece. Ms. Trifonova also significantly contributed to the design and conceptualization of the “Shaping Our Common Future” Bilateral Seminars for young people from Bulgaria and Macedonia.

In 2018 she was selected as a fellow of the Young Leaders Program for Eastern Europe of Aspen Institute Romania. In 2012 Ms. Trifonova was granted a Black Sea NGO Fellowship with the Civil Society Development Foundation (Romania) and served as a project manager for a follow-up regional cooperation project.

Designated as EPI's in-house Asia expert, she acquired first-hand experience in the Far East during a 4 year-long sabbatical in South Korea and China. In 2015 acted as EU Youth Ambassador in South Korea within a joint program by the KU-KIEP-SBS EU Centre and the EC Delegation in Seoul.

She holds an MA in International Commerce from Korea University Graduate School of International Studies (Seoul) and a BA in International Relations from University of National and World Economy (Sofia). Ms. Trifonova has specialized for a year in Chinese Economy (Finance) at Fudan University School of Economics (Shanghai).
The Starting Point

“Public Policy Challenges – European and Regional Dimensions” is the overarching theme under which the Economic Policy Institute continues to facilitate for 19 years in a row the expert exchange and leadership growth in Bulgaria’s vicinity. In the process of doing so, EPI has built a formidable alumni network of 600+ young public policy professionals in the region of Southeast Europe and the Black Sea area. Recognizing the enormous challenge of constructively engaging such a large number of highly competent professionals over an extended time horizon, EPI is constantly seeking ways to utilize the dormant potential of this unique pool of regional change makers. Precisely such efforts bore to fruition the annual survey aimed at mapping the sentiment among the group of Summer Seminar (SS) experts on the current state of governance in the region.

The tailor-made network initiative relies on the bottom-up approach for examining current public policy challenges in SEE & Black Sea area based on insiders’ point of view. In this sense, it strives to capture a unique excerpt of opinions from neighbouring EU and non-EU countries.

The SS2018 Survey results presentation at the XIX Summer Seminar in Albena marked the second year of implementation. Building upon the findings and the experience from the inaugural SS2017 survey, EPI’s team upgraded this year’s questionnaire into a more comprehensive study of regional developments in three key areas:

- **Good Governance** with a special focus on e-government;
- **Civil Society** participation in policy-making;
- **Regional Cooperation** in SEE & Black Sea area and foreign influence.

Due to the newly implemented methodology, we caution against direct comparisons with last year’s findings. Despite the facelift of the survey design, at the core of the initiative remain the SS alumni and participants from 15 countries in the region.

The online questionnaire was disseminated among the alumni network in April 2018, while newly selected participants filled it in right before the XIX Summer Seminar in May 2018. This year’s results are based on a sample of 143 online respondents from all 15 countries; although it is to be noted that there is an uneven distribution in terms of countries represented, year of participation at the Summer Seminar and occupational track. These inherent limitations of the study stem from the long development history of the Summer Seminar series.

As the inaugural phase of the project in the year 2000 focused exclusively on preparation for EU accession, the target group of participants at the time were public servants from state administrations dealing with enlargement policy. It was only in 2013 that the eligibility was extended to other public policy professionals such as think tank/research center experts and young members of the academia. Naturally, this imbalance is reflected in the survey sample as well with 119 of all respondents being state officials, while only 24 come from the civil society and academia circles.

In terms of country-of-origin composition of the alumni community, at present it is significantly skewed towards Bulgaria’s northern and western neighbours. This is due not only to the geographic proximity that allows for easier connectivity but is also related once again to the EU enlargement process that was at the forefront of the Summer Seminar series at its earlier stages. Nationals of Bulgaria, Romania, Moldova, Serbia, Macedonia and Albania comprise 72% of respondents.

To gain a deeper understanding of SS2018 survey results, we also look at the participation spread in functional clusters. The first cluster encompasses representatives of EU member states – Bulgaria, Romania and Croatia.
The second cluster is made of the Western Balkan (WB) countries with EU membership perspective – Albania, Bosnia & Herzegovina, Macedonia, Montenegro and Serbia. The next group features the non-EU Black sea countries involved in the Eastern Partnership (EaP), namely Armenia, Azerbaijan, Georgia, Moldova and Ukraine. The last two of the 15 states represented at the Summer Seminars – Turkey and Russia – are bundled together because of their size and regional power characteristics. Division by functional clusters is especially relevant for the third section of the study.

Lastly, before we dive into the newest findings in each of the three key areas, we shall acknowledge that participants from the last 5 editions of the Summer Seminar series are more active in the alumni network for two reasons:

1) technological advancement and social media provide an enabling environment for sustaining the community spirit built throughout the seminar days, thus stimulating a more active approach to the alumni network activities;

2) there is a greater chance for these more recent alumni to still be pursuing the same career track, keeping their institutional affiliation and interest in the topics of good governance and regional cooperation.
At the same time, the Western Balkan and some of the Black Sea countries are still aspiring towards entry into the elite democratic club, so advancement on the implementation of the good governance principles is clearly realized as a priority. Such transformation efforts are reflected in the second largest share of experts (37.5%) who claim to have noticed significant improvement.

Only 13.9% assume a pessimistic stance, divulging that in their opinion the state of good governance has deteriorated. Although they are in the minority, these voices of concern should not be easily dismissed as they are indicative of the dangerous undercurrents sweeping through much of Eastern Europe in the recent years, carrying with them illiberal models of governance and freedom of speech infringements. Making good governance and democratic transformation irreversible is a challenge that needs to be addressed urgently and resolutely.

However, advancing good governance implementation cannot be done without an accurate evaluation of the obstacles ahead of it. The second question in the survey tackles the biggest challenges in adopting the principles of accountability, transparency and rule of law in the region. It also emphasizes the web of conflicting interests surrounding the fight against corruption. The question format allowed for choosing up to three challenges among the listed ones with an open option to add new items to the list (see Figure 6).

Outstanding deficiencies in the judicial system seem to be the top challenge for the region, regardless of respondents’ national affiliation. Rule of law continues to be an area where the newest EU member states receive regular criticism from the European Commission and other members with the Cooperation and Verification Mechanism proving inadequate in fostering comprehensive transformation of the judiciary through external supervision. So it is not surprising that the issue is even more pressing in the Western Balkan and Black Sea countries.

The other two major challenges completing the TOP3 list are very much interrelated – lack of visible results in fighting corruption (52.8%) and the presence of state capture (51.4%), understood as influence of private in-
terests over state’s decision-making processes. For 43.1% of the regional policy experts the incomplete public administration reform is a serious impediment to furthering the adoption of good governance principles. They also mention the lack of democratic political culture and knowledge as an area where more efforts need to be put. Only 1.4% of respondents believe that there are no major challenges in their country when it comes to good governance.

The prevailing opinions on the question are consistent throughout all functional clusters and sub-groups of respondents, allowing us to conclude that indeed there is a clear set of common regional challenges in the SEE & Black Sea area that could benefit from intensified expert exchange and knowhow transfer.

Figure 6/ Q2: The biggest challenges in implementing the good governance principles in the region

![Challenges Diagram]

Going back to the topic of reforms, the third question in this section of the survey investigates the main obstacles in implementing reform in the professional fields closest to the participants' expertise. As it turns out, the TOP3 change-stalling variables here are internal, rather than external. The lack of political will is identified as the number one challenge, followed closely by insufficient administrative capacity and internal institutional resistance (see Figure 7). All three factors are voted in by more than half of the survey participants, demonstrating the deep understanding and disillusionment among experts in the region. Against this background, 18.1% still claim that weak public support is an issue, implying perhaps frustrations from civil servants that the public at large does not show appreciation for their pain-staking work. Several respondents also mention political intervention and pressure from external stakeholders with vested interests among the challenges. Only 2.8% of the public professionals do not see major obstacles in completing the reforms in the field they know best in their country.

Figure 6/ Q2: The biggest challenges in implementing the good governance principles in the region

Going deeper into several important aspects of good governance, we compare respondents' perceptions about the progress in the past year in six specific fields, namely: 1) decision-making based on impact assessments, policy consultations, big data analysis; 2) economic governance and business environment; 3) public procurement; 4) rule of law; 5) transparency and accountability of public institutions; 6) digital transformation of state administration.

Rule of law emerges as the most problematic domain with 27% of the respondents (the largest share of all fields) divulging that the situation has worsened in the past year while only 12% (the smallest share) believe to have seen improvements. The vast majority (61%) think there were no major changes in the field. The same percentage of the opinion sample claim that the status quo was preserved in another highly sensitive field – public procurement, though the optimism there is a bit stronger with 29% and the negative signs weaker (10%). In terms of decision-making and transparency, the distribution of positive, neutral and negative assessments is almost identical yet a little over half of the experts concur that not much has changed in the past year. The most significant improvement is noticed in the digital transformation field which is a relatively new domain driven by the rapid development of technology.
That is why the last question in the Good Governance section turns the attention to the modernization of state administration in light of the advancement in digital technology. Participants in the survey were asked to assess the current state of e-government development in their country with four pre-defined stages as a reference.

One third of the policy professionals polled through the survey consider their country’s stage of online service development as emerging. This is the entry level where basic information is offered through institutional websites and portals. Exactly the same share of respondents defines their e-government implementation stage as enhanced, meaning there is one-way and simple two-way e-communication between citizens and institutions with some service application forms available for download. According to 26.4% of the answerees, their country is enjoying the benefits of a more advanced transactional stage of online service development which allows for two-way interaction with online financial and non-financial transactions. The most comprehensive connected e-government presence, found in only 7% of the responses, is characterized by coherence, integration and coordination of processes and systems within and across government agencies.

As digital technology transforms governance, it also opens new pathways for transparent and inclusive policy-making. If put to good use, it could foster a more participatory approach to public policy where citizens and businesses could interact with public authorities through a new, flexible and enabling mechanism. However, revolutionizing the communication channels between state administration and non-government stakeholders is not enough when striving to reach the stage of participatory policy-making. The second section of the SS2018 survey focuses precisely on the current situation in the region in terms of institutions’ cooperation with civil society.

**The equivocal role of civil society in policy-making**

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Again in the middle of the spectrum fall the majority of answers when the question is turned from the momentary snapshot to the short-term trend. Over 65% of the SS alumni believe that the role of civil society and NGOs as partners of public governance is as important today as it was a year ago with only 15.3% expressing the opinion that civil society organizations play a bigger role compared to 365 days ago. The fact that a larger share (19.4%) believes them to be less significant at present is quite worrisome considering the turn towards authoritarianism that is observed in parts of Eastern Europe.

The last question in the Civil Society section attempts to gauge for a qualitative assessment of the actual impact NGOs have on decision- and policy-making in the region. The perfect normal distribution of responses on a scale from 1 to 5 (with 1 being extremely negative and 5 very positive) signals the equivocal attitude of answerees. Considering the composition of the SS alumni network, where the majority is comprised of young professionals from the public administration, such neutral or ambiguous attitude on all three questions speaks volumes. Evidently, there is a need to focus more on nurturing the relationship between institutions and civil society organizations in order to launch high impact constructive partnerships.
Despite the conventional wisdom in participatory democracy that civil society is and should be recognized as an equal partner of public authorities, the practical situation reveals caveats of inefficiency, especially in countries still struggling to catch up with the highest standards of democratic conduct. In the recent years, instances of non-transparent NGO funding increased, leading to doubts whether such organizations truly advocate in favour of the public interest or simply serve as a vehicle for foreign influence and external pressure on the institutions. In more radical cases, the funding behind such organizations could come from sources aiming to destabilize countries or sabotage important policy actions. In order to prevent the abuse of the participatory democratic procedures, better regulations are needed with regard to identifying the NGOs complying with the legal norms and meeting the representation criterion.

**Beyond national borders**

**Tracing foreign influence in the region**

As the demarcation line between foreign aid/private donor funding from legitimate sources and illicit buying of influence is sometimes not clearly differentiated, the third and final section of the SS2018 survey zooms into the experts’ perceptions about the significance of various international stakeholders in the region (partner or hostile).

When prompted to evaluate the added value of various foreign aid/technical assistance programs (for non-EU) or operational programs (for EU member and candidate countries), the experts’ opinions show obvious diversification by functional clusters. As evidenced by Figure 12, the Western Balkan countries aspiring towards EU membership are the most enthusiastic of the clusters with almost 80% of respondents estimating the added value of such external funding as very high or high. A similar positive assessment could be observed also in the non-EU Black Sea countries where the answers ‘very high’ and ‘high’ collectively account for 73% of all responses. The three EU member states appear to have a much more moderate, yet still positive attitude towards external funding which could be explained with the fact that they have already enjoyed the highest impact and benefits from the operational programs in their first years following accession. The functional cluster of Turkey and Russia is not visually represented in Figure 12 as the sample is too small making the results inconclusive. However, from a methodological point of view, including these two large regional players in the Black Sea cluster would have been counterproductive as they may skew the results.
hand, and 10 formidable stakeholders on the international arena, on the other, refraining from giving normal valuations to the nature of the bilateral relationships. The results are summarized and arranged in Table 1.

Table 1/ Q9: Significance of relations with TOP 10 foreign stakeholders

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European institutions place on top of the list for each functional cluster, while the United States overshadows NATO’s influence in both the Western Balkans and the Eastern Partnership countries. Especially in the latter group, the Alliance is placed very low; significantly behind the main regional powers – Russia and Turkey – and even behind the United Kingdom and France.

Out of all European countries in the Top 10 list, Germany is recognized by far as the most influential partner. Interestingly enough, the second largest economy on the Old continent (France) is on par with China in the eyes of the SS2018 survey respondents. In view of the increasing concerns about Chinese presence in Eastern Europe via the 16+1 Initiative, the results here confirm the notion that more people in the region pay attention to the far east giant. Still, China barely makes the middle of the ranking when responses ‘very high significance’ are taken as the main criterion. In a cumulative estimation of ‘very high’ and ‘high’, the emerging contender for global supremacy drops down to 9th place in the EU members cluster while maintaining its 6th spot for the Western Balkans.

On another note, Brexit might be one of the most intensely discussed and covered topics in the media but ties with the United Kingdom apparently are not particularly valued by the policy experts in Bulgaria, Romania, Croatia and the Western Balkan candidates. The UK appears to have much stronger grounds in countries like Ukraine, Georgia and Azerbaijan.

Lastly, Turkey and Russia retain their parity in the SEE & Black Sea region, with their influence extending a bit more over the Eastern Partnership countries.

Regional cooperation in SEE & Black Sea area: dream or reality?

As much as foreign assistance and influence affect domestic developments in the 15 countries, it is not unimportant to draw the attention to the cross-border ties in the SEE & Black Sea area as several issues need to be addressed on a regional scale rather than handled by each country individually. Thus, the survey concludes with an assessment of the regional cooperation potential in five thematic areas. Survey respondents were asked to evaluate the importance of cooperating on a scale ranging from ‘very high’ to ‘very low’ priority. Figure 13 illustrates the findings.

