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Editors

# EUROPEAN UNION AT CROSSROADS: BUILDING RESILIENCE IN TIMES OF CHANGE

## EURINT 2017

CONFERENCE PROCEEDINGS



Teodor Lucian MOGA | Cristian ÎNCALȚĂRĂU | Bogdan IBĂNESCU  
(editors)

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Teodor Lucian MOGA | Cristian ÎNCALȚĂRĂU | Bogdan IBĂNESCU  
(editors)

# **EUROPEAN UNION AT CROSSROADS** **BUILDING RESILIENCE IN TIMES OF CHANGE**

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## FOREWORD

The European Union is currently being confronted with several challenges ranging from economic to political and security ones. The economic challenges are associated with the post-crisis recovery, while the political challenges stem from the rise of nationalism which has recently hit the EU. At the security level, the EU is facing, internally, an increasing terrorist threat and, externally, a resurgent Russia and a turbulent Eastern and Southern neighbourhood.

Against this background, the volume “EU at crossroads: building resilience in times of change” builds on the research results delivered during the sixth edition of the 2017 EURINT conference, organised in May, 19-20, at the Centre for European Studies, Faculty of Law, Alexandru Ioan Cuza University. The papers gathered in the present volume focus on the resilience capacity of the EU to react to this wide range of pressing challenges. As such, it aims at studying the relevance of the resilience concept for developing policies at the European and national levels, empirical methods for assessing the resilience capacity, new approaches for understanding the EU resilience and the normative role of resilience. It also seeks to study the resilience capacity of the EU in connection with some critical questions such as ‘How can the EU boost-up its sluggish economy and competitiveness?’, ‘How can the EU reduce the administrative burden and increase the effectiveness of the EU funds?’, ‘How can the EU consolidate its resilience against internal and external security threats?’, ‘How can the Brexit shock be contained?’, etc.

Resilience is a concept which has increasingly been employed in the general public discourse, as well as within the EU debates in relation to the economic development, but also in the political and security spheres. Moreover, various organisations and agencies, research institutes and experts in various areas have been proposing resilience analyses as being the most appropriate alternative to strengthen the European and national policies. This has to do with the resilience capacity to accommodate the multitude of factors and conditions that influence long-term growth and development in a systemic approach. After the recent economic crisis, most of the European countries have not entirely managed to get back on track and are still facing a sluggish growth. Thus, understanding the factors that foster / undermine economic resilience is the key to a faster recovery. Apart from the economic issues, further challenges have emerged testing further the EU’s cohesion. The refugee crisis forced the EU to deal with huge inflows of refugees fleeing their conflict-torn countries. This has generated serious concerns within the EU over how to deal best with resettling people. Soon after, Brexit has further challenged the EU’s internal stability and questioned the viability of the European project on the long-term. Concurrently, the Ukrainian crisis and the ongoing geopolitical tensions between the Euro-Atlantic community and Russia have complicated the European stability and security.



Therefore, faced with the current post-crisis recovery, surrounded by security menaces and, at the same time, strained by political challenges which question the viability of the overall integration process and even its own legitimacy, the Union has seen itself in the midst of an existential crisis. In order to overcome these challenges, the EU needs to become not only 'smarter', more inclusive and more sustainable, but also more resilient, more capable of reacting to different internal and external shocks.

The present volume is a timely and important contribution to the field of European Studies and we believe it will be of key interest to scholars, students and policy-makers alike, specialized in the fields of International Relations, Political Science, Economics, etc.

**Editorial team**

# THE RELEVANCE OF TERRITORIAL CAPITAL FOR REGIONAL ECONOMIC RESILIENCE: A REVIEW OF CONCEPTUAL ISSUES

Adriana PETRE\*, Valentin COJANU\*\*

## Abstract

*This paper attempts to scrutinize the conceptual issues regarding the role of territorial capital in the emergence of a strong, competitive, and sustainable economy, or, in other words, in cushioning regional resilience, 'a term invoked to describe how an entity or system responds to shocks and disturbances.' To this end, the review focuses on conceptual issues related to the influences of territorial assets on strengthening competitive positions at both firm and regional level with the goal of ultimately placing the use of territorial assets within a deliberate policy framework aimed at achieving economic resilience.*

**Keywords:** territorial capital, resilience, regional economy, competitiveness

## Introduction

The landscape of specialization and growth has changed radically in the last decades under the influence of the continued dismantling of barriers to flows of goods and services, capital, and people. Ever deeper market integration has strengthened the interplay between mobile factors (i.e. capital and labour) and localized, immobile factors (i.e. tacit knowledge, landscapes, social infrastructure) to the extent that global business networks play a role as important as national economies in allocating resources to the most productive use (Baldwin, 2011). One important consequence consists in the emergence of various forms of economic structures defined within specific territorial confines, such as 'smart city', 'cluster', 'growth pole', 'innovative milieu', or 'knowledge region', that emphasize the increasing impact of territorial capital on growth. A substantial literature incorporates these recent evolutions in searching for answers to many regional issues that policy makers, entrepreneurs and members of the civil society have tried to tackle for long. At city level, for example, the concept of 'smart cities' has gradually gained ground, on the promise of growth features such as intelligent,

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digital, wired, inclusive and democratic. The European Union considers them the drivers of the new economy, “places of connectivity, creativity and innovation” (European Commission, 2011, p. vi).

The link between territorial capital and economic resilience represents a relatively new research interest. It has engaged various authors and policy makers into a challenging process of conceptualizing the terms, clearly defining the geographical area they relate to and establishing measuring tools based on empirical evidence and on solutions that have created a precedent.

This review is proposed on the assumption that both the conceptual and the methodological frameworks regarding the link between territorial capital and a region’s resilience are in a fluid state. After some substantial theoretical advances, as evident for example in the study of ‘agglomerations-networks’ sub-field, time is ripe to assess whether the use of factors specific at territorial level triggers decisions and initiatives that may substitute for proper economic policies.

In the following sections, we scrutinize the conceptual issues regarding the role of territorial capital in the emergence of a strong, competitive, and sustainable economy, or, in other words, in cushioning regional resilience, “a term invoked to describe how an entity or system responds to shocks and disturbances.” (Martin and Sunley, 2015, p.1) To this end, the review focuses on conceptual issues related to the influences of territorial assets on:

- (1) strengthening competitive positions at both firm and regional level;
- (2) improving the standard of living of regional communities; and
- (3) addressing long-term concerns related to sustainable growth and social cohesion.

The research narrows its scope to the EU member states and, consequently, to empirical issues regarding European regions, with the goal to ultimately place the use of territorial assets within a deliberate policy framework aimed at achieving economic resilience.

## **1. The conceptual link between territorial capital and regional economic resilience**

Drawing on a regional policy proposal elaborated by OECD in 2001, the Directorate General Regional Policy (DG Regio) of the European Union Commission (2005) opines in its turn on the role of territorial capital:

*Each Region has a specific territorial capital that is distinct from that of the other areas and generates a higher return from specific kinds of investments than the others, since these are better suited to the area and use its assets and potential more effectively. Territorial development policies (policies with a territorial approach to development) should first and foremost help areas to develop territorial capital. (European Commission, 2005, p.1)*

Territorial capital as a regional policy concept can be explained as “the system of territorial assets of economic, cultural, social and environmental nature that ensures the development potential of places.” (Camagni, 2008 cited in Perucca, 2014, p.2) The potential of this concept resides in the recognition of possible interactions between factors of different nature. (Perucca, 2014) The economic actors, private or public, consider territorial capital vital for long term sustainable competitive advantage; competitive advantages at the level of a territory are “long-lasting” (Tóth, 2011).

However, there is not a clear understanding yet about what is and what is not territorial competitiveness. Dudensing (2008) approaches the notion from two angles, firstly in terms of territorial productivity and secondly from a broader perspective, which accounts also for other factors like infrastructure, human capital or innovations. One of the factors thought to create real impact in terms of territorial competitiveness is smart specialization. The concept has been introduced in 2010 by the European Commission, in its EU 2020 strategy for increasing competitiveness and originates in Barca report (2009) (European Commission, 2010). As McCann and Ortega-Argilés (2011) observe, there are two characteristics that define smart specialization. The first one refers to the fact that it boosts the activities which are the most competitive, especially those related to research and innovation (R&I) products and secondly, the market size (economies of scale) and the connections among different economic actors are the key to an efficient and successful implementation of smart specialization. A case study on Zlín agglomeration (in Czech Republic) offers some general but useful ideas, among them that smart specialization is a politically influential concept, well suited to measures aimed at human capital development, supporting economic actors’ cooperation, and attracting investors (Jiří *et al.*, 2013).

How to incorporate the concept of territorial capital in a feasible policy framework proves, however, a more difficult task. There are several facets of the process:

*Local competitiveness is interpreted as residing in local trust and sense of belonging rather than in pure availability of capital; in creativity rather than in pure presence of skilled labour; in connectivity and relationality more than in pure accessibility; in local identity, besides local efficiency and quality of life. (Camagni, 2008, p.3)*

Foremost, a regional policy maker is interested in how economies react to shocks (Martin, 2006; Martin and Sunley, 2011).

Economic resilience emerged as an answer to these policy issues, a “buzzword” in the words of Martin and Sunley (2015), which has found its utility in “the academic, political and public discourse”, besides such other social interests as ecology and psychology.



*Economic resilience* is at origin a technical term, indicating materials' resistance against external factors that might elastically deform them, affecting their properties and characteristics, and their capacity and speed of recovery to the initial state. The process is based on the alternation between energy absorption and energy release. Apart from the materials science, the term has been also used to a great extent in engineering and construction, or computer networking, and gained new meanings and understandings with time. For example, it has been taken over by macroeconomists who use it as a form of indicating *power*, mainly the power of a national state to counteract other economic, political, natural, socio-cultural, technological adversities and bounce back to the initial path as fast as possible.

Etymologically, resilience comes from the Latin *resilire* and it can be understood as "to leap back, to recover form and position elastically following a disturbance of some kind." (Martin and Sunley, 2015, p.3) According to its first definition, in Encyclopedia Britannica in 1824 (see Merriam-Webster dictionary)<sup>1</sup>, resilience has two main meanings:

*"The capability of a strained body to recover its size and shape after deformation caused especially by compressive stress."*

*"An ability to recover from and adjust easily to misfortune or change."*

Translated to economic issues, as Martin and Sunley (2015) suggest, economic resilience comes down to understanding a five-pronged set of characteristics:

(1) Vulnerability: the sensitivity of the firms and workers from a region to different types of shock.

Palekiene *et al.* (2015) remark that the degree of vulnerability dictates whether a regional economy constantly suffers from disturbances, or makes effort to counteract, through the process of adaptation. Adaptation – adaptability is a conceptual couple which most of the times raises questions on the appropriate contextual use. "Adaptation is perceived as a path-dependent process maintaining existing paths or primary functions of a system, [while] adaptability often refers to an adaptive ability, in pursuit of a new path creation and structural change" (Hassink and Hu, 2015, p.3). As is the general view in the literature, adaptation is linked to terms like "resistance" and "recovery", whereas adaptability is related to terms like "reorientation" and "renewal".

(2) Existence of shocks: the origin, nature and incidence of a disturbance, and implicitly the scale, nature and duration of it.

<sup>1</sup> Resilience Merriam-Webster.com. Merriam-Webster, n.d. Web. 9 May 2017 (retrieved from <https://www.merriam-webster.com/dictionary/resilience>).

The disturbing factor, the shock, is creating a broader understanding on the concept of resilience. Shocks have multiple natures – economic, ecologic, or environmental, and different spatial scales – local, national, or global, and are mostly sudden, unexpected, hardly predictable. Examples of unpredicted shocks are deep recessions, as was the one in the 1930s or the latest one in 2008-2010, which ultimately represent events that destabilize and create contagion effects. Other relevant example of a shock that develops “slowly and incrementally over long periods of time” (Martin and Sunley, 2015, p.14) is climate change.

(3) Resistance: the initial impact of the shock to a region’s economy.

According to Martin and Sunley (2007), the geographical area of an economy is defined through the terms of ‘regional’ and ‘local’, which means (1) they have a great openness towards external events and forces, (2) they consist of a multitude of spatially distributed and often discontinuous networks of interacting heterogeneous economic agents (firms, workers, institutions) and (3) they typically possess fuzzy boundaries and complicated dynamics, involving emergent and self-organizing effects and processes.

Each and every territorial unit, be it city, locality, cluster or region, has a different resistance, therefore, perceives differently the impact of the disturbance. The variable nature of perceived impacts is due to “a complex interplay of compositional, collective and contextual processes.” (Martin and Sunley, 2015, p. 25) An economy with a broader range of interactions between its core subsystems – “structural and business”, “labour market”, “financial” and “governance” – is more prone to overcome the shocks faster, therefore is more resilient socio-economically. On the opposite, the economy with less variety and connectivity among its subsystems will definitely undergo a more difficult recovery process. (Martin and Sunley, 2015)

(4) Robustness: the manner in which firms, workers and institutions from a region adjust and adapt to shocks, taking into account the external mechanism, public interventions and support structures’ role (Martin and Sunley, 2015).

In the presence of disturbances, a system can react in three different ways to shocks: the shocks can be counteracted through a rebound, can be absorbed by the system and can trigger positive adaptation.

The first type of reaction gives birth to “engineering resilience” (Holling, 1973), which increases the efficiency, the stability and predictability of the system. The term is utilized in physical sciences and some versions of ecology. It is the resilience defined as the capacity of the system to “bounce back, to rebound” from shocks to the pre-shock state/path. What is important here are the speed and the extent of recovery towards a stable, equilibrium state.

Secondly, there is the “extended ecological resilience”, which finds its utility in ecology and social ecology. It represents the “ability to absorb shocks” and at



the same time maintaining the “stability of system structure, function and identity in the face of shocks” (Martin and Sunley, 2015, p. 4).

Lastly, there is the resilience understood as “adaptive resilience”. It is therefore a “positive adaptability, in anticipation or in response to shocks”, [also known as] “bounce forward” or “evolutionary resilience” (Martin and Sunley, 2015, pp.4-6). It can be found in psychological sciences and organizational theory and represents the capacity of a system to maintain its main performances in spite of shocks, through structural, functional and organizational adaptation/adaptability.

This variety of meanings attributed to *resilience* has pros and cons. On the one side, “conceptual clarity and practical relevance” are substantially affected. On the other side, however, the core descriptive meaning of the term coming from ecology and engineering is becoming less preferred than the ambiguous sense (Martin and Sunley, 2007).

(5) Recoverability: “the extent and nature of recovery of the region’s economy from shocks and the nature of the path to which the region recovers” (Martin and Sunley, 2015, p.14).

Robustness, redundancy, resourcefulness, and rapidity are generically called the 4R of resilience (Palekiene *et al.*, 2015). The 4R approach to resilience has the purpose to reduce the system losses to a minimum, so that the performance recovers to its initial standards.

“Robustness allows changes in the structure and components of the system owing to perturbations” (Kitano, 2004 cited in Martin and Sunley, 2015, p.6), but the system maintains its ability to preserve its structure without any loss (Tu, 1994 cited by Palekiene *et al.*, 2015, p.182).

Redundancy represents “the ability of an activity (or system) to respond to a disruption overcoming dependence by deferring, using substitutes or even relocating” (Van der Veen and Logtmeijer, 2005 cited by Palekiene *et al.*, 2015).

Resourcefulness is “the capacity to mobilize and apply material and human resources to achieve goals in the events of disruptions” (Bruneau *et al.*, 2003 cited by Palekiene *et al.*, 2015, p.182).

Rapidity represents “speed of return to pre-existing state” (Palekiene *et al.*, 2015, p.182).

Table 1 below presents a synthetic view of the core needs regarding the use of resilience in spatial socio-economic contexts.

**Table 1. Concerns related to the use of resilience theory in spatial-economic contexts**

1. Social and economic systems differ in fundamental ways from ecological and physical systems, so that resilience ideas borrowed from latter are not appropriate.
2. Concept of resilience in ecological and complexity sciences ignores human agency and is depoliticized; in the socio-economic realm, conflict and debate over responses to shocks may be crucial.



3. Resilience privileges the idea of 'return to normal', and is invariably regarded as a 'good thing', and often ignores 'perverse' resilience—the resistance to change and the preservation of dysfunctional or inefficient structures or systems.
4. The idea of resilience as 'return to normal' associates the concept with equilibrium, whereas spatial socioeconomic systems are rarely, if ever, in equilibrium.
5. The concept of resilience is easily captured by neoliberal ideology, to prioritize the status quo, and importance of self-reliance, flexibility and role of 'self-correcting' market adjustments.
6. Resilience analysis tends to portray systems as responding dichotomously to shocks, either recovering to original state or pushed to a new state, whereas in reality response is a complex mix of continuity and change.
7. Resilience thinking emphasizes holism and systems ontology, and presupposes systems are easily defined, whereas regional and local economies are fuzzy and often difficult to demarcate.
8. The notion of local (regional or city) resilience suggests locally autonomous and endogenous determination, whereas it will depend on how local and non-local actors (such as firms) respond strategically across various spatial scales and levels: i.e. the determinants of local resilience may not be local in origin or nature.
9. Resilience provides little 'value-added' over other concepts used to describe and study regional economic growth and development, such as competitiveness and sustainability.

Source: Martin and Sunley (2015, p. 8)

One of the above listed concerns mentions the idea of a system “returning to normal”.

When we say a person, society, ecosystem, or city is resilient, we generally mean that in the face of shock or stress, it either 'returns to normal' (that is, equilibrium) rapidly afterward or at least does not easily get pushed into a 'new normal' (that is an alternative equilibrium). (Pendall *et al.*, 2007, p. 2)

On the one side, Martin (2012) considers that the idea of equilibrium does not have to be implicitly related with any of the three understandings of the resilience concept, not even with the “bounce back” one. And at the same time, by definition, economic and social systems are “essentially evolutionary disequilibrium systems” (Martin and Sunley, 2015, p.10). But this does not interfere with the capacity of economic and social systems to make the application of resilience valid. On the other side, multiple equilibriums concept is common for the ecological definition of resilience, which can be explained through “disturbances that can cause a system to flip from one equilibrium to another.” (Hassink, 2010, p.47).

## 2. A discussion on conceptual issues

The fact that resilience has so many meanings and understandings is, on the one side, beneficial because it encourages research among various disciplines. The downside of it, however, as Martin and Sunley (2015), Bristow (2010) and Hassink (2010) remark, is that a vague understanding on the concept persists. There are three main arguments worth mentioning in this respect:





*For one thing there is no universally agreed definition of regional or local economic resilience, [...] Certainly, as yet there is no generally accepted methodology for how the concept should be operationalized and measured empirically [and] there is as yet no theory of regional economic resilience as such and relatively little discussion of how the concept relates to other concepts such as uneven regional development, regional competitiveness, regional path dependence and the like. (Martin and Sunley, 2015, p. 3)*

Martin and Sunley (2015) consider that when conceptualizing resilience four main questions have to be asked: resilience of *what*, *to what*, *by what means* and with *what outcome*. Dinh and Pearson (2015) also take the four questions as referential for what they call “community economic resilience” (CER). Accordingly, we organize our discussion around the four research targets.

(1) The ‘what’ question has to indicate clearly the level of economic analysis, be it city, firm, cluster or region, the characteristics of that territorial unit and the methodology and indicators used for measuring resilience (before and after the shock).

Before engaging in the process of measuring resilience, it is necessary to explore the full potential of the analysed territorial unit. In this sense, Martin and Sunley (2015) point out that the economic structure of a region is prone to influence its vulnerability to different types of shocks and it may also define the robustness of that particular region. They offer five scenarios of economic structures, explaining the advantages and disadvantages of each one when faced with adversities and how each one allows for a better robustness growth.

Firstly, there is the structural diversity case, which states that regional economic diversity generally boosts robustness, whereas sectoral specialization reduces it. The second case is economic variety, which takes two forms, modularity and redundancy. Modularity explains that by maintaining different industries “not closely inter-linked locally, or only weakly coupled, in terms of similar competences, input-output relations or supply chain connections” (Martin and Sunley, 2015, p. 27), the regional economic resilience will increase. Redundancy helps a region to reorient its economic structure towards more robust sectors, by using the substitution capacity of the firms in case of failure and the alternative uses of resources.

Thirdly, there is the ‘Rivet Effect’, more present in ecological studies on resilience. This criterion indicates that a shock hits a region based on an economic hub, where a particular firm or sector is the productive core, where the employment base and an entire network of suppliers, and subcontractors contribute to that particular activity. In this case, the outcome might be an economic collapse or, in a more positive scenario, a major decline in the regional activity. Other version of the ‘Rivet Effect’ concerns the regional specialization in ‘new economy’ industries such as “high-technology manufacturing, creative, media, digital, financial and



other business services” (Martin and Sunley, 2015, p. 29), which are themselves different conduits to achieve resilience.

Fourthly, there is the scenario of structural redundancy, which, according to the Martin and Sunley (2015), allows certain companies and sectors to substitute for one another in case of failure or even a region’s resources might “be put to related or alternative uses”.

Fifthly, ‘related variety’ is a concept that does not have a clear impact on resilience yet because on one side, it signals complementarities among subsets of sectors, which generate long-term adaptability of local economy, but on the other side, complementarities reduce modularity and so resilience. The effects are contradictory and the final outcome cannot be measured exactly (Martin and Sunley, 2015).

Lastly, there is the scenario of diversified specialization. According to different studies elaborated across the UK regions (Martin *et al.*, 2013 cited in Martin and Sunley, 2015) or in the US metropolitan areas (Doran and Fingleton, 2013 cited in Martin and Sunley, 2015), structural diversity proved to be a better weapon against the waves of the recent economic recession than specialization.

(2) “To what” question focuses more on the nature of the shock, on its intensity, duration and effects.

Disturbances or shocks can be abrupt, like natural, technological or human-made disasters, like epidemics or economic crises or they can be gradual and predictable, such as demographic or climate changes (Dihn and Pearson, 2015).

Not all shocks affect an economy in the same manner. For example, in ecology, if a shock is too powerful and exceeds the capacity of the economy to absorb it, then, the system will forcefully take one of the alternative equilibrium states, which are presumed to be less favourable than the pre-shock state of the system. However, the analogy with economics is arguable, as the economic effects of a shock can rarely be predicted *a priori*. Moreover, resilience may be limited to the dichotomy between returning to the pre-existing state after the shock or transforming into a different one afterwards. What one has to remember is that resilience is “not an either/or feature or outcome, but a complex process that admits of many possible combinations of change and continuity.” (Martin and Sunley, 2015, p. 10) With this view in mind, growth and prosperity can be generated in alternative ways, which do not necessarily follow a certain path.

Attempts of measuring the regional economic resilience have been made both by using qualitative (interviews, surveys) and quantitative methods (different econometric models). According to Dinh and Pearson (2015), community economic resilience can be measured by the constructive or *ex ante* approach (measuring economic resilience before the shock), or by the performance or *ex post* approach (measuring economic resilience after assessing the disturbances in outcomes, time and cost).



For the first approach, the authors recommend factor analysis or principal component analysis, the resilience being a function of seven factors, like human capital, financial capital, natural capital, physical or built capital, social capital, diversity of economic structure and accessibility. For the second approach, the definitions of the three post-shock measures can be found in Table 2.

**Table 2. The post-shock measures and their impact on resilience**

Post-shock measures	Definition	Interpreting resilience level
Outcome based Measure	The extent to which the selected economic performance indicator (e.g. living standard, output or employment) deviates from its target outcome, given an external shock.	The less difference is between the actual outcome and its target level, the more resilient the community economy.
Cost based Measure	The deviation of the associated cost for the target outcome from that for the actual outcome given a disturbance.	The less difference is between the actual outcome and its target level, the more resilient the community economy.
Time based Measure	The inverse of the time needed for the local economy to reach a certain level of outcome after being affected by a shock.	The shorter the time needed to recover, the more resilient the community economy.

Source: Adapted from Dihn, H., Pearson, L. (2015)

Capello *et al.* (2015) used the MASST (Macroeconomic, Sectoral, Social and Territorial) model to demonstrate that cities play a major role for regional resilience. Economic resilience increases with the size of the city and type of functions that are dominant. The results of the study indicate that cities hosting activities with higher value-added, factors of production and infrastructure of higher quality and a higher density of cooperation networks have a higher level of economic resilience and also increase the resilience of the regions that they are part of.

Another quantitative measurement was made by Holm and Østergaard (2013) for the information and communication technology (ICT) sector in Denmark to compare the patterns of growth before and after the year 2000. Although conclusive results were not found, some dimensions of resilience were identified among the analysed regions.

Sebatino (2016) assesses the competitiveness and resilience levels of the Sicilian production areas during the economic crisis. The main unit of analysis is the industrial district which represents “the product of a bottom-up process that involves both the local community and the companies operating in the same territory, and [...] the presence of a system of standards of shared values and a common level of trust between local actors that interact in this context.” (Sebatino, 2016, pp. 234-235) Using field survey and other secondary data sources, the author



gathers the values of turnover and employees, from 2009-2013, for four Sicilian productive districts. The results show that the regional industrial district system does not have a great capacity to react to shocks created by the economic recession, but the leading companies adapt better to change, thanks to “their size, degree of innovation, openness to the outside, propensity to export, industrial relations and networking system.” (Sebatino, 2016, p.246)

Based on resilience measurements using qualitative methods such as interviews with local stakeholders, Hervas-Olivier *et al.* (2011) focus as well on industrial district level, for North Staffordshire (in England), to assess whether the ceramics industry has the adaptive capacity to take a new path.

The studies mentioned above show that building and maintaining the resilient capability of an economic structure requires specific factors like high level of connectivity and cooperation among actors, spotting activities which generate a higher added value and innovativeness factors to be strengthened. The quantitative and qualitative measurement processes of resilience have become of utmost importance as they allow a better understanding of the possible disturbing phenomena. A proper evaluation *a priori* and *ex post* shock can contribute to maximizing the effects and minimizing the costs involved, therefore, learning from success cases, might lead to elaborating good strategical policy-making documents.

(3) The “means” question refers to the “mechanism and processes by which a regional or local economy reacts and adjusts to a shock” (Martin and Sunley, 2015, p. 12), which are expected to be influenced by the local factors and ultimately by the shock.

There are two types of determinants that influence the regional resilience (Rose, 2004; Cutter *et al.*, 2008; Martin, 2012): inherent capabilities (the economic structure of the region, the innovation system, the skills base, the competitiveness level before the shock) and adaptive capabilities (the set of actions and decision, which can together help accelerate the regional recovery). According to Rose (2004), mixing the two types of capabilities can create a better regional resilience. Palekiene *et al.* (2015) suggest that the core determinants of territorial capital like “physical and human capital, competitiveness, innovation system, entrepreneurial culture, endowments in natural resources and physical capital” have a great contribution in influencing regional resilience.

Regional resilience policy has become a relevant topic for policy makers in urban areas in recent years. Urban resilience can be explained as the ability of cities to either continue developing their current activities while facing major disturbances, like a terrorist attack or an extreme weather event, or to adapt to long-term environmental disruptions such as climate change (Otto-Zimmerman, 2011). Cities are the territorial units which operate and interrelate at the regional level, “engines designing social, cultural and economic development and growth of urban and regional areas.” (Romanelli, 2017, p.119) Correlated with its capabilities to attract innovation, the city is the territorial unit which can easily become the



conduit between territorial capital, as input and resilience as output. As Wolfe admits (2010, p. 145), “successful regions must be able to engage in strategic planning exercises that identify and cultivate their assets, undertake collaborative processes to plan and implement change and encourage a regional mindset that fosters growth.” Resilience should be practically confirming the existing trends in urban regional development, by allowing greater response awareness to market conditions, strategic management and valuing the endogenous tangible and intangible assets (MacKinnon, Derickson, 2012).

(4) The “outcome” question is connected to the result of the process of resilience, mainly “how well the regional economy recovers from a shock, how long recovery takes and the nature of that recovery.”

The resilient capabilities prove their utility in case of disturbances or shocks. Most of the economic models, for example Friedman (1988), are cyclical, so they assume that the amplitude of a shock is correlated with the future amplitude of its recovery, although there is not necessarily a connection between the amplitude of an expansion and the one of a contraction. What counts in cycle analysis is the wave connecting a shock to its recovery. Martin (2012) raises the question of the recovery which does not have a symmetrical path with the shock. In the case of a shock, the economy might follow either the initial path and recover, because the region’s economy has successfully absorbed the shock, “by reorganizing around a new mode of growth that is in fact more favourable than that which existed before the shock” (case called positive hysteresis), or the shock can be so powerful that the economy switches the path because of a significant destabilization (case called negative hysteresis). In this last case, the resilience is extremely low and the effects are “slower rates of growth of output, jobs and incomes”, in other words, absolute economic depression.

Given the complex mix of external and internal factors contributing to the recovery after the shock, we may argue that the outcome of a disturbing event is impossible to be predicted accurately, and speculative and ex-ante approaches should complement this debatable process.

**Table 3. Resilience conceptualisation**

Research targets	Empirical results
<b>Of what?</b>	The economic structure of a region is prone to influence its vulnerability to different types of shocks and it may also define the robustness of that particular region (Martin and Sunley, 2015).
<b>To what?</b>	Not all shocks affect an economy in the same manner (Dihn and Pearson, 2015; Capello <i>et al.</i> , 2015; Holm and Østergaard, 2013; Sebantino, 2016; Hervas-Olivier <i>et al.</i> , 2011).
<b>By what means?</b>	There are two types of determinants that influence the regional resilience, inherent capabilities (the economic structure of the region, the innovation system, the skills base, the competitiveness level before the shock) and adaptive capabilities (the set of actions and decision, which can together help accelerate



Research targets	Empirical results
	the regional recovery) (Rose, 2004; Cutter <i>et al.</i> , 2008; Martin, 2012).
<b>With what outcome?</b>	After the shock, the path recovery differs according to the mix of factors involved (Friedman, 1988; Martin, 2012).

*Source:* authors' compiling work.

Table 3 summarizes the lessons drawn so far. Under the framework of four research targets, the literature findings show that the complex process of regional economic resilience is manifest inside a territorial unit, whether a city, a locality, a cluster, an economic agglomeration, or a region. No matter the geographical area covered, it is of utmost importance to know the characteristics and capabilities of that unit *a priori*, so it can be easier to adopt the best position after the disturbing event takes place. Not of a less relevance are the *ex-post* studies, which contribute to a more sustainable strategy for appropriately responding, adjusting, adapting to shocks or only for taking measures against future threats.

## Conclusions

This paper explored how a territorial unit aiming to improve its competitive advantages can incorporate in its policy practice ways, instruments, and methods to sustain economic resilience. Territorial capital, as well as economic resilience, are concepts that have recently drawn much attention from researchers, business practitioners and policy makers alike. We consider that regions, countries, or regional groupings should deploy the most adequate policy measures that would enable territorial units to benefit from their competitive advantages while building up capacity for fast recoverability in case of a shock. In lack of specific theory of economic resilience, the conceptual analysis opens up a broad range of perspectives on the topic.

Policies oriented towards the use of territorial capital have to be designed in accordance with the specific pattern of assets found at the level of the local economy. According to Camagni (2008, pp.3-4), the concept of "territory" is a more appropriate term than abstract "space" when referring to a system which is composed of "localised externalities", of "localised production activities, traditions, skills and know-hows", of "localised proximity relationships", a "system of cultural elements and values", a "system of rules and practices defining a local governance model". In other words, a territory benefits from economic, technological, productive, relational, socio-cultural, institutional endowments, which have to be valued systemically and protected in the same integrative manner. Equally relevant, terms like smart city, cluster, agglomeration economy, industrial district also support the policy efforts to achieve strong territorial competitiveness, a successful combination of the 4Rs, and so, a greater resilience. All these conditions confer a certain level of reliability and trust in that particular economic structure, values created in time and desirably maintained through the use of the right economic, financial and political means.





The conceptual issues revolve around four questions any policy maker and stakeholder should ask: *resilience of what, resilience to what, resilience built by what means* and *with what outcome*. The study of resilience helps in finding the adequate targets and means to overcome disturbances - economic crises, terrorist attacks, a demographic or a climate change, that is, a shock defined by its origin, nature, duration, and intensity. Important though these clarifications may appear to be in understanding the new context of growth, more empirical work is needed to measure the level of economic resilience and reflect back on the conceptual framework.

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# THE PARADOX OF RESILIENCE: EUROPEAN UNION A QUINTESSENTIAL SURVIVOR OR A STRUCTURE DAMAGED BY 21ST CENTURY POPULISM

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## Abstract

*European Union is still mitigating the risks caused by the consequences of financial crisis of 2007-08 together with a sudden wave of refugees as well as the rise of Euroscepticism, and yet organizational resilience provides an opportunity for recovery. Central and Eastern Members of the European Union are to play an active role in mechanism of resilience. However, the emergence of rhetoric of anti-liberalism in Hungary (Viktor Orbán) and other countries of the region give a seemingly unconventional example to follow. This paper analyses the philosophical framework of resilience through an organizational prism of the European Union with a regional focus on Central and Eastern Europe.*

**Keywords:** EU, Resilience, Refugee Crisis, Populism, Financial Crisis

## Introduction

The ability of European Union as a unifying structure to retaliate and recover from three concurrent crises is under an intense debate. The consequences of financial crisis which are felt especially in Eastern Europe paved way for populist politicians to gain grounds and rule the countries. In their actions aimed at attacking democratic institutions, the likes of Viktor Orbán and Igor Dodon created a precedent for increased concern. In addition, refugee crisis came into play and became a pawn and an additional factor and an easy target for scapegoating in the region. Resilience is articulated as a discourse that can offer answers to recovery issues of European Union.

Generally, resilience refers to an ability to overcome hardships, that ranging from psychological to physical realm (Coutu, 2002). Literature suggests that resilience is a part of psychological and genetic setting (Coutu, 2002) for individuals dealing with trauma and loss (Bonanno, 2004), survivors of

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concentration camps, The Olympic winners, or cancer patient survivors (Coutu, 2002).

The trait signifying robust character and ability to bounce back has become heavily articulated in organizational studies and economic setting overall. One reason for that might be the belief that economic and political environment has become more turbulent and unpredictable (Drucker, 1999). Literature suggests that organizations have to operate in a different business environment than that of 1980's and early 1990's Western corporate culture (Kunda and Maanen, 1999). Organizations either face 'survival' issues on a much more 'shorter-apart' periods or have to accept the fact that they will always operate in 'unpredictable' market driven environment (Maravelias, 2007). In any case, abandoning the idea to achieve long-term *status quo* is at the core of the debate. Resilience finds its way as an answer to organizational problematic associated with crises. On one hand, resilience is seen as a solution in overcoming hard times, with hope to return to 'original' state (Lengnick-Hall *et al.*, 2011). Yet at the same time is seen as a necessary strategic capital to make sense and adapt to neoliberal organizational culture, where unpredictability of markets just has to be accustomed to and used as an opportunity. (Boin and McConnell, 2007; Maravelias, 2007; Lengnick-Hall *et al.*, 2011).

## 1. Methodology

The work concentrates on quantitative analysis of EUROSTAT data (Eurobarometer surveys 2007-2016) as well as various case studies with regional emphasis on Central and Eastern European of European Union<sup>1</sup>. Particular examples are being retrieved from Hungary as a representative of the region as well as the Republic of Moldova as one of the countries of the Eastern Partnership program. The study takes into account political discourses, party programs and legislation analysis of the above-mentioned countries.

Examination of resilience discourse takes its empirical data to be texts and academic literature. The latter is narrowed down to psychology, social science and organizational studies. Literature considers books, and academic journal articles for the reason to examine both theoreticians' and practitioners' notions of resilience. Secondary empirical data to presentation of literature is our readings and interpretations of these texts. It has to be noted that texts on resilience were chosen and prioritized by their potential cohesion to subject of organizational studies, since the primary subject of the research was European Union as an organization.

Given the framework of the work and focus on three aspects of crises - financial, refugee, and populism - the implications and results of the research is

<sup>1</sup> This paper uses visual analytics as aiding and complimentary analysis process. The data is of secondary nature and was not gathered by the authors. Instead, it was extracted and processed from EUROSTAT databases.



considered and analysed only within the set framework. However, in an attempt to provide interdisciplinary research on the subject, the work provides a ‘broader’ account of literature on resilience. The general notion that resilience discourse provides opportunities for recovery rhetoric’s for European Union is not contested. Yet, in the spirit of interdisciplinary methods of research, the work attempts to argue for inclusion of multiple perspectives. Finally, in the context of potency of recovery of European Union, the work defines *resilience as a mechanism to maintain and recover financial, bureaucratic, political, social, and democratic institutions of the union to their initial state.*

## 2. Resilience

Both, organisations and individuals are always facing survival and coping issues due to unpredictable natural disaster threats (Boin and McConnell, 2007; Rose, 2007), terrorist attack threats (Rose, 2007), and ever changing, and turbulent markets (Lengnick-Hall *et al.*, 2011; Starr *et al.*, 2003, Rose, 2007). Following such thought, research and literature offers resilience on individual and organizational levels as an answer to how to make sense of the contemporary narrative of turbulent, and crises ‘rich’ environment.

### 2.1. Traditional Resilience

Resilience most often pertains to *an individual* as literature on the subject seems to suggest (Bonanno, 2004 Coutu, 2002; Evans and Reid, 2014), mostly because the discourse attempts answering the question ‘What is resilience?’ in the framework of ‘what are constituting characteristics of resilient subject?’ or ‘How resilient subject is different from any other subjects and individuals?’. Even though, organizational resilience for one has become part of the discourse, literature in support of the discourse cannot avoid the discussion of resilient subject, be it individual or a firm (Lengnick-Hall *et al.*, 2011).

Generally, then, resilience has become commonly referred to as the ability to overcome hostile environments, which can range from psychological to physical realm. In her article *How Resilience Works* appearing in *Harvard Business Review* journal Diane Coutu writes about how we assert resilience in the framework, namely associating such notions as *staunch survivor*, *superior will power*, and *ultra-persistence to resilience* (2002). Diane Coutu summarizes that resilient subject must have three distinct characters of personality: *a staunch acceptance of reality (i), a deep belief that life is meaningful (ii) and uncanny ability to improvise (iii)* (2002, pg. 5). These allow the subject to rise above challenges and come out as a ‘winner’ and ‘successful’ of any hardship (Coutu, 2002). Not only that, resilience also moulds characters who now not only can and do survive holocaust or cancer, but individuals who win the Olympics, and are good in bed (Coutu, 2002). When success overall is more and more associated with hardship and scarcity resilience



emerges as prescription to success. The three characteristics of personality as suggested by Coutu (2002) do not necessarily set the universal standard of the discourse and can be challenged. Yet the article itself, in its framework, outline important notions of resilience, namely, that resilience denotes characteristics of a subject, it is synonymous with persistence and survival, and it is essential characteristics of the ‘successful’, in a wider sense of a word.

As already shown, resilience is heavily associated with characteristics of individual subject. This is especially true in a psychological discourse on resilience. George Bonanno study *Loss, Trauma, and Human Resilience* (2004) denotes that resilience is the characteristic that allows children to overcome psychological hardship caused by loss or trauma (2004). Bonanno challenges the thesis that resilience is either pathological state or feature of only extremely healthy, and thus, rare individuals (2004). Resilience, according to Bonanno, is more common than asserted before and pertains “the ability to maintain a stable equilibrium [...]; to maintain a relatively stable, healthy levels of psychological and physical functioning” (2004, p. 20). Additionally, to there being a one-dimensional or narrow understanding of resilience, Bonanno suggests, that resilience as such can be found in multiple discourses that deal with coping mechanisms in psychology, ranging from stress-coping to hardiness associated with loss or trauma. In that sense, resilience presents itself as broad phenomena and can be found in texts writing on positive emotions in stressful situations, self-enhancement, and hardiness [(Kobasa *et al.*, 1982) as found in Bonanno, 2004]. The latter has three dimensions to it: commitment to perceive meaningful purpose in life, belief that one has ability to influence outside world and one’s actions, and belief that there is a learning curve in both positive and negative life experiences (Bonanno, 2004, pg. 25). Overall, resilience is a signifier of a coping mechanism that allows individuals to both cope with hardiness after the crises, as well as maintains stability of character during the periods of high stress, and shock (Bonanno, 2004).

## 2.2. Organizational Resilience

*Resilience is not only necessary as a first reaction-coping mechanism, but also becomes central ability that enables exploitation and opportunism for organization.* Resilience becomes a strategic approach of further success in the market. Lengnick-Hall *et al.* (2011) focus on how resilience can be developed within organisation, especially how collection of individuals enables organisational resilience. Author’s view is that individual resilience is a subsystem of organisational resilience (Lengnick-Hall *et al.*, 2011). The authors do not claim that individual’s actions are added to make the whole composition of organisational resilience. Rather, the claim is that social networks, constituted by individuals, influence organisational resilience in many important ways. Organisational activities, practices, and processes define capacity for organisational resilience (Lengnick-Hall *et al.*, 2011). Authors build an argument, that in turn, organisational



practices, processes and capabilities are constituted via “combination of individual level knowledge, skills, abilities and other attributes” (Lengnick-Hall *et al.*, 2011, p. 245).

Similar to the argumentation of organisational resilience Boin and McConnell (2007) also offer a twofold perspective on resilience. Boin and McConnell define resilience as “the ability to ‘bounce back’ after suffering a damaging blow” (Boin and McConnell, 2007, p. 54). Boin and McConnell (2007) similar to Lengnick-Hall *et al.* (2011) have two conceptions of resilience: an individual resilience and strategic leadership resilience. The two are explained in the context of occurrence of natural disasters. According to the author’s, effective responsive actions come first from resilient citizens and immediately affected citizens (Boin and McConnell, 2007, p. 54). Therefore, strategic and governmental action follows with a lag effect, since crucial infrastructures such as information communication; roads, etc. have to be in place for strategic actions to take place. Thus, authors argue for a bottom-up approach of strategic resilience, where individuals act as frontier responders, who by default are then responsible for establishing order in a chaotic environment.

### 2.3. Critique of Resilience

Evans and Reid (2014) bring discussion on resilience into the terms of neoliberal philosophy and perception of security. They argue that neoliberal discourse on resilience embodies the abandonment of individual strive to security, while substituting it with perception of reality as turbulent and unpredictable.

As authors themselves put it: “To be resilient, the subject must disavow any belief in the possibility to secure itself from the insecure sediment of existence, accepting instead an understanding of life as a permanent process of continual adaptation to threats and dangers which appear outside its control” (Evans & Reid, 2014, pg. 68). Resilient individual is one who is able to systematically and repeatedly adapt to hazardous environment while at the same time learning and developing (Evans and Reid, 2014). Authors note that resilience draws similarities to entrepreneurial characters in a neoliberal discourse. As resilient subject has the capacity to bounce back, signalling individual’s character strength and high tolerance to failure. Finally, the authors criticize the prevailing discourse on resilience<sup>2</sup>. Central to their critiques is the idea of societal compliance, as contemporary resilient subject is an embodiment of individual’s ability to adapt to prevailing *status quo* with no restrictions. Authors raise rhetorical question whether resilient individual should mean and symbolise a subject who is able to reflect and act upon, in a constructive manner, a prevailing social system. In a sense, resilient subject could also be understood as one who is qualified to ‘critique’ *status quo* rather than comply with it.

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<sup>2</sup> see section 2.1 for ‘prevailing discourse’.



Similarly, to the point of Evan and Reid (2014), Burnell and Calvert in their book *The resilience of democracy: persistent practice, durable idea (1999)* encourage us to consider resilience as a part of the trinity of factors in evaluating the success or failure of democracy, alongside durability and persistence. Here resilience becomes not a goal, but a tool to evaluation and metrics for judgment. Burnell and Calvert (1999) emphasize the role of institutionalization the strength of institutions, the importance of economic and socio-economic factors within the process of modernization as a part of the nation-building. In addition, the ability to recover from shocks, the importance of socially cohesive societies as well as the responsible behaviour of ruling elites is also a part of resilience in democracy, according to the authors.

### 3. EU crises

This section will analyse and introduce three main crises that the European Union is experiencing at the moment.

#### 3.1. Financial crisis

European Union is currently under a strain of the dealing with the consequences of at least three main crises. First, the after effects of the global financial crisis of 2007-2008 which started with the bankruptcy of Lehman Brothers and the financial sector in the United States of America are still not fully remediated. The consequences are still felt by the majority of the population of the European Union. Marek Dabrowski and Jacek Rostowski in their collection of articles *The Eastern Enlargement of the Eurozone* (2006) which was written before the financial crisis, argue that new member states of the European Union would be better off if they joined the monetary union in due time. Despite describing some disadvantages, the authors claimed that joining the European Monetary Union would develop additional internal trade links with the old members, synchronize business cycle and increase factor mobility (p.221, 2006). More importantly, the authors claimed that the citizens of the new member states would experience real convergence of wages and GDP per capita with their Western compatriots. However, although stabilizing the Eurozone economy as a whole, the global financial crisis seems to have ruined the promises of prosperity outlined by the authors.

The global financial crisis had a direct short-time impact on the economic well-being of citizens of the new member states and especially those who live in the post-Socialist countries. While the average time to regain the GDP per capita values throughout the European Union (28 countries) took a bit over two years (26,100 - 2008; 26,100 - 2011) for some countries like Czech Republic, Estonia and Lithuania it took three years to recover (Appendix A). Other countries took even longer Poland - three years, Latvia and Romania - five years. Hungary and





Slovenia struggled to get the GDP per capita aggregates back to pre-crisis levels for eight years while Croatia has still to fully recover. The consequences of such a delay in finding solutions to economic crises are devastating on micro-level. Moreover, it means that households have to cut on their expenses, spend their savings on everyday expenses or migrate in search for more profitable opportunities. Such inability to cope with the crisis certainly creates dissatisfaction with the current status quo among the population and is directed towards the establishment associated with the political decisions which led to the economic hardships. In addition, they simply ruin plans for households and leave the most fragile strata of the population in disarray.

Another evidence of the delayed process of recovering from crisis is found in EUROSTAT data on the percentage of total population which make ends meet with great difficulty. According to the official description of the variable, it refers to “the percentage of persons in the total population who are in the state of enforced inability to make ends meet, based on the following groups of the subjective non-monetary indicator defining the ability to make ends meet” (EU-SILC Methodology, 2017). In addition, it classifies the population into six categories of being able to make ends meet GD (great difficulty), D (difficulty), SD (some difficulty), FE (fairly easily), E (easily) and VE (very easily).

The percentage of population of the European Union which belongs to the GD (great difficulty) group increased by more than 2 percent in the aftermath of the crisis and hit the Euro area countries even harder (from 7.7 % in 2007 to 11.3 in 2013) (Figure 2). As seen from the table below, the households from the Baltic states (Estonia, Latvia and Lithuania) were affected the most with all the cases still not being able to recover to the pre-crisis years and peaking at 25.4% in Latvia in 2013. A disastrous situation is seen in Hungary, where the number of those who were making ends meet with great difficulty almost doubled from the pre-crisis year of 13.8 to 26.8% in 2012. Such developments have crucial implication for the policy makers as well as for intra-societal developments and political preferences. Countries like Bulgaria, Croatia and Romania might have always been dealing with the phenomenon that almost one out of every fifth its citizen is hardly making ends meet. However, the global financial crisis worsened the situation even further. In the situation when social benefits for the unemployed or socially vulnerable are minimal for those affected by the crisis, resilience of the EU become crucial. They are the ones for whom the ability of the Union to bounce back truly matters.

Of course, there have been other factors besides the global financial crisis as well which might have led to the worsening of the economic situation of the households, however, a sharp decline in the indicators across the region point to the obvious trend in the immediate aftermath of the crisis. The data might also have flaws in the nature of the survey or does not reflect the unofficial employment; however, it presents the best data available on the subject.

**Figure 1. Households making ends meet with great difficulty (percentage of total population)**

GEO/TIME	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
European Union (27)	9.2	9.8	10.4	10.5	10.1	11.0	12.0	11.3	9.9	:
Euro area (19)	7.7	8.9	9.7	9.7	9.2	10.1	11.3	10.8	9.6	:
Bulgaria	33.3	31.1	27.8	29.0	27.8	32.8	32.9	31.7	30.6	:
Czech Republic	7.4	7.8	7.9	8.4	8.7	9.3	9.1	9.3	7.8	7.0
Estonia	3.4	3.1	7.9	8.5	8.5	8.5	7.5	6.5	4.9	4.9
Croatia	:	:	:	18.3	19.7	22.1	26.3	25.2	22.6	20.5
Latvia	12.9	13.5	17.7	23.5	24.0	21.8	25.4	18.6	15.4	12.4
Lithuania	4.6	6.3	11.0	12.0	11.5	12.9	9.6	8.2	6.8	:
Hungary	13.8	16.7	23.8	25.3	26.5	26.8	27.4	22.8	19.1	17.1
Poland	17.0	14.4	14.4	14.1	12.4	13.3	12.7	10.7	10.2	:
Romania	24.2	18.6	19.2	21.1	21.2	23.3	23.8	21.7	20.2	18.1
Slovenia	5.1	8.2	7.1	8.9	9.3	8.9	11.2	9.8	9.1	7.7
Slovakia	10.7	11.6	11.1	11.5	10.7	11.6	13.3	12.6	11.7	:

Source: Own calculations based on EUROSTAT data (2017)

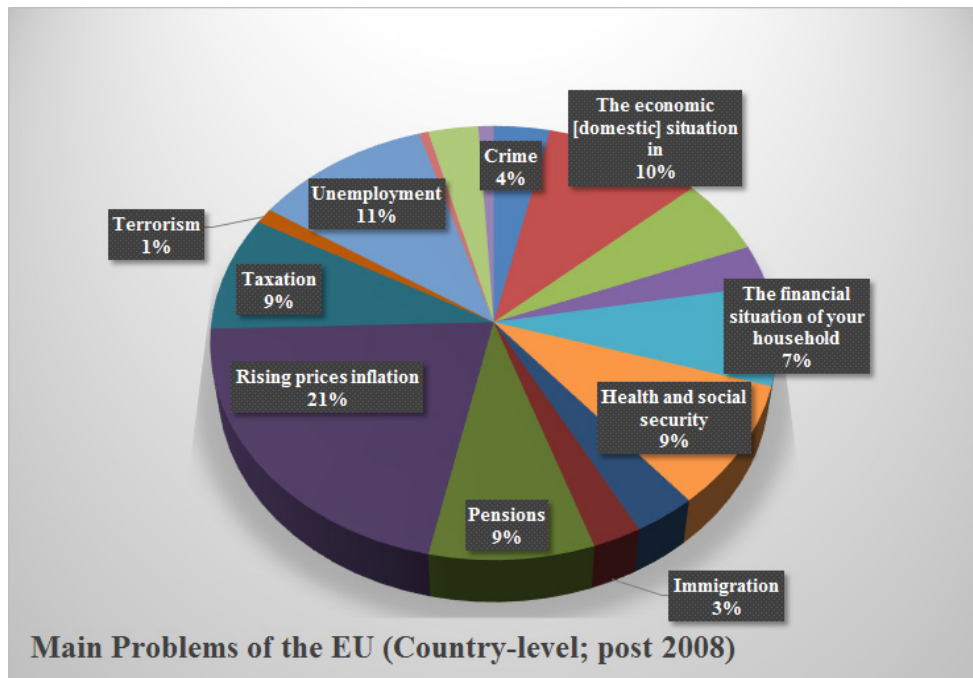
These very consequences of the global financial crisis are clearly seen now in the results of the Eurobarometer surveys on public opinion in European Union and beyond its borders. When looking at the average results of Eurobarometer data of the post-crisis years, the data shows that the main issues faced by the population of the European Union are directly related to the economic situation of their household. While answering the question “what are the two most important issues you are facing at the moment?” respondents highlighted rising prices/inflation (21%), the economic situation in the country (10%), pensions (9%) as well as health and social security (9%) as the most acute issues at the moment (Figure 2). Questions on the threat of terrorism, immigration or crime rose above the 5% mark only in recent years and predominantly in Western European countries of Belgium and France despite the mainstream rhetoric’s of populist parties.

