

ECONOMIC AND POLITICAL THOUGHT

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EDITORIAL

The present, fourth issue of our quarterly, that we are just handing over to our readers, has, like the previous one, an extraordinary character due to two things: its contents and the way in which it has been published. Its publication has also been financed by the Ministry of Science and Higher Education within the program called “Index Plus”. We have been awarded the funds as a result of our participation in a competition to implement a project called the “Economic and Political Thought”. Therefore, we would like to avail ourselves of the opportunity and express our gratitude to the Ministry of Science and Higher Education for the awarded funds which helped us to publish the present quarterly in English and in a virtual form on a dedicated website developed by Lazarski University in Warsaw.

As far as the quarterly contents are concerned, in accordance with the former principles, this issue is in fact also composed of two parts which are in agreement with its name, i.e. the first part is devoted to economic issues and the second one to issues within the fields of political sciences and international relations. Both parts are equally interesting and should draw attention of economists, political science specialists, theoreticians and practitioners, politicians, international economic and political relations experts, doctoral and other students and commentators on current events.

In the first part we publish four interesting articles and studies. There is no doubt that the vast report developed by Professor Dariusz Rosati deserves special attention. It is devoted to the Central and Eastern European economies’ achievements and prospects in the last ten years. The author analyzes the development prospects for the region from the perspective of the individual countries’ earlier achievements and their present day crisis-related experiences.

The next article in this part is a result of Dr Andrzej Jagiełło’s own research dedicated to the economic and social effects of excise rates on tobacco products imposed between 2000 and 2010. These effects include

the development of grey market and the smuggling of cheap, poor quality cigarettes to Poland that result in the increase in threats and a deterioration of the smokers' health conditions as, because of rising prices, they turned to the consumption of lower quality tobacco products.

Another article in this part, written by Dr Tadeusz T. Kaczmarek, is devoted to the discussion of the role of globalization and its effects for the contemporary world. In the author's opinion, there are more and more opponents of globalization, alter- and anti-globalists, but – as Tadeusz T. Kaczmarek highlights – the biggest threat for globalization is religious fundamentalism, which is one of the strongest conflict generating factor in the contemporary world.

Next, there is a vast and interesting study by Professor Tomasz T. Grosse discussing the evolution of the economy management methods in the European Union that took place under the influence of the 2008–2010 crisis. Another article that corresponds to it is the one by Professor Józef M. Fiszer who tries to answer a question whether the European Union only needs another modification or if it requires a rather extensive modernization. The author of the article concludes that in order to modernize, the European Union urgently needs new axiology and more democracy, and new visionaries, new type of leaders, moral and political authorities, idealistic people committed to this modernization. As J.M. Fiszer highlights, the European Union also needs a new reform and a new strategy with the citizens and their problems placed in the center of interest. The European Union should also offer the world its new identity and take active part in the process of building a new multi-polar international system. The article opens the second part of the quarterly devoted to political science issues.

Here I would like to draw the readers' attention to an interesting text dealing with the issue of national and international identity from the perspective of the Polish Presidency of the European Union. It was written by Agnieszka Bógdał-Brzezińska and Anna Budziszewska, who discuss this as one of the key issues in social sciences in the light of constructivism. The authors' conclusion is that national and international identities are not mutually exclusive; they can coexist and even complement each other.

Another article in this part is an interesting text on the evolution of the administrative system of the capital city of Warsaw between 1990 and 2002, written by the former mayor of Ursynów, political science specialist, Dr Stanisław Faliński. The part closes with a synthetic article by Dr Bartosz Bojarczyk on the presence of NATO in the Persian Gulf region. Analyzing the NATO's relations with the countries in the Persian Gulf, the author asks

interesting questions and tries to answer them. They are, e.g.: Does NATO really try to build long-term cooperation with the countries of the region in order to raise the security level of its members and the whole world system or are these attempts aimed at strengthening the United States' position in that region of the world?

The whole volume closes with two reviews of the latest scholarly books that should be interesting for economists, political science specialists, experts, theoreticians and practitioners, doctoral and other students. One of them is devoted to the transformation of the 3rd Polish Republic in the years 1989–2009, the other deals with the British immigration and assimilation policies, especially towards South Asian Muslims who account for two thirds of all Muslim believers living in the United Kingdom.

The articles and reviews published in the present quarterly are interesting not only from the point of view of the discussed topics but they also deserve attention because of their theoretical and utilitarian aspects. They contain many original practical proposals and solutions as well as interesting questions and scholarly findings. As always, we encourage everyone to read the present issue of the quarterly and take part in a scholarly discussion on the analyzed issues.