Ensuring peace and stability in the SEE & Black Sea area through conflict resolution is identified by the SS alumni network as the cooperation field with the highest priority: nearly half of the experts consider it as very important. Promoting cross-border trade and strengthening economic ties in the region is viewed as a ‘very high’ priority by 36% of the respondents while half of the answerees describe it as ‘high’. Almost on par are the issues of regional infrastructure development and energy security, though one would have expected to see these two topics a bit higher on the cooperation agenda. Given the chronic underdevelopment of basic infrastructure and the recognized inadequacy of regional connectivity, the lack of enthusiasm for cross-border solutions to the common problem is a bit surprising. The heart of the matter may lie in the highly specialized technical nature and large scale of the infrastructure and energy projects, making it harder to reach consensus in an intergovernmental format. That being said, the insufficient cooperation potential could be a result of competing development agendas where one country strives to push forward its own project disregarding, or even sometimes openly competing with the neighbour’s plans. This rationale could be valid for both transport and energy infrastructure. Environmental protection and sustainability complete the list of prospective regional partnerships but only 28% of the polled policy professionals believe it to be of very high priority. Such sentiments explain the difficulties faced in implementing joint conservation and preservation initiatives in the region, especially with regard to the Black Sea ecosystem.
Conclusion

Contemplating on the key findings of this year’s survey among the regional alumni network of public policy professionals, many of last year’s conclusions remain still valid today. The region’s progress towards good governance implementation continues to be stalled by structural deficiencies. The fight against corruption has not picked up and rule of law in the SEE & Black Sea countries has stagnated, at best, and slightly deteriorated, at worse. If there is a silver lining, then it could be sought in the fact that the main challenges in the region are very much of common nature, affecting almost equally the three EU member states, the Western Balkan and Eastern Partnership countries. This means that initiatives such as the Summer Seminar series could serve as not only networking platforms but also regional laboratories for innovative public policy solutions which could later on be spread across all 15 participating countries with a significant added value for the region as a whole.

A good starting point for experimenting with policy innovations could be the push to have a more inclusive and participatory decision-making process, where civil society and NGOs’ potential could be fully utilized.

Reversing the binoculars from the internal domestic situations in the 15 SEE & Black sea countries, this year’s survey attempted for the first time to map the sentiments among the expert pool on the external environment – enabling or stumbling development processes in the region. As it turns out, there is not much enthusiasm for collaboratively solving common regional problems such as environmental deterioration or insufficient connectivity (transport and energy infrastructure). Meanwhile, the policy experts participating in the survey are more willing to place high priority on regional cooperation mechanisms for boosting cross-border trade and resolving conflicts.

One of the most significant channels for transmitting foreign influence over the region – with either positive or negative impact for development – is the provision of project-based funding. The perceived added value from EU and other international donor’s financial support is the highest for the Western Balkan countries. This year’s inaugural attempt at mapping the importance placed on ties with 10 global players yielded interesting results. Against the backdrop of increased concerns that the EU is losing its clout (globally and regionally) due to internal difficulties, the survey results demonstrate that it is still the most significant counterpart for all 15 countries in the region. Despite concerns about China’s increased interest in Eastern Europe and potential vulnerability of the democratic process stemming from it, the survey findings do not support such claims for the three EU member states or the Eastern Partnership countries. Even in the Western Balkans where China is believed to have recently had more success, the professional circles in the five WB countries still place the Asian giant far behind European and Transatlantic partners.
CHAPTER IV:
ALTERNATIVE APPROACHES TO DEVELOPMENT
China’s Outreach to South East Europe – An Alternative or Complementary Path

(reviewed by Prof. András Inotai)

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I. Five introductory points on the Belt and Road Initiative (BRI)

In 2013, China’s President Xi Jinping announced the Belt and Road Initiative (BRI), also known as the One Belt, One Road (OBOR) initiative, consisting of an overland Economic Belt and the 21st Century Maritime Silk Road. It is a massive infrastructure project, recently reaching out to South East Europe, which has been prominently reported in European media. However, while opportunities and (foremost) challenges of the BRI are vividly discussed, its major features are often neglected, resulting from time to time in bizarre debates. In order to grasp the dimension and possible economic effects of the BRI, the reader is asked to keep the following five points on the BRI in mind:

#1 The New Silk Road is not a road. Even if one focused solely on the overland route (the so-called Economic Belt), it is rather a vast network of roads and railroads, which partly has already been established.

#2 It is not all new. In fact, many of the transport links throughout

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38 Keywords: BRI, Belt and Road, New Silk Road, infrastructure, investment, FDI, transport, ICT, international trade, Gravity estimation, China, CESEE, WIOD, Western Balkans. JEL classification: E22, F21, H54, F13, F14, F63, L9, O18. This text as well as the presentation at the XIX Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea Region builds upon wiiw research: see Gruebler and Stehrer (2017) and Gruebler et al. (2018).
Eurasia, which have been hyped as BRI projects, have already existed or their construction had already been started before the initiative was actually announced in 2013. The BRI is an instrument to further extend or modernise the transport infrastructure in place. Great potential is also there for reducing transport time and costs by improving technological compatibility as well as customs procedures on the many borders along the way.

**#3 Eurasian goods trade is only a small part of the whole story.** Within Europe, the fear is being voiced of a “tsunami” of cheap Chinese goods flooding the European market due to improved transport infrastructure. However, infrastructure projects do not only aim at improving transport of consumer goods. A major goal is to improve Chinese access to natural resources. In particular, investments to Kazakhstan and Russia for the establishment or expansion of gas and oil pipelines and access to Africa’s minerals are central to the initiative.

**#4 Overall, discussions in Europe appear too Eurocentric.** Geographically, the BRI could encompass more than forty countries throughout Eurasia and Africa and affect many more, directly or indirectly. Looking at the number and volumes of projects, it is evident that the geographical focus of the BRI lies close to homeland China. Especially the overland Economic Belt can be regarded as part of China’s strategy announced back in 2000 to reduce and eventually close the gaps in economic development between the rich coastal regions in the East and the poorer Central and Western regions of China. Out of the six corridors39 discussed in the context of the BRI, the China-Pakistan corridor is by far the most expensive with announced investment sums exceeding USD 40 billion, outshining infrastructure investments in Europe. In addition, the BRI not only consists of the overland Economic Belt, but also of the Maritime Silk Road, with the bulk of investments in ports taking place in South Asia but also West and East Africa.40

**#5 Within Europe, however, the region of South East Europe (SEE) might play a pivotal role for the success of the BRI.** From a Chinese perspective, there are multiple motives for the investment initiative, ranging from geopolitical counter-initiatives to mega-regional trade agreements, the reduction of excess capacities (e.g. in the steel industry), access to natural resources, the economic development of poorer Western parts of China, the export of unemployment, the development of new markets, to reducing transport costs and time. Notwithstanding the Chinese strategic motives, the BRI can only materialise in countries, which have infrastructure investment needs and therefore appreciate the Chinese investments. Indeed, this is the case for SEE.

**The Belt and Road Initiative in SEE**

China has identified the region of Central, East and Southeast Europe (CESEE) as the gateway to Western European markets and target for Chinese infrastructure investment. This was manifested by the diplomatic initiative “16+1”, comprising eleven EU Member States and five Western Balkan countries41, with “+1” referring to China. The first summit took place in 2012, i.e. a year before the BRI was announced. In addition, with investments in the port of Piraeus (Greece) by the China Ocean Shipping Company (COSCO), the logical overland connection to other European markets runs through the Western Balkan region.

**Overall, infrastructure investment needs are substantial in parts of CESEE.** The more developed and geographically most western parts of the region (Czech Republic, Slovakia, Poland and Slovenia) have relatively small needs (mostly in replacement and maintenance) in the order of about 3% to 4% of their gross domestic product (GDP) annually over the next few years (Figure 1). However, all the Western Balkan economies (as well as Bulgaria) and the Baltic states have substantial infrastructure investment needs in the range of 8% (Lithuania) to 12% (Bosnia and Herzegovina) of GDP, with a stronger emphasis on catch-up investment.

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39 (1) The New Eurasia Land Bridge Economic Corridor (through Kazakhstan, Russia, Belarus and Poland), (2) the China-Mongolia-Russia Economic Corridor, (3) the China-Central Asia-West Asia Economic Corridor, (4) the China-Indochina Peninsula Economic Corridor, (5) the China-Pakistan Economic Corridor, and (6) the Bangladesh-China-India-Myanmar Economic Corridor. For further information see Urban (2016).

40 For an illustrative map of ongoing infrastructure projects consult e.g. the Mercator Institute for China Studies (2018). Mapping the Belt and Road initiative: this is where we stand, available at: https://www.merics.org/de/bri-tracker/mapping-the-belt-and-road-initiative (7 June 2018).

41 Kosovo is officially not part of the “16+1” initiative. Out of the countries joining the EU in 2004 or thereafter, only Malta and Cyprus are not part of the “16+1” initiative. Austria holds an observer status in the “16+1” format.
These needs are the strongest in transport and energy infrastructure, yet, differing across countries and regions. For example, Western parts of CESEE (Czech Republic, Hungary, Slovakia, Poland and Slovenia) have similar or even higher railway density rates than Austria, Germany or Italy. This is partly the legacy of the railway expansion during the 19th century within the boundaries of the Austro-Hungarian Empire. It is indicative of the Western Balkans that, apart from a few North-South connections, there are hardly any West-East railway lines connecting this sub-region internally. Moreover, CESEE countries have not developed high-speed railway lines at all, which certainly is a material infrastructure shortcoming.

Looking at highways, only Slovenia, Croatia and Hungary have developed a strong highway network in the past decades and show density rates comparable to their Western peers. All others fall short, in particular, Latvia and Montenegro lack motorways altogether. Energy infrastructure shortcomings as exemplified by electricity lines are less severe. However, the Baltics clearly lack more powerful electricity lines, with most of their network consisting of 300/330kV grids, while 400kV was established as European standard in the 1970s. Infrastructure investment needs in information and communication technology (ICT) are marginal. This is due to the fact that ICT infrastructure involves relatively new and less capital-intensive technology. In 2015, about 70% to 80% of CESEE households had internet access at home. Laggards in this respect are Albania as well as Bosnia and Herzegovina.

We can therefore conclude that investment priorities stated for the BRI (as well as by the European Commission) indeed fit to the most pressing infrastructure needs in the region.

For the implementation of infrastructure projects as well as for the expansion of trade and investment, the availability of adequate financing and capable ICT infrastructure is a necessary prerequisite. So far, branches of Chinese ICT banks were established only in a number of countries in the region. Preferred targets have been Hungary, Poland, the Czech Republic and Serbia.

Further financial cooperation is a top priority of the “16+1” initiative. The main points discussed at China-CEE Summits include special credit lines and the China-Central and Eastern Europe Investment Cooperation Fund (China-CEE Fund). Typically, 85% of project costs are financed by the state-owned Export-Import Bank of China (EXIM Bank), while the other 15% come from the local government or other local investors. Usually, these loans have a long maturity of about 20 years with rather low interest rates (about 2%) and are contracted in US dollars (Levitin et al., 2016).

There are several Chinese funds established serving to finance the Belt and Road Initiative which are of relevance for the CESEE region. The Silk Road Fund has a total capital of USD 40 billion. It is primarily operating through equity investment, supporting infrastructure, resources and energy development, industrial capacity cooperation and financial cooperation. As of March 2017, contracts of 15 projects were concluded, with an investment commitment of about USD 6 billion. The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with an authorised capital of USD 100 billion. As of end-2017, it had approved 24 projects with a sum of USD 4.2 billion, however, focusing strongly on Central and South Asia.42

Chinese banks committed to the Belt and Road Initiative include the EXIM Bank, the China Development Bank (CDB) and the Agricultural Development Bank of China (ADBC). Amounts allocated to the initiative are said to be USD 30 billion (EXIM Bank), USD 32 billion (CDB) and USD 20 billion (ADBC), respectively (Barisitz and Radzyner, 2017).

42 In addition, the New Development Bank (NDB) founded by the BRICS countries (Brazil, Russia, India, China and South Africa) is a multilateral lending institution that became operational in 2016 and has an initial authorised capital of USD 100 billion. It is active in renewable energy, transportation and social infrastructure within the BRICS. Between 2016 and 2017 loans were approved involving financial assistance of over USD 3.4 billion in all member countries.
The importance of Chinese loans for construction projects has been increasing over time. Overall, Chinese infrastructure projects in CESEE make up about USD 15.2 billion (EUR 12.2 billion). More than two thirds of these have been initiated only since 2013. It can therefore be argued that the announcement of the BRI really triggered investment and not only served as a “brand” to advertise already existing projects. Geographically, the prime target of Chinese construction contracts is the central-southern part of CESEE. More than two thirds of the projected amounts are earmarked for construction in three countries only – Serbia, Bosnia and Herzegovina and Hungary, driven by the Budapest-Belgrade railway link. Out of the total projected construction costs about half are budgeted for energy and slightly less for transport projects.

However, for member countries of the EU these are minor in comparison to corresponding EU grants and loans. The EU-CEE countries benefit from major projects in the framework of the European Structural and Investment Funds (ESIF) – particularly the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). The current programme period lasts from 2014 to 2020. Up to autumn 2017, a total of 464 infrastructure projects within the EU-CEE were registered at the ESIF. Out of these, 117 projects were approved, totalling EUR 11.8 billion in EU grants. Almost 80% of the EU funds for major projects in EU-CEE are spent on network infrastructure in transport and energy.

It is of crucial importance to distinguish loans from grants, as the latter do not pose any risks of debt unsustainability to the recipient countries. Money provided by China should therefore be regarded as complementary to EU funds, but should not be considered as substitute. Chinese financing is much more significant in the Western Balkan states, which have little access to EU grants but the strongest need for infrastructure catch-up. The EU supports infrastructure development in the region with its Instrument for Pre-accession Assistance (IPA II for the period 2015-2020). The IPA II funds earmarked for the co-financing of infrastructure investment amount to EUR 1 billion. The Western Balkan countries are also integrated in the Trans-European Network. The so-called Berlin Process aims to support the economies in the region on their path to EU membership with a special focus on infrastructure development, human capital and regional cooperation.

Chinese construction projects are often complementary to those of the EU in the CESEE-16 region in the sense that they are not competing for the same type of projects. This is particularly true for the energy sector. However, they are sometimes opposing in the type of technology implemented (e.g. coal plants financed by China versus low-carbon economy targets by the EU). In the field of transport, there are more overlaps between the activities of China and the EU, particularly in the Western Balkans.

Figure 2 / Loans from EU and China of greater significance in the Western Balkans

Source: European Commission ESIF, CEF, TEN-T, WBIF, EFSI data; China Global Investment Tracker; wiiw calculations.

Expected economic effects for the CESEE

wiiw research points towards positive short- and medium- to long-term economic effects of the BRI in Europe.

CESEE trade-trade ties with China seem to evolve just now. We observe a steady increase in the share of Chinese imports from the EU-CEE, but a recent slump in the share of exports. Although the economic crisis was a
global phenomenon, the declining shares indicate that import demand of EU-CEE was affected over-proportionately.

The picture is quite different for Western Balkan countries. China is a top 5 source of imports to every country in the region, with shares ranging from 6.2% for Macedonia to 9.3% for Kosovo. What marks the great difference to the trade relation with the EU-CEE is that China also features among the top 10 export destinations for Albania and Kosovo and is even listed among the top 5 for Montenegro. From a Chinese perspective, trade volumes with the Western Balkan region are significantly lower and more volatile than trade flows with the EU-CEE.

**Short-term economic effects:** An infrastructure investment in a specific country first triggers direct demand in the construction industry of that country. As, however, this industry needs inputs from other industries which are partly sourced from industries in other countries, such an investment also generates demand and therefore production and income in the trading partners. Since each industry in each country itself has to partly source its production from other industries and countries, these direct effects trigger again demand for products in further industries and countries. Infrastructure investments in one country can therefore result in indirect effects for many more economies.