When analysing the same data based on classification of ten post-Socialist European Union member states, the survey data reflects similar results. However, answers highlighting rising prices and inflation (24%), pensions (10%), the economic situation in the country (10%) as well as the financial situation of the household (9%) have all gained in popularity in comparison with the average data on the European Union level (Figure 3). Interestingly, when looking at the same data on country-by-country basis, Lithuania is one of the examples where more than 60% of respondent’s point to rising prices and inflation in the post-crisis years as the main problem. The same situation is seen in Romania, where around 45% of all respondents answer with the same question of the main problems in their



country with healthcare and social security gaining popularity as the strong second (around 20% overall in the post-crisis timeframe) (Eurobarometer, 2017).

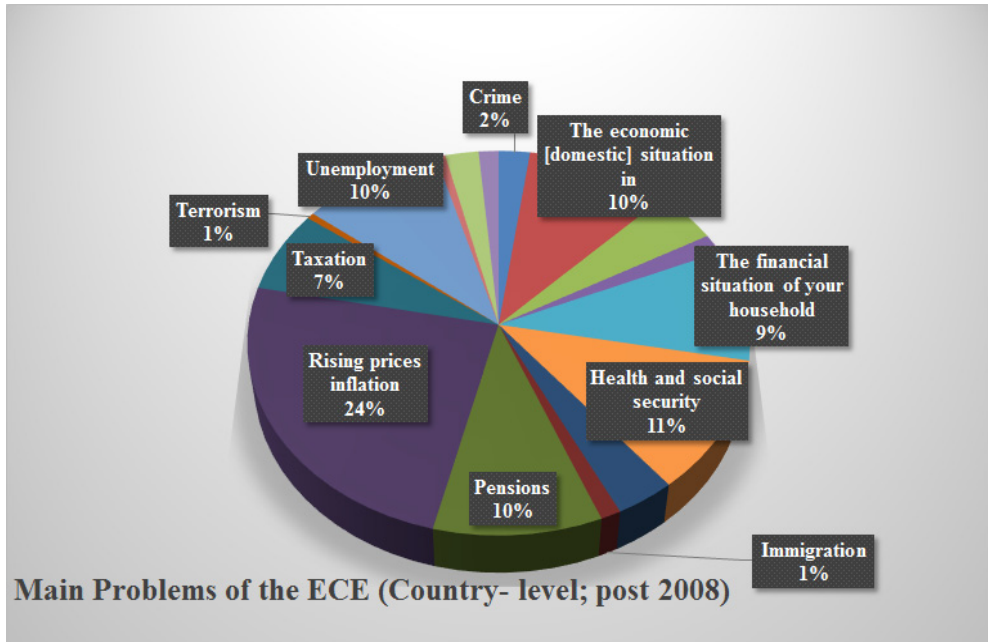
**Figure 2. Survey data on main domestic (within own country) problems.**



Source: own calculations, based on average data based on twelve Eurobarometer surveys conducted for the period 2009-2016. (Full graphic representation in Appendix B)

In our assessment, the dissatisfaction of citizens on the country-level in the Eastern Central European region has a long-term and direct impact on the prospects of the successes of future initiatives on the enlargement eastwards and on the speed of recovery from the crises. Jean Pisani-Ferry, a renowned French economist and the former Director of Bruegel (the Brussels-based economic think tank) in his book: *The Euro Crisis and Its Aftermath* (2011) made an observation that “the only protagonists in the euro crisis are not markets and governments anymore - if they ever were. Long-silent citizens have become players in the game, and they are deeply dissatisfied” (p.173). The book was written in the early aftermath of the financial crisis and, in his words, as politics lags behind economics, political upheaval as a consequence of the crisis would be sufficient to reignite doubts over the future of the euro area (p.174).

**Figure 3. Survey data on main domestic (within own country) problems. ECE region.**



Source: own calculations, based on average data based on twelve Eurobarometer surveys conducted for the period 2009-2016. (ECE region includes: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) (Full graphic representation in Appendix C).

### 3.2. Refugee crisis

The second crisis that the European Union is being challenged by today is an unprecedented wave of refugees from the Middle East which started in 2015 as the result of war and overall state of political and economic situation in the region. Although unprecedented, such an influx of war refugees was not the first time Europe had to accommodate over a million of people. According to the data provided by EUROSTAT (2017), the number of asylum seekers in 2015 exceed 1.2 million first time applicants, while in 2016 it slightly dropped (over 25% originating from Syria). However, in the aftermath of the Yugoslav Wars fought on the territory of the Western Balkans over the period from 1991 to 2001, Germany alone received over 350,000 refugees from Bosnia-Herzegovina (EUROSTAT, 2017; Martinovic, 2016). Although in the following ten years one million of the 2.2 million people displaced by the conflict in Bosnia and Herzegovina returned home or migrated elsewhere (United States of America as one of the examples), the wave



of war refugees went through roughly the same route as the current ‘Balkan Way’ going through Turkey, Greece, Macedonia and Serbia in search of safety (Mayne, 2015). In contrast to the situation in Bosnia and Herzegovina which has been curated by the international community, UN and UNHCR, there is no clarity on the future of the current refugee population from the Middle East, as the conflict in their countries of origin remains unresolved. In addition, the international community is not united on the matters of solution of the conflict.

Moreover, significant cultural and religious differences as well as belongingness of the refugees from the Middle East to a visual minority makes them an easy target for ‘scapegoating’ by opportunist politicians from the Central Eastern Europe. This point brings us to the discussion of the third crisis of the European Union, which is the rise of the populism and euroscepticism.

### 3.3. The Rise of Populism and Euroscepticism

Although it is difficult to define what populism in modern politics actually is, one is able to point to its main problems. Jan-Werner Müller in his recent book *What is Populism?* (2017) offers thought on populism. Summarizing the main points of the book, he defines populism as a permanent shadow of representative democracy and points out that populists are a real danger to democratic institutions and do not represent ‘the people’ through criticizing the elites and the political establishment of the time.

German sociologist Ralf Dahrendorf once said “if populism is simple democracy is complex” (Dülffer, 2007). Giving seemingly easy answers to complicated problems of the modern world and the realities of Central Eastern Europe is the main problem of populism. In addition, throughout the region, populist rhetoric is used in conjunction with nationalism and pure opportunism aimed at political gains.

In 2006 Samantha Besson theorized that as various countries of the European Union become increasingly more integrated on macro and micro levels, the idea of *demos* within the context of the European Union slowly turned into the concept of *demos* or - many nationalities. In turn, it modified the emphasis of political discourses from the territory-bound concept to a larger audience. There have been practical implications of the idea of *demos*-cracy in the past, however, the present-day politics in the region of Central and Eastern Europe deny it in favour of homogeneity and mono-ethnic policies.

Viktor Orbán, has been a pioneer in such a shift from *demos* to *demos* and introducing the conceptual framework of “*Hungarianness*” as a monocentric homogenic block and the return to the nationalism of some sort. Instead of giving a straight answer of what being Hungarian means, he seems to depict and play off what Hungary definitely should not represent. Such a tendency is clearly seen in his anti-refugee rhetoric which gained popularity throughout the region in other Visegrad countries (Czech Republic, Slovakia and Poland). In his discourses and

speeches, he blurs the line between the notions of economic migrants and refugees and portraying the inflow of war-zone refugees as “profiteering pseudo-victims, plus actual lawbreakers, plus potential terrorists, and otherwise tools invited to Hungary by multinational capital and the left-wingers of the world to ruin this unique nation through liberalism and multiculturalism” (Haraszti, 2015). In addition, Fidesz party positions itself as a force behind “defending European Christianity”. Orbán continues by blocking the transit of migrants in Keleti train station in Budapest in 2015, installing banners with writings in Hungarian language addressed to confused migrants who by-pass Hungary to get to welfare states of Western and Northern Europe. He bases his discourse on pure utilitarian calculations and contrasting his attempt on creating an illiberal alternative to the current state as opposed to Western, liberal-style multiculturalism. The truth of the matter is that the majority of Hungarian voters who live in the country as well as in neighbouring states have never been accustomed by a possibility of an idea of living alongside insignificant number of Muslims in their homogenic homeland. Controversially, by blaming refugee crisis as well as economic concerns of general population on the West, Orbán provides an answer and a path towards resilience in distancing Hungary from neo-liberals in both economic and political forms.

Surprisingly, besides similar rhetoric's of blaming the refugees within the countries of the Visegrad 4, the rhetoric found resonance in relatively distant places from the region, such as Lithuania. On April, 20th, 2016, during the process of preparing for Parliamentary elections of the same year, Labour Party of Lithuania, which was in the ruling coalition during the 2012-16, circulated a video on main TV stations as well as online stigmatizing refugees while using the terms of “refugee invasion” and crisis to Lithuanian values (Labour Party of Lithuania YouTube Channel, 2016). The video accumulated more than 20,000 views and created a wave of negative responses from civil society and other political parties. Posing itself as a centrist party, such an anti-refugee rhetoric did not tackle the most acute problems of the country such as emigration, unemployment and social problems. Instead, it aimed at distracting the society and profiteering by stigmatizing the ones - refugees - which did even plan to settle in the country in first place.

Orbán's rhetoric on blaming refugees was also adopted in the countries of the Eastern Partnership as well. One of the most vivid examples is the developments come from the Republic of Moldova. The Association of Independent Press (API-Romanian) detected a case of manipulation with information ahead of the presidential elections in 2016. One of presidential candidates the country - Maia Sandu has been bombarded by an informational attack from various media platforms with a ‘fake news’ story that she signed a deal with the Chancellor of Germany Angela Merkel on accepting 30,000 Syrian refugees into the country in exchange of political support (Zaharia, 2016). Without holding an official role neither in the government nor in the parliament of the country, Ms Sandu would not be able to sign any kind of document of such sort,





neither there are conditions for the intake of a high number of refugees in Moldova. In addition, such a claim is an obviously false claim inspired by the success of such policies in Hungary. Regretfully the ‘fake news’ story was also combined with personal attacks and discreditation of Maia Sandu (including accusations of her not sharing Christian values and belonging to the LGBTQ community) arguably helped the populist candidate of the Party of Socialists of the Republic of Moldova get elected to become the president of the country with a small margin - 52.11% to 47.89% (Central Electoral Commission, 2016). Certainly, blaming minority groups for various mishaps is not new; however, the current developments represent an impediment for resilience of European Union facing three major crises.

#### **4. Discussion**

The answer to the question whether European Union is a survivor, or if it has potential to persist over the accumulation of crises, has been tackled widely in literature. The answer to whether EU will survive most often finds its answer in mathematical metrics of past and present, and the comparison of the two. Our argument is, however, that it is not anymore the case of being or not being resilient. That is, asking a question, does EU as a subject posse’s characteristics of a resilient subject. In that approach, studies most often outline the key characteristics and attempt to contrast them to the most reliable and realistic data pertaining to the union. We, on the other hand, employ a more interdisciplinary approach, and examine phenomena of resilience in hope that sociological and philosophical discussion on the subject my open up a wider discourse on resilience of EU.

##### **4.1. What sort of survivor are we talking about?**

For one, we perceive that the discourse on resilience passed the point of research on whether we are resilient or not, or whether we can be resilient, or when we are resilient or for how long we can be resilient (Coutu, 2002; Bonanno, 2004). The prevailing neoliberal discourse dictates the notion of market economy, which brings with it the understanding that the environment we find ourselves in, socially and economically, is always turbulent and without hope for longer crises-free periods (Evans and Reid, 2014). In that sense, organizations and individuals are expected to possess the characteristics of adaptiveness, ability to maintain focus in crises, and seek future potentials in chaos (Kunda and Maanen, 1999; Maravelias, 2007). Resilience becomes a default characteristic once one opts into neoliberalism. Thus, the question of resilience is not one that answers to ‘Does EU have what it takes?’, meaning predetermined character<sup>3</sup>. Stating briefly, has the EU organization been built or constructed as machinery that is able to adapt and

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<sup>3</sup> This seems to us is the prevailing questions, as the answer is mostly formulated in potency of bureaucracy of EU.

change? More importantly, given that resilience has become a default option, available and expected of the general public, the question that arises is: “Is the European Union willing to opt into neoliberal, market economy philosophy?”. In this formulation of the problem, lies deeper problematic of resilience of the region. Especially so, in our case, concerning qualitative problematic (rising populism and refugee crisis). Excluding the opportunism to seize governance, crises of refugees and rising populism is not a rhetoric of possibilities, as seen from cases in Hungary and Moldova, but rhetoric of threat and fear.

## 4.2. Subjectivity of resilience

Additionally, our work points to the fact of twofold conception of resilience. The first conception is the one of an ability to return to *equilibrium* or *status quo*. This resilience, let us call it *bounce-back* resilience is, in our reading of it, more associated to bureaucratic resilience. *Bounce-back* resilience is a trait that stresses the importance of maintaining *sanity and hope* for short periods of time while presented with crises, in a sense ‘waiting out the crises’. On the other hand, with neoliberalism came conceptualization of resilience, which is now heavily articulated in organizational studies, as a realisation of living in constant and all prevailing crises. These two are different; however, they seem to be used interchangeably within the literature in organizational discourse. This *interchangeability* of two-different conceptualizations of resilience creates confusion.

Returning to the point before, it can be observed that in Central and Eastern European countries rhetoric’s on resilience most often signifies the *bounce-back* notion. One example is the statistical data found in Figures 3 & 4, where countries perceive crises as threats and fear factors. This in turn, creates additional tension in the regions, since stronger players in the EU do attempt and have resources to conceive crises as ‘undercover’ possibilities<sup>4</sup>.

This also uncovers problematic of ‘expectations’, by which we mean what sort of a priori expectation drive the unification of the region. Smaller players expect the union to help them achieve and maintain desirable *status quo* during crises, that being financial stability of a country, standards of living, security in the region etc. These regions perceive EU as a ‘big brother’, and ‘parental’ figure which comes to help once in trouble, signifying notions of ‘waiting out crises’ in form of ‘parental’ help. Although the more Western, stronger allies expectations of the smaller players is that the new allies will opt into neoliberal philosophy as soon as possible, so as to enhance the EU region, by the way of bigger network and solid infrastructure, potency to ‘capture’ possibilities hidden in market economy driven

<sup>4</sup> I.e. Sweden’s official public rhetoric’s in migrant crises in 2016 was rather positive, asserting that Sweden can actually use migrants as a solution to decreasing work force in the country





philosophy. While overall, it can be argued that EU is seen as an ‘antidote’ for crises survival and failure of the geographical European region, however, the exact perception of how this ‘antidote’ takes effect and ‘fights’ crises is fractured within the union. The case in point, of such problematic of ‘expectations’, is the Eastern Partnership Program.

### 4.3. Failure of the Eastern Partnership Program of the EU

Developments in Moldova are in line with a closer collaboration with the European Union through the framework of the Eastern Partnership cooperation and the European Neighbourhood Policy. Although initially created in May at the Prague Summit in 2009 as a project by Poland and Sweden with an aim to bring the countries of the post-Soviet region closer. It was soon reshaped as the EU’s main policy initiative in the region. Initially it included six post-Soviet countries – Georgia, Azerbaijan, Armenia, Ukraine, Moldova and Belarus and began in the aftermath of the Russian-Georgian conflict. According to the official website of the program, it “is based on a commitment to the principles of international law and fundamental values - democracy, the rule of law, human rights and fundamental freedoms. It also encompasses support for a market economy, sustainable development and good governance” (European Union External Action, 2017). Moreover, EU’s initiative provided concrete framework for inter-state cooperation through the Association Agreement (AA) and the Deep and Comprehensive Free Trade Agreement (DCFTA).

However, some experts evaluate these initiatives of the European Union critically. Valiyeva (2016) pointed to the fact that most of the targeted reforms have been inadequately tailored to meet specifics of each country, which effectively did not lead in terms of democratization and ensuring the rule of law in the post-Soviet area. It seems that by willing to impose Kantian view of world order of values and idealisms, the EU seeks to disguise the inefficiency of its foreign policy instruments and inability to generate a coherent and decisive response to potential threats (Valiyeva, 2016).

The evidence for this claim comes that out of six countries of the program only three are in more or less successful relationship with the EU. First, Moldova, Georgia and Ukraine have now all signed the Association Agreement (AA) and the Deep and Comprehensive Free Trade Agreement (DCFTA) and benefit from free trade with the European Union. However, the progress of its implementation has been moderate. Since the entry into force of the Association Agreement, back in September 2014, only 13% of activities from the Action Plan 2014 - 2015 have been partially implemented (Progress Report on the Implementation of of the Association Agenda the Republic of Moldova, 2016). The full assessment of the impact of the agreements on Georgia and war-torn Ukraine is still pending.

Second, Moldova is currently the only country of the six initial members of the program which is fully enjoying the benefits of the visa-free regime within the

Schengen area (the European Commission has recommended introduction of the visa free regime for Georgia and Ukraine).

Third, all countries receive funding of the EU programs through the European Neighbourhood Instrument (ENI) which reaches 3.2 billion EUR in funding (European Union External Action, 2017). Although crucially beneficial when directed towards the civil society initiatives, it lacks focus when is simply given unconditionally to authorities for infrastructure projects with high risk of hoarding, asset-stripping or simply stealing through fraudulent schemes. One of the examples of such a development is the new gas pipeline Iasi-Ungheni-Chisinau which had to diversify Moldovan sources of energy and decrease its dependency on Gazprom in fulfilling its internal needs with natural gas. However, since the finishing the Iasi-Ungheni part of the project in 2014, and until the current day there has not been a single square meter of Romanian gas pumped through the pipes. The second part of the project Ungheni- Chisinau extension is still up for public tenders and is the works are promised to start this year. The European Bank for Reconstruction and Development (EBRD) as well as other EU institutions are considering a loan of EUR 41 million to the Government of Moldova for financing of the project (EBRD, 2017). Based on the previous experience, there is no guarantee that all the invested resources will result in a cheaper gas for the primary consumer, nor there is a guarantee of honest implementation of the project with a high quality and in scheduled time.

Finally, Ukraine, being the biggest country of the program, although anticipated to sign the Association Agreement it failed to do so during the 3rd Eastern Partnership Summit got involved into a devastating conflict and is dealing with the consequences at the moment. The inability of the European Union countries with a close proximity to Ukraine to take an active role in resolving the conflict or alleviate the consequences of it is perplexing.

All in all, European Union's Eastern Partnership Program seems to be failing. Current crises question the limits of the EU's transformative power capacity in its neighbourhood, since the situation in the region has become increasingly unstable (Ukraine and Moldova) and authoritarian regimes have gained more strength (Azerbaijan and Belarus) (Valiyeva, 2016).

## Conclusions

Resilience presents itself as a nearly perfect discourse for subjects that find themselves in crisis, because conventionally it is asserted as an antidote for surviving and bearing through hard time. Yet, conventionality aside, resilience as a discourse, is many folded which in turn also influences how we approach, form, and solve problematic of sustainability and persistence of the EU. While trying to cope with the three crises concurrently - financial crisis, refugee crisis and the rise of populism - the European Union is under significant strain. In addition, its Eastern Partnership Program, which is the main tool in spreading its system of



values to the East seems to be failing as well and provides a perfect example of weaknesses of the system. Populist politicians such as Viktor Orbán of Hungary and Igor Dodon of Moldova use and learn from each other stigmatization of the few (refugees) and other tactics of political profiteering.

However, it is not anymore the case of being or not being resilient, as the main question remains not whether the bureaucratic system would be able to persist in its initial state, but whether the European Union is willing to opt into neoliberal, market economy philosophy and consolidate on all levels. Although not being able to conclude with a high level of certainty, it is up to an interdisciplinary approach to examine phenomena of resilience in hope that sociological and philosophical discussion on the subject may open up a wider discourse on resilience of EU. In this formulation of the problem lies a deeper problematic of resilience of the region. The argument posed in this work is that discourse of conceptualization of resilience opens up or shifts focus linked to problematic of sustainability. Primarily showing that, in the first place, there is an internal confusion within the union, as a single body, conceptualizing resilience. In turn this has direct influence in aligning expectation of all union members, which we argue is fragmented.

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## Appendix

### Appendix A

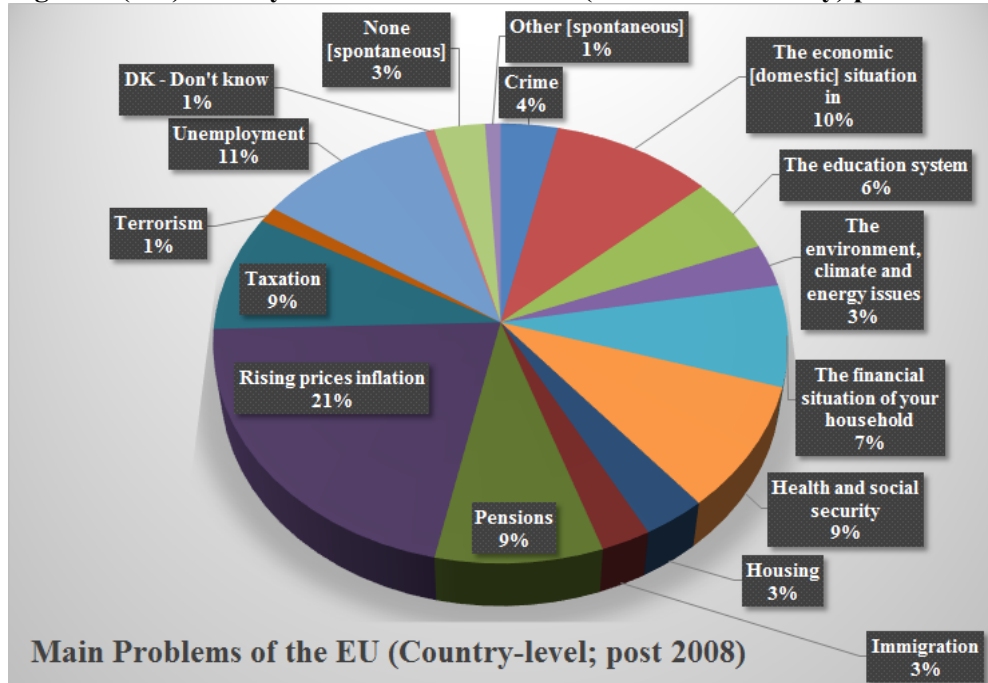
#### Main GDP aggregates per capita. (Current prices, euro per capita)

GEO/TIME	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EU (28)	26,000	26,100	24,500	25,500	26,100	26,600	26,700	27,600	28,900	29,000
Euro area (19)	28,400	28,900	27,800	28,500	29,200	29,200	29,500	30,000	30,900	31,600
Bulgaria	4,300	5,000	5,000	5,200	5,600	5,700	5,800	5,900	6,300	6,600
Czech Republic	13,400	15,400	14,100	14,900	15,600	15,400	15,000	14,900	15,800	16,500
Estonia	12,100	12,300	10,600	11,000	12,500	13,500	14,300	15,000	15,400	15,900
Croatia	10,200	11,200	10,500	10,500	10,400	10,300	10,200	10,100	10,400	10,900
Latvia	10,300	11,200	8,800	8,500	9,800	10,800	11,300	11,800	12,300	12,800
Lithuania	9,000	10,200	8,500	9,000	10,300	11,200	11,800	12,500	12,900	13,500
Hungary	10,100	10,700	9,400	9,800	10,100	10,000	10,300	10,600	11,100	11,500
Poland	8,200	9,600	8,300	9,400	9,900	10,100	10,300	10,700	11,200	11,000
Romania	6,000	6,900	5,900	6,300	6,600	6,700	7,200	7,600	8,100	8,600
Slovenia	17,400	18,800	17,700	17,700	18,000	17,500	17,400	18,100	18,700	19,300
Slovakia	10,400	12,200	11,800	12,400	13,100	13,400	13,700	14,000	14,500	14,900

Source: Own calculations based on EUROSTAT data (2017)

### Appendix B

Figure 2 (full). Survey data on main domestic (within own country) problems.

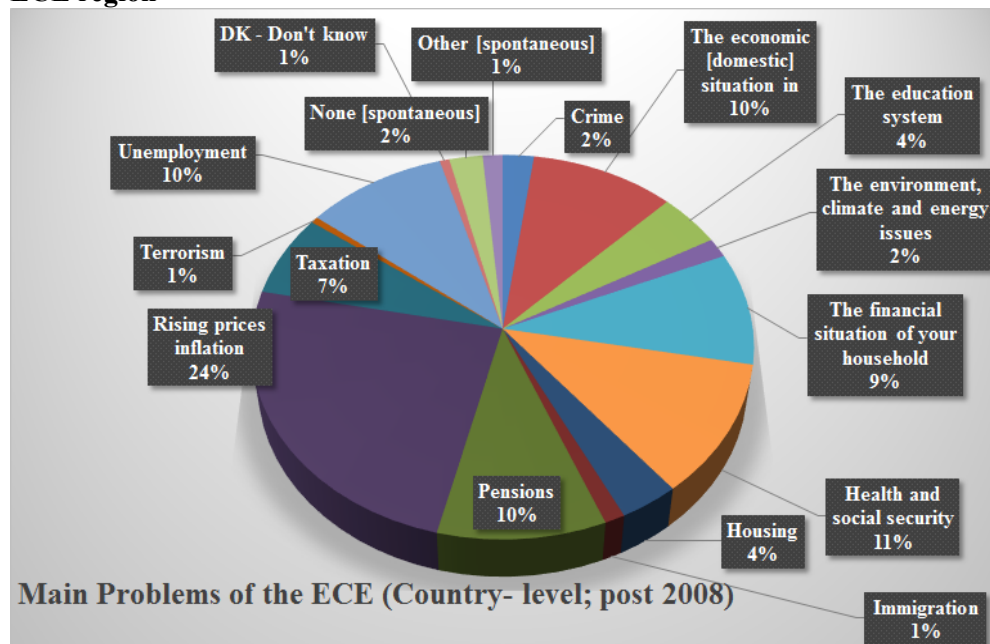


Source: own calculations, based on average data based on twelve Eurobarometer surveys conducted for the period 2009-2016.



## Appendix C

**Figure 3 (full). Survey data on main domestic (within own country) problems. ECE region**



Source: own calculations, based on average data based on twelve Eurobarometer surveys conducted for the period 2009-2016. (ECE region includes: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia).



# ONTOLOGY MAPPING IN THE RESILIENCE STUDY: THE ORGANIZATIONAL PERSPECTIVE FOR EUROPEAN UNION CASE

Tiberiu-Tudor SALANȚIU\*

## Abstract

*The ontology mapping in resilience surveillance on organization level can found utilization in analysis of association between idiosyncrasies and structure adaptability. Starting from the data regarding the economic trends for European Union members from 2014 to 2016 the aim of the research is to analyse the European Union resilience through interpretation of the link between members behaviour and structure convergence. The members positioned in European Union was analysed after organization clusterization of the twenty-eight state members. Two different structures are included into analysis for the studied periods: a structure which incorporates just the state members, and other which also take into account the eurozone blue-chips. In order to analyse the members' relation in structure a gravity model has been developed, the obtained results for each state members pair are contained in a skew matrix. The values are interpreted through a knowledge-base to highlight the European Union resilience degree.*

**Keywords:** resilience, ontology, European Union structure, gravitational model, adaptation process.

## Introduction

In the last years, the new global trends create asymmetric waves that targeted mostly the regional organizations and economical partnerships (Word Bank Group, 2017). For these, the real challenges came from the interior in terms of functional adaptation to the new environment sensitivities. An important piece in this process it has the *resilience*, concept which describe as generality: a phenomenon or a process which reflect the relatively positive adaptation despite experiences of significant adversity or trauma (Luthar, 2015).

As a dynamical process, the resilience represent the patterns of positive adaptation in development which can contribute to a favourable outcome despite experience with stressors (Hjemdal *et al.*, 2006; Windle, 2011). In accordance with

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this description, the objective of resilience research is to identify the vulnerabilities and protective factors which can remodel the prejudice.

In the case of European Union, the challenges occupy two dimensions; political and socio-economical which present some symmetries between them: BREXIT, refugee crises or rise of populism are just few of these. In this context, the European Union as an organization, it is subject to a continuous need for internal adaptation which rise from the multi-level dispersion of community. Thus, the vectors which influence mostly the European Union resilience in a long horizon of time can be identified in actors' convergence on the structure and in the integration process. Each of this present related dynamics which can model the organization state through stability degree face to internal asymmetries on network level. Hence, one possible objective of resilience research in the case of the European Union, is to investigate the frequency and intensity of some outcomes in different structure parts which are subject to recurrent emergencies. And different markers which can formulate alternative ways to reduce disaster risk and to strength organization capacity through members response as a compact group.

In this paper, we propose an empirical surveillance of the European Union resilience face disparities between structure convergence and integration through social adaptation process of members into European organization. The aim is to evaluate the structure resilience using the interconnectivity among state members as the interface for action-reaction. For this, we discuss the impact of the economic integration of members concerning to organization state from the perspective of structure convexity.

In order to reach this goal we follow the next three propositions as investigation premises: the large groups known a weight to achieve the common interests through organizational structure (Olson, 1994). Second, the random shocks make that network to known a static state used to absorb the systemic waves. Last, the links between probably states set and result projections are to crispy to insure the predictability in classical way

The rest of this paper has been structured as follow: first section provide a brief discussion of the conceptual framework and his application in International Relations. The proposed analyse method for measurements have been detailed in the second section. In the third section is given the application and data mining, and last section are conclusions and remarks.

## 1. Conceptual framework

In the last decades the resilience concept known a substantial increasing of multi-disciplinary approach starting from psychology domain to security and economy (Joseph, 2013). This development in applications is related with the concept potential to study the capacity of adaptation in other key research without the need of major changes in definition meaning. Having many similarities in how it has been defined firstly, is confirming the complexity degree of the concept

(Windle, 2011) and obviously it is more easily to be implemented in different research. This possibility is given in part by the many interrelated factors which requires to enchain the theoretical approach on groups or community instead one individual. However, the experience of each individual, from the group standpoint, is important for the resilience construction in terms of *partial dependence*.

In International Relations field, the risk and vulnerabilities do not present isolated variables thus, international organizations and actor are able to actively change. Therefore, the international entities have the capacity to develop custom skills to manage the sensitivity in interaction with others. Currently, the resilience concept play an increasingly important role in understanding and response processes to large events from international system (Brassett, 2013, Borbeau, 2015). In particular cases, the resilience is proposed as an intervention instrument which linking the policy-decisions with the events sensitivity (Coaffe and Wood, 2006; Pain and Levine, 2012). And in economy, as an analytical instrument for events impact study in correlation with actors response (Borchert and Mattoo, 2009; Collier and Skees, 2012).

In the European Union case, the economic resilience is treated as *“the ability of a region to avoid a fall in economic activity or to regain pre-crisis (or pre-shock) peak levels of employment (or GDP)”* (ESPON, 2014, p. 10). Conforming to this, the resilience is understood as a long-term mechanism based on inclusive and economic development among members. The resilience emerge from groups or individuals partnership which are desirable to be linked in different degree with international forums and processes. Somehow this framework is similar with the description offered by Varghese et. al. (2006) who reveal the importance of community in the shocks shift and the reorganizing institutions to adapt to change.

In institutional terms, resilience highlights the necessity to combine the political dialogue with development work in the attempt to construct a comprehensive and a coherent approach of vulnerabilities with the porpoise to improve the real results. Through this is followed to assure a stable environment for the economic growth through the economic convergence of the state members and sustainable financial activity.

The economic crises from 2008 and the asymmetric shocks from the coming years have challenged the European Union resilience framework, highlighting the deep gaps between policy-making and the actors' behaviour. On the financial and economic field, the crisis shown that on the basic structure, EMU do not has sufficient support to stable development of the markets in the eurozone (Suvanto et al., 2015). In particularly; divergence across the euro area (Juncker et. al., 2015), the inequality and unfair, the national approach of some components of the single market (Dăianu et. al. 2016) emphasized the shortcomings and inconsistencies of the E.U construction and organization capacity to response to the systemic waves. Nevertheless, they have called into question the need of strengthening the euro area and of the European Union as an organizational framework. However, the unfinished integration of members and convergence process between different



levels, reduce the resilience impact in prevention and recovery from sensitive situations.

## 2. Methodology

In this section will discuss the data for the distribution fitting, as well the simulations used for assessing the results for the resilience capacity. The numerical analysis for the simulations is also presented.

### 2.1. Data selection method

The data employed come from open sources maintained by the international institutions and private stakeholders. Five online sources were selected to provide the necessary “image” of the economic network state. The sources selected cover data from economic field, financial flow, trade and stability field. Table 1 documents the five sources selected in this research.

The data selected were required to be statistical dependent or to make reference to these. We use the term ‘*statistical dependence*’ in order to refer to databases where the selected data related to a horizon time are correlated in one way, and can present an event with multiple situations from one perspective. A period characterized through volatility combined with uncertainty preceding with asymmetric waves on the global level was the criterion used to achieve the statistical dependence of data time period proposed. The horizon time for the study was set for the period: 2014-2016 for each of the sites so that quality of fit can be analysed through the network capacities. This study set the horizon time to three years in terms of propagation depth that were statistical dependency met the selection criteria.

**Table.1 Sites address, and what domains are covered through data.**

Site	Domains covered	Indicators extracted
STOXX Database (2017) <sup>1</sup>	Financial and investments	SX5E
Policy Uncertainty <sup>2</sup>	Economic policy uncertainty	Economic Policy Uncertainty
Eurostat	International trade	Trade balance
World Economic Outlook Database <sup>3</sup>	Economic outlook	Trade percent change
Eurostat	GDP growth compared	Average 2014-2015

<sup>1</sup> <https://www.stoxx.com/index-details?symbol=sx5e>

<sup>2</sup> Policy Uncertainty (2017), <http://www.policyuncertainty.com/>

<sup>3</sup> World Economic Outlook Database (2017), <https://www.imf.org/external/pubs/ft/weo/2016/01/weodata/weoselgr.aspx>

From these, the *GDP* and *international trade* describe predictive variables for the mapping. The other two variables; *economic policy uncertainty* and *financial - investments* are tacked as response factors to actors behaviour into organization, and the *integration index*, is a deductive value.

## 2.2. Data integrated in research

As it was mentioned in introduction, this paper attempted a surveillance of the European Union resilience considered fitted economic data from the open sources in a matrix of interaction distance. The values from the columns measure the relationship between members in terms of intensity probable. The first mapping investigate the interaction between large economic bunch, then some threshold intensity, whilst the second mapping integrate the structure ontology in surface to highlight the asymmetries face some threshold.

The matrix of interaction between state members is the first mapping considered, in this order we estimate a gravity model to investigate the distance between economy and opportunity, and can be described as follow:

$$\beta_1 \ln AV_1(X_1; Y_1) + \beta_2 \ln AV_2(X_2; Y_2) - D \quad (1)'$$

Where:  $AV_{ij}(X;Y)$  - is the average between GDP percent changes for two consecutive years for each country. This process it was made for every pair of state members;

$\beta_{1,2}$  is the integration index for the every state member. Note, this is computed on the suggested approach about economic idiosyncrasy by Vujakovic (2010). And is defined through difference between trade growth and GDP percent changed between the pair of countries. The last element is  $D$ , and in general terms describe the external distance between members.

From (1) we develop two different mappings, one for each study dimension; economy and interaction. For the first case the expression is:

$$Fs = \beta_1 \ln AV_1(X_1; Y_1) + \beta_2 \ln AV_2(X_2; Y_2) - D_p \quad (2)$$

Where:  $Fs$  is the social function. In this approach the distance ( $D_p$ ) is a penalty value which described the degree of integration for each reporting member from the matrix. The values are 0 for the eurozone members and 1 for non-euro members, exception make the members which for each period of time had a bivalent state, in this case the value taken is 0.5.

In the next step we extend the gravity model to investigate the scale associated with the importance of trade and we rewrite the distance from (1) as:

$$Fs = \beta_1 \ln AV_1(X_1; Y_1) + \beta_2 \ln AV_2(X_2; Y_2) - |\beta_1 - \beta_2| \quad (3)$$



Where:  $|\beta_1 - \beta_2|$  express the exploitation of the spatiality in sense of interaction between members in terms of metric measured value in organization.

In this case, it can be observed that expression of the distance as module is a proxy which represent the relationship between trade and the mass variables. And is the only value which is approximated because of internal markets convergence from European Union and his regulation. We use this instrument since can provide a measure of predicted trade opportunities in the sense of search and match model (Antweiler, 2007). However, considering that distance is meant to represent the “trade discrepancy” as possibilities in the context of integration, the heuristic interpretation is stated in terms of “gravity flow interaction potential” i.e. transfer and communication.

The second mapping is used as an interpretation instrument and represent an application of a knowledge system to increase the quality of ontology architecture analysis. For this, we use a free open-source ontology editors; *Protege*<sup>4</sup> and *OWLGred*<sup>5</sup> to determine the flow of the known base described in *Protege*. The reason for which we use these programs is because it enable to share the application domain information using a common vocabulary instead of a code or a mathematical one to organized knowledge and to leverage the linked data. Second, the matrix represent dyadic relations between state members, and because his large volume it cannot be applied a *large-N* research -multicollinearity (Ebbinghaus, 2006; Masue et. al., 2013). However, the interpretation of ontology structure through data allow to identify the inconsistency and reason.

The difference which appear in application is that for the second matrix we introduce in *Protege* construction the European blue-chips stakeholders, with the porpoise to capture the markets vectors given by the perception about the economy evolution by most important companies from euro zone. In this stage for interpretation we imply the response factors with the aim to attribute to the model a reality approximation. Thus, the simulation can make a testing of reality where the dependence variables to be caught<sup>6</sup>.

Figure 1 shows the ontology characteristics through list of the known-base metrics and his classes when the structure is setting to 28 members and institutions class. Thus, we express the functionality of organization through 12 relations properties and 8 actors properties. The aim of this is to assure an interpretative framework for European Union according with internal interface and to reveal the construction functionality.

<sup>4</sup> Note: the site for free download is <http://protege.stanford.edu/>

<sup>5</sup> Note: the site for free download is <http://owlgred.lumii.lv/>

<sup>6</sup> Note: the site for free download is <https://www.w3.org/2002/07/owl#Thing> which need to be open on *Protege*.

Figure 1. SPARQL Query and ontology metrics

subject	object
Non_euro_members	Members
Stackeholders	● not (Institutions)
Stackeholders	E.U
Euro_zone_members	Members
Members	E.U
Secondary_stackholders	Stackeholders
Blue_chips	Stackeholders
Institutions	E.U
Euro_zone_members	● 'Coordinate their monetary policy-making through European institutions' some xsd:string
Primary_stackholders	Stackeholders
Blue_chips	Euro_zone_members

Ontology metrics:	
Metrics	
Axiom	663
Logical axiom count	584
Declaration axioms count	56
Class count	9
Object property count	11
Data property count	7
Individual count	29
DL expressivity	SROIF(D)
Class axioms	
SubClassOf	11
EquivalentClasses	5
DisjointClasses	2
GCI count	0
Hidden GCI Count	1
Object property axioms	
SubObjectPropertyOf	3
EquivalentObjectProperties	0
InverseObjectProperties	1
DisjointObjectProperties	0
FunctionalObjectProperty	5
InverseFunctionalObjectProperty	1
TransitiveObjectProperty	1
SymmetricObjectProperty	2
AsymmetricObjectProperty	2
ReflexiveObjectProperty	0
IrreflexiveObjectProperty	0
ObjectPropertyDomain	15
ObjectPropertyRange	20
SubPropertyChainOf	0
Data property axioms	
SubDataPropertyOf	3
EquivalentDataProperties	0
DisjointDataProperties	1
FunctionalDataProperty	5
DataPropertyDomain	8
DataPropertyRange	7
Individual axioms	
ClassAssertion	29
ObjectPropertyAssertion	422
DataPropertyAssertion	40
NegativeObjectPropertyAssertion	0
NegativeDataPropertyAssertion	0
SameIndividual	0
DifferentIndividuals	1
Annotation axioms	
AnnotationAssertion	21
AnnotationPropertyDomain	1
AnnotationPropertyRangeOf	1

Source: Author computation.



**Figure 2. SPARQL and ontology metrics for large structure**

subject	object
Health_care_equipment	Activity_domains
Technology	Activity_domains
Telecommunication_Market	Markets
Food_and_goods_Market	Markets
Non_euro_members	Members
Insurance	Activity_domains
Media	Activity_domains
Energy_Market	Markets
Estate_Market	Markets
Chemistry	Activity_domains
Euro_zone_members	Members
Activity_domains	E.U
Members	E.U
Secondary_stackholders	Stackholders
Research_Market	Markets
Personal_and_household_goods	Activity_domains
Blue_chips	Stackholders
Health_Market	Markets
Telecommunication	Activity_domains
Euro_zone_members	● 'Coordinate their monetary policy-making through European institutions' some xsd:string
Aerospace	Activity_domains
Auto_Market	Markets
Electric_utility	Activity_domains
Construction_and_materials	Activity_domains
Financial_Market	Markets
Food_and_beverage	Activity_domains
Stackholders	● not (Institutions)
Stackholders	E.U
Goods_and_Services	Activity_domains
Petroleum	Activity_domains
Media_Market	Markets
Banking	Activity_domains
Markets	E.U
Retail	Activity_domains
Pharmaceutical_industry	Activity_domains
Automotive_industry	Activity_domains
Services_market	Markets
Institutions	E.U
Primary_stackholders	Stackholders
Logistics	Activity_domains
Blue_chips	Euro_zone_members
Real_estate	Activity_domains

Ontology metrics:			
Metrics			
Axiom	978	IrreflexiveObjectProperty	1
Logical axiom count	806	ObjectPropertyDomain	20
Declaration axioms count	146	ObjectPropertyRange	26
Class count	40	SubPropertyChainOf	2
Object property count	18	Data property axioms	
Data property count	9	SubDataPropertyOf	3
Individual count	79	EquivalentDataProperties	0
DL expressivity	SROIF(D)	DisjointDataProperties	1
Class axioms		FunctionalDataProperty	7
SubClassOf	42	DataPropertyDomain	10
EquivalentClasses	16	DataPropertyRange	9
DisjointClasses	2	Individual axioms	
GCI count	0	ClassAssertion	129
Hidden GCI Count	12	ObjectPropertyAssertion	473
Object property axioms		DataPropertyAssertion	40
SubObjectPropertyOf	6	NegativeObjectPropertyAssertion	0
EquivalentObjectProperties	0	NegativeDataPropertyAssertion	0
InverseObjectProperties	1	SameIndividual	0
DisjointObjectProperties	0	DifferentIndividuals	1
FunctionalObjectProperty	8	Annotation axioms	
InverseFunctionalObjectProperty	1	AnnotationAssertion	24
TransitiveObjectProperty	3	AnnotationPropertyDomain	1
SymmetricObjectProperty	2	AnnotationPropertyRangeOf	1
AsymmetricObjectProperty	3		
ReflexiveObjectProperty	0		

Source: Author computation.

Figure 2 reveal an extensive knowledge base for the ontology in which we added the *blue chips stakeholders* as distinct individuals which are directly dependent to state members from eurozone. The relevance of this step is that he put in evidence the interface changes through implication of stakeholders on the substructure level. Second, determined how others type of actors react to the interface idiosyncrasy and how modify the construction through activity domains implications. However, the difference of new links is weak, which highlight a possible discrepancy between real interconnectivity on the European Union level and interaction framework. In both cases the particularization of actors was made on the low level due to high time period of study required and lack of theoretic instruments which to assure the interpretation of all objects.

### 3. Data representation and discussion

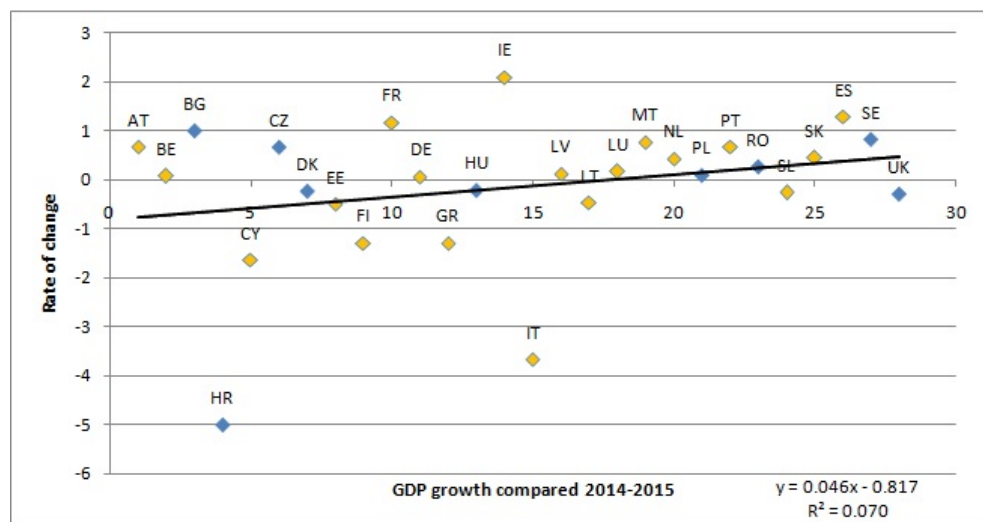
We begin this part with a short discussion of linked between rate changes with GDP compared in European Union. The aim is to reveal some variations



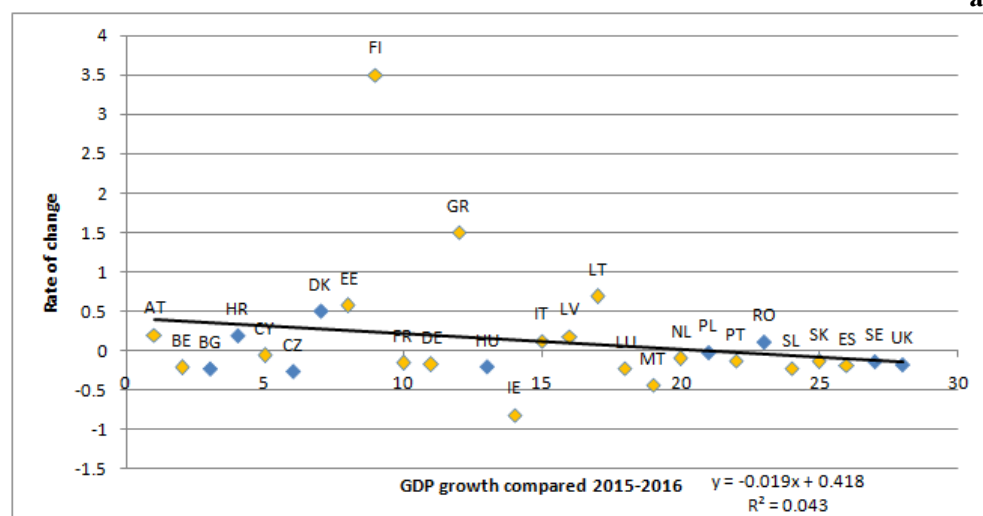


which can results from the goodness of fit from economic mass. Hence, we analyse the GDP difference to highlight the grown trends of the non-euro zone in rapport with eurozone members.

**Figure 3. GDP linear regression for the two periods: a) 2014-2015; b) 2015-2016.**



a)



b)

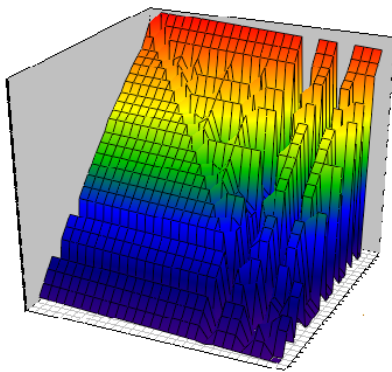
Source: Author calculation based on Eurostat.

In first figure, regression has been spread on the European Union level, as is illustrated. However, the rate of change indicate a strong correlation between returns and goodness of fit, nevertheless exist some marginal states which are spacers loud by the group. For the second period -figure from the right - the regression indicate a low correlation, and a tendency from the non-euro members to approximation quickly to eurozone. However, Finland and Greece maintain a relatively distance knowing a growth in change volume. Thus, the relationship between GDP growth and rate of change has decreased face to previous period. However, in the period 2015-2016, the  $R^2$ - square known a dropped from 0.07 to 0.043 which present an alteration in the variability interpretation of the response data around of change in the predictor.

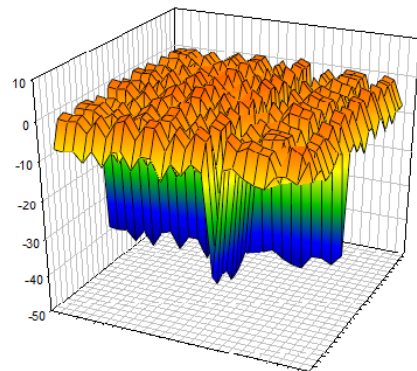
This discussion show that goodness of fit known in a short period of time two different trends which describe a process which make a link between non-euro and euro zone - in difference terms- to pas from a relatively approximation to discrepancy in a very short time.

The second mapping search to express the matrix values through ontology construction in the aim to develop explication with large sense about the structure resilience for the pairs period 2014-2015 and 2015-2016. For this step the methodology consist by overlapping the matrix over ontology and after that to interpret the results. Therefore, we start with the first time pair 2014-2015.

**Figure 4. European Union knowledge- matrix plot for 2014-2015<sup>7</sup>**



a) Surface for the economic matrix perspective



b) Interaction opportunities surface

Source: Author computation's based on Eurostat and IMF.

Imagine a) represent the economic outlook of European Union through knowing base. As showed in surface plot, the performance of the European Union

<sup>7</sup> Note: for figure a) the gravitational constant is set to 0.0801 on standard deviation based on *Euro Stoxx 50* Index. In the second graph, for discussion the *economic policy uncertainty* value is set to 156.93 as median estimate between averages for every period: 2014; 2015.

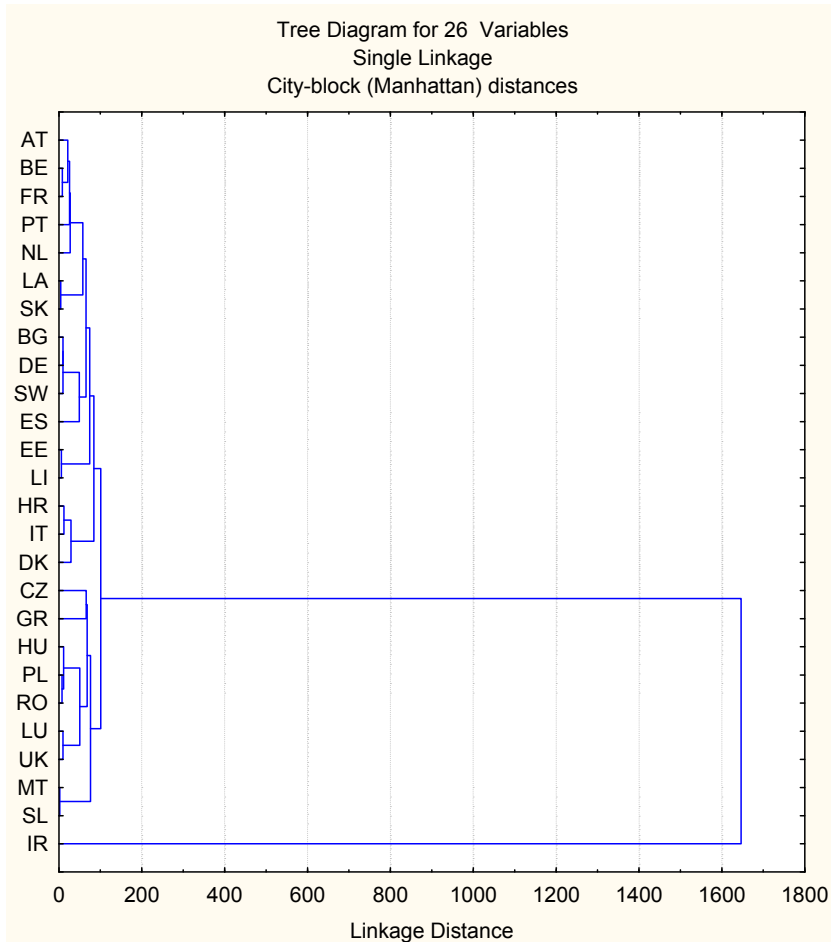


members create some high variations on the interface level. However, the rate change of GDP on this period is possible to hide these fluctuations from surface. In accordance with figure 3 for the same period of time, the sources of these represent a reactions chain among members who known a lower changes in this period. If the resilience was strong in this period, then the values of variations need to know a decrease trend, instead the structure imagine show us the contrary.