Wishing all the readers enjoyable reading, we encourage everybody to cooperate with our editorial team and Lazarski University.

Prof. Józef M. Fiszer, PhD

A R T I C L E S

Dariusz K. Rosati

CENTRAL AND EASTERN EUROPEAN ECONOMIES – ACHIEVEMENTS AND PROSPECTS

1. INTRODUCTION

After having recovered from the transformational recession in the early 1990s, the countries of central and eastern Europe (CEE) have been growing fast, gradually reducing income gaps between them and the more affluent countries of western Europe. Economic performance was particularly strong in those countries of the region that successfully embarked after 2000 on the process of accession to the European Union (EU). Rapid growth has been fuelled by trade, financial and institutional integration with the EU, including harmonization of laws and standards. But the global financial and economic crisis of 2008–2009 hit the CEE region particularly hard, with most countries suffering substantial falls in output levels, generally more severe than in western Europe. Also, the subsequent recovery seems so far rather slow and hesitant.

This paper addresses the issue of economic growth in selected CEE countries since they recovered from the transformational recession in the mid-1990s. Growth prospects for the region, including present and future opportunities and challenges, are discussed against the backdrop of past achievements and the more recent crisis experience. The CEE region can geographically be defined rather broadly to include also non-EU member states in the Balkans and in the CIS region, but the present analysis is limited to ten CEE countries that joined the EU in 2004–2007 (EU10)¹. Even though all CEE countries share some characteristics (the common history, including the recent communist past), they nevertheless are very much diverse, with EU membership being probably the most differentiating factor. The paper

¹ Bulgaria (BG), the Czech Republic (CZ), Estonia (EE), Latvia (LV), Lithuania (LT), Hungary (HU), Poland (PL), Romania (RO), Slovenia (SI) and Slovakia (SK).

aims at answering three main questions. First, what were the key drivers of rapid growth in EU10 in the pre-crisis period. Second, what is the explanation for the very divergent economic performance of the EU10 countries during the recent crisis 2008–2009, and especially why some countries of the region experienced very severe recessions. And third, can the region return to a sustainable growth path, and if it can, when and under what conditions. Specifically, what are key policy recommendations that could be addressed to CEE governments if economic growth is to be sustained.

The analysis shows that between 2000 and 2008 economic growth in all EU10 countries followed a specific pattern (although with individual variations), based on large inflows of foreign capital, and supported by trade, financial and institutional integration within the EU. These inflows have pushed up growth rates but also contributed to the emergence of various economic imbalances, making most of EU10 increasingly vulnerable to external shocks. Countries that have accumulated largest imbalances suffered most during the crisis. As far as the growth prospects in the post-crisis period are concerned, the policy recommendations focus on the need to eliminate these imbalances while preserving the growth-enhancing elements of the growth model followed before the crisis.

2. FROM TRANSFORMATION TO INTEGRATION: RAPID GROWTH IN EU10 IN 1995–2008

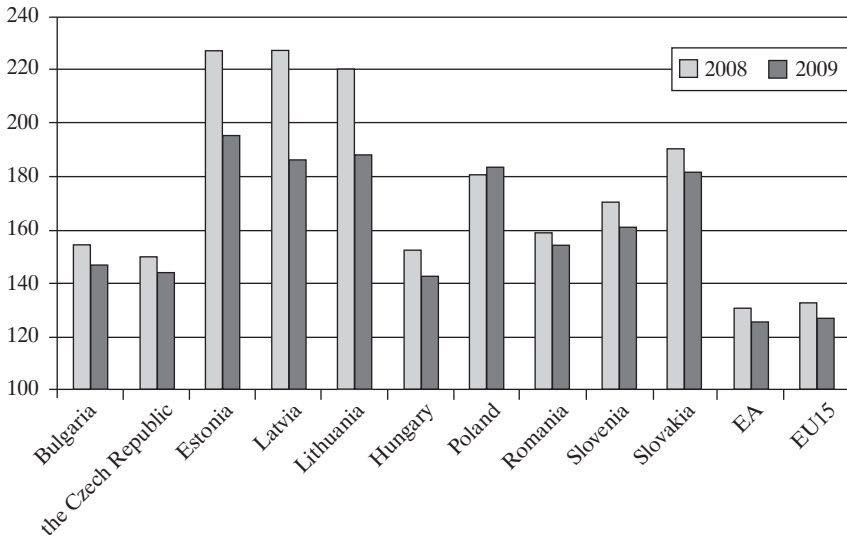
The economic performance of EU10 after mid-1990s, and especially after the slowdown in 2001–2002 has been remarkable. All countries of the region registered consistently very high growth rates, with even double digit rates reported in some of them. Graph 1 shows the changes in GDP in EU10 countries between 1995 and 2008/2009, compared to the “old” member states (EU15) and to the euro area countries (EA). All new Member states managed to grow much faster than the core of the EU, increasing their GDP levels by 40–120% over the 1995–2008. The crisis of 2009 wiped out some of the gains (with the notable exception of Poland), but still they stayed at much higher levels than the corresponding GDP increases for EU15 and EA countries.