The actual impact largely depends on the extent to which these investment funds actually turn into real investment and thus trigger an increase in demand of the construction industry. Further, such huge infrastructure projects are not going to be conducted within a single year. As such, the (direct and indirect) effects of such infrastructure investments spread over a couple of years, with a certain amount of direct and indirect production and income effects being generated in each year. The results shown in Table 1 are to be interpreted as the cumulative GDP impact of all investments over the years of implementation. It does not consider future maintenance costs, which will vary by the technology chosen and quality of implementation.

In a “business as usual” scenario, the effects of Chinese infrastructure projects are highest at more than 10% of GDP for Montenegro and Bosnia and Herzegovina, at around 7% for Serbia and still above 2% for Macedonia. In the calculations, we assume that countries source the products and services they need for the implementation of infrastructure investments as they did in the past.

The impact on EU-CEE ranges from very low levels for Baltic countries at around 0.02% of GDP to more than 1% for Hungary. These effects would materialise over several years, depending on the speed of progress of the projects. Further medium- to long-term effects might result from the reduction of transport costs and time, the diversification of traded goods and firms engaging in international trade as well as potential inter- and intra-regional cooperation.

There are some sizeable effects in other countries, which have strong trade linkages with the region, like Austria (as well as Germany or Italy). Cumulated GDP effects would amount to USD 0.6 billion for Germany, 0.4 billion for Italy, and 0.2 billion for Austria, though the impact relative to GDP is typically smaller. China would profit from its investments (via the production networks) to the extent of USD 0.4 billion; again, the impact relative to GDP is small given the size of its economy.

Table 1 / Estimated cumulated GDP impacts of infrastructure investments

<table>
<thead>
<tr>
<th>Country</th>
<th>China in million USD</th>
<th>EU grants</th>
<th>EU loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montenegro</td>
<td>558</td>
<td>118</td>
<td>310</td>
<td>986</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>1,840</td>
<td>183</td>
<td>1,659</td>
<td>3,682</td>
</tr>
<tr>
<td>Serbia</td>
<td>3,036</td>
<td>212</td>
<td>2,508</td>
<td>5,757</td>
</tr>
<tr>
<td>Albania</td>
<td>6</td>
<td>107</td>
<td>1,158</td>
<td>1,272</td>
</tr>
<tr>
<td>Macedonia</td>
<td>273</td>
<td>40</td>
<td>672</td>
<td>985</td>
</tr>
<tr>
<td>Croatia</td>
<td>425</td>
<td>1,302</td>
<td>342</td>
<td>2,069</td>
</tr>
<tr>
<td>Romania</td>
<td>1,805</td>
<td>3,714</td>
<td>192</td>
<td>5,711</td>
</tr>
<tr>
<td>Poland</td>
<td>861</td>
<td>12,829</td>
<td>1,135</td>
<td>14,826</td>
</tr>
<tr>
<td>Hungary</td>
<td>1,657</td>
<td>1,350</td>
<td>94</td>
<td>3,101</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>72</td>
<td>1,021</td>
<td>67</td>
<td>1,160</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>85</td>
<td>1,539</td>
<td>510</td>
<td>2,134</td>
</tr>
<tr>
<td>Slovenia</td>
<td>151</td>
<td>634</td>
<td>178</td>
<td>963</td>
</tr>
<tr>
<td>Lithuania</td>
<td>7</td>
<td>609</td>
<td>316</td>
<td>932</td>
</tr>
<tr>
<td>Latvia</td>
<td>76</td>
<td>376</td>
<td>77</td>
<td>529</td>
</tr>
<tr>
<td>Estonia</td>
<td>4</td>
<td>297</td>
<td>38</td>
<td>339</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>173</td>
<td>1,390</td>
<td>144</td>
<td>1,708</td>
</tr>
<tr>
<td>Austria</td>
<td>170</td>
<td>200</td>
<td>126</td>
<td>496</td>
</tr>
<tr>
<td>Germany</td>
<td>673</td>
<td>1,418</td>
<td>490</td>
<td>2,580</td>
</tr>
<tr>
<td>Italy</td>
<td>378</td>
<td>443</td>
<td>350</td>
<td>1,170</td>
</tr>
<tr>
<td>China</td>
<td>380</td>
<td>660</td>
<td>340</td>
<td>1,380</td>
</tr>
</tbody>
</table>

Note: Countries are ranked by size of impact on GDP. Source: wiiw calculations based on ESIF, CEF, TEN-T, WBIF and EFSI data on EU grants and loans and the China Global Investment Tracker for Chinese construction project.
Table 1 also compares the effects of Chinese loans in the region to the effects of EU grants and EU loans. Looking at EU grants, effects are more evenly spread across CESEE. The highest effects in per cent of GDP were calculated for Montenegro, Croatia and Poland with more than 2% of GDP. Yet, effects exceeding more than 1% of GDP are found for another eight countries, including the Baltics, as well as Romania and Bulgaria.

As explained above, EU grants focus on CEE economies within the EU, while EU loans are geographically more concentrated in the Western Balkans. Comparing GDP impacts resulting from Chinese loans with those induced by EU loans, we can observe that effects are of similar magnitude for Bosnia and Herzegovina (CN 10.5%, EU 9.5%) and Serbia (CN 7.3%, EU 6.0%), while EU loans play a much more prominent role in Albania (CN 0.1%, EU 8.8%) and Macedonia (CN 2.5%, EU 6.1%). Only for Montenegro, effects associated with Chinese infrastructure projects are of double the size of those calculated for EU loans (CN 13.7%, EU 7.6%).

Medium- to long-term economic effects: The impact might even be larger when further induced effects are taken into account: A part of the income generated through the construction of infrastructure projects will be saved, the other part will be spent again. This spending in turn generates income, which will subsequently be partly spent again. This multiplier effect would increase the GDP effect even further by a factor of 1.3 to 1.4 for the EU-CEE countries.

Interestingly, the effects are higher for the main sourcing countries Italy and Germany (for which this factor is about 1.9) and Austria (with a factor of about 1.8). The effect is particularly strong for China where the induced income raises the GDP effect by a factor of 3 (though still remaining rather low at 0.04% of GDP).

Factors not considered in this analysis, which could in the medium- to long-term further boost the effect of infrastructure investments are:

- **The reduction of transport costs and time**: Investments in road and railway infrastructure will make overland transport more attractive to air and maritime transport. As of today, more than 90% of trade flows between China and Europe are using the maritime route. The reduction of overland transport costs will shift parts of the maritime transport in particular of high-value goods to overland transport, while the reduction of transport time will shift parts of the air transport of time-sensitive products to transport by rail. Cosentino et al. (2018) estimate that maritime trade will increase from 16 million TEU\(^6\) in 2016 to 40 million TEU in 2040, and air transport from 3.3 million tons to 5 million tons during the same time. Simultaneously, 2.5 million TEU will be shifted from maritime to rail transport and 0.5 million TEU from air to rail transport.

- **Diversification of exports and imports**: Better and cheaper connections improve possibilities for trade in general, allowing for diversification of exports and imports. Importantly, this not only refers to traded goods and services. Importing and exporting involves non-negligible costs. A reduction of transport costs might make it profitable for firms to become exporters/importers, thereby allowing more companies to engage in trade.

- **Productivity gains**: The investments themselves, cheaper inputs for importers, as well as more competition for exporters can result in productivity gains, benefitting the economies in the future.

- **Strengthening of inter- as well as intra-regional cooperation**: Experiences in the past have shown that connectivity alone is not sufficient to improve regional cooperation. Nonetheless, it is a necessary and favourable condition for intra-regional cooperation, which would be particularly appreciated in the Western Balkan region and improve prospects of EU membership.

**Risks and uncertainties associated with the BRI**: The BRI bears a lot of economic potential for the CESEE region. However, there are also multiple risk factors and a great deal of uncertainty fuelling public fears regarding China’s actions in Europe, which should not be neglected. These include discussions on debt sustainability, a potential increase of corruption, political influence resulting from financial dependency and disappointment with economic effects if local contractors, suppliers, materials and workers are not involved in the implementation of projects.

Assuming that 50% of the investments financed by Chinese funds are using Chinese production networks for construction, the effects on GDP would be halved for the CESEE countries and their trading partners (e.g. Austria, Germany, and Italy), whereas for China the cumulated effect on GDP would increase to 0.06% (compared to 0.01% as reported in Table 1).

\[^{6}\text{TEU} = \text{Twenty-foot equivalent unit; a measure used for capacity in container transportation.}\]
Further challenges for Europe not incorporated in the above analysis include:

- **Unsustainable debt:** Out of 68 countries, Hurley et al. (2018) find eight countries for which BRI infrastructure financing raises the risk of debt distress severely. Among these eight economies, we find Montenegro, primarily due to its motorway project linking the port of Bar with Serbia. The cost of the first phase (85% financed by the EXIM Bank at a 2% interest rate) amounts to USD 1.1 billion, equivalent to a quarter of its GDP. IMF concluded that without highly concessional funds for the second and third phase of the project, a debt default would be likely.

- **Fuelling corruption:** Motorway projects in Macedonia, linking Kicevo to Ohrid and Skopje to Stip implemented by Sinohydro and financed by the EXIM Bank (again 85%) were overshadowed by reports of corruption. Conversations about direct payments to politicians were recorded, mismanagement inflated costs, contracts were directly awarded without a public tendering process, and politically connected local subcontractors were favoured in the procurement process (Makocki and Nechev, 2017).

- **Political influence through financial dependency:** Even if we neglect the possibility that China could have an interest in intervening in decisions taken in Europe, recipient countries might put policies in place or vote in favour of China in order not to displease an important donor. An example is Greece blocking an EU statement criticising China’s human rights record in June 2017, shortly after COSCO acquired the majority share of the port in Piraeus.

- **Intra-EU disputes:** Linked to the former two points is the increase of risk related to political divergence within the EU. Leaders propagating anti-EU sentiments advertise Chinese investments as an alternative to EU investments, and apparently feel more safe when violating EU regulations. A prominent example is the Budapest-Belgrade railway project, where Hungary did not apply EU rules on public procurement. Formally, the case has been solved during the 6th CEE-China summit in late-2017 when the project tender was released. However, a lot of criticism (e.g. regarding the arguably too short application period) and worries about future infringement proceedings prevail.

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**The way forward on an alternative or complementary path?**

Notwithstanding the risks and challenges associated with the BRI, it should be acknowledged that Chinese investments target existing and pressing infrastructure investment needs in the poorest region of Europe. However, there are policy areas where both recipient countries as well as the EU should become active, such that the BRI turns out to be a win-win.

- **Setting a level playing field:** In 2013, the year when the BRI was announced, the EU and China launched negotiations for an Investment Agreement aiming at attracting and protecting investors to EU and Chinese markets and at securing access to both markets. According to the European Commission, negotiations have advanced in areas such as expropriation and transparency but are in an initial stage regarding sustainable development or financial services.

- **The EU-China Investment Agreement** would be the basis for a rule-based bilateral relationship built on the principles of non-discrimination and reciprocity enforceable by a common dispute settlement mechanism. It would improve transparency and should increase trust of Chinese and EU investors and hence investments.

- **A new generation Trade Agreement** extending from tariff reductions to the fields of non-tariff measures and product standards could increase consumer confidence in product quality, thereby reducing the public concerns raised in the context of a possible trade increase with China resulting from BRI infrastructure investments. Although trade is of crucial importance for both parties, the negotiations on an upgrade of the 1985 Trade and Economic Cooperation Agreement that started in 2007 were again stopped in 2011. With China’s accession to the WTO in 2001, the WTO framework is the core basis for EU-China trade relations and dispute settlement.

- **Inclusion:** The primary objective for recipient countries – and for the dialogue within the “16+1” setting – should be the inclusion of domestic work force and materials to reap the benefits of the Chinese initiative.

- **Complementarity:** As highlighted above, Chinese projects in the energy sector are often complementary to EU projects, however, with less attention given to sustainable development and green technology. Better coordination in the energy and the transport sector between recipient countries, the EU and China would be beneficial for the re-
gion. Especially, the connection of the Baltic Sea to the Mediterranean as planned and partly implemented by the TEN-T network as well as the development of inland waterway infrastructure along the Rhine-Danube corridor are obvious candidates for EU projects complementing the Chinese initiative.

- **Developing tourism**: There is untapped potential for the tourism sector. Measures such as visa facilitation, the establishment of more direct flights, or using existing freight train lines for tourism could spur trans-Eurasian tourist flows.

- **BRI evaluation and communication**: The EU, CESEE economies and China have an interest in the BRI being successful as a development project for economic, political and security reasons. Key to its success will be transparency and communication to the public: Which projects are planned and which have been implemented so far? How much local employment was generated? How did transport times and costs improve? Following a complementary path requires continuous research, qualified information to the public and political will.

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47 Within the EU TEN-network, the North-South connection known as the “Amber Road”, is divided between the “North Sea-Baltic” and “Baltic Adriatic” corridors. The current status of projects can be explored with an interactive map provided by the European Commission: http://ec.europa.eu/transport/infrastructure/tentec/tentec-portal/map/maps.html
The Battle for Hearts and Minds
Post-Modern Warfare in a Post-Truth World

Dr. Plamen Ralchev
Associate Professor in International Relations and Consultant in Strategic Communications, Sofia

Plamen Ralchev is Associate Professor in International Relations and Foreign Policy. Since 2015 he is Deputy Head of Department of International Relations at the University of National and World Economy in Sofia. In 2015 local elections Dr. Ralchev was running for a district mayor and municipal councillor in Sofia from Movement 21 Political Party. Within the party he is responsible for the education policy and is a member of the Working group on international affairs. From 2000 until 2007 Dr. Ralchev has been working as Senior Research Associate at the Institute for Regional and International Studies, Sofia.

In 2003 he was a visiting fellow at the East Europe Program at the Center for Strategic and International Studies, Washington D.C., and in 2004/2005 – a Chevening Scholar at the Department of Sociology at the University of Bristol, England.

In 2008 Dr. Ralchev established and has been running ever since the STRATCOM project, focused on research and study of strategic communications, international public relations and public diplomacy, country image and reputation management. His research, advisory and public activities in recent years have concentrated on domestic and foreign policy development of the UK and Turkey.

The nature of warfare has changed fundamentally over the last decades. What was previously known as theatre of operation where combatants and civilians were clearly distinguished and defined is now an obscure mixture of combatants, paramilitary proxies and civilians engaged in warfare with no clear distinction. Neither are the boundaries of the battlefield as neatly set as before. So, we have a permeating warfare in zones of conflicts where combat units could not be separated from civilians, something which makes the military people feel very uncomfortable because they should interact with both friendly and unfriendly civilian population. So, instead of focusing military efforts solely on combat adversary, military people have to concentrate also on working with the civilians on the ground where operations are conducted. This type of engagement with civilians is known as “the battle for hearts and minds”.

It is of no surprise that the battle for hearts and minds is originally a military concept related to the British experience during the Malayan Emergency (1948-1960) when British/ Malayan administration had to conduct a counterinsurgency during Communist guerilla warfare. Later, the term entered the political lexicon of many US Presidents, most notably John F. Kennedy and Lyndon B. Johnson during the Vietnam War. The term was not limited however only to its Cold War usage.

During the first decade of the 21st century, the US military experienced a resurgence of the term ‘hearts and minds’. The U.S. launched two major campaigns and seemingly attained quick victories in both Operation Enduring Freedom-Afghanistan (2001) and Operation Iraqi Freedom (2003) only to realize that the victories were not final. America was drawn into unfamiliar and protracted conflicts. Although the US military defeated all organized resistance by the Iraqi Army and the Taliban, resistance evolved into an insurgency. These precarious situations revived the interest in counterinsurgency and strategic communications.