The second imagine from the figure 4, shows how the economic perspective affect through variation degree the interaction between state members and stakeholders. What result is that the effects are not only depth -in sensitivity terms- but also in shift-as gaps-. Namely the GDP trends mask a sensitivity increase on the European Union level which can be translated in a rugged environment for the actors. On this period of time, the idiosyncrasies represent a random distribution of sources for the state alteration. The group evaluation suggest the existence of a significant divergence among members on structure level in terms of relative magnitude.

For the surface interpretation from the figure 4 we use the *explanatory data analysis* to be able to identify the systemic relations between variables when we do not have an expectations about the nature of relations. The difference by the general approach consist in the fact that similarities between variables are expressed in the correlation matrix face to distance between investigated objects. In special we use the hierarchical cluster analysis method as an alternative for factor analysis to identify and to measure the patterns from multivariate data sets. In accordance with this theoretical framework, for the surface 4a we have:

In figure 5, the variables (state members) are reorganized in an efficient manner described on the “similarity distance” values from the basic matrix set. More technical, the reorganization consist from evaluation of different configurations following to maximizing the goodness fit. Is simply to observe a structure compounded from three groups of states, with a low distance between members and a poor links set. However, clusters value are very closeness. The group which have the most closeness degree is the upper pair for which the structure characterization as similarities is more intense than for the rest. The Austria, Belgium and France it look likes to be more connected each other face to relations with others. Is interesting that Germany (DE) is more nearest from Sweden and Bulgarian than for other “core members” on the structure level. In this case, the closeness can be translated in agreements or in a better understanding of the partners. On the bound limit is Ireland who known the higher discrepancy in terms of similarities in relations whit the rest of members. Nevertheless, is the only state which possess a direct link as individual with two different groups. However, the clusters interpretation show a concerning difference among members for this period which from integration process need to presents more similarities between themes.

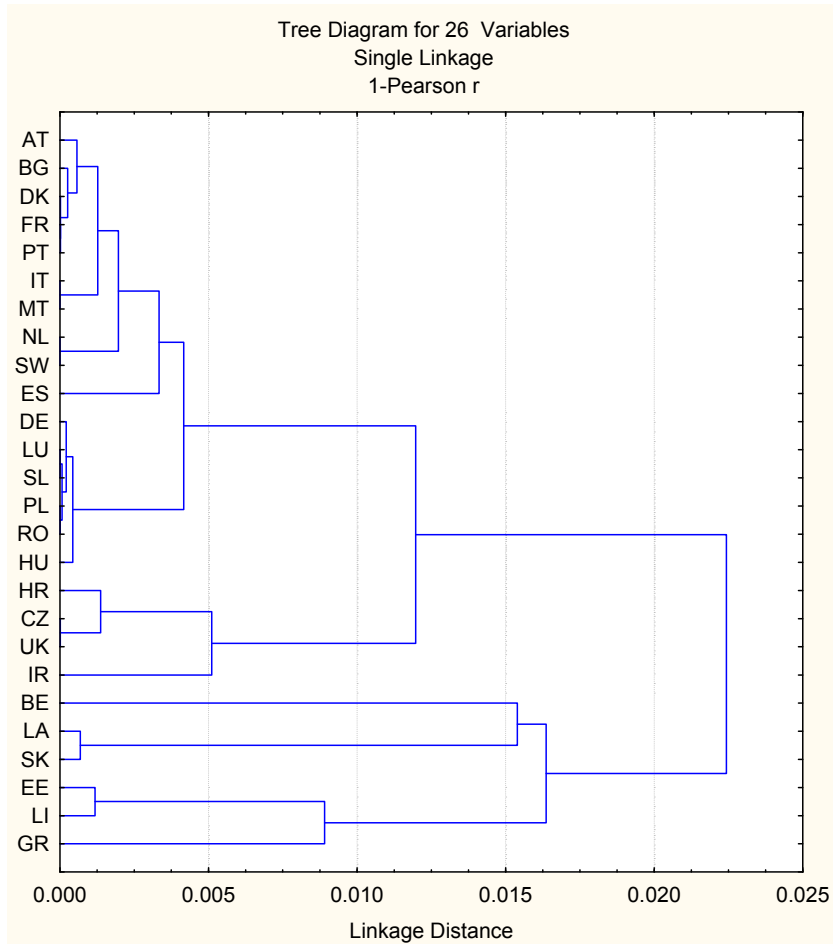
**Figure 5. Dendrogram for the economic matrix perspective 2014-15 from fig. 4a**

Source: Author computation based on surface for the economic matrix perspective (fig. 4a) which values results from model in page 5-6. For the interpretation, the author use *Statistica* software.

Note, we extract from the prospection the Finland and Cyprus due lack of data in matrix. However this omission do not affect the quality of the interpretation because the data do not create any link.

To deepen the analyse we make a Pearson measure to reveal the linear dependence between variables.



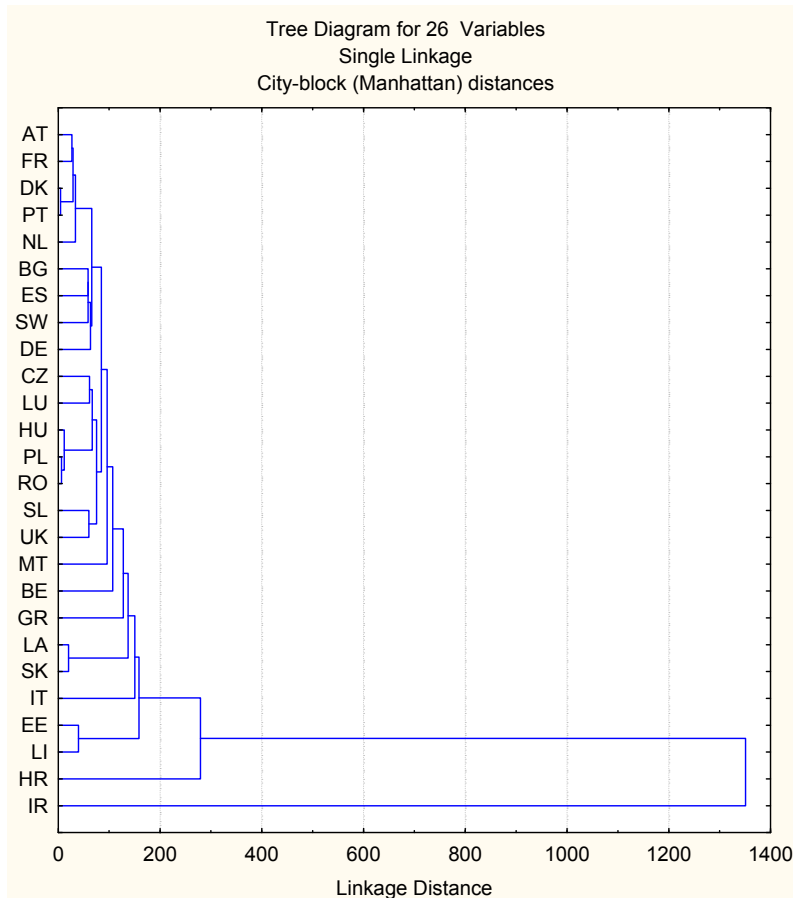
**Figure 6. Pearson measure economy clusters**

Source: Author computation based on dendrogram from figure 5. For the interpretation, the author use *Statistica* software.

In our case, the correlation coefficient show a very weak positive association, however the values from 0 are too small -under 0.3-. Therefore, the central tendency reveal a weak information about the members distribution in the organization interface, with other words, the changes that some correlations between members in structure to exist is very low. Thus, the continuity of interrelations on this state, will produce low effects size or changes in members movements. And exist a high possibility that changes in variable do not cause the changes in same directions for the state from the members perspective.

For the surface from the figure 4b, the clusters representation will express through next figure:

**Figure 7. Dendrogram for interaction opportunity surface 2014-2015 from figure 4b**



Source: Author computation based on surface from the Interaction opportunities surface (fig. 4b) which values results from model in page 5-6. For the interpretation, the author use *Statistica* software.

In the computing process we use the same theoretical framework as for previously representation but with the adding of one dependence variable-integration index.

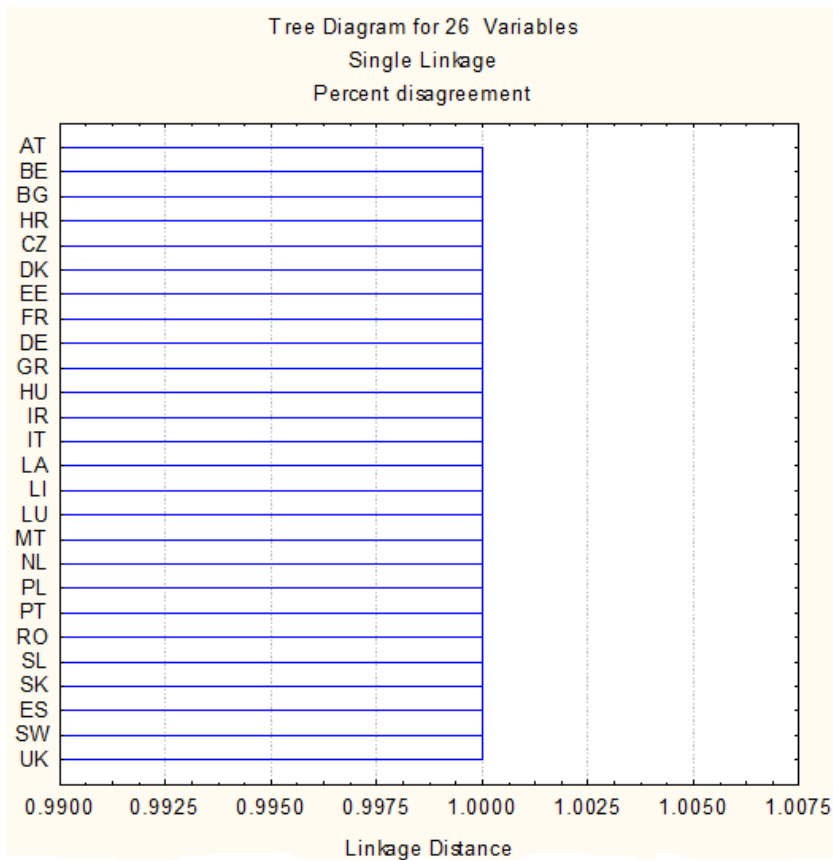
The first major difference is that the groups partition disappear, instead of this, the structure known a cascade form in which the similarities between members rise ascending. The second difference is the improvement of the relations set through increasing it's with new links. However, the clusters value reveal a decrease of closeness and the shape indicate lack of the direct distances between pairs of members. With other words, the members perceive the closeness between them from the perspective of similarity from the reporting view to different dyadic



or triadic groups. And known a spacers between them in the organizational framework. Through this, we can conclude that the reporting to the core from convergence perspective it's made by the members utilized the social reports of the most closeness groups, create through this a sharing preference trend. And the lacks of possibility to recognize the partners as a closeness tendencies rise the uncertainty degree, decrease the centrality, and sustain the contraction on the group level.

The measurement of the linear dependence between variables in this case reveal a *perfect* case, values are 1, therefore are treated as non-meaning.

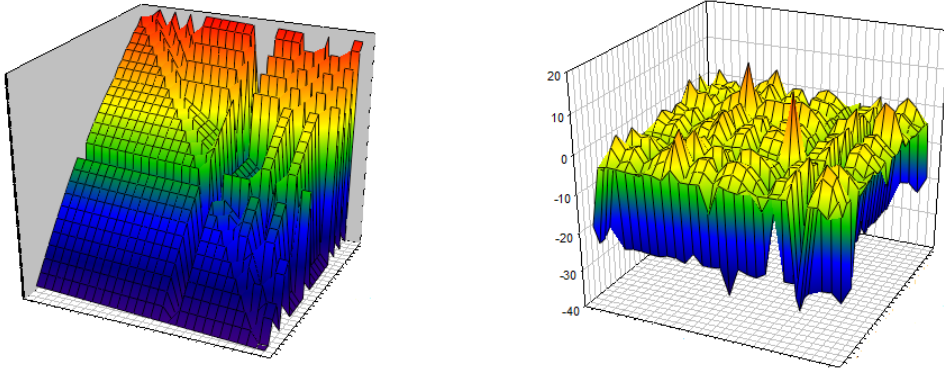
**Figure 8. Pearson measure for interaction opportunity surface**



Source: Author computation based on dendrogram from figure 7. For the interpretation, the author use *Statistica* software.

For the second time period of time 2015-2016, the matrix interpretation through knowledge base reveal the next surfaces:

**Figure 9. European Union knowledge- matrix plot for 2015-2016<sup>8</sup>.**



a) Surface for the economic matrix perspective

b) Interaction opportunities surface

Source: Author computation's based on Eurostat and appsso.eurostat.

As showed in surface plot from figure a), the performance of the European Union members continue to maintain the previous variation on the interface level. An interesting change in plot is replacement of the Finland and Cyprus with Greece –the gap from surface-. However, the low correlation for this period put in evidence the surface waves and show the links of this with previous period of time. In accordance with figure 3 for this period, the variation sources indicate a perpetuation which remain among actors and conduct to a tension state.

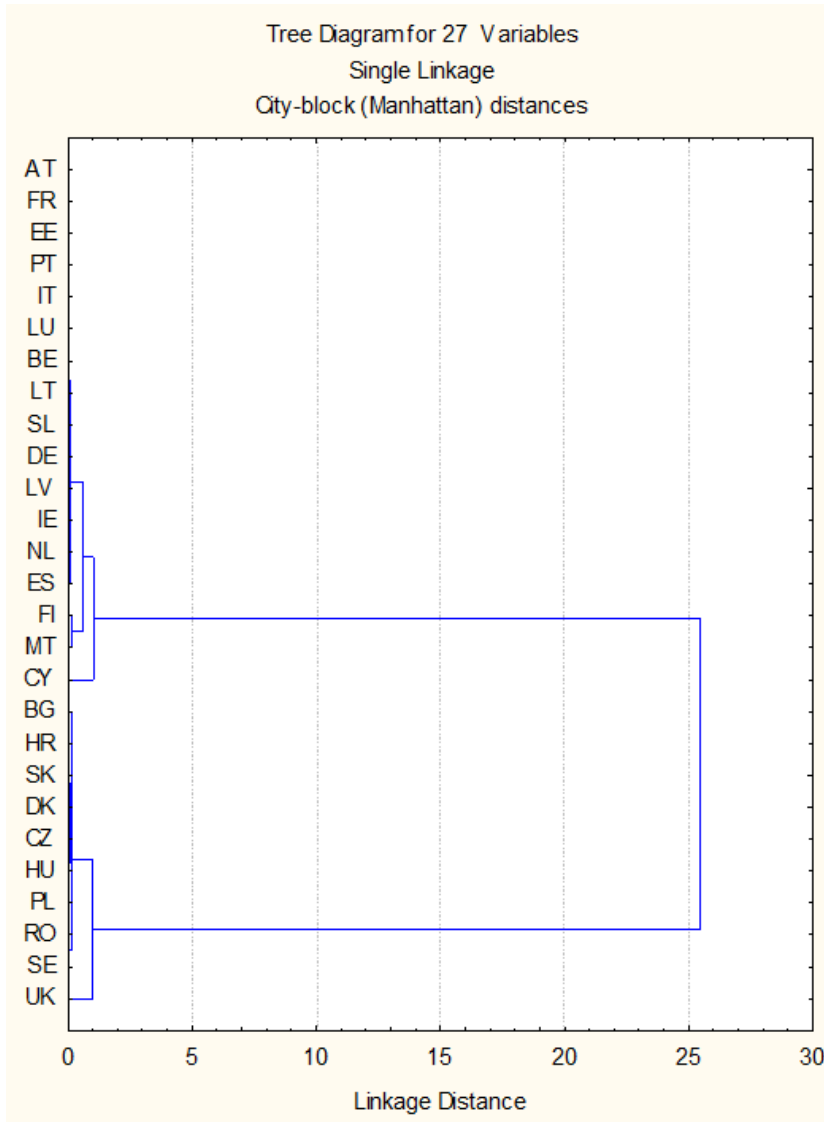
The second imagine, shows a more dynamic interaction in the structure despite of the sensitivity degree. We can conclude that situation continuity create an environment where the actors they were forced to act. Namely the GDP regression change disclosed the hidden vulnerabilities on the European Union structures for the evolution, and which can be interpreted as a static state which contain trends spacers. For this period, the social idiosyncrasies describe a source distribution for complaints which conduct to open manifestation of divergence.

Following the above methodology regard to surface interpretation, we start first to construct and analyse the clusters for the surface 8 a.

<sup>8</sup> Note: for figure a) the gravitational constant value is set to 0.0822 on standard deviation based on *Euro Stoxx 50* Index. In the second graph, for discussion the *economic policy uncertainty* value is set to 200.93 as median estimate between averages for every period: 2015; 2016.





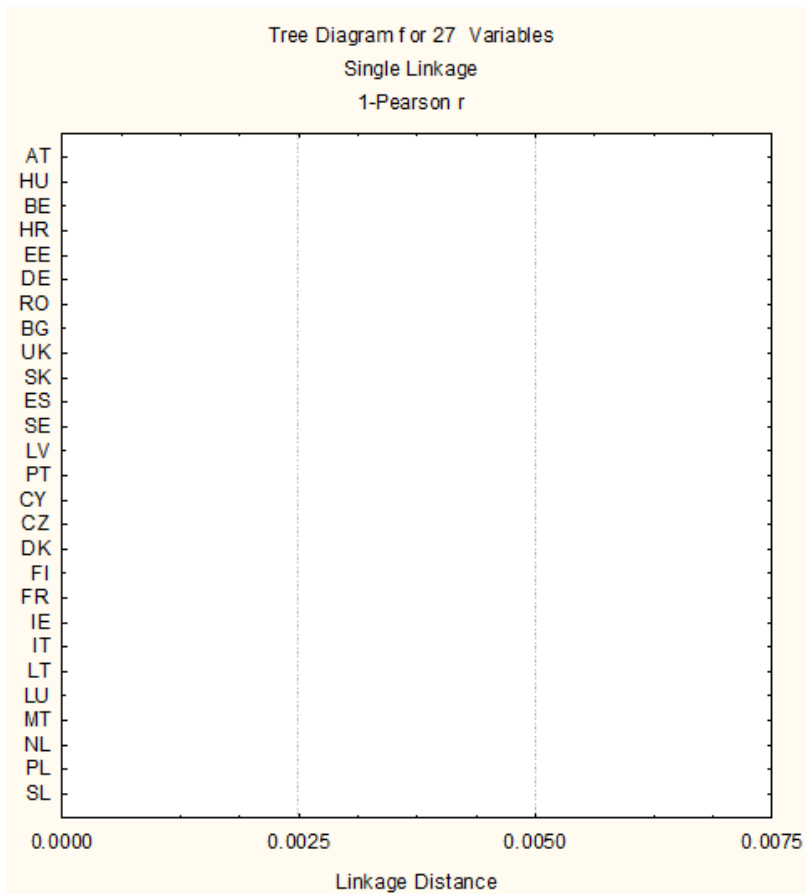
**Figure 10. Dendrogram for the economic surface 2015-2016**

Source: Author computation based on surface from the surface for the economic matrix perspective (fig. 9a) which values results from model in page 5-6. For the interpretation, the author use *Statistica* software.

Note, we extract from the prospection Greece due lack of data in matrix, this omission do not affect the quality of the interpretation because the lacks are not related with any link.

The clusters construction identify two distinct homogenous groups of cases, first group contain the eurozone members, and the second the non-euro members, they known a high discrepancy quantified in dissimilarities. This difference show a deep spacers for this period compared with the previous surface which have three groups instead of two, and with a better understanding of partners on the structure level. Instead, for the economic surface 2015-2016 the members are more connected one with another on the groups level but with an alarming difference on block perception.

**Figure 11. Pearson measure for economy clusters.**



Source: Author computation based on dendrogram from figure 10. For the interpretation, the author use *Statistica* software.

Both groups shows a “core” in terms of similarities proximity among members, which conduct to considered on the resilience discussion just the clusters



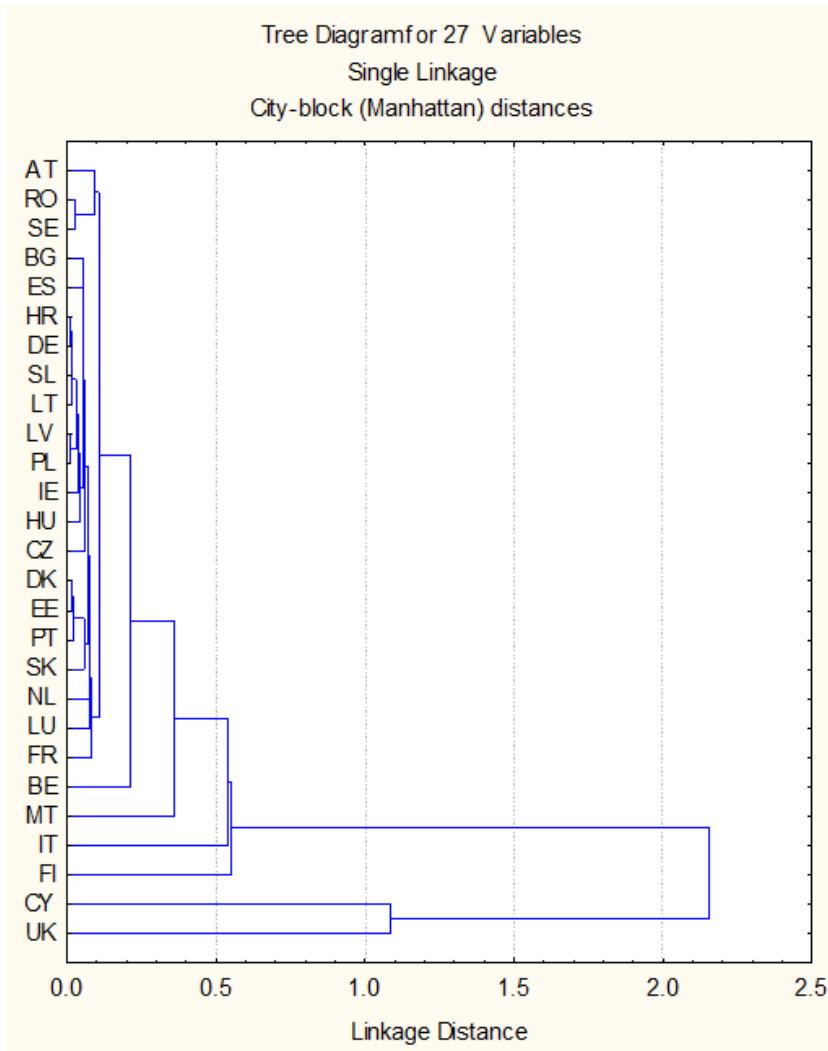
which are rooted in the “cores”. The importance of this is revealed in solution terms whose branches are very close together and probably are the most reliable. For a problem of this size the solution is clear need to be searched in the distinct groups, this approach is sustained by the dendrogram that indicates that the clusters formed around groups which known a more integrated process are probably doing a good interaction on the structure level. However, the dendrogram interpretation show us a European Union with two speeds due to the difference of evolution among members in integration process.

Now, we make a Pearson measure to reveal the linear dependence between variables in dendrogram construction for the economic surface.

In this case, the Pearson measurement denotes no linear correlations, thing that denote that  $r = 0$  and there do not exist relations between the variables or that is very weak and his not important to be mentioned. Thus, the changes in actors similarities are not correlated with the changes in sensitive distribution.

In the case of the figure 9b, the cluster representation is expressed through next figure (see fig. 12).

This dendrogram reveal some resemblance on interaction surface with the equivalence diagram from 2014-2015. First, shows an improvement of the similarities set among members despite of discrepancy which exist on the structure level. In the second way, the distances become much smaller which describe a tendency in interaction and to act in same direction, this trend highlights the approximate same understanding of the environment and of the structure state. Last, the blocks are replaced with a more links on the same level as distance values. Interpreted through figure 11, the interaction dendrogram put in evidence the need of actors to identify the opportunities in the social activity despite of groups sensitivity. For this, they can search common points which can close them in order to assure the continuity of the social process. However, the shape reveal the maintaining perspective by the members to perceive the closeness between them through approach of different dyadic or triadic groups and not directly.

**Figure 12. Dendrogram for interaction opportunity surface 2015-2016**

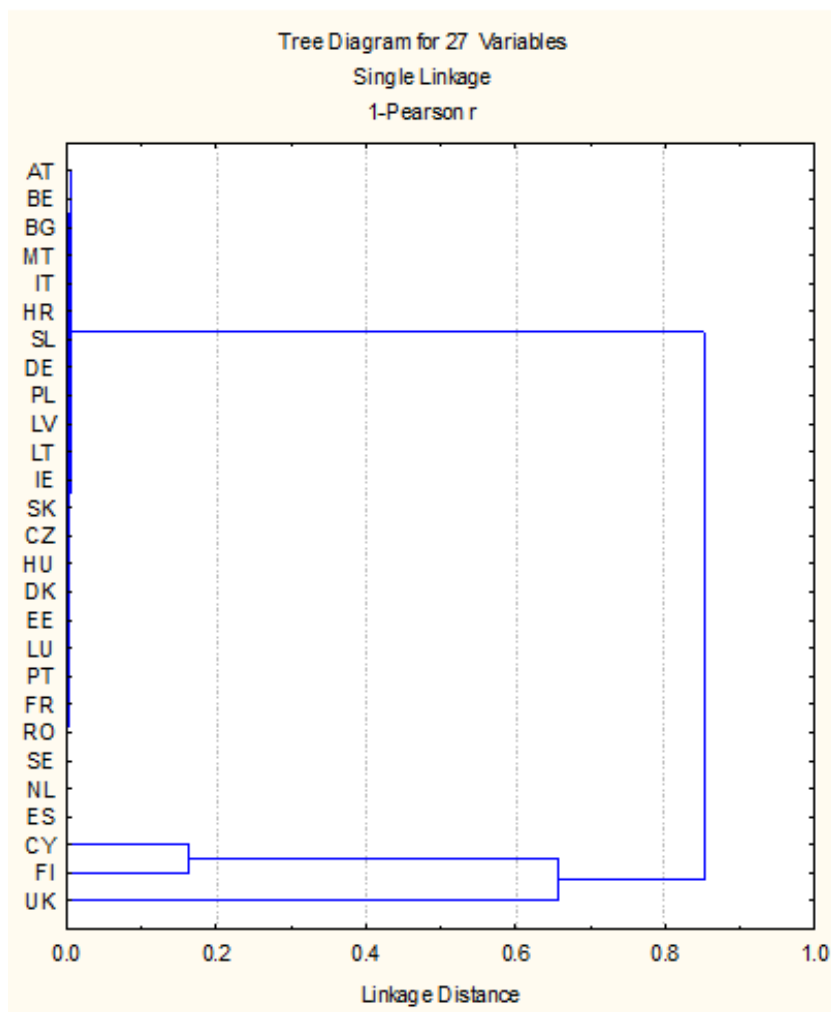
Source: Author computation based on surface from the interaction opportunities surface (fig. 9b) which values results from model in page 5-6. For the interpretation, the author use *Statistica* software.

Therefore, the convergence continue to present a social process in which the actors use the most closeness groups to get closer by other groups. Despite of Greece crises in this period, Cyprus and United Kingdom become the states who known the most increasing removal from the group members followed by Finland and Italy.



For this dendrogram the Pearson's correlation coefficient denote a positive linear correlation.

**Figure 13. Pearson measure for economy clusters.**



Source: Author computation based on dendrogram from figure 12. For the interpretation, the author use *Statistica* software.

However, the state members which are most closeness in figure 12 in Pearson measurement shows a very weak relation between integration variable and similarities. Instead the United Kingdom with the Cyprus and Finland as a group, denote a strong correlation between variables, the only difficulty is that the last two countries known like others the same very weak value which create some

uncertainty for United Kingdom in relationship with others members. Last, because the majority are instable the strong relationship with United Kingdom it is also uncertain in terms of correlations.

### *Limitations.*

It is important to acknowledge that further interpretative models are required in attempt to explain the correlation between dynamic trends and data meaning. Furthermore, more advance methodologies are needed to cope with the complexity of ontology construction which leading to the necessity of more data as in-put in matrix to increase the mapping accuracy and outcomes.

### **Conclusions and remarks**

This paper is an attempt to deep our understanding of European Union resilience on structural challenge, which is an important process concern. To start off, we quantify the theoretical framework and data using two distinct instruments: gravitational model and ontology mapping. We show that there is sufficient correlation, both across theoretical framework and across instruments, to warrant analysis of these database through knowledge-based interpretation. Following recent literature arguing that resilience analysis may point the organization behavior under different events, we look at structure dynamics. The major contributions of this paper thus consists of the development of a comprehensive set of resilience estimates for European Union in a time period characterized through static state using an Artificial Intelligence mapping.

Interpreting the resilience estimates for European Union through surface surveillance and clusters dendrograms, we highlight how members adaptation to the asymmetric challenges influences the organization response to the vulnerabilities. The results of dendrograms show that members tend to use the integration as a mechanism in the structure and the positioning in this consist in reporting to the groups similarities instead of organization culture. We also find that the organization is prone to mask bouts sources during members evolution when the vectors direction are the same. The results of Pearson measurements for the members grouping on structure suggest that there can be significant variations on connectivity in a delimited horizon of time, these reveal the turmoil degree of the construction to different situations. The resilience patterns assigned in European Union structure, both manifestation over time periods and relative protective factors, do not necessary hold on members level, but the inverse is valid. These asymmetries underscore the necessity of resilience analysis for each individual and groups from organization.

Our surveillance for European Union resilience can be useful for future studies on this issue, in special as far as members influence in structure adaptation analysis is concerned, since there exist a high degree of heterogeneity across members. Future mapping could aim more informing about different aspects of



political process and relationship between state members and stakeholders. This analysis could be thorough by develop the knowledge- based with more information and interpretative instruments to study the linkages between data input on ontology.

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# HOW RESILIENT IS THE EUROPEAN SOCIAL MODEL? FLEXIBILITY OR/AND SECURITY?

Georgeta GHEBREA \*

## Abstract

*Our paper aims to assess the resilience of the European social model (ESM) against recent challenges. Resilience depends on effectively managing the contradictions of the ESM. Flexicurity is an example of managing contradictions between security and flexibility. The contribution of flexicurity to the resilience of the ESM is determined by the development of the abilities necessary for resilience. Our research evaluates the performance of these abilities using statistical and document analyses. The results show that flexicurity policies perform satisfactorily relative to their resilience abilities. Still, the ability to respond is less effective due to significant differences among the Member States (regarding the implementation of flexicurity policies) and to insufficient openness and functionality of the European labour market. Nevertheless, the European flexicurity policies redefine the ESM by adding a touch of a more mobile, autonomous and free-spirited approach, thus representing a solution to both preserve valuable tradition and modernise the ESM.*

**Keywords:** European social model, employment, flexicurity, resilience

## Introduction

The concept of resilience is increasingly being used in the analysis of systems and organisations because it provides a more complex perspective on both risks and solutions for survival and development. This paper aims to apply the concept of resilience to the European social model (ESM). It is a new approach because ESM is not, strictly speaking, an organisation or a system.

The ESM is a key factor in the legitimization of European Union (EU), as it creates the axiological consensus that builds the European identity, prestige and self-esteem. Compared to other social models, the ESM has provided more welfare, social justice and protection of human rights. However, nowadays the ESM is in a crisis provoked by both exogenous and endogenous factors.

In our analysis, said factors are economic, demographic and political, as well as social and cultural, more specifically the new attitudes, values and lifestyles of

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21<sup>st</sup> century European citizens. Increased adaptability and flexibility are required to address these challenges and preserve the safety/security of the ESM. However, it is feared that flexibility could affect the identity and specificity of ESM. Reforming the ESM could mean the change of European social values and a decline in the legitimacy of the EU. The solution to preserve this identity is the effective management of the tensions, contradictions and paradoxes that describe the present ESM (for instance, national/supranational, unity / diversity, convergence / subsidiarity, enlargement / harmonisation, etc.).

Such a tension occurs between security and flexibility. To demonstrate the actual possibility of combining both security and flexibility for a resilient ESM, we will use the example of the European employment policy reform based on the new concept of flexicurity. Employment policies, in our view, play a key role in defining both ESM tradition and reform. Resilience, security and flexibility work together, like the reed which bends in the storm but does not break.

Applying the concept of resilience to ESM, in general, and to European flexicurity policies, in particular, led us to certain delimitations relative to the literature of the field. We use a concept of resilience rooted in the literature on the four key abilities (Weick and Sutcliffe, 2001; Kendra and Wachtendorf, 2003; Hollnagel *et al.*, 2006; Hollnagel, 2014, 2015). Hollnagel (2015, p. 2) believes that resilience does not exist; it is a potentiality rather than a quantity or degree, which would contradict the title of the present paper. The title does not mean, however, that we aim to measure resilience. Instead, we want to explore the applicability of this concept and make a rather qualitative estimation. Hollnagel's statement (2015, p. 6) that "Resilience is functional and not structural" is too trenchant; we believe that function cannot be separated from structure ("function creates the organ") and we intend to demonstrate this for ESM and flexicurity policies.

Likewise, we made adjustments to the definition of resilience given by Hollnagel in order to make it compatible with our object of study. Hollnagel (2015, p.1) believes that "A system is said to perform in a way that is resilient when it sustains required operations under both expected and unexpected conditions by adjusting its functioning." It results that resilience refers to systems. Neither ESM nor public policies can be defined exclusively as systems. We believe that the above-mentioned definition is a limitation of the concept. This paper aims to push the boundaries of the concept of resilience, so as to overcome the systemic paradigm by appealing to the interactionist paradigm, which takes into account interactions among people, social groups, political and social actors, in general. The combination of these two paradigms is very useful for understanding the multilevel functioning of ESM (supranational, regional, and national).

According to the literature cited above, four abilities are necessary for resilient performance:

- The ability to respond: "Knowing what to do, or being able to respond to regular and irregular changes, disturbances, and opportunities, by activating



prepared actions and resources, or by adjusting current mode of functioning” (Hollnagel, 2015, p. 3).

- The ability to monitor: “Knowing what to look for, or being able to monitor that which is or could seriously affect the system’s performance in the near term – positively or negatively” (Hollnagel, 2015, p. 3).

- The ability to learn: “Knowing what has happened, or being able to learn from experience” (Hollnagel, 2015, p. 3).

- The ability to anticipate: “Knowing what to expect, or being able to anticipate developments further into the future” (Hollnagel, 2015, p. 4).

- Other authors (van der Vorm *et al.*, 2011) widen the conceptual framework of resilience by adding – besides the four abilities – a flexible and appropriate structure as well as a culture based on values and symbols that support cohesion and flexibility. Moreover, these authors add the need for sufficient resources and effective leadership. Our concept is even broader, also taking into account the need for consistency among the four abilities and the preservation of identity.

- Based on the above mentions, our research goal is to understand the contribution of flexicurity to the resilience of ESM. Our research questions refer to:

- How developed are the four abilities necessary for resilience in the case of flexicurity? (**Potentiality** of resilience reflected in official documents and institutional and normative frameworks).

- What is the actual functioning of these four abilities in the case of flexicurity and how does it contribute to the resilience of the ESM? (**Resilient performance** reflected in employment indicators).

Our methodological approach is rooted in sociology and social policy and it is based on mixed, mostly qualitative research styles. The research design is founded on secondary analysis using statistical and document analyses. The main sources are the European employment surveys, employment statistics, and the recent changes regarding the employment acquis.

This paper is structured in three chapters. The first one discusses the strengths and limits of the concept of resilience and its usefulness for understanding the dynamics between security and flexibility within the ESM. The second one discusses the characteristics of the ESM, as well as its strengths and weaknesses in the face of recent challenges, especially in the employment field. The third one is focused on European employment policies, as one of the most important dimensions of the ESM. We discuss the paradigm shift operated by the introduction of the flexicurity concept in these policies. Further on, we evaluate how the abilities necessary for resilience are met by the European flexicurity policies, both as potentiality and performance.

The main contributions of this paper are: adapting and developing the concept of resilience; providing an evaluation of the resilient performance of the European flexicurity policies; estimating their role in the resilience of the ESM.



## 1. The utility of the concept of resilience for understanding the dynamics between security and flexibility within the ESM

The concept of resilience is close to system theory and to the holistic paradigm in general. In sociology, the holistic paradigm is illustrated by the American structural-functionalists (Parsons, Merton) or by French structuralists (Crozier). For a system, the main value is the function (i.e., its survival and development). Everything that threatens the function of the system is evaluated as negative (pathological) and everything that favours the function as positive (normal). System theory has a strong sacrificial connotation: even though within a social system there are subsystems, groups and individuals who want something else, they have to obey and sacrifice themselves for the sake of the system. The system can safely integrate some internal and external disturbances, adjusting itself creatively, operating changes inside and outside.

Therefore, flexibility is used to obtain safety and security but change can still affect the identity of the system. System theory has become very influential and promises to be a unifying paradigm, applicable to both nature and society.

However, this theory has been criticised since its inception because it is latently promoting the ideology of social control and *status-quo* (Lillianfeld, 1978). Criticism has increased by the end of the 20<sup>th</sup> century, in postmodernity. The complexity of the global economic, political and social changes of this century has rendered the claims of system theory inoperable: one cannot control the uncontrollable, rationally manage irrational phenomena, attempt to predict unpredictable changes, and unify a fragmented and diverse reality.

Lately, resilience has also been addressed by the interactionist paradigm. Based mainly on qualitative methods and more on the desire to understand than that to explain, this paradigm is illustrated by sociologists in ethnomethodology, symbolic interactionism and dramaturgical approach (Garfinkel, Becker, Goffman).

For interactionism, institutions are not objective realities, but subjective constructs, results of human interaction. Social systems and structures are not above passions, interests, conflicts, personal ambitions or fights for power. This paradigm takes into account the “human factor”, a variable that rather generated dysfunctions, entropy and problems (Hoos, 1972, p. 59). Thus, resilience can be analysed not only with reference to organisations but also to groups and individuals (Tillement *et al.*, 2009).

This paradigm shift can also be applied to the study of the ESM, initially seen as an institution, as a supranational welfare state which synthesises the characteristics of national welfare states, generalises best practices and imposes minimum social standards. Contemporary reality shows the ESM rather as an outcome of negotiations, compromises and interactions between various social and political actors.

During the *trente glorieuses* (1945-1975), the ideology on which the ESM was based was a Promethean and Enlightenment one, which believed in the



capacity of the State (as the supreme administrator of the collective effort) to identify the problems and to solve them in a rational and planned manner. Unfortunately, people have a limited ability to look into the future and see the consequences of their actions. The failure of this ideology is also illustrated by the collapse of planned economies and the end of the myth that humans can control nature (including human nature). EU and the ESM must abandon this rigid ideology based on the illusion of rational control and cultivate greater flexibility instead.

The concept of resilience stems from psychology (Tillement, 2009, p. 232) but was defined and redefined later so as to synthesise ideas of the paradigms mentioned above, applied to various organisations. Alongside the four basic abilities, material, financial, informational and particularly human resources are taken into account: not only expertise and experience, but also the relationships among persons and groups and their ability to communicate and work together. Resilience no longer results from certain technical, objective, structural features of a system; it depends on the willingness and the ethos of the people, on their values and attitudes. It is indissolubly linked to organisational culture (van der Vorm *et al.*, 2011). It is, after all, a political variable, including the type of power and authority relationships, social control, legitimation processes, and leadership styles. It also depends on many psychosocial elements: (mis)trust, feelings and emotions, moods, pessimism/optimism, (de)motivation, compliance with norms or anomaly.

In conclusion, at present, resilience is a multidimensional, dynamic and subtle concept: “Resilience refers to something that is multifaceted rather than something that can be described by a single quality or dimension” (Hollnagel, 2015, p. 6).

## 2. The ESM and the European Employment Policies: identifying challenges

In this chapter, we will discuss the concept of the ESM, identifying its specific features and the challenges it faces nowadays.

The term *European social model* was invented precisely when this model was in a deep crisis. By introducing this expression in 1990, President of the European Commission, Jacques Delors, was proclaiming awareness of the crisis facing both the European welfare states and the supranational European institutions. The awareness of the ESM crisis has accelerated the processes of reforming the European social policies both at national and supranational levels.

There are almost 20 different definitions of the ESM in the official documents of the European Union (Vaughan-Whitehead, 2014). Although the official definitions of the ESM have changed over time, they have a stable core, considering it to be a social model based on good economic performance, which combines a high level of social protection and education with social dialogue creating a balance between economic prosperity and social justice and ensuring recognition of social partners (*Presidency conclusions*, 2002, p. 9).



As a model of social policy, the ESM is an ideal-type, synthesising the common features of the Western European welfare states (George and Taylor-Gooby, 1996; Garabiol, 2005; Jepsen and Pascual, 2006):

- extended social protection;
- more active involvement of the state in social protection, economy and society in general;
- comprehensive public services;
- stricter regulation of the labour market;
- institutionalised social dialogue;
- reconciliation of family and work life;
- social inclusion;
- specific social values shared by both European publics and elites: solidarity, equality, inclusion, dialogue, great expectations regarding the social support provided by the State, security, avoiding risks (Vaughan-Whitehead, 2014).

We can see from the above list that, for the ESM, security was more important than flexibility. However, the ESM is an evolutionary concept, changing particularly as a result of the economic crises and EU's successive enlargements. The reforms that began in the late 1980s were predominantly adaptive and failed to fight the backsliding of the EU (as compared to USA and Japan). Europe's disadvantaged position was illustrated by relevant statistical indicators in official reports from the European Commission. For instance, at the time of launching the "Lisbon strategy for growth and jobs", in 2000, the unemployment rate in EU-15 was 7.7%, compared to 4.0% in the United States and 4.7% in Japan (Sapir *et al.*, 2004, p. 117). In 2008, the EU-27 unemployment rate fell to 7.1%, compared to 5.8% in the US and 4.0% in Japan (Commission européenne, 2011, p. 20.).

One explanation for the lower competitiveness of Europeans is, as the Kok report (2004) has shown, the low flexibility of their social model and, in particular, of the European employment policies. Europeans like stability and fear risks, sudden changes and fluidity. The emphasis on employment security has led to an increased cost of European labour as well as numerous and generous social benefits guaranteed during lifelong employment. Other statistical data also illustrate the gap between Europe and the more competitive US economy: the employment rate in Europe is 63%, in the US, 71%. The employment rate for women is 55% in Europe and 65% in the United States. R&D expenditure in GDP is 1.9% in EU, compared with 2.8% in the US (Kok, 2004, p. 12). Thus, the United States of America meet the Lisbon criteria better than the EU itself! The American labour market is more flexible and, therefore, more inclusive:

*The less regulated U.S. labour market is far better at integrating the workforce at the lower end of the scale, providing economic opportunity and upward mobility that particularly affects immigrants, young people out of high school or college, and women. Immigrants, for instance have about the same unemployment rate in the U.S. as the general population, whereas in*





*Germany and France the unemployment rate for immigrants stands at 25 percent. (Dale, 2005, p. 2).*

The overregulated and rigid European employment policies, with an unrealistic goal – full employment – have been one of the major areas of reform of the ESM. The reform was needed to fight the crisis of the ‘classical’ European employment policies. This crisis was provoked by many factors that can be grouped into demographics, economic, technological, social and cultural.

From the demographic point of view, the highest pressure was exerted by aging, which caused the imbalance of the dependence report and endangered social security systems based on intergenerational solidarity.

From an economic point of view, the decline of industry and the development of services have had a major impact on the labour market and employment flexibility. Among the benefits of flexibility are: increased worker autonomy, reduced monotony, better motivation, better working relationships due to teamwork, and increased female employment. The disadvantages of flexibility are: greater job insecurity, even precarious work; less attention paid to working conditions, health and safety at work.

The spectacular rise in women’s employment rates has led to significant changes in employment policies. The general tendency is towards flexibility and the deregulation of microsocial arrangements for adapting the workplace to the specific needs of women. At the same time, employers have used this flexibility as a reason for lower salaries, less stability and lower social security. Thus, alongside other groups, women are a category that develops new social risks linked to employment, single parenting and the difficulty of reconciling career and family.

Amongst the technological factors, digitalisation changes the workplaces and the organisation of work, creating opportunities for new occupational statuses other than employees (Eurofound, 2016, p. 15).

Globalisation also has a major impact on employment. Many European businesses have decided to relocate their activities to emerging countries, contributing to growing unemployment in Europe. Another increasing risk of globalisation is external immigration (Eurofound, 2016, p.72).

In terms of cultural factors, we mention the identity crisis and the erosion of the solidarity values, which were characteristic of the ESM. Social solidarity is less and less seen as a solution to new risks; on the contrary, the emphasis falls on individual responsibility. The welfare state is no longer able to cover major risks in contemporary society: instability, uncertainty, fluidity of work and life arrangements, single parenting, loneliness of the elderly and long-term unemployment.

In conclusion, the ESM, and particularly the European employment policies, should adapt to the contemporary challenges mentioned above; they should be more flexible in order to preserve their security. The following chapter will discuss



the European solution to integrate flexibility and security within employment policies.

### **3. Flexicurity as a solution to improve the resilient performance of the European employment policies**

In the previous chapter we observed the symptoms and causes of the crisis of ESM and its employment policies. In this chapter, we discuss how European employment policies are adjusting to these changes using protective and proactive measures. Our analysis focuses on the employment policy innovation that we consider the most significant for ESM resilience, namely the European flexicurity policies. First, we will present the concept and the setting-up of flexicurity as a European policy. Further on, we will evaluate how flexicurity fulfils the four abilities necessary for resilience

#### **3.1. Setting up the European flexicurity policies**

Facing the harsh realities of the unfavourable gaps and the imperatives of globalisation, EU has sought to improve the competitiveness of the economies of the Member States and the organisation as a whole. In this respect, deregulation, liberalisation and privatisation measures have been taken since the 1980s. Social policies were also reformed in the same neoliberal paradigm, but there was greater resistance in terms of culture, values and mentalities. That is why Europe maintained its high level of social protection expenditure, despite all the reform measures. Esping-Andersen (2002, p. 2) mentions, however, that the reform of ESM does not mean, first of all, the reduction of spending but the introduction of new objectives and new principles of social policy. Giddens (2006) is one of the authors who support the change of paradigm in social policy, by moving from corrective policies to proactive and affirmative policies.

Women have begun to represent an important target group for the new employment policies. Thus, in the European Employment Strategy (1997), equal opportunities represent one of the four pillars, alongside with employability, adaptability and entrepreneurship. More and more European countries create, through special policies, favourable conditions for work-life balance.

Continuing the paradigm shift started in the late 1980s (change based on liberalisation and deregulation), in the mid-2000s, a new hybrid term – flexicurity – was introduced in the jargon of European institutions. The concept of flexicurity is based on the core values of the ESM, which aims to combine high economic performance with the welfare and security of employees. It's a difficult goal to achieve, and some critical voices say it is theoretically and practically impossible. However, statistical indicators show that the ESM, especially in its Nordic submodel, has succeeded in reconciling the necessary flexibility for economic development with security and various workplace benefits.





The emphasis no longer falls on job security but on people's security, on building their skills to adapt to a changing economy. Flexicurity is related not only to the changes in the economy, but also in mentalities, aspirations and values: people want greater autonomy, greater freedom, and fewer restrictions; they want to decide for their own, according to their specific individual interests and not because of an abstract identity.

Among the policy measures embedded in the concept of flexicurity, we mention: the flexibility of layoffs compensated by substantial unemployment benefits; provisions for atypical employment contracts; training courses; facilitating occupational insertion, reinsertion and transition between successive jobs; employment incentives for hard-to-employ socio-demographic categories; new financial incentives for employers and employees. *Grosso modo*, flexicurity measures can be divided into tools to stimulate flexibility and tools to boost security.

The European *acquis* in the field of flexicurity was established in the 1990s, comprising documents, institutions, values, and principles. The "Common Principles of Flexicurity" – a document published by the European Commission on 27 June 2007 – is its birth certificate (Communication from the Commission, 2007).

The European approach to flexicurity consists of four components: flexible and secure contractual arrangements; lifelong learning; effective active labour market policies to facilitate transitions to new jobs; modern social security systems providing social support during transitions (Communication from the Commission, 2007).

### 3.2. The ability to respond

European flexicurity policies were conceived precisely as a response of the European employment policies to the recent challenges. European flexicurity policies have the merit of setting common goals and solutions for employment flexibility in order to stimulate employment but, at the same time, to limit perverse effects, such as: precariousness, inequality, social exclusion, and segmentation of the labour market.

The abilities for the resilient performance of these new European policies were put to the test the very next year after their establishment, in 2008, when a new and very strong economic crisis began to affect the EU.

The first response was to rethink the flexicurity as an instrument for recovery. Therefore, at the beginning of the recent economic crisis, the European Commission published new documents on flexicurity: "European Economic Recovery Plan" (2008), the Communication "A Shared Commitment for Employment" (2009), "An Agenda for New Skills and Jobs: A European contribution towards full employment" (2010), and the Communication "Towards a job-rich recovery" (2012).

Even the Europe 2020 Strategy (2010) can be considered a proactive employment strategy. It aims to reduce the traditional disadvantages of the ESM compared to other social models and to strengthen the advantages (quality of employment, working conditions, observance of employees' rights, and qualification of labour force). However, the crisis has highlighted the disadvantages and reduced the benefits of European employment policies (Vaughan-Whitehead, 2014).

Another response was to allocate sufficient resources for the European flexicurity policy. These resources include the European Social Fund, the Globalisation Adjustment Fund (set up right during the crisis) and the "Progress" program.

Many Member States have tried and succeeded in implementing (at different rates) the European flexicurity principles, but always giving priority to the specificities of the national context (i.e., institutional framework, economic situation, financial resources and challenges that need to be addressed). In general, however, the balance of these measures has tended towards flexibility rather than security, for example, simplifying the dismissal procedures (ICF GHK, 2011, p. 49).

During the recovery, the main challenges were the creation of new jobs and social inclusion (Commission européenne, 2011). Unfortunately, EU has a limited role in these areas, more specifically to make recommendations, to coordinate, monitor and analyse actions at a national level, with little involvement in enforcement. The supranational responses have remained rather at the level of declarations, having little practical impact. Inclusion of mobile EU citizens has been neglected at both the national and the EU level (Eurofound, 2016). The single labour market is not yet sufficiently open and functional, as its mobility and flexibility are still low. Benefits related to work and insurance status are somewhat difficult to transfer from one Member State to another (Kessler, 2005).

In conclusion, the ability to respond exists mostly as potentiality; in fact, its performance is limited because of the insufficient development of the single labour market. Also, the level of integration between Member States regarding the flexicurity policy is still low, mainly due to two reasons: the wide diversity of national traditions, cultures and practices concerning employment, and the reduced involvement of the EU in implementing national strategies in the field.

### **3.3. The ability to monitor**

The European Union has formed and consolidated a culture of collecting, analysing and using information in its policies. Thus, the ability to monitor is excellently developed: there are many programs and databases on European employment policies, including Eurostat, the European Employment Observatory (EEO), the European Employment Policy Observatory (EEPO), and the European Foundation for the Improvement of Living and Working Conditions (Eurofound). Since 1991, Eurofound has been monitoring progress on the improvement of



working conditions in Europe through the European Working Conditions Survey (EWCS).

The research carried out before, during and after the crisis allows the assessment of the resilient performance of flexicurity by following the evolution of some key indicators, such as: the general unemployment and employment rates as well as the risk group unemployment and employment rates (women, youth, minorities); the long-term unemployment rate; the expenditures for lifelong learning and active policies in general; employment security; inclusion.

During the crisis, the unemployment rate in EU increased from 7.1% (2008) to 9.5% (2011) (Commission européenne, 2011, p. 20). Unemployment is higher among non-EU immigrants (20%) and young people (25%) (Commission européenne, 2011, p. 25). Also, these two categories are more likely to have poor contractual arrangements, risking being fired easier.

The EU average employment rate in the 15 - 64 age group was 65.9%. The employment rate of immigrants is only 58.5% (Commission européenne, 2011, p. 55), roughly the same as for ethnic and racial minorities, with Roma people being the most disadvantaged.

During the crisis, there was a proliferation of atypical forms of employment: in 2002, only 10% of the average workforce was employed in atypical forms; in 2014, the proportion was around 15% (Eurostat, 2015). Also, 41% of total employees had enjoyed some working time flexibility (Eurostat, 2015).