The performance of individual countries varied in reflection of the uneven pace of reforms, different policy patterns and different EU accession time paths across the region. Largest cumulative GDP increases were recorded in the Baltic countries, while the Czech Republic, Bulgaria and Hungary

posted smallest gains. Graph 1 also shows that the impact of the 2009 crisis on output levels in EU10 was substantial in nearly all countries, again with the Baltic states registering deepest GDP falls.

Graph 1

GDP levels in EU10, EU15 and euro area (EA) in 2008 and 2009, 1995=100
(for Romania 1996=100)



Also, GDP dynamics in EU10 was changing over time. In the early 1990s, the scope and speed of market reforms, the scope of international openness and the pace of privatization differed widely across the countries. In result, the time sequence of recovering from the transformational recession was also different in individual EU10 countries. Some countries managed to return to fast growth already in 1992–1993 (Poland, Slovenia, Slovakia), some others, however, struggled much longer before they have eventually replaced Soviet-type economic structures by functioning market structures. In fact, the second half of 1990s was still marked by occasional financial, banking and currency crises which caused temporary falls of output in almost all countries of the region (except for Poland).

Table 1 shows the average GDP growth rates for EU10 in two sub-periods: 1995–2000 and 2000–2008. The picture is very diverse, especially for the first sub-period, when some countries still registered negative growth rates (Bulgaria, Romania). Only after 2000 the rapid growth settled in all countries concerned. It can be assumed that the growth performance in 1990s

was chiefly determined by transformational factors, such as policy regime changes and market reforms. By contrast, the growth performance in 2000s was mostly affected by integration with the EU, including factors such as accession to the EU-wide market, financial and trade integration, and institutional convergence. It can be seen, that the “integration decade” of the 2000s was on balance much more successful in terms of economic growth than the “transformation decade” of the 1990s. In the next section we will try to explain the main growth-stimulating mechanisms that have made the “integration decade” so successful and exceptional.

Table 1

**Average annual GDP growth rates in EU10, EU15 and EA,
1995–2000 and 2000–2008, %**

Country	1995–2000	2000–2008
Bulgaria	-0.4	5.8
Czech Republic	1.5	4.3
Estonia	6.7	6.4
Latvia	5.4	7.3
Lithuania	4.4	7.4
Hungary	3.6	3.1
Poland	5.4	4.2
Romania ^a	-1.3	6.3
Slovenia	4.4	4.4
Slovakia	3.4	6.2
EU15	2.9	1.8
EA	2.7	1.7

^a Romania since 1996.

Source: Own calculations based on Eurostat data.

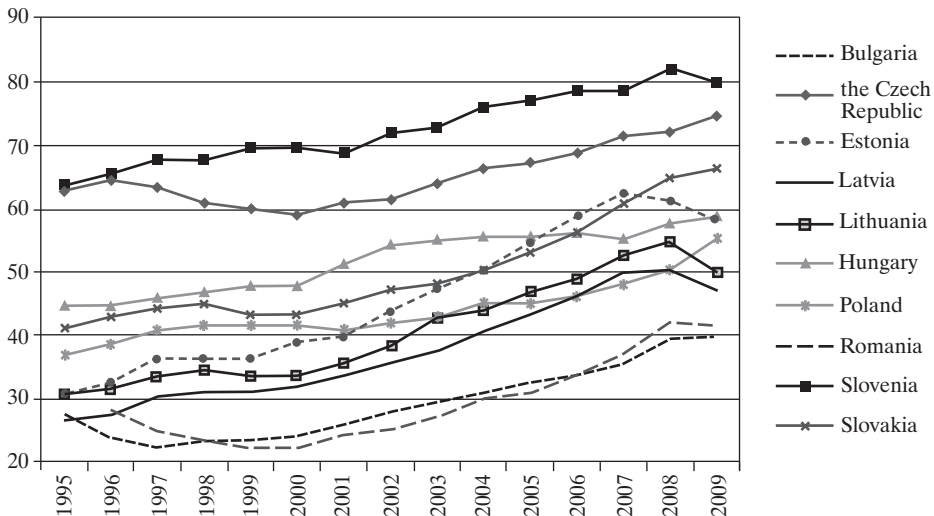
It can be observed that economic growth in EU10 accelerated already before their formal accession to the EU in 2004 (2007 for Bulgaria and Romania), and despite the global slowdown in 2000–2002 caused by the burst of the new technologies speculative bubble and the September 11 terrorist attack on the USA. This is because EU10 started to integrate with the EU much earlier, on the basis of the association agreements concluded in mid-1990s, and which removed barriers in trade between the two groups of countries and initiated gradual harmonization of laws. In fact, the moment of