Strategic communications are of vital importance at a time of rising transnational activity and they have an impact on policy-making as they are forward-looking and future-oriented. Successful policies need efficient and effective communications. Any policy endeavor is realized in public, therefore raising public awareness and providing public support are es-

49 Ibid.
sential for gaining legitimacy for government efforts. This means that the support of the populace, on which the legitimacy of governing institutions rests, is required.\textsuperscript{50}

The primary goal of strategic communications is to influence the population in order to obtain its tacit and active support and gain its allegiance. Winning the people’s hearts and minds is the key to success. Unlike the conventional warfare model that is primarily oriented on the destruction of the enemy or controlling key terrain, in strategic communications controlling the population is the focus.\textsuperscript{51}

Thus, strategic communications are focused processes and efforts to understand and engage with key audiences to create, strengthen or preserve conditions favorable to advance interests and objectives through the use of coordinated information, themes, plans, programs and actions synchronized with other elements of power. Public communications operations may include information operations, psychological operations, public affairs and public diplomacy, intelligence capabilities.

This paper features two specific models of strategic communications – Psychological Operations (Psy-Ops), applied largely by the military, and Public Diplomacy, which is entirely in the civilian domain.

Psychological Operations (PsyOps)

Psychological Operations are planned operations to convey selected information and indicators to foreign audiences to influence their emotions, motives, objective reasoning, and ultimately the behaviour of foreign governments, organisations, groups and individuals. The purpose of psychological operations is to induce or reinforce foreign attitudes and behavior favourable to the originator’s objectives.

NATO defines PsyOps as ‘planned psychological activities in peace and war directed at enemy, friendly and neutral audiences in order to influence attitudes and behavior affecting the achievement of political and military objectives’. There are three types of Psychological Operations – Psychological Consolidation Activities, Battlefield Psychological Activities and Strategic Psychological Activities.\textsuperscript{52}

Psychological Consolidation Activities (PCA)

Psychological Consolidation Activities refer to planned psychological activities in peace and war directed at the civilian population located in areas under friendly control in order to achieve a desired behaviour which supports the military objectives and the operational freedom of the supported commanders.

Battlefield Psychological Activities (BPA)

Battlefield Psychological Activities denote planned psychological activities conducted as an integral part of combat operations and designed to bring psychological pressure to bear on enemy forces and civilians under enemy control in the battle area, to assist the achievement of tactical objectives.

Strategic Psychological Activities (SPA)

Strategic Psychological Activities include planned psychological activities in peace and war which normally pursue objectives to gain the support and co-operation of friendly and neutral countries and to reduce the will and the capacity of hostile or potentially hostile countries to wage war.\textsuperscript{53}

Public Diplomacy Revival or New Thinking about Public Diplomacy

Besides Psychological Operations, another prominent example of Strategic Communications is Public Diplomacy. Public Diplomacy is quite often perceived as Cold War artefact and sometimes mistaken for propaganda or psychological operations (psy-ops). In fact, it has outgrown genuine propaganda, the one we have known by the end of 20th century. The sheer difference is that propaganda is never concerned about feedback, while public diplomacy considers feedback as a critical element of effective two-way communication with a target audience. Psychological operations also differ from public diplomacy in that it seeks bearing influence and molding rather than engaging with indigenous publics. It is exactly the level of engagement with the local publics and the need for effective two-way communication that brought many branding and marketing techniques into public diplomacy, thus turning it into something better labelled as International Public Relations/Communications.\textsuperscript{54}


\textsuperscript{51} Lukes, St., Power and the Battle for the Hearts and Minds, Millennium - Journal of International Studies 2005 33: 477-493


Usually the actors of Public Diplomacy are governments but they are increasingly in search for public-private partnerships with NGOs, media and business organizations, which is also an indication for seeking a wider impact.

**Soft Power and Public Diplomacy**

It is now a cliché to state that soft power – the postmodern variant of power over opinion – is increasingly important in the information age, and that in an environment with multiple international linkages the loss of soft power can be costly for hard power. Prof. Joseph S. Nye’s definition of ‘soft power’: “The ability to get what you want by attracting and persuading others to adopt your goals.” As Nye argues, countries that are likely to be more attractive in postmodern international relations are those that help to frame issues, whose culture and ideas are closer to prevailing international norms, and whose credibility abroad is reinforced by their values and policies.

Public diplomacy is one of soft power's key instruments, and this was recognized in diplomatic practice long before the contemporary debate on public diplomacy.

Diplomacy in a traditionalist view is depicted as a game where the roles and responsibilities of actors in international relations are clearly delineated. In the world of postmodern transnational relations most actors are not nearly as much in control as they would like to be. Moreover, postmodernism now goes along with post-truth (a new word, the Oxford Dictionary announced the word of 2016). Post-truth relates to or denotes circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief. Having stated that, it means that irrationality and manipulation are likely to be norms of the game, which clearly reminds the present hybrid warfare. As Prof. Dominique Moisi implied in his book *Geopolitics of Emotion*, governance and politics will be increasingly vulnerable to and impacted on by people's mobilized emotions.  

Therefore, policy-makers should be attentive to and concerned about not only weapons of mass destruction, but also weapons of mass attraction and mass manipulation.

Public diplomacy is distinct from traditional diplomacy in that it reaches people directly, without going through the filter of their governments. It involves a wide range of activities, such as promoting cultural and scientific exchanges, identifying potential leaders among the youth of other countries and awarding scholarships. It is becoming crucially important how you deal with foreign public opinion. This is to discourage cynics who charge that “public diplomacy” is a euphemism for “propaganda”. Practitioners hotly dispute this. They point out that in the long run public diplomacy is about credibility-engineering and keeping perceptions in a proper perspective.

**What is Public Diplomacy?**

Unlike traditional diplomacy, which seeks to persuade foreign governments to advance an advocate country’s strategic interests and concerns over specific issues, Public Diplomacy seeks to promote “ideals,” “values,” and “objectives” of an advocate country through engagement with society and non-governmental structures and agencies in another country.

From a practitioner’s view, Public Diplomacy is “the strategic planning and execution of informational, cultural and educational programming by an advocate country to create a public opinion environment in a target country or countries that will enable target country political leaders to make decisions that are supportive of the advocate country’s foreign policy objectives”. So, Public Diplomacy seeks to create a supportive foreign environment for a country’s foreign policy by understanding, informing and influencing an external audience.

**Public Diplomacy Targets**

As we have revealed so far, foreign public opinion matters a lot. The society of a foreign country could be approached through various interlocutors. Some of the primary targets, later turned into channels, include the media and opinion-makers, youth groups, business leaders, and non-governmental organisations (NGOs).

**Public Diplomacy Activities**

- **Information activities:** news dissemination and management as well as strategic communication of messages and images.
- **Research and analysis activities:** Public Diplomacy requires excellent knowledge of the attitudes of the target audience, based on research and analysis of foreign perceptions and those of specific groups.

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• Cultural and educational activities: Cultural and educational engagement seeks to build a relationship between two societies to achieve greater familiarity, better mutual understanding and more positive perceptions.

Public Diplomacy Management

Implementing public diplomacy initiatives and campaigns is rarely a straightforward and easy-going process. Practitioners usually experience problems with management and coordination of such campaigns. They may also find challenging defining the target audience and mastering the message to specific groups. Ultimately, the overall impact assessment of a public diplomacy initiative is an essential evaluation tool and reference for further guidance.57

Public Diplomacy: Country Showcases

• USA – Work and Travel US Program for college and university students from abroad; various US State Department visiting programs; US think-tanks;
• United Kingdom – The Royal Family, British Council, promoting English language;
• Germany – Goethe Institut, promoting German language and culture; German political parties’ foundations, disseminating party build-up know-how;
• France – Institute Francaise, promoting French language and culture;
• Russia – Russian World/ Pax (Русский мир), promoting Russian language and culture; Russian Eastern Orthodox Church, supervising relations with fellow Orthodox churches in Eastern Europe;
• China – Confucius Institute, promoting Chinese language and culture;
• Spain – Instituto Cervantes, promoting Spanish language and Ibero-American culture;
• Japan & South Korea – scholarships and educational exchange programs for international students for attending University education in Japan and South Korea;
• Turkey – TİKA (Turkish Government Agency for International Development Assistance); DİANET (Turkish Government Directorate for Religious Affairs taking care of Muslim communities abroad).

USA

The mission of American public diplomacy is to support the achievement of U.S. foreign policy goals and objectives, advance national interests, and enhance national security by informing and influencing foreign publics and by expanding and strengthening the relationship between the people and Government of the United States and citizens of the rest of the world.

At the US State Department there is Under Secretary for Public Diplomacy and Public Affairs, who leads America’s public diplomacy outreach, which includes messaging to counter terrorism and violent extremism. The Under Secretary oversees the bureaus of Educational and Cultural Affairs, Public Affairs, and International Information Programs, as well as the Global Engagement Center, and participates in foreign policy development.58

United Kingdom

In 1930s Britain added two international organisations to its diplomatic infrastructure that were to engage overseas public via culture and media. The British Council was created in 1934 while the BBC Empire Service (later BBC World Service) was set up in 1932 to serve the ‘imperial family’. The important point here to note is that these two institutions were designed to work in complementary fashion, and in tandem with British embassies. Though still keeping to this mission, British public diplomacy has transformed in the last decades from the ‘projection of Britain’ to cultivating ‘attractiveness’ and delivering ‘influence’ for the UK through ‘work aiming to inform and engage individuals overseas’, thus constructing the terms of public debates abroad. If sustained, this is an opportunity for the British Council, following the principles of relationship-building that have underpinned the most successful aspects of its work for decades.59 Implementing the UK public diplomacy, British Council is working in partnership with Counterpoint think-tank, which claims to provide cultural intelligence for decision-makers, giving tools to understand the cultural and social codes of the world we live in.60

58 https://www.state.gov/r/
60 http://counterpoint.uk.com/
Germany

The public diplomacy set of actors in Germany includes the Federal Ministry of Foreign Affairs, Goethe Institut, Deutsche Welle, and the German Service for Education Exchange (DAAD). Based on the "Konzeption 2000," the German foreign cultural and educational political efforts were now focused on four core areas: 1) fostering German foreign cultural and educational political interests abroad; 2) establishing and maintaining a positive, modern image of Germany abroad; 3) furthering the European integration; 4) preventing conflicts by setting up a dialogue on values. These strategic foci still pave the way for German public diplomacy today. For example German public diplomacy practitioners, in response to the 9/11 terror attacks, strengthened the already-established dialogue with the Islamic world. In 2011, the German government reinforced these four objectives, but accentuated the particular relevance of education and research as important public diplomacy dimensions. Moreover, since the enlargement of the European Union in 2004, European integration has occupied an increasingly important place on the agenda of both German and European public diplomacy practitioners. The concept of “Auswärtige Kultur- und Bildungspolitik in Zeiten der Globalisierung” (foreign cultural and educational policy in the age of globalization) stresses the need to adapt the structures and tools of foreign cultural and educational policy to the changes in the international environment. It particularly emphasizes private–public partnerships as well as a dialogue-based approach to communication that is also accompanied by a heightened focus on social media activities. More recently, the FIFA World Cup, which was held in Germany in 2006, marked an important step towards a more self-confident external representation of the country. The World Cup was accompanied by “Germany - Land of Ideas,” a joint campaign by the German Government and industry that sought to modernize the image of Germany abroad and break down the existing stereotypes.61

France

The basis of French public diplomacy rests upon coordination between the cultural work of the foreign ministry and of the French cultural institutes that exist in many cities around the world. Up until now these institutes have worked independently of each other and the intent of the new French Institute is to create something rather more centralized like the British Council or the Goethe Institut. However, it looks like most of the existing cultural institutes will continue to operate independently for the moment. There is a plan for cultural activities in ten countries to come under the direct control of the new Institute for an experimental period – the success of this will have implications for the rest of the network. The countries involved in the experiment are Cambodia, Chile, Denmark, United Arab Emirates, Georgia, Ghana, UK, India, Kuwait, Senegal, Serbia, Singapore, Syria. One other point is the priority that France continues to give to Europe in its cultural work. The British Council has been scaling back its work there in order to give more attention to the Middle East and the rising industrial powers.

The organisation of the cultural diplomacy in France is determined by the law of 27 July 2010. The cultural cooperation actions have as main objectives to enhance the French culture and to contribute to the promotion of cultural diversity as defined by the UNESCO Convention on “the Protection and Promotion of the Diversity of Cultural Expressions “on 20 October 2005. These two objectives are broken down by cultural services, institutes and cultural centers, French alliances and specialised offices. Thus, the French cultural network abroad: (i) promotes dialogue and high-level artistic exchanges and contemporary creation in both the visual arts, the performing arts as well as in music; (ii) ensures the animation and the coordination of the French cultural network abroad (iii) diffuse French audiovisual production and supports the specialised operators, (iv) promotes French cinema by acting with universities and cultural institutions, (v) promotes French participation in the global debate of ideas. Beyond these “traditional” cultural diplomacy actions, there are now missions related to the emergence of new challenges throughout the world: (i) the promotion and sale of the French cultural and artistic expertise (heritage, architecture, museology, cultural activities for the public, archives, libraries, etc..), (ii) strengthening the presence of the French cultural industries in countries with dynamic markets and in emerging markets, which now goes by digital online platforms.

Russia

Rossotrudnichestvo

Federal Agency for the Commonwealth of Independent States Affairs, Compatriots Living Abroad, and International Humanitarian Cooperation (Rossotrudnichestvo) was established in accordance with the Presidential Decree № 1315 of September 6, 2008. Rossotrudnichestvo operates under the jurisdiction of the Ministry of Foreign Affairs of the Russian Federation. It is guided by the constitution of the Russian Federation, federal constitutional laws, federal laws, normative federal acts of the President and the Government of the Russian Federation, international laws, normative legal acts of the Russian Foreign Ministry.

The activity of Rossotrudnichestvo and its foreign missions aims at the implementation of the state policy of international humanitarian cooperation, promotion abroad of an objective image of contemporary Russia. Nowadays, Rossotrudnichestvo is represented in 80 states of the world by 95 representative offices: 72 Russian centers of science and culture in 62 states, 23 representatives of the Agency serving in Russian Embassies in 21 states.

Rossotrudnichestvo supports the Russian language abroad. The federal target program “Russian language” for 2016-2020 is a strategic implementation instrument of this policy. Today, thousands of people have an opportunity to learn Russian with the help of Russian language courses at the offices of Rossotrudnichestvo in many countries around and receive confirmation of the proficiency level of the Russian language. Concerned about the extension of Russian language, the agency establishes conditions for its practical application as well as the acquirement of education in Russian. The agency also pays great attention to working with graduates of Russian (Soviet) higher education institutions, the number of which exceeds 500 thousand.

One of the principal guidelines of action of Rossotrudnichestvo is international development assistance (IDA), which is implemented according to the concept of governmental policy of the Russian Federation in the field of the assistance to international development (approved by Presidential Decree April 20, 2014 № 259).