Certain researchers noticed that workers' rights and working conditions deteriorated and violations on occupational safety and health increased with 5 - 20% (Vaughan-Whitehead, 2014, p. 56). Fewer resources were allocated for active labour market policies (Vaughan-Whitehead, 2014).

The crisis has therefore led to a more flexible but more segmented European labour market, less inclusive, more distanced from the identity of ESM principles and values. However, there are large differences (ICF GHK, 2011, p. 96): the Nordic, Anglo-Saxon and Continental social submodels have the highest employment rates. The female employment rate is higher in the Nordic model but it is noteworthy that all submodels registered an increase in the average female employment rate in the post-2007 period compared to the pre-2007 period. The highest unemployment rates were recorded in the Southern and Eastern European submodels.

Despite the negative consequences of the crisis, monitoring the impact of flexicurity on some key indicators (before and after 2007, the year of establishing European flexicurity policies) demonstrates that the impact of flexicurity was predominantly positive (See Table 1).

We can see from the above table that the submodel with a higher level of flexicurity (Nordic) is performing better, even during the crisis. On the contrary, the submodels with poorer balance between flexibility and security (Anglo-Saxon and Southern) registered lower performance.



**Table 1. Key indicators before and after 2007\***

Sub-model	Indicators	Employment rate (15 to 64 years) (%)	Enter- prise birth rate (%)	Long-term unemployment (%)	Expenditur e with active labour policies	Percentage of the adult population aged 25 to 64 participating in education and training	Labour force with tertiary education (%)
<b>Nordic</b>	Before	72.7	8.7	1.5	3.1	20.6	26.3
	After	73.8	10.4	1.1	2.4	22.1	28.2
<b>Continental</b>	Before	64.3	9.1	3.1	2.3	7.8	21.1
	After	66.5	8.7	2.7	2.2	8.9	23.7
<b>Anglo-Saxon</b>	Before	69.2	13.2	1.3	1.1	15.1	25.7
	After	67.7	10.5	2.5	1.8	14.9	30.3
<b>South ern</b>	Before	61.5	8.9	3.3	1.4	4.9	16.2
	After	62.3	7.7	3.3	1.4	6.5	19.3
<b>Eastern</b>	Before	59.7	12.4	5.7	0.5	5.4	15.3
	After	62.1	13.4	3.7	0.7	5.6	18.5
<b>EU average</b>	Before	63.2	10.6	4.1	1.9	7.8	18.9
	After	64.9	10.9	3.2	1.8	9.1	21.6

Source: ICF GHK, 2011, pp. 110, 113, 116, 118, 119.

\*Before: data from 2006; after: data from 2010.

The significant differences between the regional social submodels show the insufficient convergence in the employment field and the low impact of the European flexicurity policies on local specificity.

### 3.4. The ability to learn

The importance of learning in public policies is not a new idea. For instance, Peter A. Hall (1993) has applied Hecló's concept of 'social learning' in social policies to macroeconomic policies during 1970 - 1989, when there was a true paradigm shift, from Keynesianism to neoliberalism (especially during Mrs. Thatcher's term in office). Thus, public policies are based on a continuous process of mutual learning, and finding and disseminating of best practices. However, this model of good practice has a limited applicability because of national contexts, characterised by specific institutional and cultural factors.

European flexicurity policies are innovative and very much based on the ability to learn, through the dynamic interconnection between the supranational and the national levels. European flexicurity policies have learned from good practices in the Netherlands and Nordic countries, which refer to a mix of flexibility and security. These practices were then transferred and developed at the supranational level in the form of the flexicurity *acquis*, and, afterwards, at the level of all Member States, through more or less successful processes of legislative harmonisation and social convergence. But integration is becoming more and more difficult due to the successive enlargements that brought to the EU countries with social models that are quite different from those in the founding states. Therefore, employment policies are no longer implemented through directives but in a decentralised manner. To make the connection between the European and the



national employment policies more flexible, a new working method has emerged - the Open Method of Coordination (OMC) - as a new convergence strategy. The OMC has two main paradigmatic sources: entrepreneurial optics, which includes, among other things, management by objectives, performance indicators and evaluation culture, and the participative culture, public debate and involvement of civil society in political decisions, as a second major source of inspiration. Although well-intentioned, this method has yielded little relevant practical results. The impact on national policies is relatively low and there are important difficulties in implementing national flexicurity plans and strategies.

Despite these shortcomings of the OMC, the European flexicurity policy is undoubtedly a favourable framework for exchanging good practice and mutual learning between Member States and for generating innovative ideas. This framework is also open to social partners and other social and political actors, so that negotiation itself becomes a learning process. These things are explicitly recognised and implemented through The Mutual Learning Programme, in accordance with Article 149 of the Treaty on the Functioning of EU (TFEU), which is an important tool for the OMC in the field of EU employment policy.

Learning means communication, information exchange, and interaction among people, groups, and institutions. It also means understanding the significance and relevance of monitoring by interpreting objective and subjective, quantitative and qualitative indicators. From this point of view, some interesting things can be learned from the crisis: although unemployment has grown significantly in the EU, this growth has been less pronounced than in other social models, such as the American one. The main role in this relative advantage of the ESM has been played by partial unemployment measures – e.g. Kurzarbeit in Germany (Commission Européenne, 2011, p. 29) – and by a higher employment security, which did not allow easy layoffs. In conclusion, we have learned that the optimal strategy is not flexibility but flexicurity.

### 3.5. The ability to anticipate

Despite the great accumulation of expertise and intelligence that exists in the various European institutions, the latter often ignore warnings from experts or public intellectuals, and even the warnings contained in numerous researches, analyses and monitoring reports prepared specifically for them. For example, it has often been pointed out that major disparities between Member States are harmful and can only be diminished by effective and operational implementation of the four free movements. Despite these warnings, we cannot talk about a completely free movement of the European workers.

Even the anticipatory and strategic documents (starting with the European Employment Strategy, the Lisbon Agenda and Europe 2020) have many inconsistencies and contradictions that are hard to reconcile. These inconsistencies partially explain why the goals have not been achieved yet. At present, there is no

clear official perspective on the future of EU. There are five proposed scenarios, instead (European Commission, 2017). Within public and academic spaces the opinions are of a wide variety and the consensus is non-existent.

From the employment point of view, the current context is fluid and unpredictable. There are always new risks for which employment policies are not prepared enough. Contemporary European society is a “risk society” (Beck, 1992). Rosanvallon (1998) mentions that contemporary society redefines the notion of risk. Risk is no longer an exceptional situation, which society as a whole is capable of managing, but it is becoming a widespread and long-lasting situation: “The phenomena of exclusion or long-term unemployment often indicate stable situations, unfortunately.” (Rosanvallon, 1998, p. 34). Rosanvallon believes that the welfare state compensates for material risks (loss of income) but ignores risks that are not directly related to income insufficiency: “urban delinquency, family breakdowns, international threats, etc.” (Rosanvallon, 1998, p. 37).

The EU vision regarding the post-crisis flexicurity policies does not bring new fundamental ideas but only adaptations of the old ones (Commission Européenne, 2011, pp. 30 - 35): the introduction of open-ended contracts for certain precarious occupational statuses; increasing investment in lifelong learning; a better targeting of allocations and subsidies; public-private partnership in employment services (PARES), facilitating geographical mobility across the EU. However, there are no effective European policies to integrate immigrants (especially third-country nationals) into the EU labour market.

These policies remain more at the declarative stage, with some Member States imposing obstacles to cross-border workforce mobility. Still, concerns about immigration are unjustified: 80% of the migrants are of working age and, consequently, they are able to contribute to the demographic and economic equilibriums of the host countries (Eurofound, 2016, p. 70). Also, the fear of social tourism is unjustified: internal immigrants are receiving proportionally less social benefits than the natives.

In conclusion, even if the ability to anticipate of flexicurity policies has a certain potentiality, its performance is not sufficiently developed.

### **3.6. Other factors favouring the resilient performance of flexicurity policies**

Apart from the four abilities mentioned above, the structural and cultural factors also play an important role in achieving resilient performance: functional and open institutions, a new ethos of public servants, consensus between elites and the public, social and political values congruent with necessary adjustments, the positive mood of the population, inspired and courageous leadership, citizens’ participation in decision-making and the legitimacy of the flexicurity policies.

From these points of view, the current context is not very favourable. The latest waves of the European Social Survey and other studies have shown the predominance of the negative feelings that characterise the Europeans’ mood:



incertitude, anxiety, fear, pessimism, and concerns (Hilmer, 2016). 68% of the interviewed persons in such a survey have worries related to labour market issues (Hilmer, 2016, p. 5). The majority (59%) approves the free movement (Hilmer, 2016, p. 12). Mistrust in the capacity of the EU to solve problems and manage crises is shared by 70% of the respondents (European Social Survey, 2013). Europeans fear risk and incertitude and 70% of them expect support from the government (European Social Survey, 2012). In conclusion, many of the Europeans' social attitudes and values are not congruent with living and working in an unpredictable world.

## Conclusions

Our paper shows that the European flexicurity policies perform satisfactorily on their resilience abilities. These abilities are based on changes in the European employment acquis, establishing effective responses to the contemporary challenges in employment. There are also available resources (specific European funds and programmes). Still, this ability to respond is mostly potential: resilient performance is limited because of the weak role played by the EU in the enforcement at national level. Consequently, there are important differences in the implementation of flexicurity among the Member States. At the supranational level, the greatest inability to respond concerns the insufficient openness and functionality of the European labour market.

The ability to monitor is excellently developed by many research programmes, databases and European agencies. We believe that, in this respect, both potentiality and performance are accomplished.

Referring to the ability to learn, the European flexicurity policies have sufficient instruments (mainly OMC, and Mutual Learning Programme) for sharing information and good practice and for generating innovative ideas. Still, many of these ideas are superficially disseminated and implemented in certain Member States and the relevant practical outcomes are very few. The large differences among the regional social submodels regarding flexicurity demonstrate the insufficient convergence in the field and the low impact of the ability to learn on the specific national context. The flexicurity acquis often remains a "world of dead letters" (Falkner and Treib, 2007, p. 5) because certain Member States are reluctant to comply with it.

The most important lesson learnt from the recent crisis was the confirmation of flexicurity as optimal employment strategy, as the social submodels (for instance, the Nordic one) with good levels of flexicurity handle better the new challenges. On the contrary, the submodels that predominantly use flexibility without being compensated for by an adequate level of security (for instance, the Anglo-Saxon one) have had poorer results. Insufficient flexibility is also an obstacle for resilient employment policies.



The ability to anticipate is less developed, especially regarding its resilient performance: the post-crisis flexicurity policies do not bring any fundamentally new perspective.

Regarding the coherence of the four abilities, the main gap is found between the conclusions of monitoring and future responses.

Discussing the ability of preserving the identity of the ESM, the European flexicurity policies redefine the European social values by adding a touch of a more individualist, mobile, autonomous and free-spirited approach. This is consonant with the new generation lifestyle. Still, there are researchers (Pochet and Degryse, 2012) who believe that the austerity policies implemented during the crisis changed the ESM fundamentally. There is a real risk to expand employment flexibility in the detriment of security, especially for discriminated social groups. Therefore, flexicurity (not just flexibility or just security) is, in our opinion, the correct solution to both preserve valuable tradition and modernise the ESM.

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# INTEGRATION AGAINST THE NATION? THE PERSISTENCE OF NATIONAL IDENTITIES IN SHAPING POPULAR PRESS DISCOURSES REGARDING EU INTEGRATION IN POLAND, THE UK AND SPAIN

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## Abstract

*As the EU's competencies have increased, nationalist resistance to EU integration has grown. This contribution argues that persistent national identities colour interest perceptions of national publics, especially among non-elite groups, who are less likely to engage in cross-border interactions. Within this, the news media select events that are likely to violate these perceptions. This paper undertakes content analysis of low-quality, high circulation press in three prominent Member States: Poland, Britain (England & Wales) and Spain. Its findings suggest that EU integration is reflected negatively in both states where concepts of 'the nation' and 'national governance' remain relatively uncontested. Resistance was less pronounced in Spain. The increased contestability of Spanish national identity among conflicting ethno-linguistic groups caused EU integration to be perceived as less threatening. Nationalist popular discourse against integration gained less traction in the more federalized state constructed from distinct sub-state groupings; what constitutes 'the nation' remained normally contested.*

**Keywords:** EU integration, Euroskepticism, National identity, Nationalism, News framing

## Introduction

The EU integration has grown progressively more comprehensive since the integration process began more than fifty years ago. As it has continued, actual pressures for integration remain high while signs of supranational involvement become more visible and are contested by national publics (Borzel and Risse, 2009; Hooghe and Marks, 2009). Beyond mere functionalism, this has led the EU to justify further integration through a supranational discourse regarding transactionalist solidarity creation through single market integration (Bellamy,

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2008; Kuhn, 2015; Recchi, 2015). However -- in some states more than others -- a lack of structural change in the manner in which the EU's citizens conceive their national identities has resulted in a clash between them and the supranational discourse used to justify integration based on mutual interest in interaction (Kholi, 2000; Medrano, 2003; Medrano, 2010). This has manifested itself in the form of popular, often nationalist backlash despite the fact that the constructivist approach to identity formation has been posited as a possible enabling factor for the creation of a European identity (Risse, 2010). It is obvious that national identity is not homogeneous; indeed, it can vary insofar as it is also "influenced by factors such as social status, political party identification, regional and/or ethnic origin and so on" (Wodak *et al.*, 2009, p. 188). It is precisely these conceptions that populist national movements can exploit by claiming to put the perceived interests of "the nation" before all (Dolezal and Hutter, 2012; Kriesi, 2014; Ucen, 2007). Still, this does not address variance in the success or existence of such nationalist sentiment across countries. Further, evidence is mixed regarding the tendency of multi-layered federal states' populations to accept a supranational level of governance (Anderson, 2002). By itself, a country's governance structure says little about how that framework is reflected by and interacts with differing national milieus in different countries: How do different identity-influenced conceptions of nationalism and perceptions of national governance influence nationalist discourses related to EU integration across states?

In what follows, this contribution seeks to unpack a possible answer. It does so by suggesting that problematizing only ethno-nationalist makeup or governance structure is insufficient to explain why nationalist Euroskepticism gains traction in some countries more than others. Using news content analysis as a lens through which national discourse regarding the EU can be taken stock of, this contribution analyzes high-circulation, lower quality press in three EU Member States -- Poland, Britain (England and Wales) and Spain -- each with different governance structures, sub-national compositions and relationships to the single market. Findings suggest that the EU was framed in a nationalistically negative manner in both Poland and Britain -- states in which national identity remains relatively uncontested. Resultantly, integration was framed as a self-evident threat to the perceived interests of an already unified national group. However, this was less the case in Spain: a state where contestation between multiple ethnic groupings is commonplace. Instead, nationalist sentiment there viewed conflict between the Member States and the supranational level of governance as somewhat 'normalized'.

## **1. EU discourse and national identities: actual benefits versus *perceived* interests**

As mentioned above, the EU's justification of its integrative powers through a discourse of mutual benefit through interaction in a single market means that it is



intended to be considered an effective rationale for further integration based on common interests and fair outcomes (Kuhn and Recchi, 2013; Pickle, 2003). However, if public identities continue to reflect the primacy of national identity according to socio-economic solidarity, they may regard the supranational institutions' imposition of deregulatory measures as automatically unfair and/or illegitimate despite possible benefits of the integration process. As a result, supranational, interest-oriented appeals, addressed to a not-yet-existent European public sphere, would not constitute an effective or relevant argument for the engenderment of an affective, EU-wide, perception of the single market (Rosamond, 2012; 2014). Instead, the EU-level argument for the benefits of integration as a basis for accordance of affection to a supranational patriotic unit remains a discourse in search of a collective European identity to support it (Clift and Woll, 2012). In this sense, publics may ignore or reject Union invocations of interest-based appeals for a supranational patriotic affection -- based on common interests -- as a rationale for integration by its institutions. As it will be maintained, such appeals can clash depending on their interaction with identity-based, state-level interest perceptions regarding the legitimacy of the EU to shepherd Member States in the direction of supranational integration.

Significantly, with regard to the EU's discursive appeals, it is important to point out that this rationale has been discussed primarily as an instrumentally interest-based phenomenon within political-economy. In accordance with this line of reasoning, identities should be based on practical interests. However, to address the interest-identity relationship in this way does not address possible sources of the construction of citizens' *perceived* interests. It also fails to take into account how identity and interests can influence each other and may even be construed in a co-constitutive manner; "perceived instrumental interests can only explain the variation [in outcomes] *in conjunction* with the other factors" which largely include citizen's already existing identity constructions (Marcussen *et al.*, 1999, p. 629). Thus, the co-constitutive nature of national identities and the resulting perceived interests require the "assumption of mutually constitutive social action as a significant factor towards the construction of identity and therefore, interests and behaviour in global politics" in order to better clarify from whence perceived interests have been constructed (Christiansen, *et al.*, 1999, p. 535). With specific regard to integration processes, each concept informs the other, often in a mutually self-reinforcing way. Thus, identity conceptions and interest perceptions have the potential to remain rather immutable in the face of incremental change within the relevant institutional environments (Marcussen *et al.*, 1999).

## 2. All identities are not identical: defining the relevant national discourses

The above framework provides a useful understanding of the manner in which the perceived national interest is constructed and reinforced. Yet, to claim that the entrenchment of national identity causes citizens of all Member States to



resist integration, would be to paint with too broad a brush the diversity among them -- in the environments where various national identities have evolved and exist. Obviously, the non-homogeneity of national identities means that nationalist anti-EU discourse would be more prominent in some segments of society rather than others. Indeed, those who already possess the educational and material resources, which enable them to move about the Union and interact freely with citizens from other Member States, are also most likely to possess more “permeable” identities that dispose them to perceive benefits from membership (Kuhn, 2012). However, this represents only a small minority of the general populace (Fligstein, 2009).

Conversely, those who perceive of themselves and those like them as being at a net loss flowing from integration would be more likely to opt for national demarcation, or the re-entrenchment of national boundaries, than those who perceive of themselves as benefitting from integration (Kriesi *et al.*, 2006; 2008). When identifying which discourses within Member States would choose to argue for the demarcation side of the cleavage, it is tempting to problematize the discursive stance of right-wing populist rhetoric. Such sentiment has been pointed to as championing the cause of those who feel that they stand to lose from integration along national lines, against some form of urgent threat (Dolezal and Hutter, 2012; Kriesi, 2014; Wodak, 2015). With regard to national identity-based discourses, this focus could be especially relevant. Yet, the demarcation rationale has both national as well as socio-economic aspects, which tend to be reflected according to the traditional right-left political dividing lines (Kriesi *et al.*, 2006). However, such a focus does little to address exactly why a certain populist group would perceive ‘the nation’ -- as opposed to a given social class -- to be at a net-loss from the destruction of national barriers. The stance that the relevant nationalist discourses evolve along traditional ideological lines of right-wing versus left-wing populism remains oversimplified and does not account for other, more diffuse forms of non-elite sentiment. Instead, the advent of so-called “centrist” populism, which puts the interests of the ‘nation’ foremost, while not fitting cleanly onto one side of the aisle is more illuminating (Ucen, 2007). Yet, while proving an explanation for what segments of a society would be likely to be most categorically resistant to the EU integration process, as justified by nationalist rhetoric, it does not point to why the public discourses related to that rhetoric are more apparent in some Member States and not in others. Two additional elements may be needed in order to show the manner in which nationalist sentiment can be influenced by its environment.

The EU Member States display diversity in the number of governance layers they possess. Some are more centralized while others represent more federal models. Additionally, they display an array of sub-national ethnic compositions. It has been posited that federal or decentralized states might be more accepting of supranational influence as their populations’ identities are already more accepting of competing layers of government (Schild, 2001). Yet, mixed results have been



found on whether a federal structure makes the national identities of citizens in those states more accepting of the activities of the EU (Anderson, 2002). This might be due to the fact that having a more federal or centralized form of government, by itself, is not sufficient with regard to influencing identity-based perceptions about the normative acceptability of EU integration (Mueller, 2012). Instead, contesting sub-national ethnic groupings, as reflected in those layers of government, could influence the permeability of the nationalist popular discourses to supranational influences in states whose citizens have strong, recognized regional/linguistic attachments below that of the nation-state (Beyers and Bursens, 2013; Chacha, 2012). Thus, the EU discourse ‘gets out’ more, or is at least viewed more mercifully, in the nationalist discourses of those countries.

### **3. A role for the news media: journalists as purveyors of the national condition**

The news media provide a conduit through which such discourses can be communicated to national audiences and whereby the response can serve to constrain coordinating discourse (Koopmans and Statham, 2010). This means that journalism has long played a decisive role in “the battle of ideas with regard to the policy questions of the day” (Schmidt, 2008, p. 305). The positioning of news outlets within the public discourse has developed innately as the media “frames, shapes and packages information and in this function exerts a large and sometimes determinate influence in shaping citizens opinions” (Chambers, 2009, p. 341). When journalists produce a news report, they do so by bundling together certain discrete bits of “reality” into the form of a coherent story, which will be readily acceptable to the conceptions of their intended audiences. Journalists in Europe are themselves members of national societies and conceive of their identities and roles in largely national terms, while the question of ‘Europe’ has not changed the criteria used in newsrooms for selection of events as newsworthy (Heikkila and Kunelius, 2014; Statham, 2004). This remains true even if they are expected to follow a certain editorial or ideological stance: “Common schemas are the ones that form the basis for most individuals’ reactions to framing communications. Elites do not have unlimited autonomy but are constrained to choosing from this cultural stock, which records the traces of past framing” (Entman, *et al.*, 2009, p. 176). Thus, while it might make sense to conceive of the role of journalists and editors as actors, which work to shape public opinion, the stickiness of national identity conceptions limits prospects for their doing so (Cook, 1998; O’Neill and Harcup, 2009).

If national identities are primary, events that clash with identity-based perceived interests may be flagged as news simply for their inducement of visceral emotive reaction on the part of news consumers with little relation to contextualized facts related to them (Kim and Cameron, 2011). Instead of a cost-benefit analysis based on apparent factual interests, identity, thus, may lead news discourses to promote visible events that are seen to be deviant from barriers





accorded by that identity and thereby are reported on as automatically threatening for their evocation of emotional reaction (Lecheler, *et al.*, 2013). In this, the media serves as the conduit through which the pulse of national sentiment can be taken, not only through what events and issues are flagged as relevant, but also through how they are framed in a valenced manner -- i.e. positively or negatively (De Vreese, 2010; Schuck and De Vreese, 2006).

#### **4. Qualitative content analysis: a method for capturing nationalist discourse in news**

As mentioned beforehand, this contribution focuses on popular nationalist discourse as reflected in news reports. Resultantly, its analysis is centred on the collection and categorization of articles in the online archives of major tabloid-style or free news outlets that have national outlooks or nationalist bents. As a result, while allowing for the fact that the character of nationalist EU resistance may differ in nature and strength across cases, this remains mainly a study targeted on resistance to the EU as reflected in press discourse, which locates itself mostly on the latter half of the integration/demarcation divide. As Van Dijk (2013) has noted, this type of press encompasses more than simply publications with a populist editorial stance, but unlike quality press, they have in common a tendency to only focus on an event and its perceived consequences in terms of predetermined frames while providing little in the way of substantive context. Focusing on these types of “low quality” press allows for better targeting of the analysis to the relevant nationalist popular discourse due to the tendency of these outlets’ reporting to emphasize simplification of complex events or issues and thus providing a ‘reality’ for the news consumer which is readily intuitive and easily assimilated; populist-style discourses often are based in such simplified appeals (Wodak, 2015).

Because the point of this study was to determine the role of national identity in leading to support for EU dis-integration, three countries were chosen as relevant case studies. Each had a different relation to the single market, while at the same time sporting different sub-national ethnic landscapes and governance structures. They are as follows: Spain, England and Wales and Poland. In greater detail, in Spain, the ‘Mediterranean’ or mid-income country, sub-national governance structures tended to be both rather autonomized and organized along the lines of ethnic communities -- many with their own languages and agendas -- while sharing one common media environment. UK, the North-European state, is nominally a ‘country of nations’; ethnic or linguistic groupings are historically tied to a certain region that is incorporated as a discrete administrative unit. However, the member nations of the UK share (for the most part) a common native language in the modern day, despite the fact that the press regulatory environments of Scotland and Northern Ireland were never incorporated with the English/Welsh one. Further, England and Wales have much more limited autonomy from





Westminster, while the compatibility of Welsh or English identity with that of 'British' remains largely un-contentious, and the latter is considered to spread rather unequivocally to the UK's other member nations (Mandler, 2006).<sup>1</sup> More similarly, Poland, an eastern enlargement Member, is one of the most ethnically homogeneous states in the EU and is largely a unitary republic. The Polish *Województwa* enjoy only superficial autonomy from Warsaw and are organized with basically no regard for the country's relatively small linguistic/ethnic minorities such as Silesians or Kashubians (Riedel, 2012). According to this, if national identity remains prime as reported in news so as to foment resistance to integration, then EU integration will be viewed as relatively less deviant in those states where national governance of discrete ethnic subunits remains ordinarily conflictual; what constitutes national identity remains a contestable concept. Conversely, if interests remain antecedent, reports will reflect a more cost-benefit style analysis of integration, which takes the EU discourse into account.

Across the three case studies, the papers to be examined were selected such that they may play a role of 'functional equivalence', speaking to groups as similar as can reasonably be expected in their respective public spheres (Hofstede, 1998, p. 24 ). All chosen sources are considered the two most major, national lower quality publications in both their online and printed forms and are likely to resort to nationalist popular appeal in their reports (Jager and Maier, 2009). They are as follows: *Fakt* and *Metro* in Poland, *the Sun* and *the Daily Mail* in England and Wales, *20 Minutos* and *La Razón* in Spain. The decision was made to focus analysis by collection and categorization of articles produced during 2013. The selection of the 2013 timeframe allows for a focus on the tenor of popular nationalist sentiment that could stand to be taken up in light of later events such as the "Brexit" campaign and the Polish and Spanish parliamentary elections of 2015/16, while remaining disentangled from the political horserace.

Content analysis was selected as a method for backing out national conceptions of EU integration against a variety of situational issues. Articles were flagged for inclusion in the corpus by title, for their relevance to EU integration. Content frames -- and in some cases sub-frames -- were created inductively, so as to tailor the findings to the data rather than through predefined keywords. This allowed for the analysis to be carried out without first relying on pre-conceived notions about the findings, while controlling for the fact that the same word can have many different contextual denotations or meanings across languages (Lecheler and De Vreese 2009; 2010). Each article, and beyond that each content frame, was then assigned a value of zero or one, depending on whether it framed integration in a positive or negative manner (Semetko and Valkenburg, 2000). As we will see, the findings suggest that identity-based resistance to integration remains less pronounced in the country where the governance structures are federal

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<sup>1</sup> It is interesting to note that support for the EU is stronger in Scotland, a separate national group that has demanded more political autonomy, or independence from London.

in nature such that they reflect the continued identity-based contestability of the country as a nation.

## **5. The National in news: divining nationhood from press discourse**

The overall corpus encompassed a total of 501 articles with 111 of them being from the Polish sources, 184 originating from the British papers and 206 coming from the Spanish publications. Below, I present valenced content frames regarding what topics related to EU integration made the news across the three sample states. In Poland and Britain both the content frames present integration as an automatic threat to perceived interests of national identity. In the Spanish national press a different picture emerges; some aspects of the integration process were seen to have reasonably negative consequences for Spain. But, the EU integration process was seen to merely reproduce the conflictual multi-layered system of the Spanish ethnicity-based, federalized governance structure, while aiding in the process of nation building.

### **5.1. A ‘nation’ of unwilling inferiors: topics flagged as newsworthy in the Polish press**

Across both of the news outlets analyzed in Poland, articles generally related to the Western EU Member States viewing the Poles as less than their equals, despite what was viewed as an implicit promise of equality, which was to come as concomitant with EU membership. Because there were different aspects to this inequality it was necessary to subdivide this first topical frame into three separate but related sub-frames. Further, each frame tends to mirror another either positively or negatively, i.e. as either causing or standing to assuage an apparent problem. Through this, the newsworthy topics form a two-sided narrative across press articles. Over time, reporting of events that held integration as a negative side of the story, was favoured over the production of news about their positive aspects. However, both aspects were not addressed as concrete costs and benefits, pointing toward identity-based reporting rather than an interest-based account. Below I address main topics that were reported on in the news according to each content frame.

There were nine instances during the examined period in which integration was framed negatively due to a contention that Western member states view Poland and/or its citizens as economically inferior (Table 1 Frame 1.1). The fact that, in all of the cases, economic inequality was discussed as having only implications for “our countrymen” as opposed to ‘Europe’ would seem to indicate that the EU’s discourse of transactionalist or utilitarian benefit regarding this inequality was not



being treated as a key part of the issue.<sup>2</sup> In cases where the economic inequality frame was used, both newspapers' articles framed ostensibly discriminatory action as self-evident wrongs done to a unified Polish 'in-group'; Western Member States, mostly Germany and the UK, were written off as holding 'obviously' unfounded or hypocritical ideas regarding Polish citizens. This means that those Western European countries were uniformly framed as viewing Poles as being unworthy of equal employment and benefits rights, despite the status of Poles as EU citizens.

**Table 1. Content frames in examined articles of Polish news related to EU integration**

Content Frame		Combined (of 111)	<i>Metro</i> (of 44)	<i>Fakt</i> (of 67)
1. Contrary to the EU's stated ideals, the EU/Western MS do not view the CEE MS as equals (negative).	1. Total	38/34.2%	14/31.8%	24/35.8%
	1.1 Economically unequal	9/ 8.1%	7/15.9%	2/3%
	1.2 Development-aid related	21/ 18.8%	7/15.9%	14/20.8%
	1.3 Negative opinion of Poles	8/ 7.2%	0/0%	8/11.9%
2. The EU improves equal access to health care (positive).		6/5.4%	3/6.8%	3/4.5%
3. "Brussels" dictates unpopular policy to Poland (negative).		26/23.4%	7/15.9%	19/28.4%
4. The integration increases accountability (positive).		10/9%	7/15.9%	3/4.5%
5. Free movement of persons isn't a great boon of Membership/moving abroad which is unfortunate (negative).		22/18.9%	10/22.7%	12/17.9%
6. Integration means travel and work abroad which are more convenient (positive).		9/ 8.1%	3/6.8%	6/9%

Possibly based on Poland's longstanding status as one of the less developed states in Europe, the frame of unjust inequality most often focused on painting the character of EU integration as normatively being a form of development aid (Table 1, Frame 1.2). EU structural funds were frequently viewed as aid that Poland is entitled to as a result of supposed promises of equality with the West of the EU in terms of development level, as opposed to an interest-based principle of Union-wide fair benefit in a single market, or relative economic convergence over time. Articles rarely mentioned that Poland was already the largest net recipient of EU funding. Conversely, any denial or attempted denial of EU funding by the West was put forth as "taking money from us".<sup>3</sup> In context, this was presented as the case because such 'rightful' funding is granted to Poland in practice only because the country must negotiate for it. On the other hand, allocation of EU funds *within* Poland was rarely discussed as contentious due to the actions of Warsaw.

<sup>2</sup> Stangret, M. Łódź na niekorzystnym artykule w "The Sun" może zarobić. Oto jak. [Łódź can profit from the unfavorable article in "The Sun". Here's how], *Metro*, 8 January 2013, (retrieved from [http://metrocafe.pl/metrocafe/1,145523,13165767,Lodz\\_na\\_niekorzystnym\\_artykule\\_w\\_The\\_Sun\\_moze\\_zarobic\\_.html](http://metrocafe.pl/metrocafe/1,145523,13165767,Lodz_na_niekorzystnym_artykule_w_The_Sun_moze_zarobic_.html).)

<sup>3</sup> Miliony Euro do zwrotu? Komisja Europejska zabiera nam pieniądze [Millions of Euro to be returned? The European Commission is taking money from us], *Fakt* 2 May 2013, (retrieved from <http://www.fakt.pl/Komisja-Europejska-zada-zwrotu-79-9-mln-euro-z-funduszy-na-rolnictwo,artykuly,209839,1.html>.)

The final sub-frame of the more general inequality frame (Table 1, Frame 1.3), was found only in *Fakt*. This frame is similar to the economic inequality frame, except that there were no concrete legal or economic rights of free movement at issue. Instead, this frame presents Western Europeans as simply not liking Poles, and viewing them as ‘careless’ or as held in “not the best opinion”.<sup>4</sup> Like the economic inequality frame, the EU transactionalist discourse was not countenanced, or not considered a convincing side of the narrative when addressed against the perceived interests of the national in-group that were seen to be under uniform threat.

The general content frame of unjust inequality with Western Europe, despite perceived EU values, is the most dominant of all frames in the popular Polish press. As a contrast, the second main frame can be understood as standing in opposition to this (Table 1, Frame 2). Still, it was rarely used, constituting less than 6 per cent of all cases, and only amounts to one specific provision of the integration process being used instrumentally to the advantage of a people faced with a common problem.

The second overarching two-sided narrative regarded the imposition of EU policy on Poland. One regarded the EU positively, for improving national standards or making accountability of politicians in Poland. But, it was only used in 9 per cent of stories relating to EU integration (Table 1, Frame 4). The other, which interpreted the requirement of implementing EU directives and regulations as self-evidently maligning Polish perceived interests, simply for their origination beyond the nation-state, was the most dominant of any of the specific content frames (Table 1, Frame 3). The actual intentions or consequences of said unpopular regulation were not often mentioned in terms of actual Polish or European interests. Instead, national resolution within the nation-state was presented as the most apt solution to what were framed as scandalous threats to Poland caused by the EU’s “squandering money” or the “stupid idea[s]” of “Eurocrats”.<sup>5 6</sup>

The next two frames detailed the right of free movement of persons. One of these two was rarely used. It portrayed free movement between Member States as more convenient for purposes of vacation travel, often in context of the Schengen Area (Table 1, Frame 6). The dominant counter-narrative to the travel convenience frame painted the right of free movement of persons as not necessarily being a great positive for Poland (Table, 1 Frame 5). Most often Polish journalists wrote of

<sup>4</sup> Niemiecka policja: to Polacy obrabowali bank w Berlinie [German police: it was Poles who robbed the bank in Berlin], *Fakt*, 26 January 2013 (retrieved from <http://www.fakt.pl/Czy-to-Polacy-dokonali-zuchwalej-kradziezy-w-berlinskim-banku,-artykuly,197397,1.html>).

<sup>5</sup> Tak Unia szasta naszymi pieniędzmi [This is how the EU waists our money], *Fakt*, 2 October 2013, (retrieved from <http://www.fakt.pl/unia-europejska-to-mistrzynie-w-szastaniu-pieniedzmi,artykuly,421381,1.html>).

<sup>6</sup> Unia Europejska Zakazuje Bajek! [The European Union is banning tales!], *Fakt*, 2 January 2013, (retrieved from <http://www.fakt.pl/Bajki-zostanazakazane-przez-Unie-Europejska,artykuly,194082,1.html>).



free movement of persons for employment mostly in bilateral, national identity-based terms, while the EU discourse of common interest or benefit rarely constituted a relevant side of the story. This makes sense due to the fact that, as other research has suggested, Poland's longstanding status as an emigration country has seen to it that such migration has become imbued as a necessity into the Polish collective identity (Maybin *et al.*, 2014; White, 2015). When viewed through the lens of that national identity, migration to Western Europe as a result of the free movement of persons remains relatively undifferentiated from simple emigration. The dependency of Polish self-conceptions on it caused the right of free movement to be subsumed into a lamented need to "depart abroad for bread" that stands in opposition to the EU discourse, especially when the Polish identity-based view of the value of free movement is placed in juxtaposition to the other aforementioned negative narratives regarding integration.<sup>7,8</sup> This argues against a completely interest-based cost-benefit analysis as would be needed for the EU discourse to have the opportunity to take root, but rather amounts to a lamentation of a seemingly unified national condition.

## 5.2. The British 'Nation' as betters of Europe: newsworthy topics in the UK press<sup>9</sup>

In the UK, all topic frames were negatively related to integration, for its perceived violation of the interests of a unified British people (Table 2): Unlike the Polish case, the few stories that related positively to the integration process were reported on as happy accidents. The British accentuation of events related to integration build on one another, comprising an argument in which threats are caused by self-evidently harmful supranational integration, which does not recognize the perceived 'special' status of UK national identity and leads to conflict with other "inferior" states' citizens or firms, which were not considered worthy of solidarity in any form (Explicitly, Table 2 Frames 2, 3 & 4). Thus, consequences of integration perceived by national identity also refuse to countenance the real possibility of allowing for beneficial interaction.

Two topics by far were the most prevalent. Namely, these are encapsulated in frames 1 and 5 (Table 2). The first concerned Brussels' dictation of policy to its Member States, most often the UK. While the other (Frame 5) concerned supposed consequences of EU migration. A separate major content frame (Frame 6) focused

<sup>7</sup> "For bread" (*za chlebem*) is a phrase used with relation to emigration to describe situations in which an individual or family moves abroad because they are not able to meet their basic needs in Poland.

<sup>8</sup> Wyjazdy na saksy znów są popularne [Departures on vacation jobs are again popular], *Fakt*, 25 February 2013, (retrieved from <http://www.fakt.pl/w-polsce-praca-staje-sie-luksusem,artykuly,201313,1.html>).

<sup>9</sup> For purposes of brevity, I use the words 'UK' and 'British' to mean 'England and Wales' going forward unless otherwise noted.

on portraying EU citizens as criminals. Going forward I focus on these more prominent frames.

**Table 2. Content frames in examined UK articles related to EU integration**

Content Frame		Overall (of 184)	Daily Mail (of 107)	The Sun (of 77)
1. "Brussels" dictates unpopular policy to MS (chiefly to UK).	1. Total	54/29.3%	33/30.8%	21/27.3%
	1.1. The EU budget is too big/wasteful.	9/4.9%	4/3.7%	5/6.5%
	1.2. As MS, UK is powerless to resist senseless directives	28/15.2%	20/18.7%	8/10.4%
	1.3. EU integration means bad economic governance	17/9.2%	9/8.4%	8/10.4%
2. Disintegration is (not?) bad for business.		17/9.2%	13/12.4%	4/5.2%
3. Pro-EU forces refuse to recognize UK's "exceptionality".		14/7.6%	9/8.4%	5/6.5%
4. Continental standards are inferior.		8/4.3%	3/2.8%	5/6.5%
5. Integration forces treatment of economic inferiors as equals.	5. Total	68/37.0%	37/34.6%	31/40.3%
	5.1. EU migrants are the "other".	28/15.2%	14/13.1%	14/18.2%
	5.2. EU migrants take British jobs.	15/8.2%	10/9.3%	5/6.5%
	5.3 EU migrants are benefits tourists.	25/13.6%	13/12.4%	12/15.6%
6. EU citizens are criminals.		23/12.5%	12/11.2%	11/14.3%

In greater detail, the first sub-frame of Frame 1 related to the size of the EU budget (Table 2, Frame 1.1). On average, the EU budget was framed as too large and as having ridiculous line items -- including funding for CEE states. This sub-frame related to the EU demanding large sums of British taxpayers' money, which was often seen to be spent on self-evidently 'outrageous and retrograde' "Pet project[s] dreamed up by the European Parliament".<sup>10 11</sup> In this way, it can be considered to stand in agreement with Polish press discourse regarding the EU's policies being unneeded in that they waste money. However, in the British case, the emotively problematic manner in which money was spent on "subsidizing" other Member States also stood in opposition to the Polish framing of EU funding as rightful aid. Related points of the overarching unpopular policy category related to EU directives or regulations being nonsensical, pointless or even harmful (Table 2, Frame 1.2 & 1.3). Additionally, UK was portrayed as powerless to resist Brussels'

<sup>10</sup> Fuming over EU Cash for Tobacco, *The Sun*, 4 February 2013, (retrieved from [https://0-global.factiva.com.pugwash.lib.warwick.ac.uk/ha/default.aspx#./!/?&\\_suid=1467302791055017407308834668633](https://0-global.factiva.com.pugwash.lib.warwick.ac.uk/ha/default.aspx#./!/?&_suid=1467302791055017407308834668633)).

<sup>11</sup> Peev, G. Euro-MPs reject calls to cut vast Brussels budget and instead demand Britain stumps up more cash, *Daily Mail*, 13 March 2013, (retrieved from <http://www.dailymail.co.uk/news/article-2292799/Euro-MPs-reject-calls-cut-vast-Brussels-budget-instead-demand-Britain-stumps-MORE-cash.html#ixzz3qFUUSiyJ>).





“spreading its tentacles into aspects of...national life” as a result of EU membership.<sup>12</sup>

Within Frame 5 many stories mentioned the end of the Romanian and Bulgarian adjustment periods, in relation to perceived negative consequences for the British caused by allowing vaguely ‘inferior’ other citizens into the country (Table 2, Frame 5.1). Yet they explicitly made note of how these restrictions were being lifted (e.g. because of the EU) much less. Thematically, articles in this frame often related either to “relatively poor” EU citizens being allowed to gain employment in the UK in the context of unemployment or wage differentials.<sup>13</sup> Alternatively, other stories aired comment on UK firms who hire immigrants while not hiring Brits first as self-evidently “so unfair as to be outrageous” (Table 2, Frame 5.2).<sup>14</sup> These identity-related perceptions of “crimes” against the national in-group seemed to trump the credibility of any statements regarding actual economic or material benefits.

Although fear that EU migrants threatened the job-seeking status of Brits was present in identity-based claims reflected in press discourse, the larger emotive claim made regarded a hypothetical situation in which migrants would come to the UK while *not* intending to seek employment (Table 2, Frame 5.3). The final sub-frame of the broader ‘forced equality of EU migrants’ category was also strongly anti-EU integration. It concerned EU citizens, often from poorer Member States, coming or planning to come to the UK to claim benefits, despite never having worked in the UK or contributed to the system.<sup>15</sup> Oftentimes, however, the EU was framed as negatively related namely because integration was implied to force the UK to treat ‘work-shy’ EU citizens as equal to Brits, in terms of access to welfare benefits<sup>16</sup>.

<sup>12</sup> At Last, a Straight Choice on Europe, *Daily Mail*, 23 January 2013, (retrieved from <http://www.dailymail.co.uk/debate/article-2267319/David-Camerons-speech-At-straight-choice-Europe.html#ixzz3pbErsE5R>).

<sup>13</sup> Webb, S. Up to 70,000 Romanian and Bulgarian migrants a year "will come to Britain" controls on EU migrants expire, *Daily Mail*, 17 January 2013, (retrieved from <http://www.dailymail.co.uk/news/article-2263661/Up-70-000-Romanian-Bulgarian-migrants-year-come-Britain-controls-EU-migrants-expire.html#ixzz3pb3AWEaM>).

<sup>14</sup> Groves, J. Brussels offers UK firms £1,000 cash "bribes" to hire foreign workers, *Daily Mail*, 26 July 2013, (retrieved from <http://www.dailymail.co.uk/news/article-2379477/Brussels-offers-UK-firms-1-000-cash-bribes-hire-foreign-workers.html#ixzz3qLs97O5A>).

<sup>15</sup> Such claims were made almost blatantly to play on the fears of the readership, rather than be factual. It is not actually possible for an EU immigrant to simply come to the UK and immediately claim benefits without having first been employed.

<sup>16</sup> Mensch, L. Give us the right of veto on Euro laws, Cam ...Or we will get out, *The Sun*, 2 June 2013, (retrieved from [https://0global.factiva.com.pugwash.lib.warwick.ac.uk/ha/default.aspx#!/?&\\_suid=1464266113131016002696274917616](https://0global.factiva.com.pugwash.lib.warwick.ac.uk/ha/default.aspx#!/?&_suid=1464266113131016002696274917616)).



The final UK frame portrayed EU citizens as coming to the UK to commit crimes. Within news reports the threat came from the criminals themselves more than the EU institutions, although integrative policy was portrayed as an enabling factor. Disintegration was still positioned as the proper solution if EU citizens' ability to commit criminal acts in the UK was to be circumvented. Two main, related issues were repeatedly produced as news in this frame. The first concerned itself with narrating events in which EU migrants in the UK already do commit crimes more than British people. The second concerned the plans of Romanian and Bulgarian "thieves and benefits scroungers" to travel to the UK.<sup>17</sup> The actual representativeness of these instances is implied but not addressed or evidenced. The threat is merely carried for its perceived possibility to violate the interests of the national in-group, while the EU discourse is absent.

Thus, overall in both the Polish and British cases, integration was viewed as problematic or self-evidently pessimistic for breaking down state-barriers, which historically were normatively synonymous with the boundaries of the nation and the exclusive purview of the national parliament. The EU discourse was not considered to be relevant, or was problematic when viewed through the prism of national identity as reflected in nationalist news discourse. However, which aspects of it were framed as problematic within the sending and receiving countries often conflicted such that assuaging the concerns of those in one state, would amplify what was considered to constitute emotive newsworthiness in the other. Little or no recognition or trust -- as would be required for the construction of a European identity -- was accorded to non-members of the defined national in-group (Nicolaidis, 2007).

### **5.3. Spain as a nation? Topics flagged as newsworthy in the popular Spanish press**

As in the Polish case, the main topics that the Spanish sources chose to highlight related both positively and negatively to EU integration. However, where in Poland the main events in the news were organized around general narratives that reflected negative perceptions about integration, and much less dominant ones that pertained to positively to it, in the case of the Iberian country the pros and cons seemed to be weighed, at least partially, within the main topical frames. As we will see, this pattern suggests that the EU's discourse was able to make inroads, at least partially, despite the antecedent importance of national identity. As it will be argued, it may be the fragmented nature of Spanish identity, combined with how it is reflected in Spain's government that allows this to be the case.

<sup>17</sup> Walker, S. Migrants "plan UK theft spree", *The Sun*, 31 December 2013, (retrieved from [https://0-global.factiva.com.pugwash.lib.warwick.ac.uk/ha/default.aspx#!/?&\\_suid=14673546969407454920727483945](https://0-global.factiva.com.pugwash.lib.warwick.ac.uk/ha/default.aspx#!/?&_suid=14673546969407454920727483945)).





In the case of the first ‘great achievements’ sub-frame it was news about the single market, rather than actual consequences of it, that was flagged by Spanish identity conceptions as a relevant topic about which to produce a news story (Table 3, Frame 1.1). Beyond any uncertainty generated by the contentiousness of the supranational process, a given story in this frame made the news because of the single market’s perceived importance to Spain, rather than common interest of all of its Members. In many cases, this contentiousness came from the fact that the single market was painted as a major reason for the UK to remain in the EU, or was positive for its application of universal rules that did not give special preference to certain groups over others. Despite this, contradicting articles decried the process of market integration when it was seen to have negative consequences for Spain. In others, integration of the single market was seen to offer added protection and security for ‘the Spanish’ who *should*, the nationalist press discourse implies, form a united nation with some common identity.

**Table 3. Main content frames in Spanish articles related to integration**

Content Frame		Total (of 206)	<i>La Razón</i> (of 118)	<i>20 Minutos</i> (of 88)
1. Single market is one of the EU’s greatest achievements.	1. Total	45/21.8%	35/29.7%	10/11.4%
	1.1 Single market as one of the most important aspects of integration (positive)	15/7.3%	9/7.6%	6/6.8%
	1.2 Single market is threatened by the other Member States (negative)	30/14.6% <sup>18</sup>	26/22.0%	4/4.5%
	2. Total.	46/22.3%	27/22.9%	18/24.5%
2. The EU means good fiscal discipline/stability	2.1 EU integration is a way out of debt/economic crisis(?) (Positive)	13/6.3%	8/6.8%	5/5.7%
	2.2 EU policies promote growth (positive)	14/6.8%	7/5.9%	7/8.0%
	2.3 The EU doesn’t understand Spanish realities (negative)	18/8.7%	12/10.2%	6/6.8%
3. The EU regulation improves national standards/unity	3. Total.	40/19.4%	24/20.3%	16/18.2%
	3.1 The EU improves lacking national measures (positive)	30/14.6%	16/13.6%	14/15.9%
	3.2 The EU discourages regional succession (positive)	10/4.9%	8/6.8%	2/2.3%
	3.3. Integration worsens Spain’s/southern Europe’s circumstances (negative)	20/9.7%	8/6.8%	12/13.6%
4. EU allows Spaniards better employment opportunities (positive)		14/6.8%	5/4.2%	9/10.2%
5. EU (& more developed MS) as source of funding (negative)		41/20.0%	19/16.1%	22/25.0%

The main difference between the frames 1.1 and 1.2 was that in the second, the recalcitrance of other EU Member States was the main focus of the articles

<sup>18</sup> In this: UK 19, Germany 8, Other/Southern Europe 3.

(Table 3). The anti-integrative measures of other Member States comprised the main thrust of these articles. This was due to the fact that this framing allowed the integration process to be perceived as a risky and uncertain project, where supranational interactions could hold inherently undeserved consequences for Spain. EU-level discourse, though discussed, was seen to lack credibility as it clashed with national identity conceptions in other Member States, often the UK or Germany, but to a lesser extent with regard to austerity measures imposed as a result of membership. A large subset of articles in this topic frame were concerned with the EU involvement over Spain's ongoing disputes with UK over Gibraltar, and border controls between it and Spain proper. In other words, this topic held the single market as something that would be a net positive for Spain in particular, if it were not for the "instabilities and threats" caused by having to share that market with other national groupings.<sup>19</sup> Interestingly, however, the EU institutions were seen as offering a solution, for their possibility to bring these other states to heel, thus resolving the threat caused apparently by normalized conflictual interaction with other entities for the Spanish as a national group.

The first sub-frame of the second general grouping of topics that were considered to violate perceived national interests related mainly to financial reforms of the Eurozone, or measures taken to stimulate growth (Table 3, Frame 2.1). Reforms, which the EU required of Spain or other indebted Eurozone countries, were framed as having painful consequences for the Spanish and other similar national groupings. But, in many cases said reforms were presented as necessary for the improvement of Spain's long-term financial situation. Within this, there seemed to be a strong discourse which posited that Spain, as a nation, should take responsibility for previous unsustainable spending, which had been made worse by allowing too much leeway to the country's "scandalously indebted" autonomous communities.<sup>20</sup> Unsurprisingly, when EU reforms were seen not to have the desired effect, articles related to the EU more negatively in narrative overall. While this could be interpreted as evidence of an interest-based discourse being taken up as relevant in news, more attention was focused on consolidation of Spanish federal governance and identity through a narrative of reigning in the autonomous regions.

More generally, the second topical sub-frame problematized whether EU policies successfully create growth (Table 3, Frame 2.2). Stories here took issue with various EU reforms meant to promote Spanish economic growth, or help to solve structural problems such as unemployment. While the EU discourse of

<sup>19</sup> Flores, J. España no es Chipre y ni siquiera se *parece* [Spain is not Cyprus and doesn't even seem that way], *La Razón*, 24 March 2013, (retrieved from <http://www.laRazón.es/economia/espana-no-es-chipre-y-ni-siquiera-se-parece-FM1619315#.Ttt1ZWY7dZC6qoW>).

<sup>20</sup> Vidal, C. Cuando las barbas Chipriotas... [When the Cypriot beards...], *La Razón*, 20 March 2013, (retrieved from <http://www.laRazón.es/opinion/columnistas/cuando-las-barbas-chipriotas-AX1572552#.Ttt1GDqkMeH7hOe>).



common interaction and interest was counted as a relevant part of news here, it was merely presented as a justification for policies that were purported to work to Spanish advantage specifically. Conversely, economic policies “imposed” by Germany, that were perceived as un-advantageous to Spain were viewed skeptically with little regard for the German side of the story, suggesting a lack of affective ties between Member State identities despite a willingness to interact.<sup>21</sup> Therefore, while news stories were selected for their standing to affect the identity-based perceived interests of the readership, the perceived interest remained based in purely national conceptions, though outcomes were not necessarily viewed as unacceptable. The transactional EU discourse continued not to have its desired effect.