formal accession in 2004 (2007) did not change much for EU10 enterprises (outside agriculture), as they had been already exposed to full EU competition for several years.

Rapid economic growth in EU10 has allowed those countries to substantially reduce *per capita* incomes gaps to EU15 countries. Graph 2 shows the changes in *per capita* GDP values in EU10 in 1995–2009 relative to EU15. Ignoring 2009 for the moment, it can be seen that EU10 improved substantially their incomes levels *vis-à-vis* EU15, reducing the incomes gaps by between 9–12 percentage points (BG, CZ) and 23–24 percentage points (EE, LV) from the initial levels over 1995–2008. It can also be seen, that this process accelerated after 2000, especially for countries such as BG, CZ, LV, HU, RO and SK. Only between 2000 and 2008 the countries concerned reduced the distance to EU15 by about a third. This confirms the earlier observation that at the turn of the century the main drivers of growth in the region shifted from market transformation to integration with the EU.

Graph 2

Catching-up: GDP *per capita* in EU10 (in PPS) in 1995–2009, EU15=100,



Source: Own calculations based on Eurostat data.

While all EU10 converged to high incomes levels of EU15, the rate of convergence of poorer countries (BG, RO) was considerably higher – as could be expected – than that of more affluent countries (SI, CZ). The graph

also shows that EU10 are still quite diversified in terms of *per capita* GDP – in 2008 the incomes levels in the more advanced countries of the region were roughly twice as high as in the less advanced countries. Finally, the graph shows also the impact of the 2009 crisis: in nearly all EU10 the falls of per capita GDP were larger than in EU15, in some countries the output loss wiped out the gains from several years of earlier convergence, and as a result the distance between the two groups increased.

The hypothesis that the speed of catching-up depends inversely on the initial income level is well established in the real convergence economic literature. The growth rates of poorer countries, as the standard explanation goes, can be accelerated thanks to large productivity gains that can be obtained through higher technology import and imitation. For a poor country it is easy to implement standard technologies that are being discontinued and replaced by more advanced ones in developed countries. When incomes levels rise, however, this exercise becomes more and more difficult, as more up-to-date technologies are required which are more difficult to import or imitate. Hence, imports and imitation are gradually replaced by innovation, but GDP growth dynamics in the process inevitably slows down.

The speed of convergence can be measured with a standard equation on conditional convergence (see, e.g., Barro, 1991, 1992; Barro and Sala-i-Martin, 1991, 1992; Mankiw, Romer and Weil, 1992), where $y(t)$ is the level of per capita GDP in period t (in PPS), and λ is the speed of convergence towards a steady state level y^* . The convergence hypothesis can therefore be formulated as follows:

$$\ln(y(t)) - \ln(y(0)) \approx [1 - \exp(-\lambda t)] [\ln(y^*) - \ln(y(0))] \quad (1)$$

Rearranging terms and denoting: $a = [1 - \exp(-\lambda t)] [\ln(y^*)]$, and $b = \exp(-\lambda t)$, one obtains:

$$\ln(y(t)) = a + b \ln(y(0)) \quad (2)$$

This equation has been estimated for the cross section of 27 EU member countries for 1999–2008², and the values obtained for the structural parameters are: $a = 1.836$, $b = 0.834$. Substituting into $b = \exp(-\lambda t)$, one obtains $\lambda = 0.00181$, which implies the average speed of convergence to the steady

² The analysis is limited to the period 1999–2008 because for earlier years GDP dynamics in many EU10 countries was still affected by transformational factors.

state (from the initial level) of around 1.8% per annum³. Note, however, that this is an average for the whole sample; but for EU10 group the speed of convergence can be assumed to be much higher, because their incomes levels are lowest among the all EU member countries. Assuming the growth rates presented in the second column of Table 1, the average convergence speed values estimated for EU10 are as follows (Table 2).