Rossotrudnichestvo pays special attention to working with the young. Rossotrudnichestvo is a governmental customer and coordinator of the program of short-term study visits to the Russian Federation of young representatives of political, public, scientific and business fields of foreign states called “New Generation”, approved by Presidential Decree №1394 of October 19, 2011. The fundamental subject-matter of the program is the acquaintance of young people from different countries with public and political, social and economic, scientific and educational, and cultural life of the Russian Federation.62

Russkiy Mir Foundation

In June 2007 President Putin signed a decree establishing the Russkiy Mir Foundation, for the purpose of “promoting the Russian language, as Russia’s national heritage and a significant aspect of Russian and world culture, and supporting Russian language teaching programs abroad.” The Russian word “Mir” is very symbolic as it has three meanings – “community, peace, world”. The Foundation is a joint project of the Ministry of Foreign Affairs and the Ministry of Education and Science and supported by both public and private funds.63

China

Confucius Institute

Confucius Institute is a non-profit public educational organization affiliated with the Ministry of Education of the People’s Republic of China, whose aim is to promote Chinese language and culture, support Chinese teaching internationally, and facilitate cultural exchanges. The Confucius Institute program began in 2004 and is overseen by the Office of Chinese Language Council International. The institutes operate in cooperation with local affiliate colleges and universities around the world, and financing is shared between China and the host institutions. The related Confucius Classroom program partners with local secondary schools or school districts to provide teachers and instructional materials.

China has compared Confucius Institutes to language and culture promotion organizations such as Britain’s British Council, France’s Alliance Française and Germany’s Goethe Institut. However, unlike these organizations, many Confucius Institutes operate directly on university

campuses, thus giving rise to unique concerns related to academic freedom and political influence. Many scholars have characterized the Confucius Institute program as an exercise in soft power, expanding China’s economic, cultural, and diplomatic reach through the promotion of Chinese language and culture, while others have suggested a possible role in intelligence collection.64

Spain
Cervantes Institute

The Cervantes Institute is a worldwide non-profit organization created by the Spanish government in 1991. The Cervantes Institute, a government agency, is the largest organization in the world responsible for promoting the study and the teaching of Spanish language and culture.

This organization has branched out in over 44 different countries with 87 centres devoted to the Spanish and Hispanic American culture and Spanish Language. Article 3 of Law 7/1991 explains that the ultimate goals of the Institute are to promote the education, the study and the use of Spanish universally as a second language, to support the methods and activities that would help the process of Spanish language education, and to contribute to the advancement of the Spanish and Hispanic American cultures throughout non-Spanish-speaking countries.65

Japan

The Japanese government is laying the groundwork to institutionalize a more proactive and coordinated approach to public diplomacy. Since 2015 Japan’s Ministry of Foreign Affairs (MOFA) has spearheaded this effort, receiving a USD 500 million increase to its budget for strategic communications.

Japan House is a new MOFA-directed strategic communications initiative. The project will establish “hubs” in London, Los Angeles, and São Paolo to foster a deeper understanding of Japan. The hubs are to serve as “one stop shops” for visitors to engage with diverse aspects of Japanese culture, regions, lifestyles, values, and industry.

The Japan Foundation is Japan’s international cultural exchange organization with offices in 23 countries. Often compared to the British Council or the Institut Français, established in 1972, the Japan Foundation prizes two-way exchange over dissemination and sits at arm’s-length from the government.

The Japan House is better understood as Japan’s foray into network-based public diplomacy. The network communication approach is premised on the fundamental assumption that globalization, the digital revolution, and the rise of new global powers and non-state actors have significantly altered the nature of public diplomacy. The static unidirectional model of fixed target audiences receiving sponsor-produced messages is replaced with a dynamic web of interconnected stakeholders that are collaborators in creating a shared narrative.66

South Korea

Public diplomacy is fully acknowledged and steadily gains recognition in Korea’s foreign policy. After 2008 visible progress linked to cultural diplomacy rather than PD took place: promotion of Korean cultural and natural heritage overseas. In using new definitions—cultural and sports diplomacy—the MOFA embraced the introduction of Korean culture abroad. Moreover, the evolution of titles related to PD, such as: “Public Outreach Activities” (2009) and “Strengthening Communication with the Public” (2010) showed the MOFA’s attempts to broadly use social media’s digital tools together with producing traditional promotion materials about Korea to be distributed abroad.

Releasing Korean-language books, documentaries even cartoons—all that were meant to cover the native audience on the broader scale. Massive media outreach came along with people-to-people interaction: MOFA officials targeted youth by visiting local educational institutions. Through strengthening research and cooperation, a special mission was put to the Korea National Diplomatic Academy (KNDA) which aims to provide continuing academic exchanges with the MOFA as well as with various research institutes in Korea and abroad by conducting policy research activities developing mid- and long-term foreign policy.67

64 https://foreignpolicy.com/2017/05/09/american-universities-are-welcoming-chinas-trojan-horse-confucius-institutes/
65 https://www.cervantes.es/
67 https://uscpublicdiplomacy.org/blog/evolution-koreas-public-diplomacy
Turkey

TIKA

The Turkish Cooperation and Coordination Agency (TIKA) is a government department of the Prime Ministry of Turkey. TIKA is responsible for organization and implementation of Turkey’s official development assistance to developing countries, with a special focus on Turkic countries and communities.

TIKA carries out the task of being a cooperating mechanism for the state institutions and organizations, universities, non-profit organizations and the private sector. In addition it functions as a platform for these actors to come together and it records the development aid carried out by Turkey.

While the development aid of Turkey comprised about USD 85 millions in 2002, this amount reached USD 3.9 billion in 2015. TIKA is ranked amongst the Turkish organizations that carry out most technical co-operations with Turkic speaking countries. Focusing on development cooperation, TIKA works in more than 170 countries, from the Balkans to Africa, from the Middle East to Latin America.68

DIYANET

DIYANET (Presidency of Religious Affairs) is an official state institution established in 1924 under article 136 of the Constitution of Turkey by the Grand National Assembly of Turkey as a successor to the Shaykh al-Islam after the abolition of the Ottoman Caliphate.

As specified by law, the duties of the DIYANET are to execute the works concerning the beliefs, worship, and ethics of Islam, enlighten the public about their religion, and administer the sacred worshipping places. The DIYANET drafts a weekly sermon delivered at the nation’s 85,000 mosques and more than 2,000 mosques abroad that function under the directorate. It provides Quranic education for children and trains and employs all of Turkey’s imams, who are technically considered civil servants.

Since the Justice and Development Party (AKP) came to power in 2002, the mission of the DIYANET has changed – from one of exercising state oversight over religious affairs and ensuring that religion did not challenge the Turkish republic’s secular identity, to that of promoting Sunni Islam, conservative lifestyle and projecting Turkish Islam abroad. By 2015 DIYANET budget has increased fourfold, and staff doubled to nearly 150,000. In 2012 it opened a TV station, broadcasting 24 hours a day. It has expanded Quranic education to early ages and boarding schools, introducing young children to religious lifestyle.69

Yunus Emre Institute

Yunus Emre Institute is a non-profit organization created in 2007 by a decree of the then Prime Minister of Turkey Recep Tayyip Erdogan. Named after the famous 14th century poet Yunus Emre, the Institute operates worldwide with the aim to promote Turkish language and culture around the world. It has been regarded a Turkish soft power institution.70

In summary, contemporary Hearts and Minds approach based on strategic communications, modernization and legitimacy is not without challenges, foremost of which stems from a disconnect between its Western-centric foundation for legitimacy and development and its implementation in foreign cultures. As for winning the hearts through modernization, the conventional approach advocates to address the needs and the legitimate grievances of the local population in order to win credibility. This is possible only through meaningful engagement, efficient and effective communications with indigenous publics.

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70 https://www.yee.org.tr/
CHAPTER V: SPECIAL FEATURES
The Inspiring Case of Croatian Civil Society: The EU Conditionality and Beyond

Keywords: civil society, Croatia, EU, conditionality, Western Balkans

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Introduction

“[Civil Society Organizations-CSOs] can be defined to include all non-market and non-state organizations outside of the family in which people organize themselves to pursue shared interests in the public domain. Examples include community-based organizations and village associations, environmental groups, women’s rights groups, farmers’ associations, faith-based organizations, labour unions, co-operatives, professional associations, chambers of commerce, independent research institutes and the not-for-profit media.”

Civil Society as described above has always been a major counterpart for the European Union in Member as well as Candidate States. Particularly for the states who would like to accede to the Union, CSO development has been crucial to help that individual state reach democratic, economic, environmental etc. standards of the Union. As mostly and rather insufficiently substituted by the Non-Governmental Organizations (NGOs), CSOs cover a wider group of legal entities in terms of practicing fields. NGOs, on the other hand, are institutions to be included inside the frame of CSOs and they are development-oriented. It must also be stated that when referring to civil institutions, the concept of CSOs is terminologically favoured by the EU and its literature.

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71 Also not-for-profit universities, research institutes and think tanks.
72 http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH03%20Annexes.pdf (Accession date: 24/04/2017).
Croatian civil society in general and its relations with the public sector in particular have long been appreciated:

“The established institutional model of civil society development and the system of funding civil society organizations in Croatia is a good example and role model in quality and transparent construction of such a support system for development.”

So states The Civil Liberties Union for Europe – a network of national civil liberties NGOs from across the EU. Wunsch draws attention to the success of the structure which has been built:

“Croatian examples of setting up a government office for cooperation with CSOs, as well as administering EU funding through national public administration, have now been accepted as best practices throughout the region.” (Wunsch, 2013: 12).

If the dialogue between the Croatian CSOs and public administrations is to be labelled as a model; then it has been an example for the other EU candidate countries.

Croatia is a country which declared independence from Yugoslavia in 1991; applied for EU membership in 2003 and acceded to the Union in 2013. Interest in the correlation between the development of the Croatian civil society and the EU process of the country has been the starting point of this article. Has it all been driven by the EU conditionality or is there something about the Croatian society that has created an enabling environment?

1. The European Union Conditionality and Croatia

1.1. Major Political Developments in Croatia After 1990

After Josip Broz Tito’s death in 1980, Yugoslavia has started to disintegrate and the weakening Soviet influence was no help on the process either. Following the collapse of the communism in 1989 first free elections (in 50 years) in Croatia took place in 1990. Franjo Tudjman’s nationalist and conservative HDZ (Hrvatska Demokratska Zajednica: The Croatian Democratic Union) took over the rule from the communists.

Croats declared independence in 1991 which immediately ignited the war between the Croats, on one side, and the Croatian Serbs and the Yugoslavian army, on the other. By the time the United Nations intervened in 1992, Croats had lost one third of their territory to the Serbs. In May 1992 Croats expanded the war to Bosnia-Herzegovina to support the Croat minority. Finally, in 1995 the two wars were over for Croats.

The year 1997 was the time when Tudjman was re-elected whereas the EU was hesitant to kick off the membership talks as they found his regime authoritarian. Tudjman’s death in 1999 and the election of Stjepan Mesic, a liberal, as president in 2000 surely helped the EU process of the country.

1.2. Accession Process of Croatia to the European Union

The European Union introduced the policy of “The Stabilisation and Association Process (SAP)” in 1999 for the Western Balkan countries with the purpose of stabilizing the area as well as granting them EU membership. The SAP is built on common economic and political goals where the states are monitored based on their own merits. In 2000 the EU Council announced that all SAP countries are “potential candidates” to the Union. Croatia signed the Stabilization and Association Agreement in 2001 and applied for membership in 2003. Its candidate status was granted by the Council in 2004 and the accession negotiations were kicked off in 2005. After 6 years of negotiations the accession treaty was signed between the parties in 2011. On the 1st of July, 2013 Croatia officially became a member of the Union.

1.3. The European Union Conditionality in the Western Balkan Countries

“Candidate countries have to comply with a catalogue of demands which are regularly reviewed by the European Commission. The conditionality principle foresees support and progress towards accession only for candidates which conform to the EU demands.” (Glüpker, 2013: 224).

The European Union process has been different for the post-Yugoslav states. Slovenia acceded in 2004 with nine other Central and Eastern European States. Slovenia’s accession was relatively smoother when compared to Croatia’s. Slovenia didn’t have much to do with the International Criminal Tribunal for the former Yugoslavia (ICTY) whereas the European Union applied certain conditionalties to Croatia as regards the relations with

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the Tribunal. In addition, since Croatia acceded 9 years later than Slovenia, they had to adapt their system to a more extensive EU acquis.

In December 2006, the European Council introduced ‘renewed consensus on enlargement’ which made Croatia’s negotiations to be subjected to a greater conditionality. The consensus simply meant “a fair and rigorous conditionality at all stages of negotiations with candidate countries”\(^{77}\). Finally, different from the last acceding states of Bulgaria and Romania in 2007; Croatia also had to negotiate a new Chapter of “judiciary and fundamental rights”.

After the successful example of the accession of Croatia, the European Commission decided to put a stronger emphasis on rule-of-law. The negotiation chapters of “judiciary and fundamental rights” and “justice, freedom and security” are now expected to be negotiated at an early stage for the candidate countries which is of high relevance for the Western Balkan Countries. Currently, Serbia and Montenegro are negotiating candidate states. Albania and The former Yugoslav Republic of (FYR) Macedonia are non-negotiating candidate states. Bosnia and Herzegovina and Kosovo are potential candidate states.

As it was relatively smoother for Slovenia and Croatia to accede, the EU conditionality has been tougher on the other states of the area.

“[…] Its (The EU) political conditionality placed the emphasis on the principles of peace, justice for war crimes, reconciliation, anti-discrimination, and good neighbourly relations. The EU asked explicitly for the return of refugees to their pre-war properties, compensation for lost or damaged property, cooperation with the Hague-based International Criminal Tribunal for Yugoslavia (ICTY) for the crimes committed during the Yugoslav wars, and compliance with the peace agreements […] Beyond these criteria, the EU reports and strategy papers stressed the state and institutional weakness of all the Western Balkan states and focused additionally on state-building […]” (Anastasakis, 2008: 368).

The increased expectation of compatibility with the EU conditionality, particularly from Serbia, Montenegro and Bosnia and Herzegovina, as well as the reduced enlargement capacity of the EU itself caused low speed accession for these states.

Croatia, the European Union Conditionality and Civil Society

The European Union conditionality had positive impact on countries relations with the ICTY and complying with the peace negotiations in the area. However, its contribution in the progress of the democratic development within the country remained questionable to some researchers.

The European Union declared Croatia as a candidate country in June 2004. But it was not until October 2005 that the country could start negotiating simply because its level of cooperation with the tribunal was considered poor (Uğurlu, 2013). When the Croat leaders were “ready” to switch to full cooperation, particularly increasing the effort to help arrest war fugitives, the ICTY Prosecutor declared endorsement which kicked off the negotiations for the country\(^78\).

The negotiations surely started to transform Croatia into a democratic state as Dejan Jović (2006) puts it and ended in the granting of EU membership. However, it must also be stated that the accession process did not make Croatia entirely a human and/or minority rights state or a non-corrupt state. Basing on her findings in several civil society organization\(^\text{79}\) and public reports, Uğurlu (2013) indicates that the field of human rights remains to be developed. As regards the minority rights, so says Glüpker (2013), the implementation of the legislations lags behind the adoption of them. And the fight against corruption never had the momentum that one could expect from the EU process. In the analyses of Fenko and Urlić (2015), the European Council still sought further reforms in 2011, right before the accession.

For the purposes of this article, such negative findings are of great value in order to say accession talks did not necessarily create either a perfect democracy or a perfectly enabling environment for the civil society in Croatia. It’s one of the expected outcomes of this paper to indicate that the ‘room for improvement’ in the field of democracy helped create further capacity for the Croatian civil society sector.