Still, it may be possible to take the above two sub-frames as evidence of partial support for EU integration based on common interest in the single market. However, it becomes apparent that this is not the case when the third sub-frame is taken into account (Table 3, Frame 2.3). EU discourse and justifications were mentioned, but they were considered self-evidently non-credible. These stories took issue with the fact that Spain was expected to apply EU regulations, which were perceived to adversely affect the country or a unit within it; little investigation was given into actual costs, benefits or intentions. Many stories referred to the EU attempting to forbid practices from the “outside”, the halting of which would make it more difficult for Spain, or one of its regions, to cope with the economic crisis, especially when supranational “Technocrats” actions self-evidently demonstrated “difficulty understanding...Spanish reality”.<sup>22</sup> Other articles were critical of what was framed as unwise, pro-austerity regulation. Thus, as in Poland and UK, the EU stood as illegitimately causing problems that should be resolved by a Europe of nation states when policy from Brussels was unpopular. However, nationalist press discourse in Spain seems not quite as dismissive of those policies as the outlets in the other two countries. As we will see, the normalized role of Madrid in mediating between Spain’s various communities -- necessitating some wins and losses among them -- caused these actions of the EU to be perceived as much less contentious by the Spanish nationalist discourse.

The specific topics addressed in frame 3.1 (Table 3) related to the EU forcing the improvement of national standards or regulations. In comparison to the other two case study countries, that this was regarded in a largely positive manner is interesting; in both Poland and UK, most stories related to EU policy standards regarded the activity of the EU in national policy as a threat for their origination

<sup>21</sup> Arroqui, M. Alemania prepara créditos para pymes de España y Portugal [Germany prepares credits for the SME’s of Spain and Portugal], *La Razón*, 27 May 2013, (retrieved from <http://www.laRazón.es/economia/alemania-prepara-creditos-para-pymes-de-espana-IM2439684#.Ttt1KGaqKCREqQm>).

<sup>22</sup> Rañé, J. M. El pasmo de la Troika [The shock of the Troika], *La Razón*, 12 March 2013, (retrieved from El pasmo de la troika <http://www.larazon.es/local/cataluna/el-pasmo-de-la-troika-XH1458000#Ttt147C5XSCG7VFb>).



outside the nation-state. However, this does not mean that the Spanish press viewed the capacity building provided by EU policy in a purely interest-based manner. Instead, it was only presented as self-evident normative goodness of helping to solidify a unified Spanish nation when viewed in context of an apparent permeable contestability of that identity. While some articles did refer to the EU's improvement of standards directed to Spain as a whole, a good number of them referred to EU regulation as forcing the improvement of governance in one of Spain's regions, which were framed as delinquent for not being wholly integrated with the federal government. Conversely, when articles referred to the EU's regulation of other country's policies, this seemed viewed in a similar manner to the ordinarily conflictual relationship between the Spanish government and its autonomous communities. Thus, an interesting facet of Spanish identity in its nationalist press is revealed vis a vis the other two case study countries: While in UK and Poland news topics were framed in a national 'us' versus non-national 'them' manner, what constitutes the 'nation' in Spain remains somewhat fraught with contesting positions of its regions. What's more, the manner in which the federal centre is set up to manage these competing sub-state interests may make the EU's activities appear less alien. As the next sub-frame more clearly shows, Spanish national news often framed exclusive regionalist ambitions as more threatening to the crafting of a cohesive Spanish identity; EU integration was presented as a possible solution to this.

The second sub-frame (Table 3, Frame 3.2) of the promotion of unity in national standards category often lauded the EU institutions for standing against the secessionist ambition of sub-state groupings in Spain and more generally in the Union. Obviously, most of these stories addressed questions of Basque or Catalan sovereignty, while the EU's positions on Scotland's independence referendum was also considered as worthy of attention in news. In a majority of cases, the EU was positioned as offering a solution to identity-based threats created by secessionist ambitions, by reinforcing the image of Spain as a cohesive nation.

Related to the positive framing of the normalization of Spain as having a cohesive identity, the final aspect of the "national unity" topic frame addressed instances in which EU regulation was framed as negatively affecting Spain or one of its regions (Table 3, Frame 3.3). In a majority of them, the EU's rationale behind said measures was relevant, however it was interpreted in a self-evidently negative manner when it stood to adversely affect a community within Spain. In the first two sub-frames of the 'national unity' topic, the Spanish regions' disparate identities and ambitions were framed as threatening if not anything new. In frame 3.3, when an EU policy appeared to worsen or not sufficiently benefit one of those regions so as they "consider the conditions [of them] unacceptable", solidarity seemed to be accorded to them as members of the Spanish 'in group'.<sup>23</sup>

<sup>23</sup> La Eurocámara aprueba el acuerdo de pesca con mauritania que rechazan La xunta y el gobierno central [The EU council approves the Fishing Agreement with Mauritania that the



The fourth Spanish frame discussed free movement of persons as its main topic. In those instances where EU discourse was considered to be a side of the story, EU austerity-oriented actions regarding Spain's economic situation were what was considered to "have a painful aspect", rather than the emigration in and of itself.<sup>24</sup> Mainly, articles related to emigration to Germany and northern Europe. Within this, harmonization of standards regarding recognition of credentials was viewed positively. Thus, like in Poland, free movement proved a somewhat anaemic benefit to fostering positive identification with Europe when viewed in relation to other perceived consequences of integration for the nation-state. At the same time, EU migration was viewed in a less stridently negative manner, perhaps because the regionalized nature of Spanish identity makes it more open to outside influences in the first instance due to its "nested" nature in other identity levels below the nation state, thus allowing movement beyond Spain to be perceived as ordinarily conflictual in terms of interest (Medrano and Gutierrez, 2001).

The final Spanish frame regarded EU funding and viewed integration negatively in terms of consequences for Spain. As in Poland, some articles did problematize the amount of funding given to Spain as automatically illegitimate in terms of reductions. However, this was moderated by the contestability of distribution of funds by Madrid between the Spanish regions, through a recurring conceit regarding the funds that 'their application in Spain 'will not be easy' once the time came for Madrid's federal centre to apportion the funding.<sup>25</sup> Thus, wins and losses in terms of funding below the national level remained newsworthy, making similar uncertainties on the supranational level relatively more normalized.

## Discussion

In recent years, the increasingly encompassing process of EU integration has encountered rising amounts of nationalist backlash. While the EU institutions have justified their existential purpose through a discourse of common interests in interaction, the objections raised by many nationalist population segments have refused to countenance this supranational rationale. The content analysis conducted

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Galician Government and the Central Government Reject], *20 Minutos*, 8 October 2013, (retrieved from <http://www.20minutos.es/noticia/1941146/0/#xtor=AD-15&xts=467263>).

<sup>24</sup> González Pons: "No podemos decir que trabajar en la UE es trabajar en el extranjero" [Gonzalez Pons: „We cannot say that to work in the EU is to work abroad"], *20 Minutos*, 2 June 2013, (retrieved from <http://www.20minutos.es/noticia/1832111/0/gonzalez-pons/trabajar-ue/no-es-trabajarextranjero/#xtor=AD-15&xts=467263#xtor=AD-15&xts=467263>)

<sup>25</sup> Arias Cañete señala que "no será fácil" la aplicación de la nueva PAC en España [Arias Cañete signals that the application of the new CAP "will not be easy" in Spain], *20 Minutos*, 17 April 2013, (retrieved from <http://www.20minutos.es/noticia/1789148/0/#xtor=AD-15&xts=467263>).



above suggests that national populist discourse bases its objections not on actual interests, but instead on interests as perceived through the lens of national identity. However, this identity-based resistance has been extant in some EU Member States more than in others. When the sub-national ethnic makeup of the examined states was taken into account, Spain -- the sample country composed of conflicting ethnic groups -- proved more accepting of integrative measures, if not the EU rationale behind them. Whereas in Poland and UK, nationalist discourse as experienced in press rallied around a (supposedly) unified national identity, that could become locked in conflict with a threatening force from its outside. In Spain, the country's fragmented, sub-national nature caused nationalist discourse to centre on the contested question of Spanish nationhood itself. Further, whereas in Poland as well as England and Wales, the national government institutions were unquestioned as that country's legitimate highest authorities in news, the character of the nationalist press discourse in Spain pointed to the federalized government's role in mediating between Spain's conflicting communities as normalizing the role of the EU institutions; they were seen to perform a similar function. While this has only been a study of three EU Member States, the results could suggest that the confluence of ethnic makeup and governance structure could influence identity-based nationalist resistance to integration.

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# THE RAISE OF NATIONALIST AND POPULIST PARTIES IN THE EU. CAUSE OR SYMPTOM OF THE POLITICAL CRISIS?

Matteo ZANELLATO\*

## Abstract

*The European Union (EU) is confronted nowadays with both economic, social and political challenges. The post crisis recovery has to deal also with the refugee crisis and the employment uncertainties. The political challenges are amplified by the growth of the nationalist parties that exploit the different social crisis the EU is facing only to increase their support in the national elections, without transmitting strong values. In this article through the critical theory I will analyze the one-dimensional parties, meaning the parties without a specific weltanschauung that tries only to gain public offices with a nationalistic-populistic propaganda. In the conclusions, I will try to offer some solutions to escape this political impasse.*

**Keywords:** critical theory, *téchne*, one-dimensional parties, Italian right wing parties

## Introduction and methodology

The growth of nationalist-populist parties amplifies the social, economical and political challenges for the EU, but Europe cannot become a collection of potential populist governments and cannot either be restricted as a free trade area.

My research question is ‘what justifies the ascension of populist political parties in Europe in the last years, given their weak ideology?’. From this research question arises a secondary question: ‘in what in depth *téchne* influences political parties?’.

My hypothesis is: ‘if *téchne* is a purpose and not a mean and the only goal permitted is the growing of the apparatus and the society is a one-dimensional one, then populist political parties have the function to keep the unhappiness controllable by the apparatus’.

My objectives are to present the critical theory approach, to explain the impact of technology on politics, to explain the Europeanisation of political parties and exemplify the weak ideology of populist political parties with concrete examples. The overall goal of my research is to identify new solutions to preserve

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the representative democracy, a united EU as a space of peace, with its checks and balances.

My expected conclusion is that the populist-nationalist parties in Europe have developed so much because of the social and economic crises that are still going through the EU, but they do not respond to an anti-European, anti-democratic or racist worldview, despite that their speeches seem to prove otherwise. Indeed, in this context, the presence of “anti-system” parties allows the system to hold itself.

This paper will provide a multidisciplinary analysis, encompassing comparative politics, philosophy, political theory and international relations. Due to this reason, I will use various types of sources: both scientific, official documents and mass media/newspapers

In order to better understand this paper, I will operationalize four concepts: *weltanschauung*, *téchne*, will to power and political parties.

The concept of *Weltanschauung* means a worldview. I consider that nowadays, it is no longer possible to have a different *weltanschauung*, because the growing of the apparatus is the only purpose, the only admissible worldview.

I’m not a philosopher who studies being and technology, but I try to analyse its practical consequences in the politics’ dimension. I will reside my paper on the works of Severino and Galimberti on the relation between man, nature and technology. In their works, they underline how technology became purpose, and they use the words technology, technique and technical as a synonym to the concept of the scientific-technical apparatus that I will better describe in the next chapter.

The concept of will to power is tightly connected with the concept *téchne*. Nietzsche defines it as the perpetual renewal of the man’ values, being an impersonal will. For Severino it means the will to transform something in something else. I will follow his assumption.

The classic definition of political parties belongs to Max Weber: «parties [...] are in their essence freely created organizations pursuing free recruitment [...] their purpose is always to seek votes for election in public office» (Pasquino, 2009, p. 146). Giovanni Sartori (2005, p. 56) defined it in 1976: «A party is any political group identified by an official label that presents at elections, and is capable of placing through elections (free or non-free), candidates for public office». I will use the definition of Sartori, but I will analyse only parties that run for public offices in parliamentary democracies with free election.

In this paper, I will use the critical theory approach on political science because of the critique of current paradigms, the critique of the general norms and mainstream discourses that are considered to have a normative and a cultural hegemonic status of power. I will present the aforementioned theory in the first chapter. I will also analyse technology as a purpose, through a short literature review of the main authors who have studied *téchne*, following the Italian philosophers Severino and Galimberti. According to this school of thought, *téchne*,



being the highest form of rationality, it has no obstacles in achieving what may do. This causes that the political decisions are taken in accordance with the technological apparatus in which we live.

Starting from the fact that governments and mainstream parties are constraint to propose the same solutions, this paper will argue that nationalist-populist parties try to exist even without a strong ideological base and a different *weltanschauung*.

Without claiming that nationalist movements are bad in itself, I argue that present forms of nationalism are not the cause of the crisis the EU is facing, but a symptom of deeper issues. We should bear in mind the assumptions of Marcuse in *One-dimensional man* stating that technology transforms the environment into a soft dictatorship, in which technology becomes the purpose and the man becomes a mean. Meaning that these present nationalist movements will not be able to solve these issues, as they could not be solved either by previous endeavours. Our society is a one-dimensional one in which political parties and cultural movements with an alternative *weltanschauung* cannot emerge. To prove this, in the analysis chapter I will briefly present the evolution of parties from cadre parties to cartel parties. Before describing it, I will analyse what are the quantitative technological changes that have led to a qualitative change. In the last part of this chapter I will briefly describe the results of the Europeanisation of political parties within this theoretical framework.

The case study provides a diachronic analysis and a discourse analysis of the right-wing party in Italy, more precisely the road of *Alleanza Nazionale* (AN) to *Fratelli d'Italia* (Fdi). In the first section I will describe the evolution from AN to Fdi, in the second section I will analyse the programs of Fdi.

The data collection process focuses on open sources like Eurostat and OpenParlamento.

## 1. Critical theory and technological progress

Critical theory emerges from the intellectual elaborations of the Frankfurt School. The *Institut für Sozialforschung* was established in Frankfurt from a group of Marxist' intellectual in 1922.

In 1930 Max Horkheimer became president of the institute, an independent Marxist intellectual who felt both alien to the communists - blaming them for having applied only mechanically the principles of Marxism - as to the Socialists - because they were integrated into bourgeois society.

After the preliminary phase of the Institute, I agree with Baldassarre (2016, p. 11) that the next stages, which can be divided into three periods, gave rise to the second generation, of which the main representative is Jurgen Habermas. The institute is still functioning and the director is Axel Honnet.

The first generation of Critical Theory is developed in three books: *Dialectic of enlightenment*, *Eclipse of Reason* and *One-dimensional man*. The second strand



is explained in the book *Theory of communicative action* reflecting above the fact that «democracy makes sense only within specific forms of interaction and association, from the public forum to various political institutions» (Bohman, 2016).

After presenting the School of Frankfurt, we have the basis to analyse the critical theory. The first opera outlining critical theory is *Dialectic of Enlightenment*. It was wrote by Adorno together with and Horkheimer in 1947. The goal of the two authors was already announced in the premise «What we had set out to do was nothing less than to explain why humanity, instead of entering a truly human state, is sinking into a new kind of barbarism» (Horkheimer and W. Adorno, 2002, p. XIV). To understand what the new form of barbarism is, we need to ask ourselves what the authors understand by enlightenment. As Carlo Galli points out in the introduction:

*[...]for authors, enlightenment is not intended in its historical conception, nor in the Kantian sense of human emancipation from its ignorance, but, more generally, in rationalistic thought, both in its liberal side and positivistic, both, although to varying degrees in different ways, in the dialectic (2010, p. IX).*

Modern society was progressing from the scientific point of view, but in a growing decadence from the cultural point of view. Although they initially sought to put their criticisms within the contemporary cultural and scientific framework, they later abandoned this goal, and as the consequence the crisis of science appeared, seen from an anti-positivist perspective.

Enlightenment, thought constant progress, should liberate man through the domination of nature. This is possible through science and the abandonment of myths and rites. Every “truth” must be swept to give space to applied science, meaning reality. In this way, the elimination of any untested truth transforms applied sciences into the only possible “truth”. And being a “truth” cannot be denied, neither to change the world. Enlightenment has betrayed itself. This form of progress, which results in levelling equality rather than individual freedom, transforms man’s domination to the nature in man’s domination over man and the domination of the things over the man.

These negative consequences can also be seen in the role of the culture industry that produces an uncritical consumption of goods and leisure activities organized by the industry itself.

Another fundamental work that outlines the critical theory is *Eclipse of reason*. Written by Horkheimer and published in 1947, the book explains how instrumental reason has prevailed on the objective reason.

The author immediately begins questioning what the word “rationality” means for the ordinary man realizing that the embarrassment in the answer is because the answer is too simple: «reasonable things are things that are obviously



useful, and that every reasonable man is supposed to be able to decide what is useful to him» (Horkheimer, 2004, p. 3). Through this reason, man can evaluate the suitability of the means to achieve the goals.

To this rationality, definable subjective reason, Horkheimer opposes objective reason, which belongs to «great philosophical systems, such as those of Plato and Aristotle, scholasticism, and German idealism». This reason exist in the objective world, and is an objective theory of reason. «It aimed at evolving a comprehensive system, or hierarchy, of all beings, including man and his aims» (Horkheimer, 2004, p. 4). These two reasons have existed throughout history, with the objective reason that established the fine and the subjective reason that evaluated the means. But subjective reason becomes instrumental reason when it is no longer able to think about its relationship with objectivity, so that, becoming independent of this, does not overcome its dependence, but obscures it by strengthening it: «the neutrality of instrumental reason, which knows only the end as a means, is “more metaphysical than metaphysics”» (Baldassarre, 2016, p. 33).

Another important work is *One-dimensional man* wrote by Marcuse and published in 1964. In advanced industrial societies, the technical production and distribution apparatus operates as a system that determines in a preventive manner the apparatus product. It also uses the technology «to create new, more effective, and more pleasant forms of social control and social cohesion» (Marcuse, 2007, p. XLVI). Marcuse also criticize the advanced industrial society able to incorporate the traditionally anti-system classes, such as the working class. This society transforms the individual into a consumer only free to choose different products, showing how a rational society is transformed in an irrational one.

*A comfortable, smooth, reasonable, democratic unfreedom prevails in advanced industrial civilization, a token of technical progress» (Marcuse, 2007, p. 3). If the author's judgment that opens the first chapter seems to indicate no solution to change the status quo, but he appealed on the «substratum of the outcasts and outsiders, the exploited and persecuted of other races and other colours, the unemployed and the unemployable» (Marcuse, 2007, p. 260).*

The book is also a criticism of positivism and quantitative research in social sciences because: «the operational treatment of the concept assumes a political function» (Marcuse, 2007, p. 110).

Critical theory can be included in the normative theory. This theory starts from the question «what is the best way to live?», with the purpose to think about the world not only as it is but also as we might think it ought to be. Nowadays, the question of the «best way to live» must be mediated with issues like free choice, living in a world where liberal themes are shared values (Marsh and Stoker, 2010, p. 156).



Critical theory aims to relate the Marxist theory of alienation with the Weberian theory of rationalization and, in the background, the Freudian unconscious theories. In fact, this theory focuses on the criticism of the forms assumed by bourgeois mass society rather than on capitalism as such. The differences from Marx could also reside in the value attributed to liberalism. If for Marx ideologies were “superstructures”, for Horkheimer and Adorno liberalism is useful to naturalize and legitimate a system of market exploitation.

*It had promised originally the possibility of a more rational and liberated world, where individuals, freed from archaic superstitions, and from the hierarchies that such superstitions supported, would be able freely to determine and pursue their own conception of the good life (Marsh and Stoker, 2010, p. 165).*

Despite that promises, for Horkheimer and Adorno the liberalism created a system in which the choices we make are routine and conformist, where our aspiration are materialistic and unimaginative, and where our lives are reduced to the production and the consuming. Their goal was to develop a normative notion of “real democracy”, in contrast with the liberal societies’ form of the époque, but not an antiliberal one, since they shared with liberalism the commitment to rationalism and universalism (Bohman, 2016).

Critical theory is structured around the conflict between the objective reason and the instrumental reason. For this theory, society is not a “thing” separate from the individuals but it is a moving totality.

Critical theory tends to criticize traditional theories because these applies the methods of the exact sciences, not commenting the rigor of the process, but its transformation into the ultimate goal (Baldassarre, 2016, p. 30). This reduces the concept of “truth” to that of certainty.

The subordination’ intensity to the apparatus today is facilitated by the complexity of democratic institutions, born out of globalization and developed in a multidimensional way. In this scenario, critical theory deepens how the democratic structures of the supranational institution can be reformed. Habermas done an in-depth study on the EU (Bohman, 2016).

In this article I will not follow a specific current of critical theory, but I will analyse technology by aspiring to an «“human emancipation” in circumstances of domination and oppression» (Bohman, 2016). To do this, I have to separate my research from the traditional concept of the critical theory, in which capitalism society is using technology to impose itself as dominant apparatus.

To separate the critique of capitalism from the basics of critical theory, we must consider capitalism rational but with an irrational component. Max Weber cut off the irrational “thirst for gain” from capitalism, which can instead be considered the rational control of this irrational impulse. The rational capitalism transforms the “thirst for gain” in research of a constant gain (Weber, 1991).





The philosopher Umberto Galimberti states that if capitalist profit is pursued in a rational manner, the corresponding activity is also oriented according to the calculation of capital, transforming the domain from man by man to man by the calculating apparatus, who rationally undergo both the employer and the worker. In this scenario, man becomes nothing more than a specialized officer of the apparatus. Capitalism, which is driven by an economic reason, as “only rationality is a condition of profitability”.

The typical scientific organization abstraction presides over this rationality. Moreover, it resolves any quality in quantity and any work in functional performance decided by the apparatus’ rationality, marred by any ideology, and is revealed as pure technical reason. Technical reason brings man out of the story. If man is understood as a subject of needs, he becomes irrelevant as they become satisfied only if they are compatible with economic calculation; if man is understood as the object of actions (both employee or employer) his relevance is given by productivity. In this scenario, man’s purposes are reduced to variables (Galimberti, 1999, pp. 428-429).

For Galimberti, under the rules of technical reason, capitalism is also deprived of its ultimate human component, passion.

For Severino (2012), to the logic of technical reason must also be subjected the ideologies, which otherwise, without the use of technique - and giving up to themselves, could not prevail over the others. Another important consideration of Severino (1988) is that technique uses capitalism and its apparatus, and not vice versa. In this environment, all the purposes of man become the means of a single purpose that incorporates them all: the undefined enhancement of technique. Being capitalism a moderation to the irrationality of the thirst of gain, it will always have as its goal the undefined increasing of its gains. In this way, or «it destroys the earth and then destroys himself; or it gives a different purpose than that for which it is what it is, and even in this case destroys itself» (Galimberti, 1999, p. 434).

After these considerations, Marcuse’s words written in 1964 appear prophetic: «In the medium of technology, culture, politics, and the economy merge into an omnipresent system which swallows up or repulses all alternative. [...] Technological rationality has become political rationality» (Marcuse, 2007, p. XLVII).

A final consideration is important before proceeding with my analysis, when and how the age of technology has begun. In ancient Greece *téchne* meant “art” in the sense of “know-how”. Until the nineteenth century it was associated with “progress”, later it will be associated with “risk” (Natoli, 2004, p. 71). Günther Anders (2016, p. 7) tragically claimed that the man today is nothing more than an appearance compared to the *téchne*, the true subject of the current history.

August 6<sup>th</sup> was day zero of a new computation of time: the day from which humanity was irreparably able to self-destruct (Anders, 2008, p. 73). The atomic bomb is the watershed between a commodified world and a world that is not just at the will of goods, but of its blind production using machines. Anders calls it the





«principle of the mechanical»: we produce technical machines serving for our work, for our entertainment, for our annihilation (Anders, 2008, pp. 7-8).

Episodes such as Hiroshima and Nagasaki have shown to the world that the man is not aware of the side effects of its inventions, but, above all, it has shown how difficult it is to find a correlation between the initial experimental investigation and the outcome (Iannone, 2016, p. 53).

*Scientific-technical rationality is the most powerful form of domination, just because destroying the will of “truth”, which dissolves the future, remains open to the absolute unpredictability of anything in which the future consists - that is, it is fully prepared to modify its theoretical-practical structure, on the basis of the unpredictable, which is gradually presented on the experience (Severino, 1988, p. 62).*

After presenting the relationship between critical theory and *téchne*, in the next chapter I will analyse the political parties and how they become one-dimensional.

## 2. Analysis: one-dimensional parties

The apparatus, as we have seen before, tends to increase itself. Technological progress as a purpose in itself will come to occupy the spaces that were once assigned to politics. In this section I will analyse how technology has transformed political parties, stripping them of their *weltanschauung* and their role as intermediate bodies. It was not always like that. Politics before the age of technology belonged to the sphere of «being», as it did not respond to technical progress, but to metaphysical ideologies or values.

Because of the importance of the political parties in western democracies I will dedicate my analysis to the them. Sartori states that «citizens in western democracies are represented through and by parties. This is inevitable» (Dalton and Weldon, 2005, p. 931). Political parties have traditionally played a key role in democracies. They recruited people who will cover public offices, ensuring mobilization and support from party members in their favour. Through the elections, political parties structured and controlled the demands of society, structuring them into specific social groups both at a meta-political and policy level. Governments live through parties, which also integrate citizens into the social structures (Viviani, 2009, p. 55).

I will follow the historical perspective of Panebianco about the different classification of ideal-type parties (Hague and Harrop, 2011, pp. 178-179), and I add the definition of Cartel parties given by Katz and Mair (1995). I will analyse before the relation between cartel parties and the age of technology in order to prove how the qualitative change of technological progress has also changed parties. In the last part of this section, I will address the European issue: from the



Europeanization of the parties to the analysis of the spaces of democracy reduced by the functional institutions.

## 2.1. Party changing: a historical perspective

Cadre parties were formed only by MPs in the nineteenth century and they were only active before the elections (Pasquino, 2009, p. 150). These parties were formed because of a shared liberal *weltanschauung*, which it saw positively the division of the society in parties (Ignazi, 2013, p. 7). These parties, while having a low number of members and few non-parliamentary activities, were part of the sphere of «being» because they adhered to well-defined values such as liberalism, national conservatism or, in the Italian case, to the Risorgimento values.

Various motives can be attributed to the overcoming of the cadre parties and the leap of the mass party. Literature attributes this passage to the organization by extra-parliamentary ways like socialist movements (Katz and Mair, 1995) or the emergence of confessional parties because of the rejection of secularization of the State made by liberal parties (Ignazi, 2013, p. 14). In both cases, the increase of the universal suffrage and the increase in schooling has contributed to the increase in political participation, and hence partisanship.

The catch-all party emerges at the same time that Marcuse wrote *One-dimensional man*. Kirchheimer wrote about this ideal-type of party when the strong identities of the mass party left out and the adhesion to the “system” was almost absolute. The economic growth and the welfare state were the society’s features and the use of television (Luther and Müller-Rommel, 2005) led to a direct relationship between party leaders and voters, who became more consumers than participants (Kirchheimer, 1966).

In my opinion, the catch-all party model loses the historic opportunity to reformulate political programs based on a renewed *weltanschauung*, linked to new phenomena that were characterizing the world in that period.

## 2.2. The cartel party in the Age of technology

Although Katz and Mair (1995, p. 18) state that the ideal-type of cartel party was born in the 1970s, I think that this date does not take into account some considerations. Better specified, the consequences in the west society of the fall of the USSR and the introduction of technologies in the environment we live that will not only change it, but lay the foundation for other environmental changes.

Luciano Gallino pointed out how societies to progress must have a radical opposition, both within and outside. Marcuse then explains how in the West the opposition, absorbed inside, was still guaranteed outside by the existence of the Soviet enemy. The fall of the Berlin Wall has removed to the West something who have a different *weltanschauung*, making the liberal-capitalist worldview the only possible. Although Gallino points out that Marcuse had already seen «in



authoritarianist, bureaucratized, and USSR technological fetishism nothing other than local variations of one-dimensional society» (Marcuse, 1999, p. XIV)

For a better understanding of the technology impact in the world, we should mention the considerations of Hegel who understood that the quantitative change of a phenomenon leads to a qualitative change of the environment. Marx applied this concept to the economy: a change of the importance of the instrument - money - turns an increase of this the end in itself of the economic process. Galimberti applies this principle to the technique, arguing «If technology become the universal condition through which every aim is satisfied then technology is no longer a means but the principal end through which every other end can be reached» (Galimberti, 2009, p. 8). The introduction of bioengineering and the internet have demonstrated the qualitative change in the environment in which we live.

In my opinion, in this scenario the raise of cartel party is better explained. Katz and Mair (1995, p. 17) state that the cartel party

*[...]is characterized by the interpenetration of party and state, and by a pattern of inter-party collusion. In this sense, it is perhaps more accurate to speak of the emergence of cartel parties, since this development depends on collusion and cooperation between ostensible competitors, and on agreements which, of necessity, require the consent and cooperation of all, or almost all, relevant participants.*

The authors referred this definition to the mainstream parties aimed at public office occupation, this article attracted criticism at the academic level, such as that of Koole, who accused him of mixing scientific research on parties with neo-populist sentiments (Koole, 1996, p. 517). In my opinion, only if we try to see society as a whole, we can understand how parties today are unable to have a different - if not new - worldview.

If technique is *the fundamental trend of our time*, and nothing can be done to prevent its will to power, then parties became functional administrators with the goal of the apparatus' growth. This democratic unfreedom brings parties to stop thinking about a more just world, and leaders - both at nationally and locally level (Saccà, 2015, p. 14)- to work on increasing their party in public offices.

This fact is demonstrable by the membership decline<sup>1</sup>, as citizens are no longer interested in party participating because their needs have moved on consumerism, or because they know that the parties are no longer able to bring some changes<sup>2</sup>. Marcuse identified in 1964 referring to spiritual and metaphysical activities, what became the ceremonial part of practical behaviourism (Marcuse,

<sup>1</sup> A research of Ingrid Biezen, Mair and Poguntke (2011, p. 33) demonstrate how the party membership is falling in the last decades.

<sup>2</sup> Eurobarometer show how in the EU only 16% of citizens have trust in the political parties, while the 36% had in the year 2000.

2007, p. 16), today happens with political parties: the participation becomes a ceremonial part, with conventions conceived more for the front page of the newspapers than for the discussion of themes and programs. In this scenario, members become nothing but the supporters, who have no interest in creating a dialectical thinking within the party structure.

*Téchne*, using capitalism, has changed the world and made it smaller, has also subverted the political order. Good governance nowadays is very difficult, because of the *butterfly effect*: a small event in a corner of the world can have enormous consequences in your own country (Iannone, 2010, p. 157).

Not only the work of the parties in the public offices become more difficult because of globalization, but technical progress asks further degrees of specialization. If for Galimberti (1999, p. 447) the dependent relation of technique by politics is overthrown, for Iannone (2016, p. 25) parliaments became marginal because they are merely notaries ready to ratify the discovers of the technological progress.

In the previous chapter, I explained how technique uses the political and the capitalist apparatus to grow further. The need for a politics that not opposes to the technique is manifested in the functionalization of both institution and political conflict. The EU, one of the supranational functional institutions, is an important issue for European parties.

After the Treaty of Lisbon, the EU offers to the political parties an important opportunity, because of the competences of the European Parliament, but at the same time, it also shows the limits: some of the most important European institutions that govern the economic crisis are not included in the ordinary legislative procedure.

I agree with Severino (2012, p. 22) that the adoption of the Euro without the adoption of a European government has been done to relieve politics from the management of economic policy. In this way, the European political government it was transformed in a government that reduce economic and political risks.

The European Stability Mechanism is the instrument meant to save the Eurozone from the public debt crisis. The highest decision-making body of the ESM is the Board of Governors composed by the Ministers of Finance of the Eurozone and, as observers, the European Commissioner for Economic and Monetary Affairs and the President of the European Central Bank. Decision are taken with a qualified majority of 80%, and the voting weights are proportional to the subscriptions of Member States to the capital of the ESM (Christova, 2011, pp. 52-53). This new mechanism establishes the principle of conditionality, typical of the IMF, which subordinates aid to a precise reform plan (De Benoist, 2015, p. 29).

A single currency without a European government, a mechanism that is subverted to the possible control of the European Parliament and subordinate to the rules of the apparatus, make it possible to say that, without merit judgment, the spaces to have a different *weltanschauung* are extremely reduced.



Parties does not fill the void. They tries to conquer public offices, not being able to change the world because technique does it better than they do. The criticism to the EU, being a strategy (Ladrech, 2002), may help political parties to achieve their purpose. My analysis shows that parties, creating a hypothetical system to confront with, uses the EU in an uncritical manner (either approving or not the issues connected to the EU). Through the EU institutions, more parties have the occasion to access in public offices - and the example of the French National Front it is the biggest one, excluded from the national political system and the more influent anti-establishment party in the European Parliament.

The Europeanisation of political parties, even if it has contributed to the diffusion of “Europe” in domestic discourse (Graziano and Maarten, 2008, pp. 156-157), it has not produced a renewal of political cleavages based on “pro” or “against” EU fractures, transforming the European party competition thus a further reproduction of the one-dimensional party system at European level.

In conclusion, in agreement with Galimberti (2009, p. 450), I can argue that the population will vote élites that will split roles in the majority and the opposition, but they will not be able to make any changes to this constituted system. The society is politically blocked, as any party is forced to support the same policies once they reach the government - the Tsipras government in 2015 that signed the loans with the ECB, the EU and the IFM demonstrates the truthfulness of what has been said.

However, society is also blocked on the cultural level, as all “anti-system”, “populist” or “nationalist” proposals are aimed at protecting the rights and behavior of the society they criticize (populist-left parties) or they had represented (populist-nationalist parties).

### **3. Case study: the evolution of the Italian right. From Alleanza Nazionale to Fratelli d'Italia**

If we are talking about cartel or one-dimensional parties, it would be easier to analyse the evolution of one of the main-stream parties, both conservative or progressive, but this would not show how the antisystem parties are actually a vent valve controlled by the system in itself. I have chosen to analyse the FdI party because they participate in the Italian government (in the *Popolo della Libertà*, PDL) and now seems like the Italian version of the French National Front.

#### **3.1. From AN to FdI: five years of political change in Italy**

The similarity with the French right party was not an objective for the Italian right as appear in present days. The rupture between the *Movimento Sociale Italiano* (MSI) and the National Front took place after the fall of the Berlin Wall, but already in 1984 with the overlapping of the FN to the MSI at the European elections came the separation of the two extremist parties (Paoli, 2014).



The break took place precisely on the projects that the two parties had to European integration: the National Front totally against and MSI, which then became AN, in favor of intergovernmental integration. Moreover, being the Italian party system an euro enthusiast one (Castelli Gattinara and Froio. 2014, p. 3), even the right wing party tried to set itself on this position, attempting to join the EPP through a renewal of the party in the 2006. Only Francesco Storace, former President of Lazio region, tried to oppose the will of Gianfranco Fini, even if Wilfred Mertens immediately blocked this attempt (Repubblica, 2006). A series of events stripped the Italian politics at that time and, therefore, AN. The electoral defeat of the spring of 2006 seemed to move away Fini and AN from Silvio Berlusconi. Then a finance bill considered disastrous from all the opposition and the birth of the Democratic Party forced the center-right coalition to renew itself (Fini, 2013).

Berlusconi had two chances, to create the unique party through the course launched years ago by Urso and Adornato, or that initiated by Brambilla with the "*Circoli della libertà*". Berlusconi preferred to avoid dialectics and cultural deepening in his party, leaning on Brambilla and announcing the birth of the PDL without consulting the allies (Mazza and Urso, 2013). Initially Fini refused the proposal, but the imminent elections and the possible inclusion of Storace in the coalition, meanwhile released by AN to create a party at the right of his former party, led Fini to accept the unique lists between FI and AN.

After the victory in the national elections in 2008, AN's dissolution congress was "only a bureaucratic practice to be solved than the end of a project and a political party that lived over seventy years" (Mazza and Urso, 2013, p. 122). The only opposite to the dissolution was MP Roberto Menia (Il Tempo, 2009).

In my opinion, the merger of these two parties matured in short time and without taking into account the seminars and discussions that have been previously organized showed that the two parties did not rely on a renewed worldview, but only to better organize the management and distribution of the public office.

In November 2011 Berlusconi resigned, overwhelmed by scandals and a too weak majority to address the public debt crisis. Mario Monti, the former European Commissioner just appointed life senator, succeeded him. Monti was voted by the entire parliament, with only the opposition of the *Lega Nord*. In this scenario, Meloni said that she votes the new government only for party connection to the PDL.

In the winter of 2012 the Monti's Government fell due to some disagreements with the PDL. Preparing the electoral campaign Berlusconi and his allies studied a fragmented parties offer to the electoral body with the purpose to gain the national elections (Fuscagni, 2012). In this context was born FdI, a party useful to reshape the appearance of a right-wing party for the Berlusconi's electorate. On February 24-25, FdI reached 1.96%, and it gained nine MPs and no senators. The goal now was to give a party identity to justify its existence.

In my opinion, the exit of the former AN from the PDL has shown that the party was not based on a strong worldview but on merely power interests. I also





emphasize that Fini's party, *Futuro & Libertà*, who instead tried to reinterpret two different cultures, such as the liberal-radical and the national one, did not emerge.

### 3.2. Analysis of the programs of Fratelli d'Italia

Because of FdI is a new party, the programs I will briefly confront are: the one of 2013 national elections and that of 2014 for European elections. I will confront them based on MP's actions in the National Parliament before 2013.

Despite the first declarations done in the first period of FdI (from the winter of 2012 to the first congress) where Meloni called to create a more serious center-right than the PDL was, the discourse switch to right: the "good people" against the élites that harmed the peoples' interests. These should be compared with the behaviour of MPs who were in the PDL.

On the one hand, criticisms to the EU, to the international finance, to the corporations that have benefited from globalization seem true and aligned with thinkers and parties against globalization. On the other hand, when most FdI parliamentarians who were in parliament with the PDL in the previous legislature, voted against these principles. They voted the Monti government - and with that the toughest measures of that government, they did not always act on what they would later say. No one challenges the freedom to change ideas and positions to a parliamentarian, but on crucial issues, party discipline is not enough to explain this attitude.

I will analyse three crucial moment for the Italian politics: the election of the Monti's Government, "*Salva Italia*" act' vote and the European stability Mechanism' vote, together with the Fiscal compact. I will analyse the votes of the four bigger representative of the future FdI party: three of them coming from AN, Ignazio La Russa, Giorgia Meloni and Fabio Rampelli, and the last came from FI, Guido Crosetto.

In a Facebook post Meloni wrote that she voted the Monti government, despite the affiliation of some ministers to the international finance groups. In November, 18<sup>th</sup> 2011 in the session 551, the four bigger representatives of the future FdI' party voted in favour to Monti (Openpolis, 2017).

Another key moment for the fate of Italy during the crisis was the vote for the "*Salva Italia*" (Ddl 4829) decree that introduced the tax on the formerly abolished "first home" and the pension reform. In December 16<sup>th</sup> 2011, in the session 562 Meloni and Rampelli voted in favour to this decree and Crosetto and La Russa were absents (Openpolis, 2017).

In the summer of 2012, the fiscal compact and the ESM were introduced. My analysis reveals that only Rampelli and Crosetto were at the Parliament at the voting day. In July 29<sup>th</sup>, in the session 669 Rampelli voted in favour and Crosetto voted against (Openpolis, 2017). The absence of a strategy of the four parliamentarians shows that Crosetto had a personal position.



In this context, the appeal of primaries for the centre right and the declaration “no more governments with technocrats or left-wing parties” (La Russa, 2013) allows me to say that the main purpose of this party is to survive. They contradict the party’s main principles, in favour of a participation in the typical division of public office of the cartel parties (reduced only to the centre-right coalition, in this case).

In the last part of this section, I will analyse the programs for the EU issue of FdI. In 2013, the program for national elections had the will to change the euro policies to save the Eurozone and Europe from the crisis dictated by the austerity policies (Fratelli d’Italia, 2013). Only a year later, the attitude towards the Euro has radically changed, becoming the source of the economic crisis (Fratelli d’Italia, 2014):

*The Euro is the only currency in the history emitted in the absence of a reference state and applied to non-homogeneous economic areas between them, for this is a too strong currency for some and a downturn factor in almost all states of the Eurozone, including Italy. Its circulation has so far awarded only Germany and a few other countries linked to her, who have enjoyed a competitive advantage, leading to recession and unemployment in the calibrated economies with different economic systems.*

My research states that since 2014 FdI started to have a strong program against the Euro and the EU, but above all, a program that partially denies what the party said a year earlier. For the purpose of my research this fast swift in core issues shows that this party was not born because it had a different worldview from the PDL. The first purpose of FdI was to participate in the public office’ division, that otherwise could not have been possible because of its votes were moved to another party - and thus to other candidates - or to abstention.

## Conclusions

The absence of different worldviews does not help liberal democracies, which are likely to be locked in the creepy caricature of itself, as Gallino pointed out and I have proved in this paper. The absence of different *weltanschauung* makes any party eligible. This can be viewed not as a problem, because as we have seen these parties do not have strong values, but if the outsiders would organize themselves against the system, the risk that the dismantle of the social and political achievements of this model of society will increase.

My research question was «what justifies the ascension of populist political parties in Europe in the last years, given their weak ideology?» and the secondary research questions was: «in what in depth *téchne* influences political parties?». The hypothesis was: if *téchne* is a purpose and not a mean, the only goal permitted is the growing of the apparatus, and the society is a one-dimensional one, then





populist political parties are functional to keep the unhappiness controllable by the apparatus. My research confirms my hypothesis, which responds to my research questions, by showing that the apparatus creates useful populist-nationalist party-structures to contain the outsiders. These parties, without any special *weltanschauung*, are useful for the technological apparatus development with the aim of containing the losers of globalization, because they will not have the possibility -both historical, cultural, and political- to govern the changes.

Not only, these parties do not reply to deeper issues: they do not respond to the sense of loss that man, who is no longer able to live the sphere of being, because it is occupied by technology, and has to live in an environment where he is no longer the purpose in itself.

In my opinion, not everything is lost, but in order to save liberal democracies and supranational structures, something must be changed, starting with the political parties. Older parties born from the nineteenth century experiences are collapsing in all over Europe. In England the Conservative failed to manage the pre and post Brexit phase, and the Labours seems blocked by the President Corbyn; in France, the Socialist and the Republican parties were out of the ballot, there are also other similar cases.

Only the birth of parties with a majority vocation and unrelated to the experiences of the twentieth century could break the actual one-dimensional politics. These parties should be stripped of any preconceived ideology to allow a fundamental internal dialectic to govern this era of epochal changes. A wise committee that advise the national assemblies of these political parties could be the most appropriate way to deepen the thematic from its roots. Based on these considerations, maybe they should reconsider the role of the EU after the fall of the Berlin Wall, after the recent crises, and moreover, they might redefine the relationship between man and technique.

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# NATO-EU PARTNERSHIP: FOSTERING RESILIENCE FOR A COOPERATIVE SECURITY SPACE

Octavia MOISE\*

## Abstract

*Present events indicate an encompassing process of multi-level changes - political, military, economic, and technological that highlights the idea that we are going through a phase of transition at systemic level that is redesigning the structure of power of the 21<sup>st</sup> century. This paper will try to find out first if the cooperative security concept can be seen as a security theory according to Baldwin's criteria and second if NATO's partnership policy in general and the NATO EU partnership in particular can foster resilience. The objectives of this article are to envisage the role of the NATO-EU partnership in the future by: reviewing the theoretical approaches on cooperative security, analysing NATO's partnership policy, analysing the ability of NATO-EU partnership to foster resilience.*

**Keywords:** resilience, cooperative security, NATO-EU partnership

## Introduction

Although it is highly debated whether the international system has changed since the end of the Cold War and modified its structure from a bi-polar to a uni-polar or a multipolar one, the majority of the big actors are expecting a change within the structure of the international system.

Recent events in the international environment seem to indicate two important trends: the first one is the increasing tendency of the two great revisionist powers, the Russian Federation and China to change the present world order and the second one is the lack of ability or of will of the democratic world and especially of the USA to maintain the present world order and the dominant position gained in 1945 (Kaplan, 2017).

At a global level, these evolutions can be explained through the transition of power theory that shows a redistribution of power at global level (Modelski, 1987). The phase of transition implies that "the tectonic plates of the global structure are moving" (Secares, 2014) and a new geopolitical map will arise from the confrontation for power between the most important poles. According to the hegemonic cycle theory, we are in a stage of transition to a new cycle of power,

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“translated into a real tough game of power and power politics, shaping the new hegemonic structure of the 21<sup>st</sup> century” (Secares, 2014). This argument is also supported by the concept developed by Barry Buzan (2011) - ‘decentred globalism’ – stating that the international system suffered a series of modifications towards a system characterized by a diffuse distribution of power, simultaneously manifesting as a highly integrated/interdependent global system.

Apart from the fact that the system has changes already or it will change in the near future is still disputed, important aspects of these changes are clear. During the 1990s we faced the prospect of continued expansion, meaning that the liberal system will continue for the next decades, but surprisingly, the XXI<sup>st</sup> century marked a return to a realist logic due to the fact that “expectations about the future of an international system based on liberal ideas emphasizing democracy and human rights seem much less certain” (Waeber, 2014)

In this context, the main actors try to adapt to these changes; states redesigned its foreign policies, new formats of cooperation appeared, the G 20 for example, and international institutions adapted their mission. Along its history, there have been multiple debates about NATO’s crisis and whether they will affect the alliance in such a manner that will lead to its disappearance. Of course, a clarification of what we define as a crisis is important, in the sense that if we define crisis as a time of increased tension or a point where cooperation becomes difficult, we can affirm that NATO has overcome many crisis. (Thiess, 2009) The same author argues that the crises NATO has encountered have become a part of the Alliance’s existence, and they underlined the necessity to focus on new forms of cooperation in order to maintain NATO’s relevance and viability. NATO has managed to overcome the debates concerning its relevance or the fact that NATO should “retire” (Drent *et al.*, 2011) after the disappearance of its main threat – the soviet expansion - as it has managed to adapt to the new challenges and threats. Furthermore, crisis might be triggering strategic changes, generate new institutional practices that can ultimately reform the present liberal world order.

The EU on its turn is facing many challenges like the Centre – Periphery debate, two speed Europe, the euro-crisis, the BREXIT, the wave of populist movements, terrorist attacks, the refugee’s crisis.

We also need to consider the impact of divergent factors such as the rise of emerging powers, the revisionist actions of the Russian Federation and China in their regions, the new American foreign policy and an increasing influence of non-state actors that are challenging the ability of main powers – especially NATO and the EU, to respond. Given this international context, this article resides on cooperative security to find out whether partnerships foster resilience.

### **Motivation of research:**

The article inquires whether cooperative security is a security theory according to Baldwin’s criteria and how can cooperative security respond to the



present international environment? The secondary research question inquires whether NATO's partnership policy in general and the NATO-EU partnership in particular fosters resilience.

This paper seeks first to explain how cooperative security – as a security theory – can manage the present changes/challenges, second to explain how can resilience be fostered through partnerships. The specific objectives aim at a literature review of the theoretical approaches on cooperative security, analyzing the cooperative security concept according to Baldwin's criteria, analysing the strategic documents establishing the NATO EU partnership through the comparative method (which will be described in the methodological considerations section), analyzing the ability of partnerships and especially of the NATO-EU partnership to foster resilience by performing an operationalization of the resilience concept (in the methodological considerations section) and seeing if the indicators of resilience reflect in the documents establishing the NATO EU partnership, in the case study.

The theoretical framework of this article is underpinned by the concept of cooperative security (that encompasses four rings of security - individual security, collective security, collective defence and promoting stability) in order to prove that the NATO-EU partnership will broaden and strengthen the area of Cooperative Security that is managed now only by NATO.

The first hypothesis states that if the cooperative security concept can explain what security is and how security can be achieved, then it can be a security theory. This hypothesis will be tested by applying the analysis grid of A Baldwin (Baldwin, 1997) to the concept of cooperative security, in the case study.

The second hypothesis states that if partnerships are established, then resilience is fostered. This is a directional and positive hypothesis. I will test it by operationalising the concept of resilience and analyse how the indicators reflect in the strategic documents establishing the NATO EU Partnership, in the case study.

## **1. Theoretical and methodological approaches**

In this section dedicated to theoretical and methodological approaches I will motivate why I choose the cooperative security approach and I will review the literature that offers various perspectives on cooperative security, trying to define it and to find out whether it fulfils the conditions of a security theory. In the methodological part I will operationalise the concept of resilience in order to establish the dimensions, variables and indicators. Then, I will explain the comparative method which I will use in the study case in order to see if the indicators of resilience reflect in the strategic documents establishing the NATO EU Partnership.

### **1.1. Theoretical approaches**

The field of international relations is an ever-changing arena of numerous actors which interact with each other in a multitude of ways having various



outcomes and consequences on different levels, ranging from global to national, from regional to local. It is therefore understandable that over time we have developed just as many theories and approaches which seek to make sense, analyze and predict the dynamism of the international system.

The changes of the international system and also the new types of actors in international relations have questioned the ability of the main theories to explain current evolution in the transatlantic context and generated new approaches and concepts. Starting from these assumptions I rely the paper on the cooperative security concept.

The endeavour to expose a concept from the policy area to the theoretical criteria is challenging even for the most influential theorists on security studies (Waever, 2014). For the purpose of this paper I will analyze the NATO's cooperative security concept from an academic perspective and will connect it to the NATO-EU partnership. In this respect I will define it from a theoretical point of view and see if it is a security theory, meaning if it explains what is security and how security can be achieved through cooperative security. Afterwards I will place it at systemic level and try to see how will the concept apply in practice, in the present international environment.

Arnold Wolfers (1952, p. 485) considers that security is “the absence of threat to acquired values”, although this is a contested concept (Baldwin, 1997) due to the debates on its meaning.

Ole Waever (2014) states that on the one side, a security concept should be “assessed in terms of its ability to play a key role in an explanatory theory or to clarify the essence of security in a manner that makes it possible to deduce the response to specific challenges”. On the other side, mentioning the UN view, he states that a security concept should be designed “to be a guide and to provide a structure – even a vision – to crystallize decisions and policies” (Waever, 2014, p. 48). Briefly, a concept of security should focus on making a statement on the nature of security, and on how to implement it.

When defining security, Wolfers (1940) refers to the fact that security means the existence of guarantees and protection.

According to realist framework, the “international arena remains an anarchical, self-help system, a brutal arena where states look for opportunities to take advantage of each other” (Mearsheimer, 1995, p. 5) in order to increase the security of their own citizens. In this context, it is important to mention the assumption that states are entitled to aspire to survival and development, and relations established with the external environment have the purpose to support this objective (Melescanu and Cioculescu, 2010).

Buzan (2007) mixes conceptual analyze with empirical observations stating that security at individual level is connected to security at state level and at international level. Ullman (1983) argues that a comprehensive definition of security should clarify what should be given up in order to obtain more security and that we do not know what security is until we are threatened to lose it. Gray





(1977) considers that despite the numerous definitions, there are opinions that no concept can be preferred over the other. However, the neorealist approach considers this is the most important concept for a state (Waltz, 1979). Although neorealists do not agree with Wolfers's definition, they do not contest it (Baldwin, 1997, p. 11).

In the attempt to define the concept it is necessary to bear in mind the fact that authors like Ashton Carter, William Perry and John Steinbruner (1992, p. 4) state that "organizing principles like deterrence, nuclear stability and containment embodied the aspirations of the cold war" while "Cooperative security is the corresponding principle for international security in the post Cold War era". Meaning that, this shift signified escaping from the narrow Cold War zero sum game strategies into a broader space for international peace and harmony. Nonetheless we should question ourselves how enduring is a transition from a world based on the balance of power to a world based on politics of shared risks.

Another important definition is the one offered by Gareth Evans (1994, p. 7), who states that cooperative security tends to "connote consultation rather than confrontation, reassurance rather than deterrence, transparency rather than secrecy, prevention rather than correction and interdependence rather than unilateralism".

We should have into consideration the fact that at the centre of cooperative security is the human rights concept, as human security is in the centre of any security theory designed around liberal and democratic values. In this respect, Bill McSweeney (1999, p. 16) states that "security must make sense at the basic level of the individual human being for it to make sense at the international level".

One of the most important works on cooperative security is the one of Robert Cohen (2001) who envisions cooperative security as a strategic system, as a security community, in other words as "a nucleus of liberal democratic states". I reside this paper of this statement and will refer to the Euro Atlantic community in the sense of a practical and transparent cooperation, a web of security. Cohen (2001) defines cooperative security as "a strategic system which forms around a nucleus of liberal democratic states linked together in a network of formal or informal alliances and institutions". In his attempt to identify the main characteristics of this concept, he refers to "shared values and practical and transparent economic, political and defence cooperation". If I refer at NATO as a security community I should state that NATO members did not intend this from the beginning, it rather evolved as a result of interactions and relations, common cultural values, democratic political practices (Ungureanu, 2006, p. 248).