Table 2

EU10: the average speed of convergence to EU15 GDP/capita levels, 1999–2008 (percent of the initial income level) and the estimated number of years to reach the average EU15 level ($\lambda = 1.81\%$)

Country	% p.a.	No of years
Bulgaria	4.75	53
Czech Republic	2.00	18
Estonia	3.79	32
Hungary	1.73	32
Latvia	3.21	46
Lithuania	3.48	41
Poland	2.79	33
Romania	6.01	50
Slovenia	1.20	14
Slovakia	3.94	25

Source: Own calculations based on Eurostat data.

With the gradual reduction of the distance in incomes levels between EU10 and EU15 the speed of convergence is expected to decline systematically. Assuming the convergence process is driven (on average) by the value of λ (1.81%), the number of years to reach the average EU15 income level is still substantial for most of the catching-up countries (see the second column of Table 2). But it is unlikely that the convergence performance of 1999–2008 can continue also in future. First, with the initial incomes levels in EU10 higher in 2010 than in 1999, the speed of convergence will be slower by definition. Second, it will be demonstrated below that future growth will

³ For the period of 1992–1998 Rosati (2004) has found that for a sample of EU14 and 8 (then) prospective member countries the speed of convergence was actually negative ($\lambda = -0.0012$)

take place under different, and generally less favorable, conditions, and that the growth mechanism which was so successful in the past decade cannot be continued unchanged.

3. THE INTEGRATION GROWTH MODEL (IGM)

We will now concentrate on economic growth dynamics in EU10 during the “integration decade”, i.e. in the period 2000–2008. Economic performance of all EU10 in that period displayed a number of striking similarities which made the growth path of these countries quite different from other groups of emerging economies. Apart from the generally high growth rates, the new EU member states have run very large current account deficits, financed with massive capital inflows in form of FDI, portfolio investment and bank credits. In fact, both the ratio of foreign capital inflows to GDP and the ratio of current account deficit to GDP were higher for Central and East European countries than for any other emerging economies group worldwide (IMF, 2010; Bruegel, 2010). These large capital inflows allowed EU10 countries to increase domestic credit, sometimes at dizzying rates, and finance rapidly expanding domestic expenditures. On the external trade side, the EU10 countries took advantage of the unrestricted access to the European single market and increased their exports considerably, albeit at lower rates than imports.

The key factor behind this remarkable foreign capital-financed growth between 2000 and 2008 has been economic integration with the EU (Bruegel, 2010; European Commission, 2009). Since the end of 1990s, EU10 have been already well integrated with the core EU in terms of trade, production links and investment flows. During the accession process in the run up to full EU membership further liberalization took place, including free movement of capital and, after the accession, increasingly free movement of people. In parallel, EU10 have harmonized their legal and institutional systems to the EU norms, standards and other regulations, completing this institutional integration process in the moment of accession. After accession, practically all remaining barriers to trade, investment and finance have been removed.

This integration process created a unique environment for EU10. Their economies became an integral part of the EU Single Market, both as new sources of export expansion and a target for foreign imports and capital inflows. In particular, EU10 enterprises benefitted from market integration, demonstrating their flexibility and ability to operate and expand in a very

competitive environment. Rapid growth of trade with EU partners, stimulated by unrestricted access to the Single Market, has been a powerful engine of economic growth.

Market integration has also been a factor of increased capital inflows to EU10. The free access to the huge European market (the largest in the world in terms of purchasing power) combined with relatively well educated and inexpensive labor force, geographical proximity and low domestic taxes, have all encouraged foreign companies to come and invest in EU10. Moreover, the institutional convergence and the adoption of the *acquis communautaire* contributed to strengthening macroeconomic stability and policy predictability in EU10, and resulted in reduced risk premiums included in market interest rates, that have made these economies even more attractive for investors.

Table 3

The Integration Growth Model: a stylized representation

Area of integration	Mechanisms	Effects
Production and trade	Access to EU Single Market, increased competition	Static and dynamic trade effects: better allocation of resources, more optimal specialization, economies of scale, lower production costs, higher investment.
Financial	Free cross-border capital mobility, integration of financial sectors through foreign acquisitions of domestic banks and other financial institutions, access to funds under EU cohesion and regional policy.	Fall of risk premiums, massive capital inflows, including structural and cohesion funds, lower nominal and real interest rates, domestic credit expansion, higher investment.
Institutional	Harmonization of laws and standards, adoption of the <i>acquis communautaire</i> .	Increased macroeconomic stability, lower risk premiums, more capital inflows, lower interest rates, higher investment.