1.3.1. Development of Civil Society in Croatia

The United Nations Development Program’s Croatia Office has provided the researchers with an extensive report on civil society in Croatia, namely, *The Development of Civil Society in Croatia (2005)*. The report suggests that,


\(^{79}\) Human Rights Watch (HRW), Amnesty International (AI), Minority Rights Group International (MRG)
as it was systematically imposed on the people to act and think collectively until 1990’s, the civil society had almost no chance to develop.

“It was very difficult for civil society to develop in such an environment and it is therefore right to say that during SFRY\textsuperscript{180} civil society did not exist in Croatia. Nevertheless, there was a minimum of experience and tradition of association, which to a considerable extent facilitated and made possible a relatively quick development of civil society organisations once the conditions were fulfilled.” (UNDP Croatia, 2005: 16).

In 1982 the Croatian Parliament adopted an Act which regulates the ‘Social Organizations’ and the ‘Citizens’ Associations’. The Social Organizations were state-centred. They were financed by the state and their property came from the state. If they aimed for public interest or benefit, Social Organizations were the only structures to be allowed by the Act. Associations such as chambers or professional associations were examples of this. Citizens’ Associations on the other hand were people-centred. Individuals could freely participate. And the Citizens’ Associations had the right to own property. However, according to the UNDP Croatia Report (2005), the system did not encourage the Citizens’ Associations with its strict bureaucracy for registration and also there were no incentives to start such organizations. Naturally, the Social Organizations outnumbered the Citizens’ Associations.

Through the end of the 1980’s, civil society began to get vibrant in parallel to enhancing multipolarity in the political life and the search for a new system. Civil formations such as intellectuals’ initiatives, women’s groups etc. became more active than ever and some of them even evolved into political parties (CIVICUS, 2005).

The Tudjman administration had a promising start with adoption of a new constitution in 1990:

“Among other civil freedoms, the Constitution of the Republic of Croatia also regulated the issue of the freedom of thought and free association and gathering, and in that manner created the basis for a legal framework that would encourage the development of civil society in the Republic of Croatia.” (UNDP Croatia, 2005: 16).

Nonetheless, there was a need for supplementary legislation to support the establishment of the civil society organizations since the 1982 Act was limiting. Due to the war between 1991 and 1995 and non-civil society friendly Tudjman administration (UNDP Croatia, 2005) the further legislative act could not be realized until 1997. The Associations Act of 1997 allowed free association as well as turning the Social Organizations into associations. This of course has been a huge step for the development of civil society in Croatia since there had been many established Social Organizations in the country during the 1980’s.

Despite the limiting factors for the civil society development described above, Citizens’ Associations have performed promisingly between the years 1991 and 1997.

<table>
<thead>
<tr>
<th>Year</th>
<th>Social Organization</th>
<th>Citizens’ Association</th>
<th>Total</th>
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<tr>
<td>1991</td>
<td>591</td>
<td>62</td>
<td>653</td>
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<td>1992</td>
<td>611</td>
<td>256</td>
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<tr>
<td>1997</td>
<td>50</td>
<td>1263</td>
<td>1313</td>
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</table>

Source: UNDP Croatia, 2005: 25

During the first half of the 1990’s, the wartime, the activities of the civil society organizations were crucial as there were many displaced persons because of the war. With the assistance of international donors, the civil society organizations helped ease the damage of war on the country. But through the half of the decade the economic crisis and non-supportive environment due to the war and the government reduced the activity of the civil society. Still, in this term, the Croatian civil society has been very active with the spirit of solidarity and also the technical assistance provided by the international organizations.

1.4.2. The European Union Influence on Development of Croatian Civil Society Model

The European Union has a clear and simple intervention preference in
democracies of the candidate and potential candidate states: The civil society. It has always been preferable for the Union to try making a difference through civil society rather than the governments. As the governments are political and temporary it might not be easy to have rapid achievements with the governments. The governments have their own agenda which do not have to comply with the priorities of the Union. In addition, these are elected bodies with no guarantee of maintaining power. Above all, perhaps the ultimate reason to target the civil society is the need for the ownership of the reforming process by the society.

As described in earlier, 1999 has been a significant turning point for the Western Balkan countries including Croatia. The embracing attitude of the European Union which was officialised with The Stabilisation and Association Process (SAP) (see section 1.2.) started a whole new period for the country as well as the civil society of Croatia. It would be natural to investigate the correlation between the development of the civil society in Croatia and the European Union process of the country which successfully ended with an accession treaty in 2011.

In the 1990’s the international organizations including the European Union invested greatly in the civil society organizations in Croatia. Since granting the European Union candidate status in 2004, the Union made vast financial donation to enhance the capacity of the Croatian civil society. The financial and technical assistance was accompanied by political and technical monitoring by the Union. The Technical Assistance for Civil Society Organizations (TACSO)81 issued an assessment report in 2011 about the overall situation and needs of the Croatian civil society. According to the report there were around 46.000 civil society organizations in Croatia in 2011. When considered there were about 20.000 CSOs in 2003 (Bežovan, 2003), the improvement in the numbers are remarkable. Out of 46.000 CSOs around 44.000 were associations (TACSO, 2011: 20). To be able to have an idea about the scale of civil society back then, it must also be mentioned at this point that Turkey had 83.000 associations, Serbia had 25.000 CSOs and Bosnia and Herzegovina82 had 12.000 CSOs. Nearly half of the Croatian CSOs operated in the fields of sports and culture.

Financially, the EU invested around 8 million Euro in civil society in Croatia (TACSO, 2011: 14). With this allocation projects have been implemented on issues such as civil dialogue, active participation of CSOs in the accession process, good governance and rule of law and CSO involvement in sustainable development. As it will be analyzed in section 3, Croatian government invests impressive amount of money in the CSOs. Therefore, it would be right to state that the EU is not the only or even the main donor source for the CSOs in Croatia.

Despite the increasing numbers of CSOs and the EU investment, the level of participation of Croatian CSOs in democratization process of the country has been repeatedly found insufficient by the European Commission (EC). The progress reports prepared by the EC on the compatibility with the political and the economic criteria and the improvement in the accession alignment between the years 2006 and 2011 mostly underline this issue. Even the report of 2010 states:

“Civil society organisations (CSOs) continue to play a prominent role in promoting and protecting human rights, democracy and minorities. The code for consulting the public in decision-making and the relevant by-laws and implementing procedures have been adopted. However, this has not led to significant changes, as CSOs tend to remain excluded from the policy-making process. Their participation in the legislative process is mostly non-obligatory and the new system for including the public remains vague. With a few notable exceptions, the analytical and financial capacities of CSOs for monitoring political developments and government decisions remain weak. The Ministry of Public Administration retains control over the registration and internal governance of foundations. Efforts remain to be done to ensure the independence and sustainability of CSOs.” (The EC Progress Report, 2010: 11).

Even though the European Union asks for more in terms of CSO involvement in the policy-making processes, it’s clear that the EU journey of the country has contributed a lot to the civil awareness. After all, Croatia is a country which held first free elections in 50 years in the year 1990. A country which has been through a bloody homeland war between the years 1991

81 TACSO is an EU project which was initiated in 2009. “TACSO’s mission is to increase and improve the capacity and actions of CSOs as well as their democratic role. Through TACSO’s capacity building activities, support and assistance, the aim is to achieve a strengthened civil society and to stimulate a civil society-friendly environment and culture.” (http://www.tacso.org/project-org/introduction/?id=42 Accession date: 02.05.2017). TACSO operates in the Western Balkan countries and Turkey. TACSO has been a great opportunity for CSOs in the target countries as well as researchers with its capacity building operations and reports produced. As Croatia acceded to the Union in 2011, data produced for the country has been limited.

82 Turkey and Serbia numbers belong to 2010; Bosnia and Herzegovina’s numbers belong to the end of 2008.
and 1995... A country which was ruled by an administration which was distant to the civil society until the year 1999.

The section 3 of the article describes the current institutional structuring of the government-civil society dialogue in Croatia. The utmost important out of all these bodies is the 'Office for Cooperation with NGOs'. The Office was established in 1998 to increase the cooperation and partnership with non-governmental organizations. It was founded to actively participate in the EU process of the country which it actually did in the following term.

2. The EU Accession Process and the Role of Croatian Civil Society

2.1. From Marginalized to Affirmed: The Struggle of Croatian Civil Society

It was not until the year 2001 that the issues of the European Union were discussed publicly in Croatia. It was rather the Croatian civil society which discussed the issues such as discrimination, corruption, minority rights and independent judiciary system. Upon the signing of the Stabilization and Association Agreement between Croatia and the European Communities and their Member States, these matters caught the attention of the public. Therefore, it is possible in the Croatian case to indicate that the CSOs, particularly the ones which developed in the 1990’s, have a positive, partner-like perception of the EU. However, it would be misleading to degrade the Croatian civil society and the EU relations simply to “the donor and the grantee” at the accession process; the EU was also capable of politically influence the country. Therefore, it has been easier for the civil society to work with the EU rather than Zagreb (Bosanac, 2015). As Marko Kovačić puts it, the CSOs have been way ahead of the Croatian state, for instance in the fields of women and environment, in following and influencing the EU policies (Kovačić, 2013).

As mentioned in section 1.4. arresting war fugitives was a part of the EU conditionality which had also been the subject of the calls of the human rights-defending CSOs. The developments as such also symbolize affirmation of the previously marginalized CSOs.

The CSOs which developed in the 1990's were aware of their capability of affecting the progress reports to be prepared by the European Commission. Hence, they began to closely monitor the Chapter 23-Judiciary and Fundamental Rights and partially Chapter 24-Justice, Freedom and Security and Chapter 27-Environment (Bosanac, 2015; Wunsch, 2016).

According to Bosanac, in certain cases the CSOs were unsatisfied with the profoundness of the EU acquis adopted. They accused the government of aligning with the acquis at minimum requirements and not furthering the legislative acts. Also the implementation of the adopted legislation was considered insufficient. The Law on the Prohibition of Discrimination however has become a success story as it went beyond the EU requirements. But, it was not always the state which was perceived as limiting. On the contrary, the EU was considered inadequate by the civil society to fulfil the international standards on a field like asylum policy.

In her study Wunsch highlights the scale achieved by a CSO coalition. Including the GONG (Građani Organizirano Nadgledaju Glasanje; Citizens Organized to Watch Voting) and the CMS (Centre for Peace Studies) as the prominent members, the coalition has become a key counterpart for the national authorities and the EU.

“The result was a symbiotic relationship in which EU officials benefited from direct access to alternative insights from the ground, particularly regarding the effective implementation of adopted measures, while the coalition members recognized the need for EU leverage to pressure national policy-makers into adopting key reforms in the areas of rule of law and fundamental rights.” (Wunsch, 2016: 1207).

In February, 2011; through the end of the negotiations the CSO coalition issued a report stating that the country hasn't entirely fulfilled the closing criteria of the Chapter 23, therefore is not ready to accede. The report was received in great attention by the government as well as the EU, yet the report could not block the accession of the country. Still, the coalition could achieve improvement in the Act on the Right of Access to Information (Bosanac, 2015).

Croatia signed the Accession Treaty in December, 2011. Even after this development the CSOs kept conveying their criticism on deficiencies in justice and human rights. They formed another coalition called the Platform 112 to draw attention to 112 deficiencies of the country in such fields linked to Chapter 23 of the EU Acquis (Stubbs, 2012). In Kovačić’s mind, based on the Croatian experience, the other countries of the area could enjoy the scale formed by the CSOs to influence policies at national and the EU level. Coalitions, partnerships and Networks could be means to build such power (Kovačić, 2013).
In contrast to the influencing might of the CSOs in Croatia’s EU process, the increasing number in the EU focused associations and CSO elites; their project-motivated actions have been a main point of criticism to CSOs in the EU process in Croatia.

In his work Stubbs (2012), divide activism into three waves in Croatia. To him, getting to become CSOs is the second wave of activism in Croatia and in comparison to the first wave of anti-war solidarity activism and reactional third wave of grass-roots movements, the second wave is rather EU- and projects-oriented (Stubbs, 2013).

Finally, the CSOs mostly improved their capacities and affected the accession process of the country considerably in the EU process. Their contribution was mostly provided in subjects such as human and minority rights, superiority of law, fight against corruption etc. Still, it must be noted that as many CSOs thrived, many of them had to abolish themselves, particularly the ones located outside Zagreb since they lagged behind in the competition to benefit from the EU funds (Bosanac, 2015). Although the CSOs have enjoyed a significant importance through the end of the negotiation process, they had to face diminishing relevance after the accession of the country as they notably pivoted the EU leverage in their actions. In her work Wunsch suggests that the CSOs should be more inclusive at the local level regarding their actions to be able to sustain relevance (Wunsch, 2016).

### 2.2. TACSO Findings on the Role of Croatian Civil Society Organizations in the Accession Process

In section 2.1. contribution of the CSOs in Croatia’s EU accession process has been mostly analyzed from the perspective of fundamental rights and law whereas the overall contribution of the CSOs must be taken into consideration for a more extensive mapping of the phenomenon. The Technical Assistance for Civil Society Organizations (TACSO; please see section 1.4.2.) prepared a report in 2013, namely, ‘The Role of Croatian Civil Society Organisations in the European Union Accession Process’ which provides the researchers with useful data. Methodologically, a set of questions have been sent to 1156 CSOs whereas 251 of them responded. The numbers in the report are gathered from the answers of these 251 CSOs. In this section the data presented in the report will be analyzed.

<table>
<thead>
<tr>
<th>Mode Of Participation (of the Croatian CSOs) in the EU Accession Process</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Engagement in Preparation of EU Funded Projects</td>
<td>148</td>
</tr>
<tr>
<td></td>
<td>Continuously</td>
</tr>
<tr>
<td>Active Engagement in Implementation of EU Funded Projects</td>
<td>147</td>
</tr>
<tr>
<td></td>
<td>52</td>
</tr>
<tr>
<td>Direct Involvement in programming Processes on National Level in Croatia</td>
<td>147</td>
</tr>
<tr>
<td></td>
<td>42</td>
</tr>
<tr>
<td>Indirect Involvement in Programming Processes on National Level in Croatia</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Other Activist Approaches e.g. Advocacy, Lobbying, Media Campaigns</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td>16</td>
</tr>
<tr>
<td>Our Organization Tried to Participate, but the Attempt(s) was/were not Successful</td>
<td>124</td>
</tr>
<tr>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Responded/Skipped Question</td>
<td>150/101</td>
</tr>
</tbody>
</table>

Source: TACSO, 2013: 18

According to Table 2 the EU projects, in another saying, financing aspect of the EU has been rather attractive to CSOs. They have been continuously engaged in either preparing or implementing the EU funded projects. Direct (as a member of working group, monitoring committee, evaluation committee, partnership council etc.) involvement of them in the programming processes has been rather insufficient; whereas indirect (participation in public consultation processes, at consultation meetings, commenting documents, public hearings, information sharing etc.) involvement has been somewhat satisfactory. About half of them state that they have been practising activism.

Finally, Table 3 indicates the roles played by the Croatian CSOs in the accession process from their own perspective:
Table 3: Relevance of CSO for the accession process of Croatia

<table>
<thead>
<tr>
<th>Response</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of our organisation/institution WAS PASSIVE</td>
<td>22.5</td>
</tr>
<tr>
<td>Our organisation IS still INVOLVED in the accession process occasionally</td>
<td>20.2</td>
</tr>
<tr>
<td>None of the above</td>
<td>18.6</td>
</tr>
<tr>
<td>Our organisation WAS INVOLVED in the accession process occasionally</td>
<td>16.3</td>
</tr>
<tr>
<td>Role of our organisation/institution IS still PASSIVE</td>
<td>14.7</td>
</tr>
<tr>
<td>Our organisation still PLAYS an active role in the accession process</td>
<td>14.0</td>
</tr>
<tr>
<td>Our organisation PLAYED an active role in the accession process</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Source: TACSO, 2013: 39

According to the data presented, above 60% of the Croatian CSOs considered themselves involved in the accession process before and/or after the accession of the country to the EU.