Based on these definitions, cooperative security is a consequence of a security community, due to the fact that is forgoing and modifying the pursuit of individual national interest for the sake of the longer term common good.

Cohen's (2001, p. 1) contribution resides in the fact that he stated that "in a cooperative security system, individual states' national interests are linked by four reinforcing rings of security". In defining these rings (Cohen, 2001, p. 10), he argues that the first ring refers to individual security as "promoting and





protecting human rights within their own boundaries and further afield”; the second ring refers to collective security and the author resumes it “maintaining peace and stability within their common space”; the third ring refers to collective defence as “mutual protection against outside aggression”; and finally, the forth ring, promoting stability is defined as “actively promoting stability in other areas where conflict could threaten their shared security, using political, informational, economic and, if necessary, military means”. Based on this model, he argues that, although many international organization function based on collective security and collective defence, only NATO fulfils the conditions for the cooperative security. As far as the EU is concerned, he states that the Union is becoming a cooperative security organization and together with NATO it brings security and prosperity in its vicinity (Cohen, 2001, p. 2), opinion shared also in this paper.

In his attempt to have a theoretical approach on the concept, Mihalka (2001, p. 35) argued that “cooperative security is activity among states to lessen the likelihood of war, or its consequences should it occur, that is not directed at any specific state or group of states”. He identified the ‘Concert of Europe’ as an early model of cooperative security, showing that the concept is a transformative one and that it evolved in the last two centuries. When referring to the former international security organizations, he argues that the League of Nations failed because it could not evolve into a security community (Mihalka, 2001, p. 6). When talking about the UN, he states that it was designed as a collective security system and could be a cooperative security model. He states that the League of Nations and the Concert of Europe prove that security communities and cooperative security systems could be possible among non-liberal democratic states, but these are not stable security communities.

Further, we will analyze the cooperative security concept according to a number of criteria developed by Baldwin (Baldwin, 1997) to see if it actually is a concept of security. By and large, the answers referring to the cooperative security concept are based on NATO’s understanding of the policy concept expressed in the Strategic Concept from 2010.

Security for whom? Buzan (2007) considers that the answer depends on the research question. The cooperative security concept refers to individuals, states, members of the alliance and the outside world.

Security for which values? Wolfers (1952) adds to the debate the subjective and objective dimension of security. Our concept refers to democratic and liberal values.

How much security? Brodie (1950) and Wolfers (1952) questions whether we should even measure security. Our concept may respond to this question if we take into consideration the ring of projecting stability.

From what threats? Baldwin (1997, p. 15) adds to the list of conventional threats even natural disasters. The cooperative security concept refers to traditional threats, but also specifies the new type of threats like hybrid war, cyber war, etc.



By what means? Wolfers (1952) mentions military solutions to security problems. The cooperative security concept proves that adapted the response at the present security environment referring to military, intelligence and surveillance, pre-emptive and preventive measures, crisis management, post conflict stabilization, etc.

At what cost? Baldwin (1997) states that costs matter in the measure that these resources could be otherwise used in other purposes. Indeed the concept mentions budgetary costs and priorities.

During the years, the concept evolved from guarantees and protection to defence and afterwards to extraordinary measures.

As previously stated, the challenge is how to construct a realistic and effective approach or implementation of cooperative security. And the answer could be found when studying the system based on institutions and mechanisms that prove themselves effective in providing relative peace, stability and prosperity.

If we refer to NATO's understanding of this concept, it is only one of its three core concepts stated in the New Strategic Concept together with collective defence and crisis management. But cooperative security receives the highest importance because is the most ambitious and far reaching one. The collective security concept is a constant of NATO's strategic concepts and as well as crisis management it was already institutionalized. The fact that this concept should be approached in report with order, power constellations and institutions means that nowadays we talk about a picture where liberal institutions are at the core of a world order.

As the cooperative security concept as developed by NATO fulfilled all the conditions of a security theory developed by Baldwin, although not perfectly, I can argue that the first hypothesis was confirmed, with the mention that more efforts should be put in implementing the concept.

## **1.2. Methodological considerations**

The research methodology is based on a descriptive and an analytical approach. I use a descriptive approach to provide a review of the most influential theories on security and the cooperative security concept. The paper uses qualitative analysis for most of the sources and comparative analysis for the case study. Further, I will operationalise the resilience concept in order to see if the indicators reflect in the documents establishing the NATO EU partnership and to test the second hypothesis. Afterwards, I will explain what is the comparative method and how I will perform the comparative analysis of the documents establishing the NATO-EU partnership.



## Operationalizing the concept of “resilience”:

When operationalizing the concept of resilience for the purpose of our paper, the challenge is how to define it, assess it, enhance it.

When establishing an encompassing definition, it is necessary to bear in mind the fact that resilience is directed “against the full spectrum of threats, including hybrid threats, from any direction” and should insure “essential basis for credible deterrence and defence and effective fulfilment of the Alliance’s core tasks” (NATO, 2016)

According to the European Commission, resilience is “the ability of an individual, a household, a community, a country or a region to withstand, cope, adapt, and quickly recover from stresses and shocks such as violence, conflict, drought and other natural disasters without compromising long-term development” (European Commission, 2016). Resilience is meant to foster the North Alliance’s long term adaptation based on a series of objectives: “maintain and protect critical civilian capabilities, alongside and in support of military capabilities, and to work across the whole of government and with the private sector” (NATO, 2016).

When setting the dimensions of the concept is necessary to have into consideration the military sphere, the civil one and the hybrid threats one.

The variables we should have into consideration are the cyber sphere, hybrid threats, civil-military readiness, cooperation with the EU.

The indicators used for the purpose of our paper are derived from NATO’s priorities (Shea, 2016):

1. government continuity and basic services
2. resilient energy security
3. capacity to manage people’s mobility
4. resilient resources of food and water
5. resilient systems of communications
6. resilient systems of transportation

I will use these indicators to see if they reflect in the documents analysed in the case study.

The cooperation with the EU is essential mainly because NATO should “continue to engage, as appropriate, with international bodies, particularly the European Union, and with partners” (NATO, 2016).

Although the evolution of the cyberspace is unpredictable and there are numerous debates on whether to regulate this space, we must start from the fact that at the Warsaw Summit, the cyber space was declared operational.

I consider that civil military readiness is a variable because in time of war, critical infrastructures are essential and nowadays, most of these facilities are owned by the civil sector, so one of NATO’s goals is to “improve civil preparedness”.



The NATO-EU cooperation in particular is considered a variable because its evolution impacts on the ability to build resilience and to create a cooperative security space. Eloquent in this regard is the following statement:

*We will protect our populations and territory by strengthening continuity of government, continuity of essential services and security of critical civilian infrastructure; and we will work to ensure that our national and NATO military forces can at all times be adequately supported with civilian resources, including energy, transportation, and communications. This will include NATO support to assess and, upon request, facilitate national progress (NATO, 2016).*

Also the Alliance has set other goals in building resilience, like the supporting national critical infrastructures against cyber-attacks and protection against Chemical Biological Radioactive Nuclear attacks through investments in interoperability.

To sum up, I will use the indicators established above in the case study in order to see how resilience reflects in the documents establishing the NATO EU partnership.

The Comparative method:

In this methodological section is necessary to define and explain the comparative method and the way I will use in in the case study.

I will reside my research on the understanding given by Lijphart, who argues that the comparative method is one of the basic scientific methods, along with the experimental, the statistic and the case study one “of establishing general empirical propositions” (Lijphart, 1971, p. 682). Lijphart argues that it represents a method, while Eisenstadt states that the term is rather referring to a broader approach than a specific method (Lijphart, 1971, p. 682). For Lijphart the comparative method does not equal with the scientific method as it is narrow in scope and it aims at “discovering empirical relationships among variables”, not at measuring something. However, authors like Sartori (1970, p. 1033) or Kalleberg (1966, p. 72) consider it as a measurement method as it means nonmetrical ordering or ordinal measurement. Sartori uses the metaphor of the man that is aware of the limitations imposed by not having a thermometer but can still make the difference between hot and cold. For Lijphart, the comparative method refers to the step of finding relationships between variables, not to the step of measuring them, which is previous. He considers the comparative method a general, broader method rather than a specialized technique. Some critiques (Goldschmidt, 1966, p. 4) claim that this is rather an approach as it lacks the preciseness of a method. The comparative method resembles the statistical one but differs from it in the sense that is used for limited/small number of cases and it cannot allow cross tabulations or other control



systems. When talking about the critiques of this method, it is important to mention the large number of possible variables and the small number of cases. Another critique refers to the risk of giving too much importance to negative findings, or the risk of quotation/illustration methodology, meaning one selects the cases in accordance with the hypothesis and the hypothesis is rejected if one deviant case is found. In this paper I will not select the cases based on a specific criteria, but refer to the existing strategic documents. One solution for solving the “many variables, small N” problem is to increase the number of cases either geographically or cross-historical. In my case I will prefer the cross-historical option, choosing strategic documents from different periods of time. Another solution is to reduce the “property space of the analysis”, meaning to combine variables that are similar into a single one. I will also use this solution, choosing the most relevant variables.

This paper employs the *comparative analysis* of the strategic documents establishing the NATO-EU relations, the 2002 NATO-EU Declaration on ESDP, the “Berlin Plus” agreements, the 2010 Strategic Concept and the Communiqué of the NATO Summit in Warsaw in July 2016. The selection of these documents has been done according to the following criteria: the impact of the international system, differences from the previous strategic document, recurring trends, progress since the last strategic document. The purpose of this comparison is to study the evolution of the NATO EU partnership, in the following case study

## **2. The evolution/role of the NATO-EU partnership in fostering resilience for a cooperative security space. Comparative analysis of the strategic documents establishing the NATO-EU relations (the 2002 NATO-EU Declaration on ESDP, the “Berlin Plus” agreements, the 2010 Strategic Concept and the Communiqué of the NATO Summit in Warsaw in July 2016)**

The purpose of this case study is to envisage the importance of partnerships in fostering resilience, with a special focus on the NATO – EU partnership. The method will reside in a comparative analysis of the main documents institutionalizing these partnership based on a set of criteria. Finally, we will see how the indicators established in the methodological section reflect in these documents, especially in the Warsaw Summit Communiqué – document that reflects most of the indicators previously established.

NATO-EU cooperation should represent the norm, the rule, not the exception, as they are different organizations, but defence is vital for both. We should have in mind also the fact that EU has a series of instruments that are not among NATO’s tasks – economic, diplomatic and normative.

The NATO – EU relation has deep roots and is based on a previous series of achievements (NATO, 2017). The beginning of this partnership can be identified in February 1992 when the EU adopts the Maastricht Treaty, and the intergovernmental Common Foreign and Security Policy (CFSP). Also, a potential framework of a common defence policy (ESDP) together with the WEU is



discussed, concerning the EU's defence pillar, as NATO and WEU strengthen their cooperation. In June 1992, In Oslo, a meeting of NATO foreign ministers discuss on transforming the WEU as a European pillar of the Alliance and in the same time as a defence element of the EU, which could be in charge with the "Petersberg tasks". Further, the collective capabilities of the alliance are put at the disposition of WEU operations and the concept of Combined Joint Task Forces is endorsed by the Alliance. In 1996 at NATO foreign ministers in Berlin (Berlin Plus) a European Security and Defence Identity (ESDI) within NATO is discussed both for improving European capabilities and to rebalance responsibilities and roles. The EU members continue their efforts to establish a European Security and Defence Policy (ESDP) and in 1998 at St. Malo, France and the UK have a joint statement on this issue. The previously mentioned Berlin Plus agreements are subject of debate at the NATO Washington Summit in 1999 and the decision is to develop these arrangements. A concrete example is represented by the EU Helsinki Council in December 1999 when military goals to allow the EU to deploy troops up to 60.000 people until 2003 for Petersberg tasks. As some of the WEU attributes are transferred to the EU, and military structures within the EU are created, the WEU role decreases and becomes residual. The progress of the NATO-EU relations is discussed for the first time in September 2000. Finally, in December 2000 the Nice Treaty establishes the ESDP as an independent policy. To sum up this brief historical track, this relationship is built on previous steps meant to increase the interoperability, to decrease the technological gap and to balance responsibilities, each task targeting of course at strengthening the collective defence mission of the Alliance.

In the next table I will underline evolution of the NATO-EU partnership after 2002, using the following criteria: the impact of the international system, differences from the previous strategic document, recurring trends, progress since the last strategic document.

**Table 1. The evolution of the NATO-EU partnership after 2002**

	<b>The 2002 NATO-EU Declaration on ESDP</b>	<b>The "Berlin Plus" agreements,</b>	<b>The 2010 Strategic Concept</b>	<b>The Communiqué of the NATO Summit in Warsaw in July 2016</b>
The impact of the international system	January 2001: institutionalized relations -NATO - EU , May 2001: First NATO-EU meeting - common statement on the Western Balkans, November 2002: In the Prague Summit, NATO states declare their capacity to give the EU access to NATO	March 2003: implementation of a NATO-EU security of information agreement, May 2003: First meeting of the NATO-EU Capability Group, November 2003: First joint NATO-EU crisis-management exercise, December 2004:	France returns to the military structures in 2009, The foreign policy of the Obama administration, Lisbon Treaty and CFSP/ESDP, NATO's operations	2005-2010 Transatlantic informal NATO-EU ministerial dinner, Russia's action in Eastern Ukraine,



	capabilities for operations in which the Alliance is not engaged from a military perspective,	Beginning of the EU-led Operation Althea in Bosnia and Herzegovina.		
Differences from the previous strategic document	Establish the political principles underlying the relationship, enforce EU access to NATO's planning capabilities for the EU's own military operation	Establish the basis for the Alliance to support EU-led operations in which NATO as a whole is not engaged,	NATO's need to adapt, creating conditions for a non-nuclear world, Cyber attacks,	Set concrete areas of cooperation and concrete tasks, Cyber defense pledge, Resilience concept, Intelligence cooperation
Recurring trends	Partnership in crisis management, conflict prevention, mutual consultation, dialogue, cooperation,	NATO and the EU are cooperating to prevent conflicts within and outsidethe security community, common strategic goals,	Collective defense, Partnership cooperation, NATO will remain a nuclear alliance	Cooperation, transparency, Partnership policy, Collective defense,
Progress since the last strategic document.	Recognized the need for agreements to ensure the mutual support	Regular meetings, NATO decided to support EU-led operations that don't gave NATO engagement,	Crisis management, cooperative security, post conflict stabilization, contribution of partners to NATO operations	Joint tasks, areas for strengthened cooperation in the spirit of common challenges, managing hybrid threats

Source: the table is elaborated by the author based on NATO website<sup>1</sup>

As we can notice, the first criteria, the international context was vital in setting the base of this partnership. The common threats that the two organizations faced made them realize that NATO is important for the EU as well as the EU is important for NATO. Along its history, NATO managed to overcome many crises, each of them being considered as “existential”. Former Deputy Secretary General G. Altenburg (2002) stated that NATO's success was disguised in a perpetual crisis, meaning that NATO succeeded in coping with internal and external threats, this process of adaptation being one of its core characteristics. Similarly, the fate of the EU proved that each crisis made the Union stronger.

If we refer to NATO, France's withdrawal from NATO in 1966, the debate in the early 80's on deploying intermediate-range nuclear action forces in Europe, the challenges of the Balkan wars after the Cold War, the Georgian war in 2008, the Russian aggression in Ukraine are only some of the examples of events that NATO had to manage and that also triggered the need to adapt. If we refer to the EU, Every event has challenged the ability of the member states to reach consensus on controversial political issues and promoting at the same time their national interests.

The adaptation to the changing security environment and the strategic documents resulted have been influenced by some complementary variables such

<sup>1</sup> [http://www.nato.int/cps/in/natohq/topics\\_49217.htm](http://www.nato.int/cps/in/natohq/topics_49217.htm)



as the national interest of member states, the connections with the rest of the world and the adaptation of military capabilities.

The second criteria, differences from the previous strategic document proves that this relationship evolved gradually, from recognizing the need to cooperate, to cooperating per se, afterwards institutionalizing the framework for cooperation and ultimately establishing the common tasks and area of cooperation.

The main differences reside in the fact that the NATO-EU declaration on ESDP established the political principles envisaging the relationship and also restated EU's "access to NATO's planning capabilities for the EU's own military operation" (EU NATO declaration on ESDP, 2002), while the Berlin Plus agreements "Set the basis for the Alliance to support EU-led operations in which NATO as a whole is not engaged" (Berlin Plus Agreements, 2002).

The debate upon the adoption of The Alliance's Strategic Concept "Active engagement, modern defence" in 2010 (Heads of State and Government, 2010) was favoured by a series of factors such as the returning of France to the military structures in 2009, the foreign policy of the Obama administration, and the implications of the Lisbon Treaty and of EU's CFSP/ESDP.

After a process of reflection, consultation and negotiation, NATO proved that it continues to belong to a 'community of values' (de Wijk, 2012, p. 149) but a debate on one of the central issues of NATO was raised. The old members of the Alliance want a new type of alliance designed to defend common interests through expeditionary missions, while new members from Central and Eastern Europe still emphasize the role collective defence for NATO territory (Pascu, 2014).

Moreover, through the new Strategic Concept, the Allies have committed to pursue the development of ten key capabilities for current and future missions of NATO, the lack of some of them was evident during the operation in Libya. According to the Concept, the Allies should have, at the horizon of 2020, the full range of capabilities necessary to deter and defend against any threat to the security of citizens of member states. Creating these capabilities, however, requires solidarity and cooperation between member states and organizations.

If we refer to recurring trends, the main drivers of this relationship were the common values and the need to cooperate in order to have a cooperative approach to threats that cannot be solved individually. These drivers translated into transparency measures, the common task of ensuring the peace and security of members and partners, crisis management and peaceful resolution of conflicts.

If we are to analyse the in-depth impact of the international security environment on this relationship, we notice that although the challenges of each period are very different, NATO's and EU's ability to adapt, to perform the necessary changes that lead to their transformation is enshrined in each of the strategic documents analyzed.

Another recurring provision concerns NATO's and EU's main objectives, the security of member state, that remains at the core of each Strategic concept and each treaty. Also, policies founded on dialogue and co-operation are a constant of



the strategic documents although the terms used to express it may differ, from dialogue to partnership.

Each document shows the progress made since the last one. The first document analyzed recognizes the need to cooperate, the following two ones set the conditions of interoperability while the latter established clear tasks. In 2010, the progress envisaged in the strategic document was represented by crisis management and cooperative security, post conflict stabilization, contribution of partners to NATO led operations.

As can be noticed from the analysis of these documents, the indicators resulted after the operationalization of “resilience” reflect in each of the documents analyzed in deferent degrees. The indicators are:

1. government continuity and basic services
2. resilient energy security
3. capacity to manage people’s mobility
4. resilient resources of food and water
5. resilient systems of communications
6. resilient systems of transportation

In the first and the second documents we can only find markers of the first two indicators, as both NATO and EU promote values of democracy, internal governmental stability and the state of law. Also, energy security is among the interests of both organization and the security of supplies, routes of transportation and conditions of trade represent a priority.

The following three indicators reflect specifically in the last two documents, meaning the Strategic Concept from 2010 and the Warsaw Summit Communiqué. The latter document dedicates a special attention to the NATO EU partnership and its ability to manage “challenges and threats of any kind and from any direction” (NATO, 2016). NATO has “agreed a strategy on NATO’s role in Countering Hybrid Warfare, which is being implemented in coordination with the EU” (NATO, 2016) with the purpose of countering hybrid warfare within collective defence. In respect with the indicators of resilient communication system, the Warsaw Communiqué states that the Alliance “will be capable of defending themselves in cyberspace as in the air, on land and at sea.” (NATO, 2016)

More specifically, the NATO EU partnership and all the indicators are transposed in the NATO EU Joint Declaration, which underlines the immediate need to “bolstering resilience, working together on analysis, prevention, and early detection, through timely information sharing and, to the extent possible, intelligence sharing between staffs; and cooperating on strategic communication and response” (NATO, 2016).

If we consider the American objectives regarding its foreign policy, namely the transition to a ‘multi-partner rather than a multi-polar’ (Waeber, 2014) world we could face a reformed world order based on partnerships, under the support of reformed/transformed institutions that can implement an international configuration based on partnerships.



In this context, NATO's policy concerning its partnerships may be understood as an instrument that fosters resilience of the liberal shared values, norms, procedures belonging to the liberal world order to share them in a broad area of nations before the United States influence has diminished to the extent that it can no longer diffuse its practices. To sum up, the continuation of the Liberal World Order will be highly influenced by the existence of a network of partnerships with different types of partners, in which the NATO-EU partnership has a crucial role (Waever, 2014).

Therefore, the study case proved that gradually, the indicators of resilience reflect in the documents and that the NATO EU partnership is an instrument that can foster resilience both for NATO and for the EU.

### **3. Conclusions and results of the research: fostering resilience for a cooperative security space**

The research tried to find out if the cooperative security concept explains what security is and how it can be managed. The secondary research question tried to establish if partnerships foster resilience. The analysis proved that we are in a phase of increased uncertainties when the role of international institutions is contested. Even the capacity of existing theories to explain the realities we are facing is contested and I proved that the cooperative security concept passes the test of both academic standards and policy implementation. International institutions confront with new types of actors, new types of conflicts and their capacity to adapt is crucial. The case study proved that NATO and EU managed to transform their practices, customizing them to the evolving challenges. Furthermore, the NATO EU partnership is a vital instrument in fostering resilience.

The so called mantra of the past – Out of area or out of business, signifying the need to involve in operations outside the borders – may be reformulated in present times as – In area or in trouble, signifying the need to deal also with internal challenges. In other words, internal and external issues must be addressed and resilience has to be made a new core task of NATO.

Resilience is more than military action, it is also about the civil support for the military action and is also about the cooperation and transparency of host nations, if we refer to the recent forward defence measures. Civil preparedness is a critical enabler for collective defence of the alliance as the population is an asset.

The public cannot be treated as a liability that must be taken care of. Planning for the worst is essential, especially having in mind the fact that the nuclear threat is improbable but not impossible, and even if one hopes for the best, it has to plan for the worse.

Baseline resilience requirements are needed, especially as building resilience involves many stakeholders and representatives for key sectors have to be identified and engaged in exercises based on common interest and continuous planning. The private sector needs to be involved because they have as much



interest in the resilience of the nation in order to provide services as the government.

Both NATO and EU need resilient partners. The old core concept was forward defence; maybe forward resilience is a new way to deal with this grey area and to help weaker societies, many of whom are our partners, to become more resilient societies. It is in our interest to do that, we have a lot of tools to offer to those nations, for example the Partnership for Peace, or developing new instruments – adding resilience to the NATO Ukraine or NATO Georgia agenda. The NATO EU partnership has to be proactive when talking about resilience.

Regarding the foreign policy of the USA concerning NATO, especially after the recent presidential elections, it is necessary to bear in mind the fact that NATO is an alliance of 29 democracies, and the fact that they are lead by politicians does not change the commitment of the state towards the alliance. A strong NATO is good for Europe, but also for the USA. As well as a strong Europe is in the benefit of the Trans Atlantic community. Especially after two World Wars we all learned that stability in Europe is also important for North America.

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# COUNTERING YOUTH RECRUITMENT TO TERRORIST ORGANIZATIONS: THE EU AND RUSSIAN PRACTICES

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## Abstract

*Amid activation of Islamic State (IS) recruiters among European and Russian youth, society is more and more concerned about the efficiency of contemporary higher education humanistic function. The article identifies one of the relevant areas in studying European and Russian practices of preventing youth recruitment to military terrorist organizations. Main reasons for radicalization and conditions of potential successful youth recruitment to terrorist structures were identified. The role and place of state and society, values and beliefs as well as the content of educational programs, educational and information technology in countering terrorist ideology were specified. Based on the survey carried out among 881 Russian students, the approach towards state anti-terrorist policy and coverage of terrorism by the Russian mass media was studied. Measures on efficient prevention of terrorist recruitment campaign among young people were drafted.*

**Keywords:** terrorism, radicalization, education, Islamic state.

## Introduction

Today, terrorist recruitment among young people as well as home-coming of militants who fought for Islamic State (IS) in Syria and Iraq are one of the most important security challenges not only in Russia but also in the majority of the European countries. This threat dictates the need for analyzing key trends in sending foreign fighters to conflict zones as well as international experience of

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countering terrorist recruitment among youth and jihadists coming back home. Foreign fighters actively return to their countries of residence while bringing home terror technologies developed initially by Al-Qaeda and then enhanced by IS.

Terrorist attacks took place in many countries over the period from 2015 to 2017. Terrorist attacks in the UK (London), Sweden (Stockholm) and Russia (Saint Petersburg, North Caucasus) are some of the examples of terrorist attacks committed by fighters “educated” in Syria and Iraq. They demonstrate that almost no country is immune to this threat. Apart from carrying out terrorist attacks, these jihadists coming back home can spread extremism and religious radicalism propaganda, recruit new IS fighters among youth also using different financial tools (United Nations, 2015). Finally, terrorist attacks as well as the spreading of radicalism, extremism and terrorism ideology are carried out not only by fighters but also by people who fell under the influence of terrorists coming back home or propaganda from abroad conducted through social networks.

The XXI century information society develops brand new potential threats to the functioning of both individual countries and their citizens and global society in general (Simionov, 2015). This includes, to a great extent, terrorism that is mostly developed in the information sphere. Terrorists successfully recruit new militants via the Internet. European and Russian students is one of the sectors that is influenced by recruiters. That is why modern world terrorism threats require updated approaches to youth outreach, for example, patriotic education should be also regarded as a dedicated process of countering youth recruitment to terrorist organizations.

Today, a lot of cases when European and Russian students were recruited as fighters to Islamic State terrorist organization have been brought to light by the mass media. Varvara Karaulova from Moscow State University, girls from Belgorod University, a student from Astrakhan medical academy, a student from Tver State University and many other representatives of the educated youth make attempts to reach Syria in order to carry out “holy deeds” or to help militants in their “battle between good and evil” without understanding possible implications. According to different estimations, more than four thousand Russians are already fighting for Islamic State militants (Tziarras, 2017). Also, according to the Europol as of June 26, 2015, around 5000 EU citizens fought for extremists (Mamoun, 2015).

In order to identify the approach of Russian students to anti-terrorist measures and assess the efficiency of anti-extremist information sharing, a survey was carried out among first to fourth year students at Plekhanov Russian University of Economics. In general, 881 students were surveyed. The age of the respondents varied from 17 to 24 years, the average age being 20 years. The gender factor is as follows: 35% male respondents and 65% female respondents.

## 1. What makes young people join terrorists?

A whole range of problems explains why young people join international terrorist structures. In general, they bear evidence of spiritual and social problems



in the communities where terrorists are recruited. *The first reason for recruitment* is a spiritual and secular cultural crisis in the postmodern age. A research carried out by the French Anti-Islamic Sects Center (CPDSI) revealed the key role of not social but rather cultural and psychological problems in the recruitment. It shows that radical Islamic organizations in France recruit young people mainly belonging to the middle class (67%) including those from atheistic families (80%) (Topping *et al.*, 2015). In the modern postindustrial world religious fundamentalists suggest very simple answers to spiritually and existentially important questions. Modern secular culture is focused on an individual and independent search of the reason for being and the selection of life journey which are the issues many young people are not ready to face due to their psychological immaturity. Fundamentalist ideology clearly defines the aim of life, creates the feeling of belonging to something bigger rather than an individual (Atran, 2010). Islamists share the idea of belonging to “a group that has a pronounced identity and opposes itself to the rest of the world” (Sénat, 2015). Young radicals acquire in the jihad the idea of “a fine value system that they couldn’t find in their own country” (Moghaddam, 2006). The educated youth also falls into recruiters’ traps – the process of learning something new involves them and brings about thirst for knowledge in the form of a test aspiration, sometimes unusual for others, to experience the thing that is prohibited to others. It follows, thus, that young people should be prevented from receiving education? Of course not. Knowledge prevents us to a great extent from misbehaving and that is why students are the avant-garde of youth but they tend more to look for answers to their questions and here they sometimes fall victims to professionals.

*The second reason* is pursuit of material wealth. Islamic State is one of the richest terrorist organizations that spares no expense to recruit young people. There are various schemes of “buying” future jihad fighters and they are attractive to young people: from simple promises of fast and large income to the allocation of loans, payment of debts, assistance to family and friends experiencing hardships (Oxnevad, 2016). Then these debts are collected through faithful actions. It is worth noticing that the humanity has been recruiting war mercenaries for centuries and that is why the experience of classical options is quite extensive. However, scientific and technological advances suggest new recruitment technologies, for example, online technology. In economically developed countries an important reason for recruitment is the low level of Islamic youth social integration, especially among immigrants. Still, a significant target audience for recruiters are troubled Islamic youth. These people are easily influenced by IS as they are inspired with Islamic brotherhood romanticism and the feeling of belonging to the great cause (Thompson, 2017). However, the farther from the Western world people are recruited, the more important is militants’ desire to just make good money and comfortably settle down (Pollard *et al.* 2015). In this regard, going to jihad is just an extreme form of employment. A certain role in third world countries is attributed to social anti-corruption protests.



*The third reason for recruitment* is the efficiency of radicalism propaganda, especially in case of IS. Such propaganda is ready to reach out to almost any motives of young people (Gurr, 1970). IS has developed individual recruitment methods for various groups of potential recruits. Propaganda materials published by IS appeal to their desire of a careless life among friends provided with guaranteed food and in a good climate (Ingram, 2014). IS is represented in them as a utopia, an alternative to the habitual world where a young person could not develop (Ingram, 2016).

Online recruitment has its pronounced advantages for recruiters – distant concealment that impedes the work of legal enforcement authorities to a great extent and justifies a twenty-four-hour online work of Internet recruiters almost in a safe mode. At the same time the target audience of online recruiters looking for people to commit terrorist attacks are also wealthy young people who not only have free access to information but also have obligations, for example, in the course of certain educational classes they need to come up with a creative solution to social-political, economic and spiritual problems of the society. Sometimes their searches lead them to different forms of electronic contact with those who are ready not only to understand their desires and requests but also become the only listener and then fulfill them. Youth and students that have been carefully but persistently influenced by professionals for many months, can yield to the radicalization process and will be partially ready to accept the relevant ideology. And there is immediately a person who narrates aggressively that the fateful hour has come and you need to go “defend your ideals with deadly force” or carry out a “righteous struggle in your own home” (Sageman, 2004). Thus, a yesterday’s boy or girl student secretly leaves not even informing their parents.

## 2. European experience in countering youth recruitment

Fighters’ activity is still a relevant issue for European countries: whether to prosecute them, reinforce the functioning of intelligence services or integrate them in society (Lister, 2015). These two approaches can be conventionally called “rigid” and “soft” approaches. In general, an efficient model is the one which divides fighters into two groups: the first group includes those who are ready to abandon criminal activity, the other one – those who are not ready to adapt to civil life. A softer approach is applied to the first group while a rigid approach is used for the second one. The main problem is to develop methods for classifying fighters who are coming back. At the same time, the existing world experience in this sphere is still considered unsatisfactory.

The best well-known practice of former fighters’ rehabilitation is the Aarhus model developed in Denmark in 2015 (The Local, 2015). Thus, a special rehabilitation center for fighters was created and a hotline was launched for citizens with relevant problems. The model’s basic principle is maximum social integration of radicalization victims. Social services, police, teachers and reliable family



members control deradicalization process and at the same time act as social mentors (Mansel, 2015).

This time is at the same time criticized by a number of experts for an overly soft attitude towards terrorists who committed crimes (Carlqvist, 2015). A strategy which criminalizes actions of former fighters and puts them under control of special services is deemed to be more reliable. There are similar deradicalization programs in the majority of the EU countries (Haller, 2015). In general, no absolutely successful models of deradicalized persons' social integration as an alternative to repressive measures have been created. That is why the recruitment prevention measures are considered to be most efficient to fight terrorism.

Such methods are mainly developed in Europe. It is explained by the fact that among the developed countries EU members have faced this problem to the greatest extent. Among other things, the most well-known and efficient methods to prevent recruitment are as follows:

1. *Information campaigns on the development of national identity.* In the majority of the EU countries as well as in Russia the recruitment risk is mostly connected with the problem of immigrant integration. Thus, since 2011 Austria has seen the introduction of the program entitled "Together: Austria" that combines an online information campaign with the development of a school program (Die Presse, 2015a). An important mechanism of the Austrian immigrant integration program is the invitation of successful community representatives to give lectures at schools and universities. More than 300 representatives attend educational institutions and speak about their successful lives in Austria. The program audience covers over 20 thousand people (Zusammen Österreich, 2017<sup>1</sup>). Early in 2014, the program was supplemented with a public initiative entitled "I feel proud" (Stolzdrauf), that has become the most successful information campaign of the Austrian government in Facebook. The users were asked to prepare and upload a short video clip in which they explain what they are proud of in their country and why. Particular attention was paid to target audiences among immigrants (Gadenstätter, 2014). Within the first two weeks around 50 thousand users uploaded videos on Facebook and 2.5 thousand users uploaded them to Twitter. Public and political communities among national and religious minorities also took an active part in the campaign. The results of the above-mentioned events were highly appreciated for significant scale and scope of religious and national minorities' voluntary participation – communities that belong to the risk group because of terrorist threat (Der Standard, 2014). At the end of 2014, a research was carried out in order to assess the results of program implementation (a sampling of around one thousand people): 62% of Austrian program participants said that it had had a positive impact on them (Die Presse, 2015b).

2. *Implementation of programs on countering extremism in the educational system.* Considering the scale of IS recruitment in France, no wonder that this

<sup>1</sup> See more <http://www.zusammenoesterreich.at/index.php?id=5>.



country was the one that started developing most actively measures to fight terrorist ideology in the sphere of education. Thus, a special program entitled “Big mobilization of education to support the Republican values” was adopted by the Ministry of Education and Science in February 2015 (Ministère de l’Education nationale, 2015a). The program envisages: the training of around 300 000 methodologists in anti-extremism measures; development of school and university mass media system; interaction with online portals and national mass media; introduction of the Day of Secular State on December, 9 (the day when the law on separation of church and state was adopted) in educational institutions; patriotic events; introduction of the Week dedicated to the fight against racism and Anti-Semitism as forms of radical and extremist behavior; development of research in the sphere of radicalization; distribution of guidelines with possible signs indicating the involvement of students in radical religious organizations (Ministère de l’Education nationale, 2015b). Such measures could serve as a benchmark for Russia especially for Islamic regions in the Volga region and North Caucasus.

Moreover, in July 2015, the national Senate Committee established after Paris attacks in January 2015 approved a series of measures on the reinforcement of educational institutions’ activities in propaganda of secular and anti-extremist values. In particular, one of the proposals features the introduction of the Teacher’s Oath when assuming the position which contains an obligation to communicate knowledge on the best periods in the French history to students in order to reinforce social unity. Nevertheless, such legal initiatives demonstrate that the problem is acute and that even the large-scale anti-extremist measures on the reformation of university and school education that were adopted seem insufficient for the French society.

Comprehensive anti-extremist seminars for civil servants especially for teachers, doctors and social workers on countering terrorism have become widespread in France (La Dépêche, 2015). The aim of such seminars is to develop skills that detect early signs of youth radicalization that arise at the stage of recruitment by religious extremists. Social isolation of young people, disconnection from the previous circle of contacts and renouncement of the habitual life style are among the early signs. The practice of holding such seminars is highly appreciated by experts (La Dépêche, 2015). In case of Varvara Karaulova, a Russian Moscow State University student recruited by IS, almost no one paid attention to the obvious signs of her radicalization. However, if they were detected, certain preventive measures could help this girl escape from terrorist networks.

In the Federal Republic of Germany political education agencies under ministries on family affairs and youth policy on the level of federated state annually hold seminars for students and young people on extremism issues (Staatskanzlei des Landes Nordrhein-Westfalen, 2017). It is worth noticing that these measures were initially aimed at the fight with right wing neo-Nazi extremism. However, it has been recently refocused to fight religious extremism instead.



In the UK the fight with religious extremism in the educational system continued at universities as well. In July 2015, a comprehensive PREVENT program that was followed by a number of measures was launched. In particular, all the teaching staff is completing a thorough instruction on the problems connected with religious extremism promulgation. Special attention is paid to Muslim students although the official program materials do not disclose this fact in order to avoid accusations of racism and phobia of immigrants.

3. *Development of special programs of interaction among the university, school and police.* For instance, in the middle of 1997 in Norway the police and parents of children involved in radical groups initiated the “Exit” program (Smith and Julie, 2015). Among other things, it features the following objectives: support of young people who would like to leave radical groups that resort to violence; support of parents who have their children involved in such groups; development and dissemination of information and methodology for social workers and teachers. The program was initially mainly aimed at the fight with right wing racist extremism. Then the program principles were also applied to the everyday operations of the police and services in charge of youth radicalization problems and terrorist recruitment.

Key element of the Norwegian deradicalization strategy are consultations with psychologists at the police station (“Private conversation”) with a view to preserve youth within publicly acceptable framework as an alternative to prosecution. A wide range of people are responsible for identification potentially troublesome young people: the police, teachers, religious leaders, youth clubs, neighbors (Norwegian Ministry of Justice and Public Security, 2011).

In general the Norwegian anti-radicalization strategy features the following principles: focus not on punishment but on rehabilitation; fight against radicalization based on secular organizations’ activities (the police, university, school, religious organizations, public organizations); the acceptance of values of the host-country by immigrants; establishment and maintenance of contacts and cooperation with Norwegian Islamic organizations; decisive role of the police in all the described processes. Such principles can be integrated quite well into Russian anti-extremist structures. These structures need to work more actively with educational and public structures.

In the middle of 2010, schools in Norway saw the introduction of a program based on interaction of school administration and parents to fight radicalization both from the part of students and teachers. At the same time provisions were made for a comprehensive work to fight possible signs of extremism: Islamic religious extremism as well as racism and xenophobia manifestations aimed against Muslims (Norwegian Ministry of Justice and Public Security, 2011).

Considering both achievements and faults in the previous programs (in particular, due to the need to improve work with immigrants) the Norwegian government developed the Action Plan which said that the Ministry of Children, Equality and Social Integration was instructed to introduce special courses that





help immigrants accept democratic society basic principles. They also explain to religious leaders coming to this country for permanent residence tolerance standards and Norwegian social policy (Vidino and Brandon, 2012). Such methods of working with religious leaders are also needed in Russia where there are cases when imams, for example, from Central Asia come to work in the country.

4. *Monitoring extremist Internet activity.* In the UK, according to the anti-terrorist legislation adopted in July 2015, schools and universities have to use special software that would monitor students' Internet activity including their correspondence in social networks detecting special terms that are used by terrorist recruiters (Taylor, 2015). Several companies (Securus, Future Digital, Impero) have already tested such software prototypes in a number of schools and they demonstrated good results (Taylor, 2015). An analysis of video and printed agitation extremist materials was carried out to draft a complete vocabulary of extremist terms that later became the basis for monitoring programs. Considering the importance of the role that the Internet plays in the recruitment of religious terrorists, monitoring the efficiency of such work is considered rather relevant.

Neutralization of prerequisites for recruitment, first of all through education, is even a more relevant problem connected with the prevention of recruitment. In this case, there are two basic approaches in the EU countries. The first one is to develop education aimed at implementation of European cultural values. The other one is to encourage the study of Islamic version that are against terrorism among Muslims.

### 3. Application of European experience in Russia

The IS fighters' terrorism propaganda is one of the key threats for Russia. There are many different problems that make young people and students join terrorist structures: spiritual crisis of modern society, social and economic problems and the problem of immigrants' integration into host communities, sophistication and efficiency of extremism and terrorist propaganda especially that of IS. The Russian Security Council, the National Anti-Terrorist Committee, anti-terrorist departments in the Federal Security Service and the Russian Ministry of Internal Affairs in cooperation with an expert community are developing and refining a comprehensive model to fight recruitment and terrorist recruiters. The drafting of comprehensive educational and methodological guidelines for the police and intelligence services that analyze recruitment tools and ways to fight them as well as guidelines for schools and universities have become a relevant issue today. Mass distribution (especially among young people including online and in social networks) of special leaflets and other materials that unveil the most common psychological traps used by recruiters. Among them are, for instance, manipulating the ideas of fighting evil and other concepts of traditional religions, using of the idea of fighting corruption and injustice by recruiters, opposing moral degradation of modern society, searching the aim and sense of life. Work in this area is the most important element of counter-terrorism propaganda.





### 3.1. Role of state and society

*State and society take an active stand in countering fighters' recruitment processes.* State seeks to ensure a set of measures on efficient development of values and beliefs of young people in the country. State authorities and civil society institutions pay particular attention to the prevention of terrorist ideological influence on Russian youth and its recruitment to terrorist fighting units. In a wider sense it accounts for an extreme importance of Russian youth outlook development in general and students' outlook development in particular. This important provision is a must in a state policy. State has recently paid much attention to spiritual and moral education of Russian youth. The fifth (starting from the year 2000) state program of Russian citizens' patriotic education is being implemented right now (Government of the Russian Federation, 2015). A number of other legal and acts regulating the development and quality improvement of educational processes (Russian newspaper, 2009).

It is worth noticing that technology having a destructive impact on youth mass consciousness has been fine-tuned during various anti-governmental rallies, proved to be "efficient" and was actually phased in by the Islamic State terrorist organization recruiters. It predetermined the prospects of IS constant replenishment. It will be impossible to change this situation only with prohibitive measures. As student recruitment is a systematical, comprehensive and networking process, then countering measures also need to be of systematic, comprehensive and networking nature. Official announcements and publications in the mass media are not sufficient to prevent propaganda of the IS ideology attractiveness.

**Table 1. Approach to state anti-terrorism policy**

Questions	Agree, %	Disagree, %	Cannot say, %
The IS is a direct threat to Russia	64,4	20,4	15,1
All possible means can be employed to fight IS (including illegal ones)	61,3	23,6	15,1
Persons departed to IS need to be deprived of citizenship and be banned from their country	59,6	26,2	14,2
Relatives of persons departed to IS need to be punished and penalized	21,3	64,4	14,2
The more global community fights IS, the stronger it becomes	22,9	53,8	23,3
Domestic fight with IS develops mistrust among peoples	43,8	36,0	20,2
The government is not able to prevent IS recruitment inside the country	31,8	47,6	20,7
State is responsible for people departing to fight for IS	24,4	56,2	19,3
People who voluntarily admitted having supported IS need to be forgiven	14,7	67,1	18,2
If left alone, IS will cease terror	8,0	82,4	9,6
Russia shouldn't have interfered in the war against IS	21,1	56,2	22,7
Dialogue and negotiations are an efficient strategy of interaction with IS	12,0	74,4	13,6
Fighters coming back from IS need to be rehabilitated and not prosecuted	11,3	78,1	10,6

Source: Authors' calculations based on own survey conducted on 17 September 2016.



It turned out that in terms of approach to various state and social measures countering radical and terrorist ideology, students are much more ready to agree with rigid anti-terrorist measures and the idea of terrorism being a national threat than with the need to use soft measures countering IS (Table 1). The idea of integrating fighters coming back from Syria was poorly supported. The idea of mitigating punishment for people who voluntarily admitted having supported IS was highly unpopular. As 64% of Russian students think that IS is a primary threat to national security, they find it reasonable to utilize the most rigid repressive measures against fighters and recruiters. Thus, the model of former fighters' social integration (following the Aarhus model) most likely won't be widely supported. At the same time, students think that terrorist threat inside the country fosters mistrust and suspicion regarding other peoples. It was also identified that around one quarter of students blame the state for highly efficient terrorist propaganda and terrorist attacks. Moreover, almost half of the students (47,6%) believe that the existing state measures aimed at recruitment prevention are rather efficient. More than half of the students (56%) fully support Russian anti-terrorist operation in Syria.

### 3.2. Role of education

*Implementation of extremism prevention programs in the educational system.* The content of academic curriculum needs to be adjusted correctly. Throughout a long period, up to the present moment the Russian educational system has been focused on meeting market needs by training single-subject specialists to the detriment of the spiritual and moral element. This is one of the main reasons motivating a certain part of students which is based on dependence and an aspiration towards achievement and consumption of benefits at any cost, even illegally. The experience of France in this sphere may be most productive as well as the experience of Germany and Austria which is a little bit less productive. The French program entitled "Big Mobilization of Education in Support of Republican Values" that is being implemented right now as well as discussions in the French Senate and in civic circles of additional provisions and adjustments to this program are of great interest for the Russian Ministry of Science and Education and other authorities.

Among discussed or already adopted measures that could be useful in the context of Russia are the following:

- Mass training of teachers-methodologists in counter-terrorist propaganda; introduction for this purpose of special courses and programs in pedagogical universities in collaboration with anti-extremist departments in the Ministry of Internal Affairs or anti-terrorist departments in the Federal Security Service;
- Further support and development of university and school mass media system dedicated to anti-terrorism effort and their interaction with national mass media and online portals;



- Development of research in radicalization and war on terror, increasing of scholar funding in these areas. In Russia it can be done through a system of scientific foundations;
- Distribution of guidelines with the indication of possible signs demonstrating youth involvement into radical terrorist and religious organizations as well as organization of methodological seminars on these subjects involving representatives of law enforcement agencies, scholars' and teachers' community;
- Telephone hotline that provides information on radicalization problems;
- Introduction of an educational course on critical perception of information in the Internet at schools and universities with a view to identify extremist content;
- Support of public organizations that promote accounts of former terrorists and religious radicals who have started a rehabilitation process;
- Introduction of counter-terrorist issues in school and university introductory courses to religious culture also in collaboration with Islamic religious figures;
- Support of Russian Islam, broadened access of Muslim religious figures to higher education in Russia;
- Development of program on the rehabilitation of extremist groups former members which demands the creation of individual tutors-psychologists' network.

*Tuning-up special programs of interaction between educational institutions and the police.* In this case, the most curious example is the idea of continuous cooperation of the police and society in the framework of the Norwegian program "The Exit". For instance, private conversations with experts are relevant, being an early measure that precedes prosecution. The most useful element of the program is identification of potentially troublesome youth by systematic and continuous cooperation of the police, professors, teachers, religious figures, youth clubs and local citizens. It would be reasonable to introduce courses in Russia that explain basics of a democratic society for arriving immigrants as well as focused work with religious leaders based on the analysis of, for example, Norwegian experience.

One should not forget that recruitment to a terrorist group is performed not only by propaganda of ethno-confessional extremist chimeras but also by promises of rapid wealth accumulation. There is no exact data on how much IS fighters earn but it's evident that their "salary" is mostly made up of robbery and looting which are hard to count. This is a rather efficient trap for those who seek quick wealth accumulation.

Amid dynamically developing social communication systems educational technology that was efficient 10 or even 5 years ago do not always have the expected result. That is why in the process of both the development of Russian youth outlook in general and countering the recruitment of students in particular, bureaucratization and inefficient technology have to be eliminated.



As for the content-related aspect regarding the prevention of student recruitment to IS, it envisages the implementation of the following measures:

- countering terrorist ideology with the help of universities' information resources;
- creation of organizational, legal, scientific, technical, professional, financial and other favorable conditions for efficient information prevention of student recruitment to IS terrorist structures;
- identification and forecast of potential recruitment areas among students, websites and accounts belonging to recruiters and implementation of measures to block them and prosecute providers who are responsible for their functioning;
- search and analysis of real-time information on terrorist recruiters' activities among students and their allies;
- development of students' vigilance, moral and psychological resilience, team spirit and personal responsibility;
- teaching student activists about forms and methods of work with students exposed to terrorist recruiters.

The most important condition to efficiently prevent student recruitment is the direct involvement of student representatives and activists in this process. Students exposed to recruiters will listen to no one but their peers who have friendly and trust relationship with them. A proactive stance of the Veterans' Council, academic staff, senior fellow students on covering real events in military-patriotic work will enhance students' immunity to recruitment technology.

**Table 2. Idea of Islamic State**

Questions	Agree, %	Disagree, %	Undecided, %
Religious fanaticism was the reason for the establishment of IS	60,0	25,3	14,7
Conflict of traditional and western cultures was the reason for the establishment of IS	36,4	36,2	27,3
Foreign intervention was the reason for the establishment of IS	36,0	41,1	22,9
Unjustified repressions of Syrian and Iraqi government were the main reason for the establishment of IS	26,0	45,1	28,9
IS is just a tool for the promotion of concerned countries' interests	30,7	43,1	26,2
IS pursues only political objectives	29,6	47,8	22,7
IS is based on terror and violence	70,7	16,2	13,1
IS has huge funds and modern arms	53,8	21,1	25,1
IS doesn't respect women and minorities' rights	60,9	18,7	20,4
IS is a new form of the state	16,2	66,0	17,8
IS is a political "brand"	24,0	56,0	20,0
IS is a temporary phenomenon	38,7	37,6	23,8
IS is the lesser of two evils in the Middle East	9,8	72,2	18,0
IS provides its followers with social guarantees which they can't receive in their own country	18,0	66,0	16,0
IS seeks to create a unified national environment and provide equal opportunities for foreigners and locals	10,4	73,1	16,4
It is easier for locals to live in IS than under the reign of the	8,9	75,8	15,3



Questions	Agree, %	Disagree, %	Undecided, %
official Syrian and Iraqi government IS fights for the establishment of the fair world for people of the same faith	16,7	65,1	18,2

Source: Authors' calculations based on own survey conducted on 17 September 2016.

It is worth noticing that students don't share the idea of IS as a full-scale state or a similar organization that provides its members with social guarantees (Table 2). So, according to the majority of the respondents, IS is based on violence and fanaticism. At the same time only around one quarter of student believe that this terrorist organization appeared as a result of internal controversies and the situation in the countries of this region. While around 36% of students think that the reason for IS establishment were some sort of external factors.

### 3.3. Anti-recruitment information campaign

Information countermeasures to prevent terrorist recruitment suggest the implementation of a number of measures both offensive and protective. Passive information countering includes identification, localization and ban of information accounts in other resources of student terrorist recruitment. This operational area needs to be implemented in cooperation with state authorities' representatives including units on anti-terrorism information campaign of the Russian Ministry of Internal Affairs, the National Counter Terrorism Committee as well as the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications.

Thus, the British experience in the development of special software for monitoring youth Internet-activity using key words utilized by terrorist recruiters is relevant for the Russian Security Council, the National Counter Terrorism Committee, the Federal Security Service and the Russian Ministry of Internal Affairs. Preliminary experience of this software functioning at schools and universities demonstrated positive results in terms of recruitment prevention.

As youth, especially students, belong to the major risk group, the main part of liability for counter-terrorism propaganda stays within the educational system and the mass media. Considering both the unique situation in Russia (Islam has been officially acknowledged as one of the traditional religions) and well-known problems connected with the introduction of multiculturalism elements in the life of European communities, a special model of counter-terrorism orientation in the system of higher and secondary education may be recommended for Russia. It can combine two main approaches developed in the EU countries, each of them having both advantages and disadvantages.

The first approach is the development of university and school curricula based on the French practices and aimed at the introduction of positive cultural values. When considering a unique nature of Russian culture in which, unlike the



French culture, a more significant role is attributed to traditional religious values, this experience should be applied to Russia, especially in regions that face serious challenges of immigrant integration. The second approach is to encourage Muslims to study those versions of Islam that oppose terrorism which corresponds to the British experience of fight with religious radicalization. These practices may be implemented in those Russian regions where Islam is traditionally significant for the society (Volga region and the North Caucasus). Such a differentiated approach will comply with federalism principles.

**Table 3. Opinion on the role of the mass media in fight against terrorism and terrorist recruitment.**

Questions	Agree, %	Disagree, %	Undecided, %
The mass media is an efficient tool to fight IS	16,0	67,1	16,9
The mass media informs people on risk connected with terrorism	61,1	22,2	16,7
The mass media stimulates interest to terrorists	43,1	46,7	10,2
The mass media encourages recruitment of new terrorists	9,2	66,7	24,1
The mass media exaggerates the power and terrorist threat coming from IS	18,4	56,9	24,7
The mass media distorts the image of IS and its followers	22,0	52,0	26,0
The mass media enhances the effect of terrorist attacks	34,7	43,1	22,2
The mass media stimulates the enhancement of repressive policy against IS followers inside the country	38,0	32,0	30,0
The mass media seeks to create the atmosphere of uncertainty and fear	34,4	41,8	23,8
Those who want to fight for IS need not be stopped	10,4	82,7	6,9
IS propaganda looks more interesting than the information from the official mass media	8,0	78,4	13,6
Communication with IS members (not for joining) will allow understanding their ideals and objectives better	28,0	56,9	15,1

Source: Authors' calculations based on own survey conducted on 17 September 2016.