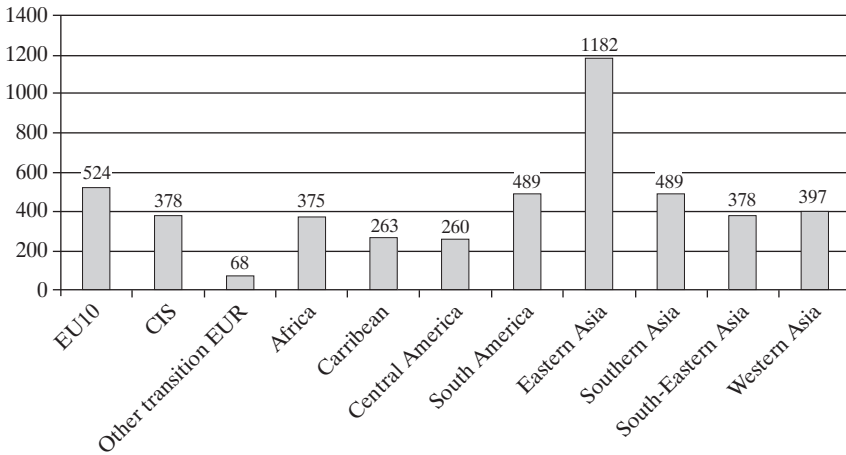
Source: Author.

One particularly efficient form of capital inflows were foreign direct investment (FDI). High rates of returns on investment in EU10, resulting from relative capital scarcity and limited savings, attracted foreign capital into production and services sectors. During the “integration decade” EU10

was the world region that received the largest amount of FDI in terms of *per capita* flows, and was second in terms of absolute FDI inflows after Eastern Asia (China, South Korea, Hong-Kong and Taiwan) (see Graph 3). The inflows in 2000–2009 were 5.5 times larger than inflows registered in the previous decade 1990–1999. These massive inflows of capital, technology and managerial expertise must have been a powerful stimulus of economic growth.

Graph 3

Cumulative FDI inflows, 2000–2009, USD bn, by groups of countries



Source: UNCTAD.

An additional source of investment financing for EU10 has been the EU structural and cohesion funds. Since the late 1990s the countries concerned benefitted from access to pre-accession funds (PHARE, ISPA, SAPARD), and after gaining full membership in the EU in 2004–2007 they were included within the framework of EU cohesion policy. Altogether, in 2000–2009 EU10 received from EU budget some € 70–75 bn in form of structural and cohesion funds, which clearly contributed to investment and growth.

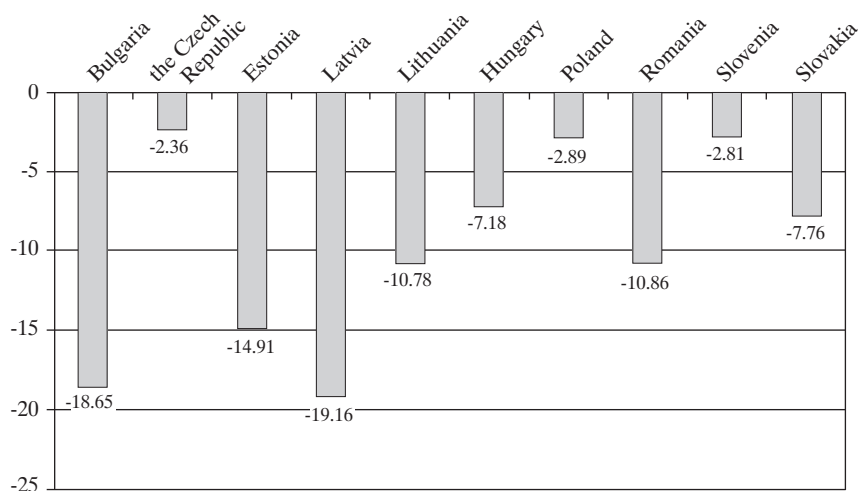
This extremely favorable economic environment had a number of important (and not always well understood) implications. Reduced macroeconomic and commercial risk helped to lower nominal market interest rates, driving down the real rates close to zero or even into negative territory. Financial integration was further strengthened with foreign banks taking over large chunks of domestic banking systems in EU10 and providing necessary liquid-

ity to sustain rapid expansion of domestic credit. Lower cost of capital and abundant bank capital inflows have practically removed constraints on access to capital in these countries, contributing to credit booms.

This specific growth model, based on trade, financial and institutional integration with the EU and, through it, also with global markets, has been essential to ensure rapid growth and continuous catching-up in EU10. But it also contributed to building up growing imbalances in EU10 economies, making them increasingly vulnerable to shocks, including capital flows reversals and sudden changes in market sentiment.