3. Current Structure of Croatian Civil Society

The starting point of this article has been the inspiring effort of the Croatian state to include the civil society in decision-making processes through certain institutions built and guiding papers. Even though the level of inclusion was considered insufficient by the European Commission in the past (see section 1.4.2.), the overall structure that has been built could be considered as promising.

The Office for Cooperation with NGOs, the Council for the Civil Society Development and the National Foundation for Civil Society Development have been the most conspicuous members of the public sector-civil society cooperation structure. In addition, there is the National Strategy for the Creation of an Enabling Environment for Civil Society Development from 2012 to 2016. The goals, indicators and achievements of the strategy have been intriguing for this article.

3.1. The Office for Cooperation with NGOs

The Office, as a governmental organization, was founded in 1998 by a regulation with the general aim of developing cooperation between the state and the non-governmental organizations, the associations in particular.

“The Office has a wide scope of activities, from cooperation in creating and proposing new legislative frameworks for the activity of non-governmental, non-profit sector in the Republic of Croatia, monitoring the implementation of the National Strategy for the Creation of an Enabling Environment for Civil Society Development [...] forming a programme, standards and recommendations for financing the activity of civil society organizations from the state budget and other public funds, as well as pre-accession and structural funds of the European Union.”

The office also acted as a Project Implementation Unit during IPA (Instrument for pre-Accession Assistance) period. It programmed and implemented financial assistance programmes for the Croatian civil society.

The Office’s early achievements have been received in 2001. The Office established working groups to develop legislation which interest the NGOs. Together with the civil society, they drafted the ‘Programme of Co-operation between the Government of the Republic of Croatia and the Non-government, Non-for-Profit Sector in the Republic of Croatia’. The Programme established a transparent system for the financing of CSOs. It has been a core document for the following strategy documents which regulate the relationships between the state and the civil society. In the Programme “the government recognised the vital role civil society has in promoting both socio-economic development and participatory, plural democracy” (TACSO, 2011: 15).

A law dated March 2013 on the Right of Access to Information obliges all public authorities to publish draft documents for consultation as well as the reports regarding the consultations. The reports are to provide feedback about the comments received and explanations for not taking them into consideration.

83 https://udruge.gov.hr/about-us/ (Accession date: 25.05.2017).
84 Name of the financial assistance provided by the EU to the candidate and in some cases to the potential candidate countries for them to prepare for the EU membership. By preparation, the effort to adopt the EU acquis, realizing the relevant investment in the human resource, infrastructure etc. and harmonizing the agricultural policy is meant. Croatia has been a beneficiary country for the term 2007-2013.
Lastly, the Office’s activity reports that belong to the years 2013-2015 have been studied. Among many political and financial achievements, the ones that are related to the inclusion of the civil society to the decision- and policy-making processes are of main interest. According to the 2013-2014 Activities Report of the Office, actively participated in drafting the laws on associations, volunteering, electronic media, humanitarian aid etc. as well as ‘National Strategic Document for the Promotion and Protection of the Rights of the Child’, ‘National Strategy for Equalization of Opportunities for Persons with Disabilities’ and several others. In addition to the direct involvement of the Office, there are some numbers as regards the participation of the public: In 2014, 544 public consultations were conducted by public administration authorities and 18.767 comments to the draft laws, other regulations and acts were submitted (UDRUGE, 2015: 12).

In 2015, 15.411 comments were submitted on drafting legislation. 27% of the comments were either partially or entirely accepted. The website “e-Consultations” was initiated so that the public could easily convey their opinions on the draft legislation (UDRUGE, 2016: 11). The Office also organizes NGO open days where the civil society and the governmental bodies come together.

3.2. The Council for the Civil Society Development

Following the establishment of the Office, the next step has been the creation of a semi-civil advisory body to the government to enhance the relations with the civil society. In 2002 the Council for the Civil Society Development was founded.

Currently, the Council comprises 31 members: 13 elected representatives from associations, 15 appointed representatives from public administrations, 1 representative each from a trade union, foundation and employers’ association. In another saying the Council is formed with civil majority.

The Council constantly monitors and analyzes the public policies which concern the civil society in Croatia. It comments and channels the comments of the civil society on drafted legislation; cooperates the planning activities of public funding for the civil society organizations; assists the Office in programming the EU funded projects. The Council receives, through the Office, mandatory reports of public administrations on financing decisions about the civil society organizations from the previous fiscal year.

3.3. The National Foundation for Civil Society Development

The National Foundation for Civil Society Development was established by the Croatian Parliament in 2003. Its main mission is to promote and support civil society development in Croatia. It is financed partly from state budget and partly from the income from games of chance. It can also accept donations. Like the Council, the National Foundation is also managed by a civil majority. 5 out of 9 members of the board are civil society representatives. From the date it was established the National Foundation has financed hundreds of civil society actions\textsuperscript{85}. One important contribution of it in the CSOs has been the provision of co-financing to the EU funded projects since it is quite a problematic issue for the CSOs. Currently, the National Foundation, besides other responsibilities, has been assigned as an intermediary body in the implementation of the EU-wide European Social Fund (ESF) in the country. ESF aims to contribute to the growth of employment and strengthening of social cohesion in Croatia.

3.4. The National Strategy for the Creation of an Enabling Environment for Civil Society Development from 2012 to 2016

“The National Strategy gives guidelines for the creation of an enabling environment for civil society development until 2016 in order to further improve the legal, financial and institutional system of support for civil society organizations’ activities.”\textsuperscript{86}

The National Strategy\textsuperscript{87}, which happens to be the successor of the 2007-2011 strategy and the predecessor of the draft strategy of 2017-2021, has been prepared with intensive consultations between the public administrations and the civil society. It contains 4 axis, 27 measures and 91 implementation activities in total.

Implementation of the National Strategy is coordinated by the Office and monitored by the Council, the National Foundation and relevant public administration and civil society representatives as well as the Office itself. The 4 axis of the National Strategy are: The institutional framework for civil society development support; civil society and participatory democracy; strengthening of the role of CSOs for social and economic development and further development of civil society in the international context. The

\textsuperscript{85} https://zaklada.civilnodrustvo.hr/en/support (Accession date: 26.05.2017).
\textsuperscript{87} http://strategija.udruge.hr/index.php/pocetna.html (Accession date: 26.05.2017).
National Strategy is implemented through foreseen activities to fulfil certain expected results (measures). The success of implementation is reviewed by indicators.

The progress of the implementation of the National Strategy is shared by the Office through the website of the strategy and it seems it is still in progress. However, a strategy this extensive, closely monitored and transparently implemented to develop the civil society sector, is quite promising for Croatia as well as any country which would like to increase the dialogue between the state and the civil society.

3.5. State Support to the Civil Society Sector in Croatia

In the recent years, Croatia has a country profile of generosity towards the CSOs. According to various sources more than 200 million Euros from the state sources are invested in Croatian CSOs annually\(^88\). When considered the country will receive around 8 billion Euros from the EU for the term 2014-2020 and that amount is to invest pretty much in every sector in Croatia, the amount to be invested in the CSOs by the Croatian state could be considered rather promising. According to the TACSO report which was elaborated in section 2.2., 65% of the CSOs state that their projects are funded by the public sources (TACSO, 2013).

Conclusion

As a country which declared independence in 1991, Croatia, a member of the Western Balkans area, began to feel warm interest in the EU in 1999. It has definitely been a positive development for Croatia as well as its civil society.

Croatia has been exposed to stricter EU conditionality than its neighbour and also former Yugoslavian, Slovenia which acceded to the Union in 2004. This stricter conditionality comprised close collaboration with the International Criminal Tribunal for the former Yugoslavia; more extensive acquis to adopt and special importance put on the negotiation Chapters of 23 and 24.

The EU accession process made positive contribution for Croatia in building a democratic state. Adopting the relevant EU legislation has been a constructive progress for the country whereas sometimes the implementation of it was criticized for being insufficient. The room for improvement in the field of democracy has been a source of motivation to develop the civil society organizations.

Although Croatia put an Act into force to regulate civil society organizations in 1982, the system rather encouraged, the state-oriented, Social Organizations than the Citizens’ Associations. Much like the resurgence of political life through the late 1980’s, civil society got more vibrant as well. Still, it was not until 1997 that the country legitimized free association and also transformation of the Social Organizations to associations. Nevertheless, the Citizens’ Associations multiplied greatly in numbers in the 1990’s. The spirit of solidarity due to the war and the considerable amount of foreign aid provided for the country have been enabling factors for this phenomenon.

The years between 2005 and 2011 have been the term for negotiations for Croatia on the way to the EU. The uptrend in the growth of the associations in the country sustained. During this time the EU kept investing in the civil society. In 2011, the year in which Croatia signed the Accession Treaty, the European Commission issued a progress report stating that the CSOs “play a prominent role in promoting and protecting human rights, democracy and minorities”, however the level of participation of them was considered insufficient in policy making and legislative processes. This issue, of course did not stop the accession of the country to the EU.

Regarding the field of democracy and civil society in Croatia, it has been considered in a leading position compared to the state and public in general; particularly in 1980’s and 1990’s. For sectors and topics like environment and women, Croatian civil society has been advanced even before the accession process. As a result, the CSOs felt closer to the EU than to Zagreb. When the “EU matters” started to be publicly discussed and became an element of the countries agenda, the CSOs which were labelled as marginal before began to be affirmed. The CSOs however kept taking it “seriously” that in certain cases they were unsatisfied by the level of implementation of the reforms and even the inadequacy of some of the EU policies such as the asylum policy.

Through the end of the negotiation talks, the Croatian CSOs enjoyed the scale which was created by forming coalitions. Such gatherings made them crucial counterparts for the state and the EU. This act of collaboration could be considered as an example for other countries, especially, of the area.

\(^88\) http://www.tacso.org/news/rc_info/?id=14869 (Accession date: 27.05.2017); UDRUGE, 2015: 17.
Increasing numbers in the EU and projects oriented CSOs and/or CSO actions, on the other hand, have been a critical issue. In addition, the need for the EU leverage in justifying the actions for some CSOs created irrelevance for them after the membership of the country to the EU. It has been suggested in the article that one solution to this could be wider inclusion of local stakeholders in CSO actions.

The participation of the CSOs in the accession process was mostly realized in Croatia through preparing and/or implementing EU funded projects. Notable amount of the CSOs took part in programming activities as well. These activities included participating in working groups and joining consultation activities. Based on the data given in the TACSO report (2013), 60% of the Croatian CSOs considered themselves involved in the accession process before and/or after the accession of the country to the EU.

Starting from 1998 and evolving in rapid manner, institutions have been built where the state and civil society can work together. Enabling intermediary bodies have been created to make vast state investments in the civil society. I has been considered rather promising for the purposes of this article that a “listening” structure has been formed for the Croatian civil society through mechanisms such as consultations and reporting obligations.

Traditionally civil society has always been an important partner for the EU and Croatia has been no exception. Croatia has embraced this phenomenon and took it further by creating an example of enabling environment for the civil society movement. Communication Monographs,71-4. doi:10.1080/0363452042000307470


Youth, Peace and Security: The EU in the Black Sea region and the Western Balkans. Youth Inclusion in Conflict Prevention and Sustaining Peace

Neli Kirilova

2018 Summer Seminar participant

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This article is based on the European Union Conference on Youth, Peace and Security, organised by the European External Action Service under the initiative of HR/VP F. Mogherini on May 22-24, 2018 in Brussels, Belgium. During the XIX Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea Region, organised by the Economic Policy Institute, Neli Kirilova who was the panelist on the EU Conference, commenting “Youth Inclusion in Conflict Prevention and Sustaining Peace”, presented the results in Albena. This article outlines the role of Bulgaria and Romania as EU Member States for the regional Youth, Peace and Security cooperation, within their geopolitical context between the Black Sea region and the Western Balkans.

Youth, Peace and Security on the EU Agenda

Youth, Peace and Security is present in several EU strategic documents, concerning both the effects for the EU Member States and for external countries. Within the EU Member States, the latest Council Conclusions refer to Youth, Peace and Security as a “growing threat of violent radicalisation” within the Union (Council of the EU, 2018) which is to be solved through “youth work (…) in building a secure, cohesive and peaceful society”. It explains that “young people have (…) a crucial role in addressing the different types of violence, discrimination and injustice that affect them (…) through different instruments such as intercultural dialogue through mobility, youth

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89 Further in the text “EU”
90 Further in the text “EEAS”
91 Further in the text “EPI”
work, volunteering and non-formal and informal learning” (Council of the EU, 2018). Regarding external to the EU countries, the EU Global Strategy (EEAS, 2016) envisages education, culture and youth as key to pluralism, coexistence and respect in multinational relations. Among the main achievements of the Bulgarian Presidency of the Council of the EU in 2018 are those related to its priorities - Western Balkans, Security and Stability and Youth. It would be a fluent continuation if the Romanian Presidency in 2019 underlines the importance of the Black Sea region.

**EU Conference on Youth, Peace and Security**

The EU Conference on Youth, Peace and Security 92, organised by the European External Action Service (2018) was a follow-up of the European Consultation, one of seven regional consultations. These regional consultations were organised in implementation of a Progress Study outlining what practical steps need to be done after the UNSCR 2250 (2015) on Youth, Peace and Security. The EU Conference included participants from: EU – UN civil society, 73 young peacebuilders, 27 EU Member States, 29 partner countries involved in youth networks, and also decision makers. It was divided into four panels: Youth Inclusion in conflict prevention and sustaining peace, Young people innovating for peace, Empowering youth to prevent/counter violent extremism, Protecting human rights of youth.

**Youth Inclusion in Conflict Prevention and Sustaining Peace**

During the EU Conference, Youth inclusion in conflict prevention and sustaining peace was discussed on several levels. First, on regional level, the question was whether the same definition for “conflict” would exist within the same regional context. Second, on international level, the effects of education abroad and inter-cultural knowledge acquired through programs like Erasmus+ were discussed. Third, on local level, the question of active youth inclusion was raised. Namely, how through NGOs young people could reach the local governments, how to engage the educated and culturally aware youth locally for preventing conflicts and sustaining peace in their own regions.

The EU Global Strategy (EEAS, 2016) envisages that “preventing conflicts is more efficient and effective than engaging with crises after they break out”. It recommends early warning and early action, preventive diplomacy and mediation, and deepening inclusion of civil society. Furthermore, the EU Global Strategy (EEAS, 2016) prescribes that “Each conflict country will need to rebuild its own social contract between the state and its citizens”, for which the EU would contribute. This paper argues whether this is possible in the Black Sea and Western Balkans context, according to the ongoing development in youth work.

For the purpose of **sustaining peace**, the conclusions of HR/VP F. Mogherini at the EU Conference (EEAS, 2018) have been that the EU should implement several further steps. Namely, the EU should include youth in its actions, policies and projects; provide space for open thematic debate on time; the EU should support the empowerment of youth to participate in policy making. For these purposes, the EU could promote funding for youth, pilot youth consultation on thematic and country-specific EU policies (EEAS, 2018).