In general, students believe the mass media plays a slightly positive role in fight against terrorism (Table 3). Despite the fact that many people consider the mass media as the most efficient tool to counter IS, the respondents highly appreciate the role of information sharing on terrorist threats. Part of the students see the mass media as a tool that reinforces the promotion and effect of IS terrorist attacks and at the same time demonizing terrorists and presenting them in a negative light. Thus, the mass media in students' perception doesn't have a definitive role that agrees with the research findings on the Italian middle class perception on terrorism (Sensalles *et al.*, 2013).

In general, unlike passive information campaigns, active campaigns are aimed at early identification and prevention of student recruitment to terrorist structures. Nevertheless, it's evident that this work should focus on creating a system of cultural and recreational work and youth creative development.

### 3.4. De-glorification of IS fighters

*De-glorification of IS gang members and discrediting their romantic air* is an important part of youth patriotic education for the prevention of IS recruitment. As long as terrorists are perceived by youth as people that are worthy of emulation, IS terrorist group will have a constantly replenished social basis. Discrediting these and similar myths will lead to decreasing efficiency of IS recruiters' activities.

Forced myths of romanticism need to be opposed with the real essence of participation in IS terrorist structures characterized by mercenariness, i.e. venality, that will be planted in students' minds. People recruited to this terrorist group should be perceived as mercenaries, "cannon fodder" used to reach criminal misanthropic objectives of IS leaders.

In the process of recruitment prevention worthlessness and nullity of people involved in IS structures should be highlighted. It should a priori make young people wonder: should they follow their example and their destiny? Photos and videos with imprisoned and destroyed IS fighters should also be released to public. Demonstrations of terrorists' hypocrisy should also be made public including such exemplary cases as an arrest of IS fighters who fled the battle field dressed in women's clothes (McFadyen, 2016).

Prevention of IS recruitment suggest the development of values determining that involvement in such criminal structures is not "cool" at all and not prestigious but instead – it should provoke disgust and rejection. As for de-glorification, it's evident that it will be reasonable to prepare a number of informative-analytic programs on day-to-day life of Russian citizens recruited by IS and currently being imprisoned for involvement in these terrorist groups. Inevitability of punishment for participation in this structure with further deterioration of personal image, social status and obstacles for career development and one's own wellbeing will definitely contribute to decreasing attractiveness of both IS itself and any kind of participation in its gangs' activities.

In general, the majority (around 70%) of students believe that terrorists are crazy psychopaths and dangerous religious fanatics (Table 4). A smaller number of students (around 25-40%) consider terrorists as mercenaries or losers who seek to find whatever reason in life. Positive connotations in terms of terrorists' perception received extremely insignificant support.

It is worth noticing that IS fighters' image is extremely demonized which is a little bit different from the reality. The most promising area of anti-terrorist mentality development would be to support the perception of terrorists as criminals, gangsters, mercenaries and, at the same time, confirmed losers whose aims are destined to fail.





**Table 4. Perception of IS fighters' image**

Questions	Agree, %	Disagree, %	Undecided, %
An IS terrorist is a crazy psychopath	68,2	18,4	13,3
An IS terrorist has no pity for civil citizens' sufferings and expresses hatred towards other people through his/her actions	76,4	13,6	10,0
An IS terrorist is a religious fanatic	70,9	17,1	12,0
An IS terrorist looks for accessible entertainment and thrill	24,2	54,0	21,8
An IS terrorist is a mercenary	32,9	48,2	18,9
An IS terrorist is a loser	37,1	43,3	19,6
IS terrorist suffers from the lack of future prospects	37,1	40,9	22,0
Young people in IS try to overcome their fear of life hardships and make life more sensible	33,8	45,8	20,4
A terrorist tries to attract attention of family and friends	20,4	63,1	16,4
An IS terrorist seeks how to avoid poverty and misery	24,9	58,0	17,1
An IS terrorist is a victim of deception and manipulation	45,1	33,6	21,3
An IS terrorist can be an educated person	55,1	25,8	19,1
An IS terrorist tries to live according to the commandments of his/her religion	29,3	52,2	18,4
An IS terrorist reacts to the feeling of injustice experienced by his/her people	22,9	57,8	19,3
An IS terrorist fights in order to liberate his/her nation	17,3	67,6	15,1
IS terrorist fights for his/her own freedom and ideals	30,7	52,0	17,3
An IS terrorist is a martyr accomplishing a rightful cause	6,7	85,6	7,8

Source: Authors' calculations based on own survey conducted on 17 September 2016.

## Conclusion

Thus, it's obvious that youth patriotic education given the new need to proactively prevent student recruitment to terrorist structures demands that state, society and universities assume a serious approach. The solution of the indicated problems will contribute both to successful prevention of student recruitment to terrorist groups and, in general, their anti-terrorism activities. Considering the above mentioned problems, it is necessary to intensify information sharing on international terrorist fighters both through bilateral Russian-European cooperation and of intelligence services and through cooperation within the specified international structures. Mechanisms of international dialogue aimed at war on terror in connection with other security threats (drug trafficking, illegal immigration, money laundering) on the former USSR territory also need to be developed. This dialogue which needs to involve intelligence services, scholars-experts and civil representatives will contribute to the development of citizens' anti-terrorist consciousness which is indispensable in the war on terror. Public organizations as well as state structures need to be invited to carry out this work.

Wide implementation of anti-extremism and anti-recruitment measures in modern European society presents a challenge for the relevant structure in the Russian Ministry of Foreign Affairs and an expert community to monitor the results of programs adopted in Europe, develop measures for the adoption of these practices in Russia and ways of efficient international anti- terrorism cooperation



based on them. The improvement of cooperation with relevant structures within the EU, contacts with scientific and expert community, the development of humanitarian cooperation aimed at eradication of terrorism and religious extremism become extremely relevant in this regard.

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# RUSSIAN STRATEGIES IN EURASIA DURING THE 1990S AS A SOURCE OF PUTIN'S VISION OF THE REGION: LESSONS FROM THE PAST

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## Abstract

*The article analyses Russian foreign policy strategies toward the post-Soviet republics in early 90s. This paper argues that most of the initial political developments in Russia that took place immediately after the collapse of the Soviet Union shaped Russian strategies in Eurasia for many years ahead and became the basis of Putin's policy in Eurasia today. This paper analyzes historical and documentary evidence in order to formulate a starting point for rethinking Russian understanding of the economic, political, and military influence vis-a-vis its immediate neighbourhood. The arguments presented in this paper could be used in analysis and understanding the logic, forms, and methods of the processes of Eurasian integration pushed forward by Russian government.*

**Keywords:** Russian foreign policy; Eurasian Union; post-Soviet States; Soviet Union collapse.

## Introduction

Over the last several years many scholars and pundits have associated Russian foreign policy toward the post-Soviet republics with more assertive and at times even brutal steps, pursuing Russia's goal of strengthening its key role in the geopolitics of the region (Mankoff, 2009; McFaul, 2016; Legvold, 2014; Galeotti, 2014, *et al.*). This policy is generally associated with the period of president Putin's ascent to power in 2000. To some extent, these conclusions about Russian behaviour are correct, bearing in mind that during last seventeen years we have witnessed a significantly turbulent period in the political and economic restructuring of the Eurasian region. This process was characterized by a series of dramatic political changes in Georgia and Ukraine, a number of sharp conflicts in the South Caucasus and Eastern Europe, as well as emerging regional integration impulses that resulted in the creation of the Customs Union and later the Eurasian Economic Union of Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan. Finally, the process of regional transformation has been influenced by the deep

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clash between Russia and the West over the Ukraine's political choice to side with European structures and associate itself with the process of European political and economic integration.

All of these dramatic events, in one way or another, can be explained by Russia's straight-forward regional strategy, implemented by the newly established Russian political elite that was brought in by Vladimir Putin. The charge that Putin's Russia represents an example of a purely autocratic political regime is quite widespread in recent international political discourse (Talbot, 2004; Hassner, 2008; Shevtsova, 2005). This idea exists in contrast to the an opposing view, which argues that after the collapse of the Soviet Union, a more democratic state existed in Russia during the early 1990s, one that came about as a result of the liberal reforms of President Yeltsin and his team, which transformed Russia into a much more democratic country, one that was enjoying a real liberal economy and a number of vital political and social freedoms (MacFaul, Stoner-Weiss, 2008 p. 69). This paper argues, however, that the vision of a post-Soviet space promoted by Russian liberals in the late 1980s and 1990s differed only in little part from the views and beliefs of current Russian leaders, including Putin himself. Moreover, important attitudes about the post-Soviet space were simply adopted by the current political class from the liberal leaders of early 1990s. Hence, we may argue that it is highly unlikely to expect that possible liberalization of the Russian political system in future would necessary lead to revision of the current Russian approach to dealing with the former Soviet Republics in Eurasia.

The theoretical approach and methodology chosen by the author was based upon the principles of post-positivism elaborated by Karl Popper, Thomas Kuhn, *et al.*, as well as historical method of research (based on analysis and examining of primary historical sources and documents). Through an examination of the political development of post-Soviet Russia, author of this paper attempts to prove the hypothesis that Russian policies toward its neighbourhood are driven by Russia's perceived need to preserve its dominant position in Eurasia. These ideas and even some methods could hardly be an attribute of just Putin's current political regime. When one analyzes the last twenty-five years of Russian history, there is no denying that there is a great extent of continuity of such a policy from the very beginning of democratic reforms immediately after the collapse of Soviet Union in 1991 until today. This fact gives us a basis to assert that the current trend will continue for some time in future. The only differences we may expect is in the methods and instruments available under certain political and economic circumstances to reach that goal.

The paper consists of two major parts. The first part is primarily focused on the process of crystallization of a nationalist (nation-state) approach within the political spectrum of the late-Soviet regime in its search for a logical approach to interaction between the Newly Independent States (NIS) after the collapse of the Soviet Union. The second part examines and identifies the process of formulation



and implementation of Russian strategy of dealing with neighbouring states from 1991-1995, and its future impact on Russian understanding of its near abroad.

### **The state in transition and the genesis of Russia's post-Soviet strategy**

By the end of the 1980s, the USSR faced a deep crisis that resulted in ideological, economic, and political decline. All of Mikhail Gorbachev's attempts to reform the system using the instruments of "Perestroika" were not only insufficient, but also exposed some deep contradictions between centre and periphery within the Soviet Union. To overcome the crisis, it was necessary to rebuild all of the administrative principles that constitute Soviet state.

There were three major approaches to how to deal with Soviet political system, which was obviously falling apart. Different political groups supported all of these projects:

1. Moderate reformers, led by Mikhail Gorbachev
2. National political elites in the Soviet Republics
3. Conservative wing of the Communist Party, high-ranking security and army officials

The first approach called for a moderate revision of the Union; this approach—the transformation of the USSR into the Union of Sovereign Republics—was supported by Gorbachev and his team of reformers). This approach was based on the idea of a new form of agreement between the Kremlin and all the republics. The first version of the Treaty was ready by November 1990. On one hand, it called for equal status for new members of the Union, as well as the rights for them to determine independently their political processes and administrative functions, and their own social and economic policy. The Union's centre, on the other hand, would have secured control over the foreign policy, federal budget, army, police, and some other instruments of Union's administration. (Shubin, 2006, pp. 195-202). In other words, Gorbachev's project proposed to modernize the USSR by giving its members greater sovereignty and an independent status. Generally speaking, this approach basically met the needs of the greater part of the communist elite as well as the majority of Soviet citizens, 76,4% of whom voted for the idea of maintaining the USSR as a state during the March 1991 referendum (Lukashin, 2011).

Unfortunately, Gorbachev's model of modernization did not match the expectations of the newly emerging national political elites in the Soviet republics. This new political class gradually became the main drivers of political processes throughout the USSR. Representatives of national political elites supported the Nation-state approach of deep 'sovereignization' of Soviet republics, which, they argued, would lead to the establishment of *de facto* newly independent states under the umbrella of a less powerful centre. At the beginning of the elaboration of these nation-state ideas, supporters of the project were trying to reach an agreement with Gorbachev, asking for more independence within a new form of the USSR.





Regional elites exerted pressure on Kremlin, stressing the need for equal treatment of all the republics within the Union. Gorbachev recognized the more obvious demand for independence and was forced to follow a path that expanded freedoms (Shubin, 2006, pp. 211-214). Gorbachev experienced some difficulties to find a consensus between the federal government and the republican authorities, and to keep the formal status of the Union viable. The regional leaders, at the same time, were mostly concerned with expanding their power within their own republics. Sovereignization of the Soviet republics was seen at the time to be an integral component of the political reform process. A fragile compromise was struck in the new version of the Union Treaty that was ready for signing in August 1991 (Shubin, 2006, pp. 195-202). The 'Treaty 9+1'\* unified the federal centre and nine former soviet republics on a *de facto* confederative basis that led to further degradation of the Kremlin's influence. It needs to be stressed that the entire process of finding a new form of organization for the post-Soviet space was primarily driven by the political ambitions of newly emerging regional elites and their desire to concentrate more power in their hands. This was also particularly true for Russia itself (then Soviet Federative Socialist Republic of Russia, (RSFSR),\* led by Boris Yeltsin).

The Kremlin's gradual loss of control over the political and economic process in the country provoked a serious concern within the conservative communist elite, particularly among high-ranking party officials, generals, and representatives of security structures, ministries, federal services whose careers and power would have been seriously undermined under the new circumstances when Soviet Union was about cease to exist as a unified state. At the very beginning of Gorbachev's reforms, the conservative wing of Communist Party leaders, the so-called '*nomenklatura*' were skeptical about the process of change of the Soviet Union's statehood and status (Medvedev, 2010, pp. 306-314). Moreover, they were very disappointed of the fact that Gorbachev had made huge concessions to the national elites in the regions, under the new Union's treaty. Nevertheless, even with these concessions in favour of republican independence only Russia, Kazakhstan and Uzbekistan was ready to sign the Treaty in August 1991. Belarus, Ukraine and other republics decided to make a decision in October-December 1991. It was not clear, however, whether they will be ready to sign the Treaty or refuse to do it just like it already did the Baltic States, Georgia, Armenia and Moldova. Such a perspective of Union's disintegration was not acceptable for the conservative opposition within the Communist party of the USSR. They thought that national Republics should remain an integral part of the Union, which was stressed in the famous document 'Address to the Soviet Citizens' in August 18, 1991. Nationalist movement in Soviet republics was described as 'extremist attempts to destroy the USSR and undermine the unity of soviet republics'

\* The Baltic States, Armenia, Georgia, and Moldova refused to sign the Treaty.

\* The Russian Soviet Federative Socialist Republic.



(Shahrai, 2016, p. 828). All of this made the leaders of conservative wing within the Communist party to support political *revanche*, known as the August Coup.

The Coupe supposed to prevent all attempts to revise the fundamentals of the USSR's administrative and political structure, as well as communist ideology. Using their influence in the army and security services, conservative elites tried to take over the political power in the country and restore the principles and constitution of the Soviet Union (Shahrai, 2016, pp. 829-831). The leaders of the *coup* expected to force Gorbachev to continue the process of discussion of the conditions of the new Union's Treaty with national political elites in republics to avoid the concessions in regard to the republic's more independent status (Medvedev, 2010 pp. 307-308).

However, the strong opposition of national leaders and widespread social protests, as well as the absence of a consensus among coup leaders, led to failure of their plans. Ironically, the attempts to save the USSR using military force resulted in the end of the old soviet communist system. The process of decentralization accelerated even more quickly than before the coup. There were several reasons for that:

- Gorbachev publicly proved to be unable to consolidate society and the elites to support his vision and logic of reforms. (Medvedev, 2010, pp. 151-153, 344-348).
- Nationalists felt that the moment gave them an opportunity to take the initiative and seek more independence and power within the republics.
- Communist ideology, which used to be a unifying element of the USSR, had become a symbol of the coup and an attempt to turn back the clock.

The failure of the August Coup also provided the regional elites a unique opportunity to consolidate society around the new values of independence and democracy, associated with gradual withdrawal from the Union's federal control. The idea of a Union of Sovereign States therefore became less and less attractive. Gorbachev was forced to make additional concessions to the regions. Finally, the Union Treaty gradually lost its attractiveness among the leaders of republics. In other words, they tried to establish a Union without the idea of real unification. On September 2, 1991, republican leaders and Gorbachev published a joint declaration in which, among other positions, was a recommendation to the Soviet Parliament to support the applications of the Soviet Republics to join the UN, with the status of independent members of the international community (Shahrai, 2016, p. 914). August of 1991 became a victorious moment for all of the political powers in the former USSR, which had supported the idea of independence, including Russia itself. During August-September of that year, parliaments in the Baltic States, Russia, Belarus, Ukraine, and other republics passed declarations of independence.

New circumstances forced then Russian leadership to rethink its strategy of interaction and to build the relations with newly independent states. One of Yeltsin's closest aides, Russian Federation Secretary of State Gennady Burbulis, prepared an important document "Russian Strategy for Transitional Period" also



known as “Burbulis’ Memorandum” where – among other things – was outlined the strategic vision of Russian foreign policy towards its neighbouring states. For the new Russian political leaders like Boris Yeltsin, Gennady Burbulis, Egor Gaidar, Yuri Ryzhkov, Alexei Yablokov at al. independence and collapse of the Soviet Union was necessary in order to consolidate their grip on power and dismiss unpopular old soviet elite (Moroz, 2013 pp. 536-537). In accordance to the Memorandum, Soviet Union was seen as acting counter the interests of RSFSR (Russia), because of its functional role of redistributor of Russia’s assets in favour of the rest of member-republics. (Gorbachev, 2006, p.347). However, their interpretation of Russia’s role in the region kept many elements of old soviet times as Russia positioned itself as the only state that should keep all the privileges and obligations of the USSR i.e. foreign debts, property, nuclear status, position in the UN Security Council, etc. They expected that after the disintegration of the USSR, Russia inevitably would have the potential to occupy the central and dominant position among former Soviet republics. Burbulis, who at that moment have become a very influential political figure and one of the closest advisor to Yeltsin alongside with a group of Russian reformers who constitute the team of Boris Yeltsin were convinced that USSR was just a form of geopolitical organization of Soviet statehood that does not meet the needs of contemporary moment (Burbulis, 1995; Fillipov 2011, pp. 39-40). As this form of state is obsolete, Russia could take all the responsibilities and replace Soviet Union. For them, the return of Russia as a centre of gravity for the newly independent states was just a question of time (Moroz, 2013, p.535). The ideas formulated by Burbulis was very much welcomed by Yeltsin’s team and converted into the document “Russian strategy for transition period”, which had several versions, but very similar in substance. The strategy was mostly focused on the issues of Russian political and economic development, but also paid attention to the Russian policy in Eurasia. It was *de facto* the first formulated vision of how Russia expected to reorganize the post-Soviet geopolitical space securing the central place for itself.

### **From disintegration to strategic dominance: lessons from Russian liberal-democrats**

Boris Yeltsin and the leadership of Russian Federation were sure that the path of sovereignization for the Soviet republics was the best way to overcome the negative legacy of the past. This could not only give them a political power and influence within the new form of state, but also help them reorganize the ‘inefficient and collapsing model of Soviet governance’ (Fillipov 2011, pp. 39-40). In accordance to the above-mentioned strategy, principles of free market economy and democratic reforms, independent status of Russia would inevitably lead the entire region into the new form of cooperation. Gennady Burbulis and the other authors of the strategy did not plan to withdraw from the region; on the contrary, Russia aimed at remaining the only dominant power. The strategy received a status



of ‘classified document’ for personal use of small group of people to hide the real goals and intentions of new Russian leadership.

The Burbulis’s strategy was suggesting a “covert activity for initiation of joint economic community, where Russia inevitably occupy the role of informal leader, due to its geopolitical status, economic and natural recourse’s potential, without the influence of old Soviet political structures of the Centre [Central government of the USSR]. (Moroz, 2013, p. 535). To avoid suspicion from the other republics, and possible accusations in [Russian] hegemonic ambitions, at the initial stage (of functioning of the Community) must be executed the tactics of “shadow [moderate, informal] leadership”. Strengthening the ‘special status’ of Russia in the economic and geopolitical dimension. All this must be pursuing through the policy of ‘round table’ [formal equality]...” (Moroz, 2013, p.538).

In other words, Russian political elite led by Yeltsin wanted not only to concentrate all the political and economic power of Soviet leadership in its hands, but also to achieve the role of key regional player using some new instruments of market economy. In his interview on 2011 Burbulis stressed that when Yeltsin become the President of the Russian Federative Republic within the USSR only 7% of all the economic potential belonged to the republic, the rest 93% was under the control of the Union’s federal government and did not pay taxes to the republican’s budget of RSFSR. (Fillipov 2011, p. 33). In 1988 90% of all the soviet Republics except for Russia and Tarkmenistan had a negative trade balance and were subsidised in one way or another by the Union’s administration. Russia, however, was the greatest donor of that subsidies. (Gaidar. 2006, pp. 298-299). So it is possible to assume that Yeltsin’s team expected that after acquiring independence Russia will possess a significant economic and military power without the necessity of sharing of its potential with all the other Soviet republics. That is why Burbulis stressed in his Memorandum that after Russia’s independence it should communicate to the other Soviet republics from the ‘position of power’ and rely on its economic and military advantage (Moroz, 2013, p. 538). This could be seen as the very first articulation of Russia’s approach toward its neighbours. Later on it was converted to a systematic line of Russia’s foreign policy. Just as it acts under the Putin’s administration. In fact, Russia’s liberal elite of 1990s proposed not just a plan for the country’s political and economic development, but rather a new model of integration for the post-Soviet space after the collapse of the Soviet Union. The new principles of capitalism and free market economy were supposed to automatically redistribute power in the region, and eventually bring the role of new centre of gravity back to Russia. This idea received a second edition in the early 2000s by the new generation of Russian politicians. The only difference was that unlike Russia of 1991-1999, Putin’s administration had much more financial, economic, and political instruments to imply the strategy of domination in the region thanks to extremely high price of oil and specific form of political culture of his team.



However, the Burbulis's strategy was not aimed at replicating the USSR, but at crafting the path to the new form of geopolitical organization of the region, based on different ideological and economic principles. These principles could be converted into a formula with three major elements:

- Freedom from communist ideology,
- Political and economic independence of the countries in the region  
[disintegration of the USSR to avoid Soviet-style governance, redistribution of assets and resources among all the republics of USSR]
- Transition to the free-market economy and implementation of political reforms.

Implementing this formula in practice Yeltsin's Government led by Egor Gaidar expected to set up the new political and economic reality, which would allow him to build some new form and conditions of cooperation with former Soviet republics. The new conditions supposed to free Russia from its financial and economic obligations before the former members of the USSR and at the same time allow Russia to occupy the comfortable position of the most influential and powerful state in the region (due to its demographic, economic, and military preponderance). Afterwards it could be converted into improvement of international status of the Russian Federation on the global scene as a powerful player.

To achieve this goal, Burbulis' strategy recommended Russia to avoid attempts to get the immediate dominant status, at the same time undermining the role of Soviet Union institutions [supporting the process of disintegration]. "Russia should initiate the creation of new cooperative institutions for NIS, where Russia would *de facto* occupy a dominant position (in military and political sector, banking and finance, currency zone, energy sector, etc.)" (Moroz, 2013, P.538-539.). To achieve the proposed goals Burbulis and the newly assigned Prime Minister Egor Gaidar have pushed for an immediate series of economic and political reforms, which were meant to replace the Soviet system and bring back the functional form of Russia as independent and self-sufficient state. At the initial stage of the process of reforming of Russian economy and political institutions, Yeltsin and his team believed that Russia needed to ease the economic and political ties with the rest of the former Soviet republics. First, Russia should recover from political and economic crisis, and only after that restore of its sphere of influence on the post-Soviet space. "I am myself, and other colleagues of mine had come to the conclusion that we need to have a real Russian [independent] statehood... In case if we could not elaborate strong mechanisms of control over our own territory, our borders, finances, currency and taxes, we could not control the situation outside". (Gaidar, 2011). Following this logic we may conclude that control over the region after the normalization of the internal economic and political situation in Russia was one of the intentions in the minds of Russian policymakers of 1990s.

This may explain the rush to sign the Belovezha Accords in December 1991 with Ukraine and Belarus. The Accords in fact sealed the collapse of the Union and



opened the era of the Commonwealth of Independent States (a moderate and soft form of keeping ties between former members of the USSR, without taking any economic and political obligations) as a part of the plan outlined in the 'Burbulis Memorandum' discussed earlier. However, the hopes of Russian political elite for quick recovery of the economy and success of the reforms were ruined by the severe economic crisis and by the inability to implement a smooth transition from the socialist economy to the free market. However, the implication of Russia's strategy of acquiring the dominant positions among the NIS was not possible to follow because of the number of internal political and economic problems: disintegration of economic infrastructure, financial disorder, growing level of poverty, social turbulence, conflict in Chechen Republic, issues of separatism in Russian regions, etc.

At the same time political and economic situation in former republics of the USSR gradually became unfavourable for Russia. Despite all the attempts of Russian government to keep the influence and sustain economic and political ties via the new forms of cooperation under the umbrella of CIS, it was not possible. The Sovereign republics which also experienced a dramatic economic decline prefer to develop political and economic ties with partners outside the Commonwealth. We also have to admit a growing anti-Russian and nationalist movements in many former Soviet republics, which created some unfavourable conditions for any of Russian attempts to reorganize the regional geopolitical space. All this led to a gradual loss of Russian authority and influence in a region where it traditionally felt very strong and comfortable (Gaidar, 1998, p. 105-106. Vorobijov, 2013, p. 115). It proved that the initial Russian strategy toward the post-Soviet space outlined by Burbulis and Gaidar has failed due to the drastic economic and political circumstances and required serious revision. Economically and politically weak Russia at that moment was unable to formulate and implement any form of reintegration policy that would be attractive to the former Soviet republics. Moreover, the nationalist drift of the republican elites, which resulted in anti-Russian sentiments in the majority of former USSR republics, was seriously underestimated by the Russian policy-makers (Medvedev, 2010 pp. 380-381: Gaigar, 2006, p. 299-230).

Furthermore, some Newly Independent States began to face instability, ethnic and territorial conflicts, grown from the nationalist and revisionist policies of the governments, followed by the process of the nation-state building. Ethnic conflicts and border disputes - legacy of their Soviet past - became a major problem for republics of Georgia, Armenia, Azerbaijan, Tajikistan and Moldova. Even Russia has experienced a serious problems risking to fall into a violent conflicts in the North Caucasus and Tatarstan. All these crises required Russian immediate reaction, as it remained the only power with strong military presence in almost all the post-Soviet space. Russia had to deal with the issues of refugees, activity of criminal groups on its borders, Russian enclaves in former Soviet





republics, extremist and radical movements (Markedonov, 2010, pp. 31-34; Kavtaradze, 2005, pp.140-143).

The transformation of Russian doctrine was partly connected to the changes within Yeltsin's political elite and formation of strong of Military and so-called 'Statist' wings alongside with the economists and pragmatic technocrats led by E. Gaidar and G. Burbulis. The creation of these two wings of Russian elite coincided with the necessity for Russia to undertake peacekeeping operations in a series of bloody local conflicts in Tajikistan, Georgia, Azerbaijan, Armenia and Moldova. At the beginning of its involvement, Russia did not try to use peacekeeping missions as an instrument of influence and manipulation on the post-Soviet republics. On the contrary, the early 90s was a short period of time, when Russia was eager to execute, so to say, an impartial and objective peacekeeping. The missions were almost exclusively focused on the tasks of prevention of clashes and of stabilization of the conflict zones (Danilov, 1999). However, these missions and Russian diplomatic activity have soon become an instrument of keeping strong informal ties with local governments and national political elites. Here we may find the very first signs of conversion of Russia's peacekeeping initiatives to become a useful tool of future Russian influence in the conflict regions. Exploitation of Russian military presence in the conflict zones on the post-Soviet space and the use of hard-power political instruments has become an evolutionary stage of the initial regional strategy executed by Boris Yeltsin and his advisers and policymakers. The process of elaboration of the new strategy, that included a stronger accent on hard-power and military presence in the Eurasian region took really long time and become articulated only years later, when Russian relations with the West passed through a serious period of turbulence tested by the conflicts on the Balkans [former Yugoslavia and Kosovo]. The analysis of the process and the influence of Russian peacekeeping activity in Eurasia, on its contemporary policy and Putin's reintegration strategies represent the separate subject of research that lays off the focus of given article. Nevertheless, we may assert that economic instruments of Russian strategy of domination in the region was gradually enriched with some elements of projection of power and military pressure on Russia's neighbours, so much criticized by contemporary Western politicians and experts.

## Conclusion

This brief analysis has aimed to show that the initial steps of Russian decision-makers in dealing with the legacy of the Soviet Union have become a strong basis for contemporary Russian strategies in Eurasia. The process of evolution of Russian policy and strategy in Eurasian region went through a series of revisions since the early 90s, but kept some fundamental principles and methods that were elaborated by the democratic reformers of Russia at the beginning of modern history of Russian Federation after the collapse of the Soviet Union. The level of analysis represented in this paper is just an attempt to rethink the role of





historical of factors in today's Russian policy. Based on such a background, the evolution of Russian strategies that constitute and shape the ongoing Eurasian project, supported and pushed forward by Vladimir Putin and other post-Soviet leaders could also be traced. Therefore, these strategies are not an exclusive product of contemporary Russian regime, but rather an attribute of the evolution of Russian political culture of late XX's Century. Having in mind the great degree of continuity of Russian policy in the region of Eurasia. It is possible to assert that change of the generation of political elite in Russia in future may not affect Russia's vision of the region. The fundamental change may come as soon as geopolitical and economic environment in the neighbouring regions (Eastern Europe, East and Central Asia, and the Middle East) will face some fundamental shifts due to internal or external factors. Only this may force Russia to rethink the logic of its policy in Eurasia alternative to the one that passed through its genesis during the 1990s.

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# FISCAL DECENTRALIZATION DETERMINANTS AND LOCAL ECONOMIC DEVELOPMENT IN EU COUNTRIES

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## Abstract

*This work aims to assess the impact of fiscal decentralization on local (regional) development in the EU Member States while controlling for macroeconomic and local autonomy specific factors. Using a panel data approach with dynamic effects, we examined the implications of fiscal decentralization on local development across European Union countries over the 1990-2004 period. The novelty of the study is emphasized by including in the analysis a variable which tests local fiscal discipline, more exactly, Fiscal Rule Strength Index for local level of government. Our findings suggest that prosperity of regions, measured in GDP growth depends on variables such as characteristics of decentralization undertaken by each country or local fiscal discipline, confirming our primary hypothesis. This supports the view that recently implemented reforms aiming to enforce fiscal discipline following-up the Fiscal Compact strengthened the local budgetary framework and restrained, therefore, the local discretionary power to act towards development.*

**Keywords:** fiscal decentralization, economic growth, local fiscal discipline.

## Introduction

Evolution of the global governance highlight that Europe is confronted with a growing number of challenges on the world stage, ranging from the rise of emerging economies to new security challenges and the EU's influence on global governance is based simultaneously on its long term achievements as a model of regional cooperation with a definite trend of public administration decentralization and strengthening of local autonomy (Wu *et al.*, 2017, pp.93-98). Contemporary period show that some countries continue to grapple with bad governance systems and often with government systems which don't work at fair value: insufficient financial resources, public services to a relatively low level of quality. Many member states are gradually transferring their fiscal and budgetary responsibilities

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to regions and cities, and they get to experience a more pronounced impact of European financial and economic governance (Savy *et al.*, 2017, pp. 12-14). Therefore, sub-national public finance situation it has become a subject highly debated and researched and there has been increasing interest in decentralization all around the world. Moreover, local and regional authorities are responsible for about one third of public spending and for two-thirds of all public investments in the EU, both figures showing a significant increase in the last decade. Furthermore, regions and cities lie a leading role in the implementation and financing of EU programs, in particular, structural funds and European investment (Grindle, 2007, p. 52; European Commission, 2016).

Based on the erroneous assumption that the behavior of sub-national level administration is one of the factors that impede the budgetary targets achievement at national level (even if nation states are primarily responsible for the crisis), European Commission lays out new options with the view to strengthen decentralization implications on the sustainability of public finances, bringing a trend of increasing fiscal decentralization in the EU Member States. In line with this, the European Commission Report of 2015, also show a trend of increasing fiscal decentralization in the EU Member States and the costs and revenue from local or regional level with a share increasingly larger. The report highlights that own revenues within the meaning of the taxes levied in autonomous sub-national is funding instruments more effective than transfers from the central government, but that the levying of taxes and own sub-national levels occurs less than 50% of cases without their share to have increased from 1995 to today.

The contribution of researchers to fiscal decentralization, show practical and theoretical implications, with a rich literature on the theory and policy of the subject. Even if there are a lot of studies which research the correlation between fiscal decentralization and economic growth (Davoodi and Zou, 1998; Martinez and McNab, 2003; Rodriguez and Anne, 2009; Rodriguez *et al.*, 2009; Bova and Carcenac, 2014), we can say that the results did not reflect all the time the perfect way for a viable sustainable development, and this is perhaps the result of a complex interplay of a variety of forces related to development. Moreover, fiscal decentralization also referred to as fiscal federalism can be broadly defined as the study of the structure and functioning of multi-tiered governments. Oates (2005) presents a comprehensive survey of the literature, dividing it into two strands, the first-generation theory, and the second-generation theory. In base of his findings, the early contributions in the first-generation can be found in the seminal papers of Samuelson (1954, 1955), who defined the nature of public goods, Arrow (1970), who conceptualized the roles of the private and public sectors, and Musgrave (1959), who proposed the functions of the government (income distribution, market failure correction, and macroeconomic stabilization). Based on the first point of view, it seems that local governments would be best positioned to provide local public goods because of their knowledge of local preferences and implications of central government should be to monitor and balance the provision of local public



goods, in case there are negative spillovers that could affect other local governments. The second-generation theory refers to key contributions to the theory of federalism focus on information problems, moral hazard, and free riding among the various levels of governments. Other studies, (McKinnon *et al.*, 1997, pp. 191-193; Weingast, 1995, pp. 26-22), highlights the difference between *hard* versus soft budget constraints, where soft budget constraints are ignored by the local governments on the belief that a bailout by the central government is possible. Despite this dominant view of theoretical literature, we find some studies which focus on analyzing the economic benefits of fiscal decentralization and its general effects on development in regional profile (Adefeso *et al.*, 2016; Bartolini *et al.*, 2013; Baskaran *et al.*, 2016; Blöchliger *et al.*, 2016; Rodríguez-Pose *et al.*, 2004).

Other papers, offer some rough guidelines for implementation of fiscal decentralization (Bahl, 1999), providing evidence that the design of a fiscal decentralization program should begin with a recognition of the benefits and costs of this policy. In consequence, each country has unique characteristics that establish the appearance of a negative aspects of fiscal decentralization. Letelier (2016, p. 170), highlight that there are some issues which need to be taken into consideration. One of this consist on the fact that important rights were not granted to local governments, which limits their ability to efficiently organize service offerings. The second one, emphasize that the autonomy of local financial management is limited by its own rules for allocating income by restricting the use of transfers and also, we talk about the incomplete transfer of ownership, that is an obstacle to effective management of local assets, unclear delimitation of legal and constitutional boundaries of local autonomy.

On the other hand, Profiroiu *et al.*, (2015), identifies some negative aspects such as the incidence of public policy insufficiently argued and partially implemented, which could not provide rational solutions to existing problems. For instance, local authorities have not benefited in any case in advance, specialized training on financial management and management of decentralized public services. So we can record a gap between decision-making powers transferred to local authorities and resources to support their (European Commission, 2016).

This paper discusses the relationship between fiscal decentralization and economic growth in European Union. Using a panel data sample of 28 countries over the 2000-2014 time span, the aim is to assess the impact of fiscal decentralization on local (regional) development, so we examined and determined the significance and robustness of various endogenous and exogenous factors influencing the economic growth in these countries, like investment, fiscal local rules, tax revenue as a percentage of total subnational revenues and grants % GDP, government bonds rates, political factors and others. Based on the results of this research, we outlined the prospects of economic growth in the countries investigated. To address the research questions and objectives, this study was based on quantitative and qualitative research methods, using SPSS and EViews software.



We used three indicators as proxies for fiscal decentralization: subnational expenditure and tax as a percentage of national expenditure and tax respectively, and thirdly, tax revenue as a percentage of total subnational revenues and grants % GDP. Starts from the premise that effective decentralization should be reflected in the value added produced in a community, we test if the transfer of powers and resources to lower tiers of government allows for a better matching of public policies to local needs and thus for a better allocation of resources and a prosperity of regions.

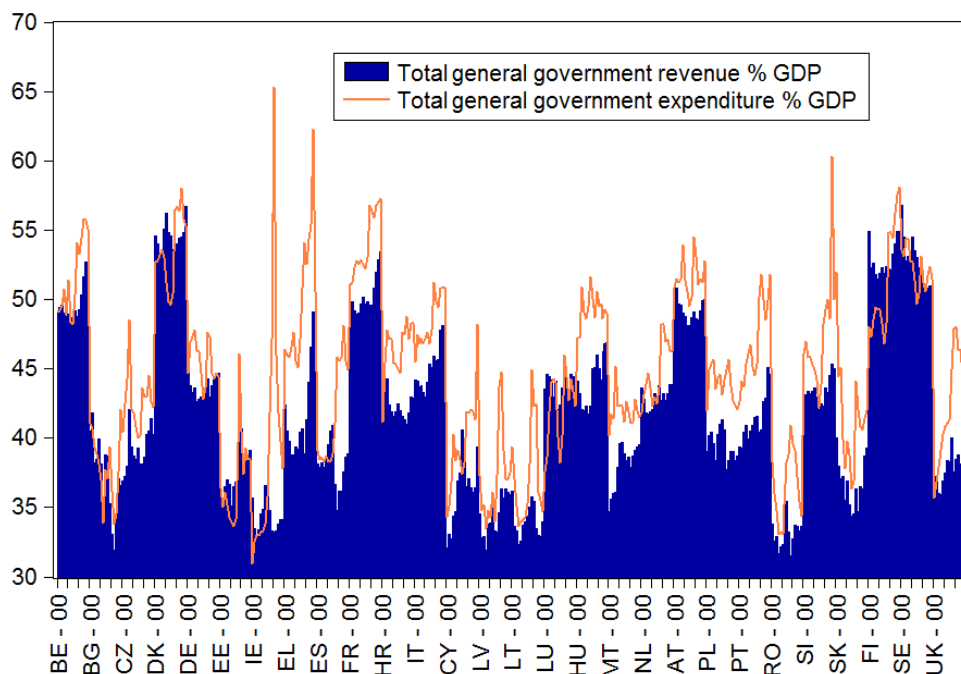
## 1. European trends in fiscal decentralization

Since the beginning of the 1990s countries in Central and Eastern Europe have undertaken comprehensive reforms of intergovernmental fiscal systems. Over the last two decades, fiscal decentralization has become a central concern in countries around the world, especially in the emerging market economies of Eastern Europe. Undenably, European Union trends show that many member states transfer gradually fiscal responsibilities and budget to the regions and cities, so they get experience and more pronounced impact of economic governance. Local and regional authorities are responsible for about a third of all public spending and for two-thirds of all public investment in the EU, both figures have increased significantly in the last decade. Furthermore, regions and cities play a leading role in the implementation and financing of EU programs, in particular for structural funds and European investment. In base of International Monetary Fund reports (2011), the degree of decentralization is studied using four measures: revenue, tax burden, expenditure, and compensation of employees.

The importance of the general government sector in the economy may be measured in terms of total general government revenue and expenditure as a percentage of GDP, even if their significance depends on the functions that local authorities are responsible, and the overall size of the public sector of a country. In the EU-28, total government revenue in 2015 amounted to 44.9 % of GDP (down from 45.2 % in 2014), and expenditure amounted to 47.3 % of GDP (down from 48.1 % in 2014). Whilst the general decentralization nature of the public administration, especially the EU discussed below, should not be overlooked, the focus of this submission is also on the implications for the public expenditure and we can also see in Figure 1. that the level of general government expenditure and revenue varies considerably between the EU Member States. Providing evidence that the fiscal stance of government (broadly government expenditure minus tax revenue) influences the level of demand in the economy, there are also important implications for the level of fiscal decentralization more generally.



**Figure 1. Evolution of total general government expenditure and revenue % GDP, in the UE, 2000-2014**



Source: own representation using eviews, IMF database

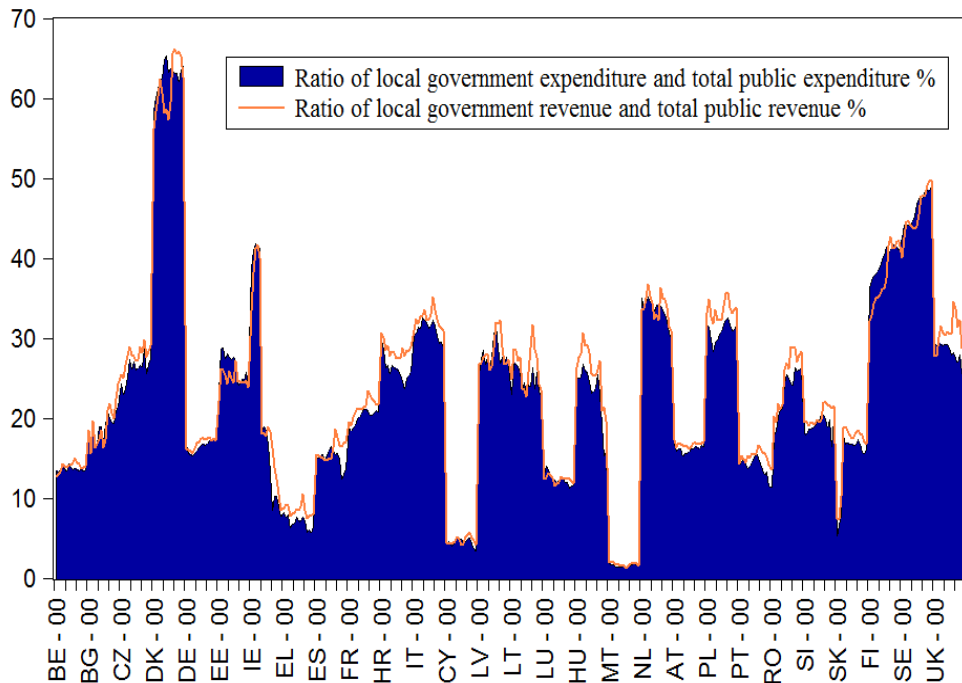
Even if in literature review section we find that a higher degree of fiscal decentralization of government spending is associated with lower provincial economic growth, we have also opinion that are in light of the argument that fiscal decentralization usually makes a positive contribution to local economic growth. There is, however, little empirical evidence to substantiate this claim.

For our study objectives, we chose to emphasize the ratio evolution of local government expenditure and revenue % GDP for the European Union, between 2000 - 2014 (Figure 2). In this case, we can see the characteristics of decentralization undertaken by each country. The IMF database contains the time series for the general government revenue and expenditure 2000-2014 as shown in Figure 1, thus, in Figure 2 based on our own calculations, we chose to show how it evolved ratio of local government expenditure and revenue % GDP, in the UE between these years. This corresponds to the quality of rules based fiscal governance in EU Member States and to the characteristics of decentralization undertaken by each country. Analysing how the ratio has evolved over time, we can notice in case of expenditure for example, that there is a wide variation across the country sample, ranging from more than 50 percent in Denmark to 4 percent in



Malta. Considering the different country characteristics presented in Table 1, the low values for Croatia, Estonia, or Slovenia match expectations of relatively centralized fiscal systems.

**Figure 2. Ratio evolution of local government expenditure and revenue % GDP, in the UE, 2000-2014**

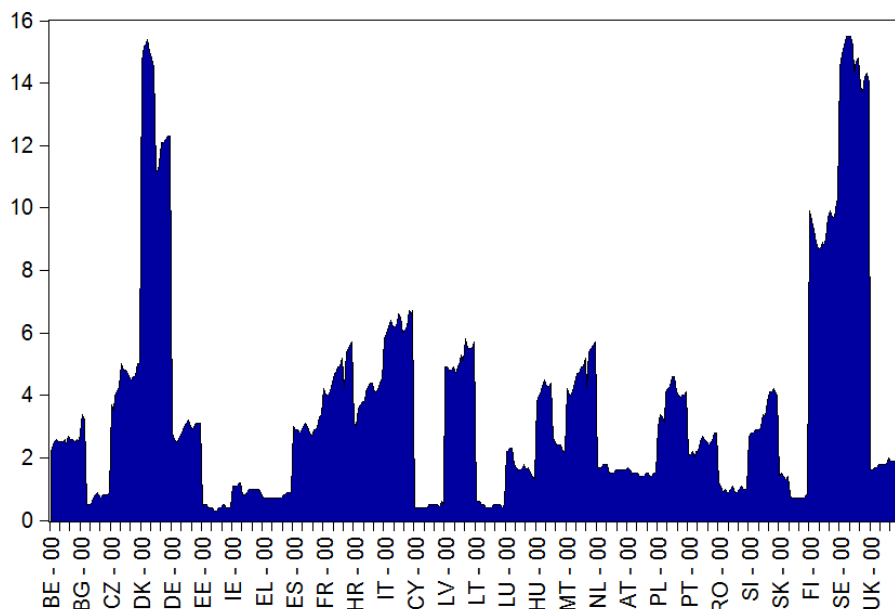


Source: Author's calculation

The structure of tax revenue varied considerably between the EU Member States over 14 years of reference (see Figure 3). As may be expected, those Member States that reported relatively important level of expenditure tended to be those that also raised more taxes (as a proportion of GDP) for general government. For example, in 2014, the highest share of GDP in revenues from the main categories of taxes and social security contributions was 47.4%, recorded in Denmark, followed by France and Belgium (47.2% and 46.1%). The share of these revenues in GDP was below 30% in five EU Member States (Romania, Ireland, Bulgaria, Latvia and Lithuania) and in Switzerland. Of course, empiric data show a clear image of decentralization level, but while there are differences between countries, we can say that the differences between each type of strategy constitute a distinctly different model of sub-national government finance.



**Figure 3. Tax revenue as a percentage of total subnational revenues and grants % GDP-EU, 2000-2014**



Source: Author calculation

Economic growth is one of the main targets of economic policy of any country around the world. By strengthening the process of fiscal decentralization, we can bring the state on the path of sustainable growth and ensure stability and security in it. But as expected, each country has its own characteristics and depending on the adopted strategy, it can consolidate a model of economic development or not. To strengthen the base of this study, Table 1 shows country characteristics and Structural aspects of fiscal decentralization in 2014.

The total number of subnational government in 2014 in the EU28, amounted to 89,315, including 87,980 municipal level, 1,077 intermediary level and 264 regional or state level. On the other hand, we can see that each country presents own characteristics and model of decentralization, with a defined level of autonomy in the base of law or political agreement. For example, in Finland there are 19 regional councils but only one has an autonomous administration (island region of Åland), the 18 other regional entities being statutory joint municipal boards. A reform is under way with the goal of transforming them into self-governing regions. In Spain, the three “formal” autonomous communities (Basque Country, Catalonia, Galicia) retain more autonomy than the other regions. Local subdivisions vary according to the region. The two autonomous cities of Ceuta and Melilla are included in the number of municipalities but not in the number of provinces. Undeniably, the different degrees of decentralization as well as scope of intergovernmental fiscal reform in the region reflect, among other things,

historical, political, ethnic, geographic, and demographic differences. For instance, if we refer to a country like Poland (38.018 millions of peoples), that has larger populations, is likely to require a greater decentralization of public service provision to subnational governments than smaller countries, such as Estonia (1.316 millions of peoples) or Latvia (2.001 millions of peoples). When considering the GDP per capita dynamics (Table 1), the picture becomes slightly different, Ireland and Lithuania are better positioned, with a real GDP growth per capita of 8.2 and 3.9.

**Table 1. Country Characteristics and structural aspects of fiscal decentralization, 2014**

Country	Population (mil. of pop.)	Area (km <sup>2</sup> )	GDP by NUTS 2 regions	Real GDP pc growth	Fiscal local rules index <sup>1</sup>	Convergence score to FRL	Number of subnational governments			
							Municipal level	Intermediary level	Regional/ state level	Total
AT <sup>2</sup>	8.544	82409	43,230	-0.1	0.8942	1.2	2100	0	9	2109
BE <sup>3</sup>	11.204	30326	400,643	0.8	1.5480	1.2	589	10	6	605
BG	7.202	110370	17,559	2.1	3.5475	2.15	264			264
CZ	10.512	77227	62,150	2.6	-0.1299	1.15	6258	0	14	6272
CY	0.858	9251	117,750	-1.4	0.5117	0.9	379			379
HR	4.238	222213	64,909	0.2	1.6232	1.2	555	0	21	576
DK	5.627	42959	62,150	0.7	1.9054	2.15	98		5	103
EE	1.316	43432	36,741	3.3	0.7618	1.1	213			213
FI	5.451	303891	121,571	-1.1	0.2514	1.35	313		1	314
FR <sup>4</sup>	63.982	647795	7,727	0.2	3.0472	1.95	35885	101	18	36004
DE <sup>5</sup>	81.198	357376	320,763	1.2	2.8274	1.75	11092	402	16	11510
EL	10.927	130820	168,893	1.3	0.8175	1.45	325	0	13	338
IE	4.61	689394	241,581	8.2	2.4094	0.9	31			31
IT	60.783	295113	87,752	-0.6	2.8547	1.4	8047	107	22	8176
LV	2.001	64573	1,613,859	3.3	2.8405	1.4	119			119
LT	2.932	63300	355,045	3.9	0.5595	1.2	60			60
LU	0.55	25891	70,973	1.6	2.1531	1.6	105			105
MT	0.425	315243	17,394	2.5	1.4360	1.65	68			68
PL	38.018	312679	64,351	3.3	1.7633	1.7	2478	380	16	2874
PT	10.401	92226	43,408	1.5	1.5497	1.4	308		2	310
UK	64.597	242509	78,918	2.3	1.3764	1.45	389	27	3	419
RO	19.947	23839	123	3.3	2.0679	1.2	3188	0	41	3223
SK	5.416	49039	197,255	2.4	2.9496	1.95	2927		8	2935
SI	2.061	20138	135,631	2.9	-0.8242	0.9	212			212
ES	46.455	505944	2,254,297	1.6	3.0439	1.2	8119	50	17	8186
SE	9.747	407340	54,089	1.3	1.9969	1.45	290		21	311
NL	16.865	33718	10,160	1	2.9776	1.65	390		12	402
HU	9.877	93028	38,084	4	0.7780	0.9	3178	0	19	3197
<b>Max.</b>	81.198	689394	2254297	8.2	3.5475	2.15	35885	402	41	36004
<b>Min.</b>	0.425	9251	123	-1.4	-0.824	0.9	31	0	1	31

Notes: GDP is expressed in current market prices

Source: OECD, Eurostat, World Bank, UNDP, ILO

<sup>1</sup> Depending on the type and number of fiscal local rules, it has been established a score of 0.25 for each rule, the amount presented is their sum. In terms of importance, with reference to the origin of fiscal rules-5: Constitutional; 4: International Treaty, 3: Common Law; 2: Coalition Agreement 1: political commitment, it has been established a score equal to their sum. Final results-convergence to fiscal responsibility.

<sup>2</sup> Austria: the municipal level comprises statutory cities, towns, markets and villages. The nine Bundesländer include Vienna.

<sup>3</sup> Belgium: the upper level consists of six federated entities (three language communities and three regions)

<sup>4</sup> France: total area and population include the five outermost regions.

<sup>5</sup> Germany: the intermediary level comprises 295 rural districts and 107 district-free cities.



In terms of convergence to fiscal responsibility laws, we find a preference of inadequacy of the legal fiscal mostly on profile of less developed countries, with problems in terms of capacity to effectively manage public finance system, talking concerned by Cyprus, Czech Republic, Bulgaria, Slovenia, Hungary, which have scores below 1.2. At the opposite pole, we discuss about the scope of economic powerhouses, which, according to empirical studies, annual reports and practices in the field, enjoys economic growth and a different status, respectively Danemmark, Netherland, France, Luxembourg and Germany, which according to our analysis recorded scores above 1.65, reaching a maximum of 2.15.