Graph 4

Current account balance in EU10, % of GDP, annual average for 2004–2007



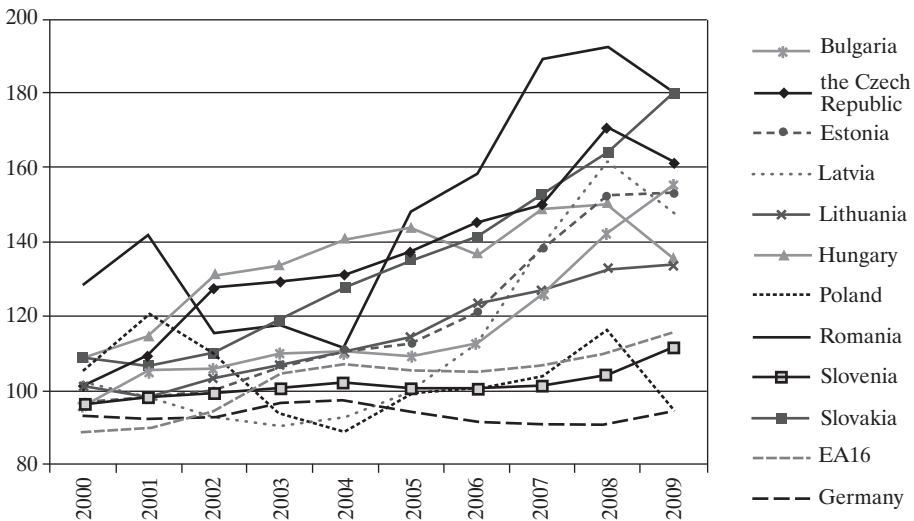
Source: Own calculations based on Eurostat data.

First, in most countries current account deficits widened sharply, reaching in some cases levels well exceeding 10% of GDP (Graph 4). To the extent these deficits were financed by inflows of (“hot”) bank capital and debt investments, the EU10 economies became vulnerable to exogenous shocks and sudden capital flow reversals. In 2004–2007 most of EU10 countries, except Poland, Slovakia and the Czech Republic, were in the state of deep and unsustainable external disequilibrium. Second, the pace of domestic credit expansion was clearly excessive. In 2004–2007 the annual rates of credit growth to the private sector in EU10 varied from 25–30% for Poland, Slovenia and the Czech Republic, up to 50–60% for Romania, Latvia and

Lithuania. Even though the levels of private debt were still relatively low, the speed with which credits accumulated had a number of negative consequences. The massive and indiscriminate domestic credit flows led, under generally lax and sometimes weak banking supervision, to adverse selection, high indebtedness and increased risk of default in the private sector, as many borrowers did not meet standards of prudent lending. In addition, a growing popularity of foreign exchange denominated credits, with growing exchange rate risk, further added to the existing imbalances.

Graph 5

Real effective exchange rates in EU10, the euro area (EA) and Germany, (deflated by ULC, 1999 = 100)



Source: Own calculations based on Eurostat data.

Third, the allocation of new capital was suboptimal. Domestic credits were mostly directed into financing real estate, construction and other service sectors, where real interest rates were low or negative (because of higher inflation in non-tradables due to the Balassa-Samuelson effect), rather than into financing development of tradable sectors. A very similar pattern was followed by foreign direct investments which also concentrated in specific domestic services (mostly trade and distribution, financial services, housing and real estate, and telecommunication), with only scant presence (especially in smaller economies) in export-oriented, manufacturing sectors. And fourth, massive capital inflows and the fall in the risk premiums put upward pressure

on domestic currencies, leading to sizeable real appreciation. Graph 5 shows, that the impact was very substantial practically in all countries irrespective of the foreign exchange regime adopted, except for Poland and Slovenia. The graph shows that between 2000 and 2007 the real effective exchange rate appreciated in most countries by 30–50% (and even by 90% in Romania). This must have seriously weakened the competitive position of export sectors in many EU10 countries, especially *vis-à-vis* their key export market (Germany) and the euro area as a whole.

Domestic policies in EU10 did not respond adequately to these accumulating imbalances. Banking regulation and supervision in most countries did not react to excessive credit emission and deteriorating quality of bank loans. Governments did little or nothing to cool down growing domestic demand or to strengthen tradable sectors. In many countries, rapid economic growth and increased inflows of EU funds weakened political appetite to undertake necessary structural reforms (public finances, pensions, labor markets). Complacency and short-termism took hold.