The conclusion of the EU conference was that **youth empowerment** is needed in order to prevent conflicts and sustain peace in conflict intense regions. For this reason, the active participation of youth through sharing best practices and region-specific know-how is crucial. This provides the chance for regional conferences and seminars like the Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea region to provide a local platform for further action.

**Black Sea region and Western Balkans: definition of “conflict”**

“Engaging youth in conflict prevention should be within a specific regional context, providing the same regional understanding of a conflict” (EEAS, 2018).

The **Black Sea region** includes two EU Member States – Bulgaria and Romania, two post-imperial powers – Russia and Turkey, and six countries either in the post-imperial zone of influence of at least one of them, or approached by the EU. Consequently, the dynamics between the countries is between powerful, powerless and emerging actors. Three entities are projecting influence and power, Russia, Turkey and the EU. Six countries are dependent on this power projection, which in this paper is assumed to be the external reason for conflicts between or within them.

The types of conflicts within the Black Sea regional context are either between two countries, or concerning territories near the border of a country, or the self-determination of part of the population within a country. Due to the lack of current solution, several “frozen conflicts” exist: Nagorno
Karabakh, South Ossetia, Abkhazia. Several territories with questionable self-determination of the population are observed, among them different scales of the conflict from peaceful co-existence to war are present, for example: Transnistria, Crimea. The concerned conflict parties are: Azerbaijan-Armenia (territorial belonging vs. people's self-determination), Georgia-Russia (people on its territory, claiming independence), Moldova-Russia (people on its territory, claiming independence), Ukraine-Russia (people on its territory, claiming dependence on another country, therefore claiming the territory to be a part of another country). The main problem is due to the relation between people's self-determination and the territorial belonging of a sub-region to a different country. According to the international law, borders are unchangeable except if both parties would agree to change, which is definitely not the case on the listed territorial entities in the Black Sea region. For this reason, conflicts on different stages, including frozen conflicts, wars, and coexistence, are currently present in the Black Sea region.

The internal reasons for conflicts lie on the nationalist nature of the countries. From local perspective, among the main obstacles causing these conflicts are the strong sense of antagonism and perception of the others as ‘enemy’. According to locals, the hatred is based on false narratives, resulting in more severe conflicts and destruction of human lives by the ‘enemy’.

Let us assume that a possible tool to approach these conflicts is youth. Young people possess clear mind, openness to learn, adaptability in shaping their perceptions, and a flexible value system. They have the energy to move, as well as the time to invest their lives in long-term goals of their interest. A key would be the willingness of young people to improve the environment in their own place of origin, as a precondition to create and sustain peace. The practice in youth work, particularly observable through the European Youth Forum and the National Youth Forum of Bulgaria, shows possible ways to solve problematic unilateral concepts. The tools include meetings in neutral foreign environment, setting common positive goals and mutual work. For example, the EU, through various actions of its Erasmus+ program invests in common education, arts and culture to create, not to hate. This line of action is setting the basis for common understanding, leading to sustainable peace and security through youth action. But it is questionable whether, how and to what extent this could be applied to the countries in the Black Sea region and the Western Balkans.

**Youth inclusion within the Black Sea region and Western Balkans:**

**Local views of the participants in the Summer Seminar.**

The EU Conference (EEAS, 2018) re-affirmed the common education and culture sharing as means for youth to understand the perspective of both sides of a conflict, respectful to the different views, willing to solve the conflicts. It was also reminded that it is

“[…] crucial for sustaining peace to involve these young people, who already possess understanding and respect towards the other side of the conflict, in decision making at the level of their own government or at inter-governmental level. Once the capacity for conflict prevention and sustaining peace is created among youth, they should be engaged in the long-term as (future) policy-makers who possess the needed understanding and friendly contact networks. The inclusion of young people presupposes their commitment, but also providing the capacity to implement actions, which is often stopped by their own governments, for which international empowerment is needed” (EEAS, 2018).

**However, the results in practice might have different indicators than the expected ones.**

The EU considers it crucial to bring back the acquired knowledge of young people through local, trustworthy agents, for example the Eastern Partnership Youth Ambassadors. The best strategy would be if conflict states create a policy of teaching children in schools that the regional countries are neighbours and they need to cooperate. Another opportunity is through youth projects abroad, organized and financed by third neutral in the conflict parties, which would create an open space for cooperation. Aiming to find results for the EU, during the “Youth, Peace and Security” discussion of the EPI Summer Seminar, peers from conflict countries shared opinions through indirect dialogue, answering the following questions: “Did you study abroad? Do you want to solve the conflict in your country or do you want to keep it? How would you solve it through youth inclusion?” The answers received are summarized below.

**Western Balkans:** Young people should be engaged continuously in jobs or professional networks, especially in regions distant from the capital (marginalised). The people have to be educated, but also to have a target which they aim to achieve, to be motivated to do small steps which would bring them to the accomplishment of a bigger goal.

**Black Sea region:** First, social science education is significant for
Transnistria and Gagauzia. Young people need critical thinking. Workshops for young people should be created, focusing on conflict prevention and sustaining peace. Only through their purposeful education on the topic, solutions could be found. Second, young people are possibly influenced by unilateral informational flows in both Armenia and Azerbaijan. A potential solution of the Nagorno-Karabakh conflict is Armenia to give two regions to AZ, Azerbaijan to open the borders with AR, to start exchange and trust building between both. Third, particularly for Georgia, the society is split between supporters of both EU and Russian influence, thus guarantees of improving its living standards are needed to motivate further local action. Fourth, solving the Nagorno-Karabakh problem through youth inclusion is too optimistic. But the energy projects and economic guarantees are a significant issue. Fifth, help is needed from outside, because the people cannot solve their frozen conflicts alone. An external power should make the people communicate with each other.

In brief, although communication through youth is possible, it is not clearly leading to a current solution of a conflict. This means that young people need to be really convinced that they have the power to change the situation in the present, and to be able to break stereotypical thinking. For such a goal, very useful would be the example of neighbouring good practices. Particularly, for the countries in the Black Sea region and Western Balkans, the closest example of youth inclusion for improving the governmental system would be in their closest EU neighbours, Bulgaria and Romania.

Results of the EU interference in the regional Youth Inclusion in Conflict Prevention and Sustaining Peace

Youth inclusion in conflict prevention and sustaining peace in the Black Sea region and the Western Balkans is a challenge, due to the specific educational policies of the regional countries. The local governmental policies feed the antagonism, blocking communication and settlement of the conflicts. It also blocks regional cooperation through creating obstacles for civil society cooperation. At the same time, wide energy and trade interests of the governments are respected. This means that economy and energy state interests prevail over the interests of the society, which is exactly what the EU is aiming to tackle. Two are the basic possible scenarios.

Either the EU would succeed in engaging civil society through youth, culture and education, and would create a system similar to the EU, providing mutual understanding and shared interests. Or, it would fail in the coordination with the regional post-imperial players, Russia and Turkey, resulting into their united anti-EU protection of regional influence. The latter could take various forms, such as trade and energy restrictions and blocking governmental cooperation with the EU, as well as shaping the information which reaches the local societies in a way that only the positive role of one side of the conflict would be proven. This scenario would bring a new separation between Russia and Turkey straight after the EU would lose its influence. Then, as history shows, the competition between Russia and Turkey would re-open the local conflicts and military violence, competing for territorial influence over the Black Sea in a neorealist prism of war.

For these reasons, the best that the EU could do is to educate and expose to cultural exchange more young people from both regions, after which to stimulate their empowerment in their own governments. Only in this way a new understanding of sharing common values of peace, security and regional stability through cooperation could reach out wider public in the regional countries. Otherwise, the regional conflicts would continue until the power proves to have one owner, followed by subordination of the regional states to this power owner. Such a development would bring these two fragile EU neighbouring regions, the Black Sea region and the Western Balkans, back to wars, but not forward to cooperation.

Conclusions

As a result, the best that the Black Sea and the Western Balkan states could do is to invest in the education and cultural exchange of their youth population. The best that the EU could do is to support this process, while keeping in mind the local culture of nationalism and antagonism, as well as the reactions of the other power-projecting regional players, Russia and Turkey.

The specific geopolitical location of Bulgaria, between the Black Sea region and the Western Balkans, as well as its EU membership, together with Romania, creates an excellent opportunity for regional youth cooperation, aiming to achieve regional stability and security. The question is how to transmit the good practices of youth inclusion in Bulgaria and Romania to their neighbouring conflict-intense regions, assuring that the big regional players, Russia and Turkey, really wish to create a peaceful regional environ-
ment instead of intensifying the regional conflicts. The Presidency of the Council of the EU is a good opportunity for both Bulgaria and Romania.

Therefore, the EU approach, if aiming to provide an environment of sustaining peace, security and regional stability, needs to approach both the young people in the Black Sea region and the Western Balkans, but also the powerful within these region governments of Russia and Turkey. The way to achieve sustaining peace within these two regions is through a common strategy aiming quality higher education, cultural exchange and critical thinking within the youth population in the Black Sea region and the Western Balkans. And the key to its success is to be agreed between the three regional power-projecting actors, the EU, Russia and Turkey.

References


SS2018 Working Group Brief:
Western Balkans EU Accession Benefits

summary by Kaloyan Stoychev

1) Security
   a) Less influence from foreign political powers (Russia in particular, maybe also Turkey)
   b) Sustaining regional peace and a stable European geopolitical environment
      i. Access to the EU requires waiving territorial claims towards neighbouring countries
      ii. Lessened significance of borders as regards trade, movement of people and capital and increased intraregional connectivity (both via infrastructure and programs like Erasmus) will reduce pressures for further balkanisation
      iii. Secession of a territorial unit from a Western Balkan (WB) EU member would endanger EU status

2) EU Territorial Integrity
   a) Boosted transport and infrastructural links (rail, gas, motorway) for Greece/Asia <> Central/Western Europe, on one hand, and Bulgaria/Black Sea/Asia <> Adriatic Sea/Italy, on the other (North/South and East/West). Benefit for supply chains and energy security/efficiency
   b) Easier travel means people are more connected, increasing cultural exchange and improving labour market efficiency/mobility

3) Economy
   c) Expanding the single market for goods and services will be of benefit for EU firms
   d) More investment opportunities will materialise for EU firms and a boost in intra-EU competition for investment
   e) More natural resources at cheaper rates will improve value chains for EU firms and boost the price competitiveness of EU goods and services

4) R&D
   c) Expanded research networks and potential for innovation in EU

5) Migration
   e) As economic conditions improve in WB due to structural investment and convergence, there will be fewer benefit claimants in Western
European countries and a higher employment rate and economic activity in Europe
f) EU countries will have more leverage for WB countries to comply with migration restrictions from third countries

6) Foreign Policy
e) More international leverage due to greater number of countries under EU flag

7) Cultural influence and Public Diplomacy
e) Larger EU extent and population will mean more cultural influence and exchange inside and beyond the EU, thereby spreading EU values to a larger share of the global population and fostering peace

8) EU stability
e) Accepting WB countries as EU members will send a signal that the EU is a reliable partner that honours its commitments despite the difficulties it faces, thus safeguarding its credibility as a strong and stable political power and valuable ally

SS2018 Working Group Brief:
Is the Black Sea region a region?
Why is this important for the EU?

summary by Neli Kirilova

Answering the question of Prof. Dr. Stratenschulte “Is the Black Sea region a region?”, a group of participants worked on the following sub-questions: “Why do you consider that it exists?” and “Why do you consider that it is important for the EU?” The participants of the commenting group originate from Bulgaria, Romania, Azerbaijan and Albania, which might have influenced their views.

Regionalism Theory: Black Sea region

“A region”, according to the definitions about regionalism in politics, refers to local common identity, which is missing in the Black Sea region (Triantaphillou, 2010). According to a variety of studies on the Black Sea region, the concept of “common identity” does not apply to it for several reasons – nationalist societies, existing frozen conflicts and open fire, huge difference within the economic development of the countries, post-imperial interests of the big regional players Russia and Turkey and the increasing EU power (Kirilova, 2015). However, the recent scholarly literature discusses the concept of “Black Sea region” in wide- and narrow-context, depending on which countries exactly are included. Cornell et al. (2006, p.5) see it as an emerging security hub, which has an important place in international relations as a whole entity. The regional integration starts with trade and is completed with a political union (Huselmeyer, 2013), therefore the economic cooperation shows first steps of regionalism. Although the bilateral cooperation between the countries is often questioned, some multilateral fora do exist. The main regional organization, the Black Sea Economic Cooperation Organisation (BSEC), maintains the economic cooperation, serving also as a diplomatic platform for communication. Other existing regional structures include the Black Sea NGO Forum, the Black Sea Commission, the Parliamentary Assembly of the Black Sea Economic Cooperation, the Journal of Black Sea Studies.
Group Discussion: Why do you consider the Black Sea region exists?

Starting with this background knowledge, the participants discussed different definitions of a region, based on two uniting factors: the geographic conditions and the cooperation between the countries. They concluded that if there is no cooperation between the countries, there is no region. But, as long as the countries cooperate on a regional platform, they should be considered as a region. In this context, several questions appeared.

First, in terms of regional cooperation, it is significant whether we look at the definition externally (how it is seen from outside) or internally (how the countries define their structure of cooperation inside). There is a possibility that the local interpretation of ‘cooperation’ slightly differs from the wide understanding, due to the specific nature of the countries. For example, political cooperation sometimes fails, while energy and trade cooperation is operative on non-regular basis. Whenever the most powerful regional actors are interested to find a solution of their common interest, it is possible. But the root of the problem is the lack of mutual cooperation between the regional leaders due to their confronting interests.

Second, permanent problems exist within the states of the region, which are an obstacle for the cooperation. These include security crises, frozen conflicts, differing size and power of the states, nationalism, lack of common identity, lack of trust between the actors.

Third, in terms of geography, the Black Sea gives access to the Global Sea through the Bosphorus. For this reason, it is in the economic interest of all regional states to cooperate. Its location makes it a geopolitical key to trade.

Fourth, the Black Sea region is an important energy transfer hub. Through it, several energy pipelines are crossing, such as the Trans-Adriatic Pipeline (TAP) and the Trans-Anatolian Natural Gas Pipeline (TANAP). Creating further projects in the future is possible, due to its location between countries rich in energy resources in the East and countries which need to import energy in the West.

To sum up, the listed factors show a mixture of interests and players, resulting in both conflicts and opportunities. Despite the ongoing identity crisis, nationalism and power competition, the key location and resources make it an important region for the management of energy and trade. Therefore, the cooperation keeps going continuously, although in different shapes. The key location, combination of providers and users of resources, and the interrelated interests keep the regional communication ongoing, setting common regional goals, which makes it a region.

Conclusion: Why is it important for the EU?

As a result of the EPI Summer Seminar discussion, the participants concluded that the importance of the Black Sea region for the EU is in several directions. First, it is a security factor on the EU’s South-Eastern border. Second, it is an energy transfer key, providing routes from oil-rich Eastern countries to oil-needing EU countries. Third, it is a trade hub opening the EU markets to the East and to the South. Fourth, it creates an opportunity to support the balance between competing regional powers. Fifth, it is an opportunity to help in building regional identity, in the interest of the regional countries solving their ongoing conflicts.

Finally, the Black Sea region is at the EU’s South-Eastern border, containing two EU member states, Bulgaria and Romania. It provides wide opportunities for cooperation in terms of security, energy and trade, as well as strategic geopolitical cooperation. Therefore, the Black Sea region should be a high priority on the EU agenda.

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