## 2. Data and methodology

It is evident from the literature review section that several studies focus exclusively on the studying the link between fiscal decentralization and economic growth, with the result of what we call the real autonomy of regions and other studies focus on analyse the economic benefits of fiscal decentralization and its general effects on development in regional profile. However, research supporting the need for consolidation in the direction of the objective of this study, the subject being ambiguous (Thornton, 2007, p. 67). Even if the existence of these studies come to different points of view regarding the effects of fiscal decentralization on economic growth, there has been a general practice to utilize the countries including Central and Eastern Europe over the period of 1990–2004 and 1990–2008. Most empirical studies have focused on income or expenditure share in total revenues of local governments or government spending as a measure of fiscal decentralization, other studies it uses as reference, variables such as investment, employment rate or the share of local spending in total public spending (Akai and Sakata, 2002, pp. 96-99). Another author distinguishes between unitary and federal states in a study of 46 developed countries and developing countries using annual data for the 1971-1990 period and found that fiscal decentralization has a positive and statistically significant growth in unitary states (Yilmaz, 1999, p. 258). On the other hand, even if Lin and Liu (2000), find that in case of China profile, the retention of national revenues collected at the provincial level have a statistically significant positive impact on the growth of real GDP per capita, Zhang and Zou (1998), demonstrate a negative impact of fiscal decentralization on revenue growth provinces in China during the period 1980-1992.

In this research, we focused efforts on studying the EU case using a linear regression model based on those of Levine and Renelt (1992) and Woller and Phillips (1998). Based on a panel data sample of 28 countries over the 2000-2014 time span. The novelty of the study is emphasized by include in the analysis a variable which test local fiscal discipline, more exactly, fiscal rule strength index for local level of government. The model adopts the following form:

$$y_{i,t} = \alpha + \beta_y x_{i,t} + \beta_z z_{i,t} + \varepsilon_{i,t}$$



According to Rodriguez-Pose and Fratesi model (2004), we used different annual lags between dependent and explanatory variables in order to show progress while coefficients and also, we introduced in the model one-year lag as a way to avoid simultaneous causation. As we can see in the Table 3., eight annual lags are included. The model adopts the following form:

$$ly_{i,t} = \alpha + \beta_y x_{i,t} + \beta_z z_{i,t} + \varepsilon_{i,t}$$

$y_{i,t}$  = GDP per capita growth rate for country  $i$  at time  $t$

$x_{i,t}$  = control variables-POP, POPGROWTH, INV, GDPNUTS2, IHNUTS2 for country  $i$  at time  $t$

$z_{i,t}$  = fiscal decentralization- FLEXP, FLREV, TAXREV for country  $i$  at time  $t$

$l$  = the size of the lag

The cross-section analysis is conducted by averaging the panel data in time in order to identify longer term effects. As mentioned above, one of the main indicators of economic growth of the country is the nominal GDP and GDP per capita, so, for our study, as we find in Woller and Phillips (1998), we derive  $y$  by taking the log first-difference of PPP-adjusted real GDP per capita, thus creating the dependent variable GROWTH. Our control variables consist of population (Millions of people), population growth rate, investments % GDP, GDP at current market prices by NUTS 2, household income by NUTS 2 regions/Euro per inhabitant. The last two variables were introduced in the analysis using the average of the sums assigned to NUTS 2 categories, precisely because NUTS 2 are basic regions for the application of regional policies and the quality of management and policies undertaken at this level have implications for growth.

However, some of this variables have been used by researchers in testing economic performance (Gregory *et al.*, 1992; Levine and Renelt, 1992). On the other hand, the fiscal decentralization variables ( $z$ ), they are also chosen based on a theoretical foundation. Barro and Lee (1996), testing in this case the international measures of schooling years and schooling quality. For ( $z$ ), we have variable: local expenditure as percentage of total national expenditure, local revenue as percentage of total national revenue and tax revenue as a percentage of total subnational revenues and grants % GDP.

Using data from the IMF's International Financial Statistics, we also tested the regressions including other indicators like fiscal local rules strength index and Government bonds rates, with the purpose to highlight the need to consolidate public finance and fiscal budgetary responsibility. Concerning fiscal local rules strength index as we have proven on other occasions, show convergence towards fiscal responsibility and the calculation method can be consulted in Gavriliuță (2017, pp. 150-151).



**Table 2– Variables and Data Source**

VARIABLE	DEFINITION	DATA SOURCE
GROWTH	Real GDP Growth	IFF- IMF International Financial Statistics Online
FRS	Fiscal local rules strength index	IFS- IMF International Financial Statistics Online
GBR	Government bonds rates	World Bank
IHNUTS2	Income of households by NUTS 2 regions-Euro per inhabitant	European Commission
POP	Population (Millions of people)	European Commission
POPGROWTH	Population growth rate	European Commission
FLEXP	Local expenditure as percentage of total national expenditure	IFS- IMF International Financial Statistics Online
FLREV	Local revenue as percentage of total national revenue	IFS- IMF International Financial Statistics Online
TAXREV	Tax revenue as a percentage of total subnational revenues and grants % GDP	IFS- IMF International Financial Statistics Online
PDEF	Primary deficits % GDP	European Commission
GDPNUTS2	Gross domestic product (GDP) at current market prices by NUTS 2	European Commission
INV	Investments % GDP	IFS- IMF International Financial Statistics Online

The dataset consists of annual observations of European Union, over the years 1990-2004. The specific choice of the countries and period for the study is based on European Union trends in fiscal decentralization, the purpose being to show the specific situation with the implication of decentralization of development in regional profile and the correlation with the fiscal responsibility.

### 3. Regression results and analysis

In order to assess the impact of fiscal decentralization on local (regional) development in the EU Member States, we use data from the International Financial Statistics Online, European Commission and World Bank and the results of the empirical analysis are presented in Table 3. The most important motivation of variables choice is the following: First, control variables are determinants for economic growth, and this statement has both economic foundation and demonstrated through the studies (Levine and Renelt, 1992). Second, the choice of variables for fiscal decentralization variables (z), they are also chosen based on a theoretical foundation (Barro and Lee, 1996).

Our analysis highlights that all factors used in the regression model, except IHNUTS2 and GDPNUTS2, have what can be considered as the expected significant coefficient signs. Referring to POP and POPGROWTH variables, we can say that the relation between population and economy is a cardinal problem of the contemporary world, the population is the natural support of labor supply, the factors of production, but also the legitimate recipient of all created goods. A growing population, for example, exert increasing pressure on all the systems and



structures of society: economic, educational, environmental, health, etc. So in our case, a growing population, involve pressure on revenue. Which is why, our study highlights the negative correlation between economic development and population, this view being supported also by studies of Simon (1989). On the other hand, Chesnais (1985) and Lloyd Reynolds (1985) have found no association between the population growth rate and per capita income growth rate.

**Table 3. Result of Baseline and Decentralization Regressions – Annual Observations**

GROWTH	No lag	Lag 1	Lag 2	Lag 3	Lag 4	Lag 5	Lag 6	Lag 7	Lag 8
FRS	-0.5835 (-1.18)**	-3422 (-1.77)*	-4586 (-2.12)**	-0.3111 (-1.34)	-0.2031 -0.8295	-4.3315 (-2.23)	-0.1344 (-6.66)	-0.3087 (-1.61)*	-0.3385 (-2.02)**
GBR	-0.4002 (-4.33)***	-3665 (-4.01)***	-0.3618 (-3.63)***	-0.3605 (-3.47)*	-0.3857 (-3.54)***	-0.4337 (-4.65)*	-0.4687 (-5.43)*	-2.2426 (2.71)***	-2.2245 (-2.79)**
IHNUTS2	4.5400 (0.62)	2.1023 (0.28)	4.0307 (0.49)	3.3307 (0.38)	3.0307 (0.3371)	2.0307 (0.49)	-8.0908 (-0.097)	1.1007 (0.15)	1.5707 (0.24)
POP	-0.0139 (-1.72)*	-0.1331 (-1.65)*	-0.0140 (-1.56)*	-0.0110 (-1.15)**	-0.0076 (-0.75)	-0.0148 (-1.82)***	0.0025 (0.25)	-0.0247 (-3.07)**	-0.2065 (-2.94)**
POPGROWTH	-6.9800 (-1.21)	-4.3705 (-1.92)	-7.8605 (-1.99)**	-6.4805 (-1.58)	-5.5405 (-1.31)	-8.6305 (-2.36)***	-4.2105 (-1.16)	-2.3005 (-0.65)	-3.3825 (-1.07)
FLREV	0.1896 (1.44)	0.2950 (2.14)**	0.2940 (1.86)*	0.2666 (1.55)*	0.1925 (1.06)	0.2056 (1.49)	0.1927 (1.09)	0.3612 (2.57)**	0.2321 (1.93)**
FLEXP	-0.1586 (-1.17)	-0.2826 (1.98)**	-0.2781 (-1.70)*	-0.2598 (-1.46)*	-0.1945 (-1.04)	-0.1785 (-1.22)	-0.2035 (-1.086)	-0.3281 (-2.25)**	-0.1947 (-1.15)***
TAXREV	0.2483 (-3.63)***	0.1674 (-2.36)**	-0.2229 (-2.76)***	-0.1918 (-2.18)**	-0.1675 (-1.77)*	-0.2134 (-2.99)**	-0.4449 (-0.48)	-0.2458 (-3.44)*	-0.2496 (-4.083)***
PDEF	0.3879 (5.54)***	0.3097 (4.25)***	0.4122 (5.16)***	0.3776 (4.43)***	0.3497 (3.89)***	0.6222 (7.50)*	0.1360 (1.87)***	0.2504 (3.46)*	0.2086 (3.26)***
GDPNUTS2	-4.5427 (1.16)	3.7907 (0.93)	2.2907 (0.5048)	1.5107 (0.31)	7.5105 (0.14)	2.0307 (0.49)	1.8708 (0.040)	7.4707 (1.83)	5.7407 (1.62)
INV	0.2149 (4.39)***	2.1016 (0.28)***	0.2931 (4.90)***	0.2732 (4.31)***	0.2482 (3.76)***	0.3025 (5.82)***	0.0476 (0.63)	0.6133 (9.97)***	1.1769 (14.10)***
Obs.	419	391	363	335	307	291	251	223	193
R-Squared	0.30892	0.37002	0.30077	0.2918	0.2937	0.3509	0.4257	0.44672	0.52176
F-Statistics	16.5	18.50	12.54	11.05	10.19	17.03	7.78	23	34.6

Note: Standardized coefficients reported; t-statistics in parentheses \*\*\* significant at the 1% level; \*\* significant at the 5% level; \*significant at the 10% level

The investment rate INV is positive and significant at the 1 percent level, this stressing that the higher the investment rate, the higher the growth. In case of government bonds rate (GBR), our analysis highlight that has the expected positive correlation to GROWTH and is significant at the 1 percent level for all annual lags, we can see that for lag three, four and five, we have significant at the 10% level.

Our analysis also highlights an interesting point of view regarding the implications of local tax rules in this equation, fiscal local rules strength index is negatively correlated with growth, we have significant at the 10% level for lag one and seven. In this case, the explanation is that at the EU level, IMF report shows a folding these rules rather towards the tightening of local financial autonomy, but not towards empowering local authorities, such as normal.

In terms of fiscal decentralization, local expenditure as percentage of total national expenditure, is one of the most common indicators for fiscal decentralization. This measure is negatively correlated to growth throughout the eight time lags. In this case, we can say that the higher the share of local





expenditure out of total expenditure, the lower the national growth rate. This is due to the previously discussed aspects, even if the regions have been assigned great expenditure responsibilities, they do not have the proper resources to fulfil their assignments. On the other hand, the negative correlation between growth and fiscal local rules strength index, show that these rules are different in each country and did not reflect fiscal responsibility but reflect that local authorities did not have the real autonomy to determine their expenditures. The primary deficits, is significant at the one percent level and significant at the 10% level for lag 7, so if the deficit decreases clearly have growth.

Tax revenue as a percentage of total subnational revenues and grants % GDP, is positive and significant so if the deficit decreases, clearly we have growth, this idea being supported by studies from this area (Christopher, 2005; William, 2003). The most interesting result from the decentralization indicators is the behavior of local authorities in what regard revenue as a percentage of total national revenues % GDP, in this case, our findings suggest that local revenue as percentage of total national revenue is significant at the 5% level for lag 1. Lag 7 and 8.

## Conclusions

Within this study we presented the results of an analysis that gave us a picture of the existing body of literature on the topic of “fiscal decentralization and local economic development in EU countries” and from the desire to show a factual situation, we also included elements that allow us to reflect on the future. Thus, taking the above caveats into account, this study has tested the impact of fiscal decentralization on local (regional) development in the EU Member States, while controlling for macroeconomic and local autonomy specific factors. Using data available from Eurostat and International Financial Statistics Online, we conducted a linear regression model based on those of Levine, Woller and Pose and a correlation analysis, based on a panel data sample of 28 countries over the 2000-2014 time span. As a first step, we selected the useful variables regarding fiscal decentralization and local economic development based on their relevance argued in previous scientific studies. For each country of the sample, we computed data provided by Eurostat and International Financial Statistics Online, testing the relationship between fiscal decentralization determinants and local economic development.

We found that prosperity of regions, measured in GDP growth depends on variables such as characteristics of decentralization undertaken by each country or local fiscal discipline, confirming our primary hypothesis. Almost all factors used in the regression model, have what can be considered as the expected significant coefficient signs. The correlation between the investment rate INV with a positive impact and significance at 1 percent level, stressing that a higher investment rate lead to a higher growth rate. In case of government bonds rate (GBR), our analysis



highlight that has the expected positive correlation to GROWTH and is significant at the 1 percent level for all annual lags, we can see that for lag three, four and five, we have significant at the 10% level.

An interesting point of view can be observed with variables regarding the implications of local tax rules in this equation, fiscal local rules strength index is negatively correlated with growth, we have significant at the 10% level for lag one and seven. In this case, the explanation consists in the fact that at the EU level, IMF report shows a folding these rules rather towards the tightening of local financial autonomy, but not towards empowering local authorities, such as normal. From this point of view, we can notice that overall, fiscal decentralization is a multifaceted process and the inverse relationship between growth and subnational expenditure assignment and fiscal transfers, and the, in time, positive correlation between growth and subnational taxation, as implied in this study, is just one facet to consider.

In terms of fiscal decentralization, local expenditure as percentage of total national expenditure, is one of the most common indicators for fiscal decentralization. This measure is negatively correlated to growth throughout the eight-time lags, in this case, we can say that the higher the share of local expenditure out of total expenditure, the lower the national growth rate. This is due to the previously discussed aspects, even if the regions have been assigned great expenditure responsibilities, they do not have the proper resources to fulfil their assignments. On the other hand, the negative correlation between growth and fiscal local rules strength show that these rules, are different in each country and did not reflect all the time fiscal responsibility but reflect that local authorities did not have the real autonomy to determine their expenditures. The primary deficit is significant at the one percent level and significant at the 10% level for lag 7, so if the deficit decreases clearly have growth.

This finding is very useful for central authorities of the European member States in their efforts to (re)design national fiscal arrangements, especially in the light of recent financial and economic crisis. Thus, recently implemented reforms aiming to enforce fiscal discipline following-up the Fiscal Compact strengthened the local budgetary framework and restrained, therefore, local discretionary power to act towards development. Consequently, budgetary constraints should be set apart, according to the different real potential of subnational collectivities, in order to avoid the negatives effects on regional development. We contribute to the extant literature that tested the impact of fiscal decentralization on local development by introducing a new determinant of local authorities' policy behavior, namely the local fiscal discipline, as a variable that tests, more exactly, subnational fiscal rule strength.



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## Appendices

### Appendix 1. Result of Analysis of Sets of Data (independent variables) Related to Fiscal Decentralization

		Correlations			
		FLEXP	FLREV	FRS	TAXREV
FLEXP	Pearson	1	.990**	.349**	.711**
	Correlation				
	Sig. (2-tailed)		.000	.000	.000
	N	420	420	420	420
FLREV	Pearson	.990**	1	.343**	.690**
	Correlation				
	Sig. (2-tailed)	.000		.000	.000
	N	420	420	420	420
FRS	Pearson	.349**	.343**	1	.245**
	Correlation				
	Sig. (2-tailed)	.000	.000		.000
	N	420	420	420	420
TAXREV	Pearson	.711**	.690**	.245**	1
	Correlation				
	Sig. (2-tailed)	.000	.000	.000	
	N	420	420	420	420

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

Source: Authors' calculations

The Appendix 1 represents the degree of association among the explanatory variables employed for decentralization. The result indicates that there is absence of the problem of multicollinearity as the high coefficient of correlation ( $\geq 80$ )



indicates severity of multicollinearity problem. The terms FLREV and FLEXP are highly correlated with  $\rho = 0.99$ . However, these variables are used in separate case for compose  $z$ , so the problem of multicollinearity does not arise.

## Appendix 2. Hausman test results-Cross-section fixed and random

Variable	Fixed	Random	Difference (b-B)	$\sqrt{\text{diag}(V(b-B))}$ (S.E.)
GBR	-0.728216	-0.575078	-0.153138	0.000745
FRS	-0.552147	-0.536140	-0.016007	0.013361
FLEXP	0.419798	0.146798	0.273000	0.004248
FLREV	-0.523409	-0.142623	0.380786	0.005157
IHNUTS2	-0.000001	0.000000	-0.000001	0.000000
INV	0.101926	0.167807	-0.065881	0.000620
GDPNUTS2	0.000000	0.000000	0.000000	0.000000
PDEF	0.265583	0.318251	-0.052668	0.000734
POPGROWTH	-0.000227	-0.000061	-0.000166	0.000000
POP	0.112220	-0.013279	0.125499	0.042908
TAXREV	0.214174	-0.213276	0.427451	0.068130

Source: Authors' calculations

In examining the effect of fiscal decentralization on economic growth through a series of panel regressions, we used the Hausman test in order to test the difference between fixed and random effects. This tests the null hypothesis that the coefficients estimated by the efficient random effects estimator are the same as the ones estimated by the consistent fixed effects estimator. If they are insignificant (P-value,  $\text{Prob} > \chi^2$  larger than .05), then it is safe to use random effects. **RESULT:**  $\text{Prob} > \chi^2 = 0.0058$ . As  $\chi^2$  is significant, fixed effects should be used in the analysis.



# LESSONS FROM THE IMPACT OF INTERNAL AND MACROECONOMIC DETERMINANTS OF BAD LOANS IN CEE BANKS

**Bogdan Florin FILIP\***

## **Abstract**

*The paper aims identifying and analysing the determinants of bad loans in the banks from Central and Eastern Europe, while their accumulation may lead to malfunctions on macroeconomic level. Analysing 38 of the most representative banks in the region during 2004-2013, we found significant positive linkages of bad loans ratio with cost to income ratio, unemployment and crisis, but also significant negative linkages with bank size, activity mix, bank risk taking behaviour, real GDP growth and inflation. Moreover, using Panel Least Squares Fixed Effects Method, we found that the main determinants of bad loans ratio increase are bank size, crisis, unemployment and cost to income ratio. Contrary, activity mix, bank risk taking behaviour, real GDP growth and inflation proved to act against bad loans accumulation. The results offer important lessons which may be useful in the future both for the banks and also for the governments from this region.*

**Keywords:** bad loans, internal determinants, macroeconomic determinants, crisis

## **1. Introduction**

The issue of bad loans is one of great importance especially for the banks, while they are directly confronted with the risks and the efficiency problems that come from their impossibility of recovering the loans formerly granted. On one hand, bad loans are seriously affecting the profits of the banks because they generate high costs with provisions, and, on the other hand, if their level increases rapidly, they might also lead to the incapacity of a bank to fulfil its obligations towards its clients, especially towards its deponents, which may end in bank's bankruptcy. Moreover, the crush of one bank may result in a decrease of trust of a large number of customers in the banking system, especially if most of banks are confronted with increasing levels of bad loans, as it happens during crisis times, which may cause problems for the other banks functioning or even more bank crushes.

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While the proper functioning of the banking system is undoubtedly an important engine for assuring the development of the economy of a country, because banks provide significant financing for activities which generate added value and hence GDP growth, the accumulation of bad loans can become a fundamental problem for the economy. This issue becomes also acute in the case of those countries which depend almost entirely on their banking system, because their capital markets are less developed, as is the case of Central and Eastern European Countries.

On the other hand, the banking system functionality, including the recovery of the banking loans may also depend on the macroeconomic environment, since a better functioning of the economy creates conditions for enhancing the activity, as well as the performance of banking system, the two of them stimulating each other.

However, it is equally true that the intertwining between the functioning of the economy and the banking activity performance may also manifest itself in a way in which the negative performance of each of the two is transmitted from one to the other. This may eventually lead, in the worst case scenarios, to the manifestation of the twin crises phenomenon (Kaminsky and Reinhart, 1999), when the banking crisis and the economic and financial crisis are mutually empowering themselves and contribute to the deepening of each other.

Statistically, it can be noticed that the emergence of banking crises is strongly connected with the rapid accumulation of large volume of bad loans. This connection has been proven also in the case of the recent financial and economic crisis while the occurrence and the manifestation of this crisis, in terms of amplitude and expansion effects, were closely linked to the functionality problems of the banking systems and mainly to the deterioration of the quality of bank loans.

Due to the previous reasons, the evaluation of the factors that impact on the size of bad loans and of the amplitude of their effects has become an important research issue. In this context, our paper aims to select the most representative determinants of bad loans and to analyse their impact in the case of 38 banks from Central and Eastern Europe, while the economies from this area are strongly dependent by the functionality of their banks.

## 2. Literature review

The issue of bad loans became a research theme mainly after the beginning of this century and especially after the recent financial and economic crisis whose negative effects were very serious and whose roots were in the distorted functionality of the banks, reflected in the rapid accumulation of bad loans. Thus, there can be found in literature several studies, some of them theoretical and many others empirical ones, that are searching to identify the possible causes leading to the increase of bad loans and also the measures to be taken in order to discourage this phenomenon. In this regard, there can be mentioned a number of empirical studies which are focused either on the analysis of the determinants of bad bank



loans in the banking system of a specific country (Salas and Saurina, 2002; Khemraj and Pasha, 2009; Louzis, Vouldis and Metaxas, 2012; Filip, 2014), or on broader analyses on the banks from specific regions or groups of countries (Fofack, 2005; Espinoza and Prasad, 2010; Nkusu, 2011; Castro, 2013; Klein, 2013; Chaibi and Ftiti, 2015).

Some of the empirical papers upon the occurrence of bad loans phenomenon are based on studying the evolution of the dimension of bad loans, in terms of their volume, but most of the studies consider that a much proper proxy should be considered the ratio of bad loans, determined as the proportion of bad loans in total gross loans granted by a bank. In this regard, we also consider that this ratio is more appropriate for an analysis, because such a ratio gives a better image on the amplitude of the bad loans phenomenon at the level of a specific bank.

The existing literature also brings into attention several approaches on the determinants of the bad loans, but synthetizing the content of the previous studies it emerges the idea that there can be distinguished practically two main categories of determinants. The first category refers to the determinants linked directly to the bank itself, which are normally under the control of the bank and depend on bank's policy. Such determinants, considered as internal or bank-level ones, can be bank size (Khemraj and Pasha, 2009; Chaibi and Ftiti, 2015), cost efficiency (Espinoza and Prasad, 2010, Klein, 2013), capital adequacy (Fofack, 2005; Nkusu, 2011; Klein, 2013), excessive lending (Salas and Saurina, 2002) or, in other words, bank risk taking behaviour (Nkusu, 2011) etc.

Complementary, a second category of bad loans determinants refers to those factors of external nature, which are not controllable by the banks, expressing usually the macroeconomic conditions and reflected by economic indicators (Fofack, 2005; Nkusu, 2011; Klein, 2013) such as GDP growth or GDP per capita growth, inflation rate and unemployment rate, which have positive or negative impact on the repayment capacity of the borrowers.

Most of the empirical studies are considering that bank size can be one of the factors that may impact on the bad loans ratio. However, although most studies have agreed on the importance of this factor, there isn't a consensus on the way it influences the bad loans accumulation. Some of the studies have revealed a negative influence of bank size on the bad loans ratio (Hu, Yang and Yung, 2004; Espinoza and Prasad, 2010), but there are also other studies that showed a positive determination relationship between bank size and this ratio (Khemraj and Pasha, 2009; Chaibi and Ftiti, 2015; Filip, 2015). Moreover, few other empirical studies have shown no significant effects of bank size on the ratio of bad loans (Ennis and Malek, 2005; Klein, 2013). Even if contradictory, these results can each of them have a reasonable ground while, in my opinion, the size of a bank can play a positive role in limiting the proportion of bad loans if it facilitates a better regulation and supervision of bank lending activity, or, on the contrary, if these conditions are not fulfilled, the high volume of loans can become difficult to be administrated, leading thus to many defaults. However, while the banks in Central



and Eastern Europe, even of big size, had little time to adjust their regulation and supervision policy, being more concerned of gaining rapidly higher market shares, our first hypothesis is:

**H1:** *the bank's size is positively associated with increases in bad loans.*

Capital adequacy, as also many researchers consider, should ensure the premises for a solid activity of a bank, including the lending one, and should act for diminishing the volume of bad loans and also their proportion (Berger and DeYoung, 1997; Klein, 2013) protecting the stability of the bank against the potential negative effects of such loans. Even so, in our opinion, the intensity of its impact will strongly depend on each bank's policy and on the action of the other factors and there are in literature several empirical studies that did not confirm its impact of limiting the bad loans proportion, but even on contrary (Fofack, 2005; Khemraj and Pasha, 2009). However, based on the previous considerations, we will develop our analysis starting from a second hypothesis, known as "the moral hazard hypothesis":

**H2:** *low-capitalization of banks lead to increases in bad loans.*

There are also several studies that showed the importance of the cost efficiency or cost inefficiency, the latter proxied by cost to income ratio, as a determinant with significant impact on the bad loans ratio. However, while some studies (Berger and DeYoung, 1997; Podpiera and Weill, 2008; Espinoza and Prasad, 2010) revealed a positive determination, consisting in an increase of bad loans proportion on the background of increased costs, other studies showed a reversed determination relationship (Chaibi and Ftiti, 2015) or no significant impact (Klein, 2013). In this context, we appreciate that the existence of some high expenses of the bank might confirm its concern and financial effort for rigorous tracking and recovery of the granted loans, which normally leads to the limitation of the proportion of bad loans. On the other hand, from another perspective, if there exist a poor management of the resources, this will cause excessive expenses whose coverage might be made by the bank by granting more loans, on higher interest rates, but usually more risky ones. Starting from these observations, we will consider a third hypothesis in our analysis:

**H3:** *cost inefficiency is positively related with increases in bad loans.*

At the same time, we consider that the accumulation of bad loans can be prevented or limited if the bank, following its objective to generate significant revenues, is less forced to assume too high risks by granting loans. Thus, if the bank is capable to get revenues from other operations less risky than lending, by developing a mix of other activities, the danger of risking too much in lending area can be avoided (Hu, Yang and Yung, 2004). Consequently, it can be admitted a fourth hypothesis:

**H4:** *the activity mix should have an effect of limiting the bad loans proportion.*

Looking further at the risks assumed by banks, we note that some authors (Salas and Saurina, 2002; Klein, 2013) highlighted that excessive lending creates



the most premise for the occurrence and accumulation of bad loans and becomes so a major determinant of them. This idea is based on the reason that a rapid increase in loan volume results normally on the background of easing the regulations regarding the eligibility of loan applicants, which increases the risk that many loans will not be reimbursed. On the other hand, a similar connection with bad loans was made in literature in terms of bank risk taking behaviour and some papers showed a negative effect of this factor on the bad loans ratio (Khemraj and Pasha, 2009; Nkusu, 2011; Filip, 2015), while the increase of the volume of bad loans was taken over by the advance of the total gross loans. In this regard, we believe that bank risk taking behaviour of a bank may lead to limiting the proportion of bad loans only if the loans are used efficiently, leading to creating added value and GDP growth. Otherwise, rationally, excessive lending not compensated by a substantial increase in GDP will determine an increase in bad loans negative effect. As consequence of these considerations we will test a fifth hypothesis:

**H5:** *bank risk taking behaviour is positively associated with bad loans accumulation.*

One of the most representative external determinants with impact on bad loans ratio considered in most of the empirical papers (Salas and Saurina, 2002; Khemraj and Pasha, 2009; Bofondi and Ropele, 2011; Louzis, Vouldis and Metaxas, 2012; Erdinc and Abazi, 2014; Filip, 2014) is economic growth, proxied usually by GDP growth or GDP per capita growth. Almost all of the studies have found a negative influence of economic growth on the bad loans ratio, the economic growth contributing to reducing this ratio. This causality relationship, which we consider to be reasonable, is based on the fact that economic growth is reflected in principle in an increase of the income, including that of the borrowers, which determines an improvement in their capacity to return their loans, that normally leads to lower risks for the banks to accumulate other bad loans and also creates premises for reducing the volume of the existing ones. On the other hand, a downward trend of GDP has naturally adverse effects that would lead normally to increasing the volume of bad loans. Therefore, we consider the following hypothesis:

**H6:** *economic growth is negatively related with increases in bad loans.*

Another macroeconomic determinant of bad loans considered by the literature is inflation, which appears, however, to have ambiguous effects on bad loans ratio (Kjosevski and Petkovski, 2017). Some studies showed a positive determination relationship between inflation and bad loans ratio, while other papers revealed a contrary one. An increase in inflation rate erodes the debtors' ability to pay and this leads to more bad loans and an increase of bad loans ratio, which shows a positive determination relationship between inflation and bad loans ratio (Khemraj and Pasha, 2009; Fofack, 2005; Škarica, 2014). On the other hand, also, an increase in inflation rate makes more easy the repayment of due amounts by the borrowers (Nkusu, 2011; Klein, 2013; Erdinc and Abazi, 2014), because while the nominal resources of the debtors are increasing the creditor banks are not updating



their claims with the inflation rate and so, it results a reduction in the real value of the loans to be paid back and making easier the repayments and limiting the risk of new bad loans. As consequence we will consider for our analysis a seventh hypothesis:

**H7:** *inflation is negatively associated with increases in bad loans.*

An important impact on the bad loans ratio can also come from unemployment. Changes in unemployment rate determine similar variations of bad loans ratio, the determination relationship being proved in many empirical studies (Bofondi and Ropele, 2011; Nkusu 2011; Klein, 2013; Chaibi and Ftiti, 2015, Anastasiou, Louri and Tsionas, 2016) to be a positive one. Unemployment makes some of the borrowers to lose their capacity of reimbursement leading to the transformation of their current loans into bad loans. Moreover, by generating the reduction of the total income unemployment leads to lower demand of goods and services, determining the reduction of production and sales of the companies and diminishing also the repayment capacity of those companies (Louzis, Vouldis and Metaxas, 2012) leading to other bad loans, this time of these companies. Based on these considerations we admit another hypothesis:

**H8:** *unemployment leads to increased bad loans ratio.*

Beside these specific macroeconomic determinants we also consider that bad loans ratio depends on the general macroeconomic developments, especially on the manifestation of major negative phenomena such as financial and economic crisis (Erdinc and Abazi, 2014; Beaton, Myrvoda, and Shernnel, 2016), which affect the economic activity and, particularly, the banking activity. We admit, under these circumstances, the next hypothesis:

**H9:** *crisis manifestation causes increasing of bad loans.*

Based on the above observations, our study will aim to test if the above hypotheses are confirmed in the case of the banks from Central and Eastern European countries.

### 3. Data and Methodology

Our research is focused on analysing the impact of the internal and macroeconomic factors on the evolution of the bad loans on a sample of 38 of the most representative banks from Central and Eastern Europe, as follows: 12 banks from Poland, 7 from Hungary, 5 banks from Romania, 4 banks from Czech Republic, 3 banks from Slovakia, 3 banks from Croatia, 2 banks from Bulgaria, 1 bank from Estonia and another 1 from Latvia, respectively. Banks' data were obtained from Orbis Bank Focus Bureau van Dijk database while the macroeconomic data were obtained from Global Financial Development Databank (GFDD) of World Bank and the World Bank Databank and all of them are covering a period of 10 years, starting from 2004 until 2013.



We estimate the dimension of the bad loans of the considered banks through the bad (non-performing) loans ratio, which will be used as dependent variable in our econometric analysis.

Based on the literature and the observations we mentioned before, we will use further in our analysis two main categories of determinants of bad loans. First of all, the internal determinants consist in bank size, capital adequacy, cost inefficiency, activity mix and bank risk taking behaviour. Secondly, we consider as macroeconomic (external) determinants the indicators real GDP growth rate, the inflation rate, and the unemployment rate. Beside them, we take into account also the impact of the global economic environment, which in the period under analysis was marked by the financial crisis manifestation and in this regard we introduce the dummy variable ‘crisis’. Thus, the independent variables, their sources and their expected effects may be synthetized as shown in Table 1.

**Table 1. Determinants of bad loans ratio – independent variables**

Independent variable/ Determinant	Indicator	Symbol	Expected relationship (+/-)	Source
<i>Internal determinants</i>				
Bank size	Logarithm of Total Assets	Log(TA)	+/-	ORBIS Database
Capital adequacy	Capital to Assets Ratio (%)	CAS	-	ORBIS Database
Cost inefficiency	Cost to Income Ratio (%)	C_I	+/-	ORBIS Database
Activity mix	Non Interest Revenues to Average Assets (%)	NIR_AvA	-	ORBIS Database
Bank risk taking behaviour	Net Loans to Total Assets (%)	NetL_TA	+/-	ORBIS Database
<i>Macroeconomic determinants</i>				
Economic growth	Real GDP growth rate (%)	RGDPG	-	GFDD World Bank Database
Inflation	Inflation rate - CPI (%)	INFLR	+/-	GFDD World Bank Database
Unemployment	Unemployment rate (%)	UNEM	+	GFDD World Bank Database
Crisis manifestation	Crisis	Crisis	+	dummy

Starting from these basis the development of our analysis aims processing and interpretation of the panel data of the considered banks from Central and Eastern Europe, by using Pearson correlations, respectively by building an econometric model and testing it using the Panel Least Squares Fixed Effects method. This will allow us to draw the necessary conclusions and to show in which way the lessons learned from the experience of these banks may serve for preventing or at least limiting the accumulation of bad loans and the consequent negative effects of them.

We consider that a deeper analysis of the determinants of bad loans in the considered banks from Central and Eastern Europe can be performed by using the Panel Least Squares method for building and testing an econometric regression model in order to emphasize the relationships between the dependent variable (bad

loans ratio) and the other variables, considered to be independent ones. Therefore, we build and use a fixed effects econometric model whose regression equation is the following one (1):

$$y_{j,t} = c + \beta_{i,j,t} \bullet X_{i,j,t} + \beta_{e,j,t} \bullet X_{e,j,t} + \beta_{c,j,t} \bullet \text{crisis} + \mu_j + \nu_t + \varepsilon_{i,t} \quad (1)$$

where,  $j$  stands for the specific bank,  $t$  stands for the year,  $y$  represents bad loans ratio,  $X_i$  are internal determinants,  $X_e$  are macroeconomic (external) determinants, 'crisis' is the dummy variable for crisis manifestation,  $\beta_i$  are the coefficients of the internal determinants,  $\beta_e$  are the coefficients of the external determinants,  $\beta_c$  is crisis coefficient and  $\mu_j$  are the unobserved bank specific effects,  $\nu_t$  is the unobservable time effect and  $\varepsilon_{i,t}$  is the white-noise error term.

#### 4. Results and remarks

Processing of the statistical data included in our assessment as the first step of the analysis led to the following general characterization results, for the period 2004-2013, shown in Table 2:

**Table 2. Descriptive statistics of the considered variables, 2004-2013**

Variable	Mean	Median	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Probability
NPLR	8.68002	6.29180	7.20792	1.73822	6.117058	288.8737	0.000000
LOG(TA)	16.21397	16.11793	0.62925	0.43674	2.422298	14.5315	0.000699
CAS	10.54786	9.69250	3.56514	1.18512	5.266560	142.5083	0.000000
C_I	54.65628	53.69559	11.48210	0.75743	4.107696	46.6639	0.000000
NIR_AvA	2.02964	1.94328	0.89806	0.89976	5.725426	141.3279	0.000000
NetL_TA	59.79471	62.18581	13.11525	-0.60250	2.947774	19.2756	0.000065
RGDPG	2.51007	2.67258	3.98888	-0.89773	4.818517	86.5317	0.000000
INFLR	3.71911	3.55687	2.14189	1.27725	6.491930	248.0273	0.000000
UNEM	9.94025	9.60000	3.42499	0.96394	3.277960	50.2708	0.000000
CRISIS	0.45283	0.00000	0.49855	0.18952	1.035920	53.0171	0.000000

According to the data of Table 1 it results the existence of relatively large variations of the variables such as Net Loans in total assets, cost to income ratio and the bad loans ratio, while for the other variables the variations were much smaller during 2004-2013 period. We also note that most of the high variations were registered during the period of economic and financial crisis, 2008-2012.

For the next part of our analysis we use Pearson correlations aiming to find out if there are any significant linkages between the evolution of the bad loans ratio and the considered determinants, but also their direction.





By processing the data for the 2004-2013 period, we have obtained the following results regarding the correlations between the bad loans ratio and the internal and external considered determinants, which are synthetized in Table 3.

**Table 3. The correlation matrix of the considered variables, 2004-2013**

Variable	Correlation/Probability NPLR	Log(TA)	CAS	C_I	NIR_AvA	NetL_TA	RGDPG	INFLR	UNEM
NPLR	1.0000 -----								
Log(TA)	-0.1621*** 0.0037	1.0000 -----							
CAS	0.1734*** 0.0019	-0.0947* 0.0917	1.0000 -----						
C_I	0.0739 0.1888	-0.2877*** 0.0000	-0.3840*** 0.0000	1.0000 -----					
NIR_AvA	-0.1275** 0.0229	-0.1689*** 0.0025	-0.0383 0.4960	0.2336*** 0.0000	1.0000 -----				
NetL_TA	-0.1027* 0.0675	-0.0861 0.1253	5.14E-05 0.9993	-0.1455*** 0.0094	0.0558 0.3208	1.0000 -----			
RGDPG	-0.3164*** 0.0000	-0.0725 0.1974	-0.0905 0.1071	0.1648** 0.0032	0.1491** 0.0077	-0.1951*** 0.0005	1.0000 -----		
INFLR	-0.1320** 0.0186	-0.1836*** 0.0010	-0.1817*** 0.0011	-0.0601 0.2851	0.1142* 0.0418	0.2364*** 0.0000	0.0804 0.1527	1.0000 -----	
UNEM	0.3029*** 0.0000	-0.1751*** 0.0017	0.1773*** 0.0015	0.2233*** 0.0001	0.0138 0.8057	-0.1760*** 0.0016	-0.0354 0.5294	-0.3780*** 0.0000	1.0000 -----
CRISIS	0.061347 0.2754	0.0757 0.1781	-0.015580 0.7820	-0.1883*** 0.0007	-0.1294** 0.0210	0.1861*** 0.0009	-0.3418*** 0.0000	0.1992*** 0.0004	-0.2189*** 0.0001

Notes: \*\*\*, \*\*, \* - denotes significance at 1%, 5%, respectively 10% level; 318 observations were included

Results presented in Table 3 are showing the existence of significant negative correlations of the ratio of bad loans with the internal determinants as bank size (coef. = -0.1621, prob. = 0.0037), the activity mix (coef. = -0.1275, prob. = 0.0229) and banks risk taking behaviour (coef. = -0.1027, prob. = 0.0675). These results are confirming the validity of H4 hypothesis, but, on the other hand, are rejecting the H1 and H3 hypotheses.

There are also shown significant negative correlations between the ratio of bad loans and external determinants as real GDP growth rate (coef. = -0.3164, prob. = 0.0000) and inflation rate (coef. = -0.2968, prob. = 0.0000), in accordance with the expected results. These results are suggesting that all these macroeconomic factors have negative influence on bad loans ratio and contribute to diminishing their volume, which confirms the H6 and H7 hypotheses.

On the other hand, there appear to be significant positive correlations between the ratio of bad loans and capital adequacy ratio (coef. = 0.1734, prob. = 0.0019) and unemployment rate (coef. = 0.3029, prob. = 0.0000) and less significant ones with cost inefficiency (coef. = 0.0739, prob. = 0.1888) all these factors appearing to have an impact of increasing the bad loans ratio and

contributing to the accumulation of such loans. While the result regarding unemployment rate is an expected one and confirms our H8 hypothesis, the result for capital adequacy appears to be contrary to our expectations and rejects the H2 hypothesis. On the other hand, even the significance level is above the maximum threshold of 10%, the resulted sign of the coefficient for the variable cost to income ratio is in line with our expectations and with H3 hypothesis.

We must however remark the positive significant correlation between the bad loans ratio and crisis manifestation, confirming the strong bidirectional linkage of them, while crisis fuels the accumulation of bad loans and the increase of bad loans ratio leads to a contraction of the credit market and thus deepens the crisis manifestation. This result is confirming, thus, the H9 hypothesis.

Results in Table 3 are also helpful for answering to a specific question regarding the possible endogeneity problems, due to the fact that unemployment impact economic growth, both of them being usually used as proxies for economic activity. However, the correlation matrix shows the negative correlation between real GDP growth and unemployment rate, but does not show a significant correlation of them.

We test further the proposed model (1) for determining the kind of the effects induced by the impact factors on the bad loans ratio, during the period 2004- 2013, in the case of the considered banks from Central and Eastern Europe. In order to avoid the possible endogeneity issues, we follow Petersen (2009) and use endogeneity robust estimators for testing our model with STATA 12. Moreover, we choose to analyse the fixed effects of the independent variables in order to catch more accurately their action and we test progressively the variables in order to see if their effects remain significant both when testing them separately or their entire group. The tests lead us to the results presented in Table 4:

**Table 4. Results of testing the determinants of bad loans ratio using a robust fixed effects OLS, 2004-2013**

Dependent Variable: NPLR							
Cross-sections included: 38							
Total panel observations: 318							
Variable	Model						
	Coefficient/Probability						
Variable	Test 1	Test 2	Test 3	Test 4	Test 5	Test 6	Test 7
LOG(TA)	5.961275 0.002	3.342861 0.052	5.812723 0.006	3.103265 0.060	5.007398 0.008	3.807732 0.052	3.881755 0.043
CAS	0.688412 0.031	-0.507017 0.082	0.229199 0.354	0.337075 0.205	0.173191 0.457	0.726638 0.748	0.124099 0.580
C_I	0.130537 0.188	-0.141838 0.127	0.105233 0.249	0.143277 0.111	0.122822 0.165	0.114630 0.183	0.125769 0.148
NIR_AvA	-2.912532 0.011	-2.392201 0.031	-2.841843 0.004	-2.355542 0.036	-2.5642 0.010	-2.534291 0.011	-2.396519 0.015
NetL_TA	-0.373196 0.000	-0.035362 0.031	-0.152669 0.089	-0.326175 0.000	-0.177374 0.038	-0.163399 0.045	-0.181959 0.026
RGDPG		-0.500856 0.000		-0.384073 0.000		-0.308787 0.004	-0.244249 0.007
INFLR				-0.817711	0.631267	-0.5021167	-0.564212



<b>Dependent Variable: NPLR</b>							
<b>Cross-sections included: 38</b>				<b>Model</b>			
<b>Total panel observations: 318</b>				<b>Coefficient/Probability</b>			
<b>Variable</b>	<b>Test 1</b>	<b>Test 2</b>	<b>Test 3</b>	<b>Test 4</b>	<b>Test 5</b>	<b>Test 6</b>	<b>Test 7</b>
UNEM			1.053786 0.000	0.000 0.000	0.918533 0.000	0.001 0.794079 0.000	0.000 0.822716 0.000
CRISIS				1.08484 0.092	2.019773 0.004		1.452294 0.010
C	-74.14527 0.026	-31.36423 0.295	-89.3146 0.008	-25.2242 0.379	-72.93644 0.015	-50.42679 0.114	-52.82155 0.088
R-squared	0.2610	0.3409	0.4093	0.3961	0.4569	0.4619	0.4724
F-statistic	5.78	27.92	10.02	31.73	38.04	27.82	40.18
Prob (F-statistic)	0.0005	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The tests revealed that all the macroeconomic variables that keep having the same significant effects on the bad loans ratio even if they are tested separately or with the entire group of independent variables, which, corroborated with the use of robust estimators, sustain both the idea that there are no visible endogeneity issues.

According to the data in Table 4 it results that the model tested by using all the variables has a good degree of viability (R-squared = 0.4724, Prob (F-statistic) = 0.0000), which confirms that the dependent variable bad loans ratio is relevantly determined by the independent variables.

The data in Table 4 are confirming most of the correlations identified before. Thus, the internal determinants, namely activity mix (coef. = -2.3965, prob. = 0.015) and bank risk taking behaviour (coef. = -0.1819, prob. = 0.026) appear once again to have a negative impact, statistically significant under the threshold of 5% on the bad loans ratio. Therefore we can draw as a first conclusion that for the banks in Central and Eastern Europe the diversification of the activity contributes to limiting the proportion of bad loans, which confirms our H4 hypothesis. On the other hand, it appears that banks behaviour of granting more loans to their customers leads also to a decrease of the proportion of bad loans, even if, under such circumstances, banks are assuming new risks, which can be explained by the fact that in time, the increase of the total loans was higher than the increase of the bad loans. In the end, results lead to rejecting our H5 hypothesis and are in line with some previous studies (Khemraj and Pasha, 2009; Nkusu, 2011; Filip, 2015).

On the other hand, results show that capital adequacy ratio (coef. = 0.1241, prob. = 0.580) and cost inefficiency (coef. = 0.1258, prob. = 0.148) are positively influencing the bad loans ratio increase, which also corresponds to the results from correlation analysis, but the significance of their linkages changed. Thus, the cost inefficiency, proxied by cost to income ratio, appears to have now a positive even if statistically insignificant impact on the dependent variable, which confirms the H3 hypothesis and is in line with previous studies (Chaibi and Ftiti, 2015). At the same time, capital adequacy appears to have an insignificant positive impact, as in

other studies (Fofack, 2005; Khemraj and Pasha, 2009), and thus the H2 hypothesis is rejected.

The variable bank size results to have a statistically significant positive impact (coef. = 3.8818, prob. = 0.043) on the ratio of bad loans, both in terms of coefficient and in term of probability, suggesting that bigger banks have problems to administrate their portfolio of loans and fail to prevent the accumulation of bad loans, possibly due to the higher number and value of the loans granted by them, which is in line with former other studies (Khemraj and Pasha, 2009). As consequence our H1 hypothesis is confirmed.

Results regarding real GDP growth rate (coef. = -0.2442, prob. = 0.007) and inflation rate (coef. = -0.5642, prob. = 0.000) show that these macroeconomic independent variables have also statistically significant impacts on the bad loans ratio, which confirm the correlations observed previously in Table 3. We note, thus, that our hypothesis H6 on the impact of real GDP growth on bad loans ratio is confirmed by the obtained result and this is in line with the results of previous other studies (Bofondi and Ropele, 2011; Louzis, Vouldis and Metaxas, 2012; Erdinc and Abazi, 2014). On the other hand, it is confirmed also our H7 hypothesis regarding the impact of inflation on the dependent variable, which is also in line with some of the previous papers (Nkusu, 2011; Klein, 2013, Erdinc and Abazi, 2014).

The other macroeconomic independent variables considered in our model, unemployment rate (coef. = -0.8227, prob. = 0.000) and the crisis manifestation (coef. = 1.4523, prob. = 0.010) appear to have statistically positive impact on the bad loans ratio, favouring the increase of this kind of loans and confirming the previous correlation results. Under these circumstances, we conclude that our hypothesis H8 is sustained by the results regarding the impact of unemployment on the dependent variable, which are also in line with the conclusions of other studies (Louzis, Vouldis and Metaxas, 2012; Chaibi and Ftiti, 2015, Anastasiou, Louri and Tsionas, 2016). Moreover, also the H9 hypothesis is confirmed and the effects of the financial and economic crisis manifestation on bad loans ratio are in line with the observations from previous papers (Erdinc and Abazi, 2014; Beaton, Myrvoda, and Shernnel, 2016).

Based on the results, we can conclude, first, that in the analysed banks from Central and Eastern Europe there are both internal and macroeconomic factors that have a significant impact on keeping the bad loans ratio low. Reasonably, real GDP growth improves the repayment capacity of the borrowers and also inflation appears to help reimbursements by diminishing the real value of a loan. Complementary, the banking risk taking behaviour appears also to contribute to reducing the bad loans ratio, based on a more rapid increase of the volume of the total loans than that of the bad loans. Moreover, by bringing other revenues for the banks, the activity mix makes banks to practice a less risky lending activity and prevents so the appearance of new bad loans.



On the other hand, we must note that there is a strong impact on increasing the bad loans ratio generated by the manifestation of the economic and financial crisis, in general, and particularly through the increase of unemployment, which can be amplified also by internal factors. Results show that bigger banks have a higher bad loans ratio, which can be explained by the difficulty of administrating higher volumes and numbers of loans. Moreover, the higher the increase of cost to income ratio, signalling the inefficiency of banks expenses appears to lead to an increase in the bad loans ratio, while the efforts of the banks to recover the loans imply high costs, but lead to a low recovery rate. At the same time, for the banks which were analysed it results that the capital adequacy has an insignificant, yet positive effect on bad loans ratio.

## Conclusions

This study has started from the premise that there exist strong interdependencies between the banking systems' functioning and the performance of the economy and therefore the malfunction of each of them has echo in the malfunctioning of the other one. That is why when things start to go wrong for the banks and the crisis appears in the banking system it usually leads to the crisis of the entire economy, these phenomenon of the twin crisis being observed also during the most recent financial and economic crisis.

Based on the previous considerations our study brings to attention the necessity of identifying and analysing the determinants of the bad bank loans, while the increasing proportion of such loans is the most relevant indicator of a crisis at bank level, affecting the banks' performance and leading to worsening of the economy status.

Starting from the existing literature we have chosen the bad loans ratio as proxy for estimating the proportion of the bad loans and we identified first the major categories of impact factors consisting in the internal ones, respectively the macroeconomic ones. We have selected as internal determinants for our analysis the variables bank size, capital adequacy, cost inefficiency, activity mix and bank risk taking behaviour. We also considered macroeconomic determinants such as real GDP growth, inflation rate and unemployment rate. At the same time, we took into consideration supplementary the potential impact of the financial and economic crisis manifestation on the accumulation of bad loans.

Our analysis is developed by processing the annual data of 38 of the most representative banks from Central and Eastern Europe for the period 2004-2013, using econometric methods. In this context, we used first Pearson correlations between the considered variables which has led us to results confirming expected significant positive linkages of bad loans ratio with determinants like cost to income ratio, unemployment and crisis, but also significant negative linkages of bad loans ratio with bank size, activity mix, bank risk taking behaviour, real GDP growth and inflation.



We have gone further with our analysis by building a regression model using as dependent variable the bad loans ratio and the other indicators as independent variables. By testing this model on the data of the data panel for the considered banks using Panel Least Squares Fixed Effects Method, we found out that the main determinants of the increase in bad loans ratio appear to be bank size, the manifestation of the economic and financial crisis, unemployment and the cost to income ratio, which are enhancing the accumulation of bad loans. On the other hand, activity mix, bank risk taking behaviour and especially real GDP growth and inflation proved to have significant effects against the formation of bad loans, limiting or even decreasing the level of their ratio.

These empirical results can serve for learning some important lessons from the experience of the banks in Central and Eastern Europe which may be useful for the future. Banks may prevent the bad loans accumulation or diminish their bad loans ratio by taking care of the management of their costs and by enhancing the activity mix. They also need improving their risk taking behaviour, granting more loans to the customers but without relaxing too much their lending conditions and procedures or cutting the costs implied by the necessary control of the ongoing or, especially, overdue loans, which will need investments in departments for following and recovering the granted loans. On the other hand, the governments who need banking systems properly functioning should focus, in our opinion, especially on encouraging employment as base for improving the borrowers' repayment capacity and of generating GDP growth.

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