One important factor that increased vulnerability of EU10 was that trade and financial openness, and the resulting high dependence on foreign capital inflows, was not accompanied by a sufficient increase of macroeconomic credibility. Having been fully integrated financially with the rest of EU, the EU10 countries have not gained the same level of credibility enjoyed by the euro area member countries. Financial markets have not regarded them as belonging to the same risk category which was reflected by investment ratings generally lower by several notches than for the euro area countries, even though the EU10 “fundamentals” (debt and deficit levels, growth rates) were generally much stronger than those of many euro area members. As a result, not only government bond yields in EU10 were systematically higher by 100–300 basis points than in the euro area, but also financial investors were much more sensitive to any change in market sentiment. While it was not a serious problem in “good times” (although it increased the cost of public and private borrowing), it has become a serious shortcoming when the crisis started.

This asymmetry was largely ignored not only in countries concerned, but also at the EU level. While insisting that EU10 remove all restrictions on international capital movements and open up fully to the risks of global financial flows, the EU did not provide any sort of substitute protection mechanism, that would, at least partly, shield EU10 from the unwanted implications of sudden capital flow reversals. The result was that while being fully integrated with global financial markets, as were the euro area countries, the EU10 countries have been much more exposed to the vagaries of interna-

tional capital flows. The unwanted consequences of this status inequality have been felt painfully during the crisis.

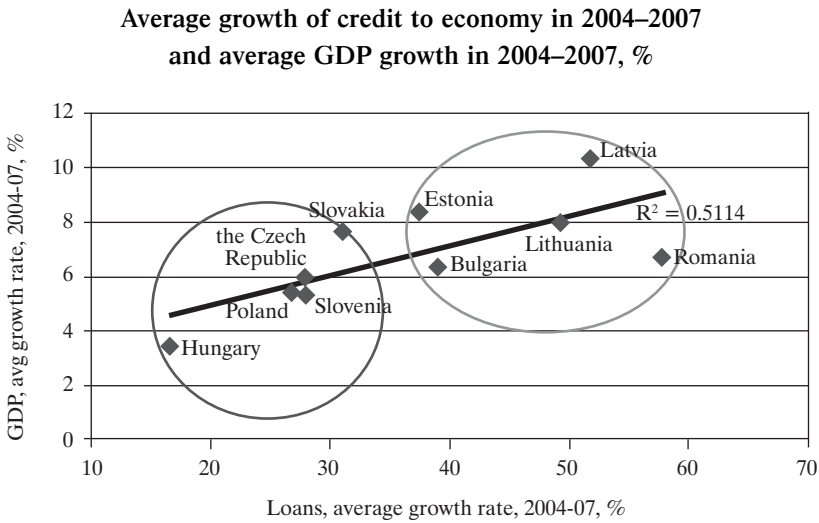
4. THE CRISIS 2008–2009

The crisis 2008–2009 has immediately revealed all the vulnerabilities of EU10. The falls of output in this group of countries were generally larger (with the notable exception of Poland) than in the “old” member states. In a sense, this was surprising, because EU10 economies were generally believed to be flexible enough, and their banking systems were not contaminated by the “toxic assets”, such as e.g. US mortgage-backed securities. The cumulative fall of output between the third quarter of 2008 and the second quarter of 2009 was between 13% and 18% for the Baltic states, and between 5% and 10% for the rest (except for Poland), well exceeding the cumulative fall for the euro area (4.4%) and for the EU27 as a whole (4.5%). Countries with floating exchange rates have also experienced substantial depreciations, sometimes raising concerns about overall sustainability of their currencies (e.g. between August 2008 and February 2009 the Romanian leu weakened nominally by 28%, the Hungarian forint 35%, and the Polish zloty by 46% of the initial values). A sudden stop of capital inflows (partly because of liquidity problems of mother banks, and partly because of an increase in overall uncertainty) blocked new credit emission and entailed a massive adjustment on the demand side (Aslund, 2010).

The crisis has also demonstrated that EU10 is not a homogeneous lot. While the countries concerned share common history, have followed similar paths of integration with the EU and embraced a broadly similar growth model, they differ in many important respects, such as the size of their economies and domestic markets, economic structure and – crucially – economic policies pursued. The Baltic countries (EE, LT, LV) and the Balkan countries (BG, RO) have been clearly less stable economically, more vulnerable and, consequently, suffered deeper recessions. In the Baltic-Balkan countries – the BB group – real appreciation under fixed exchange rates (except Romania) led to large CA deficits, while massive financial inflows produced unsustainable credit expansion. The Central European countries (CZ, HU, PL, SI, SK – the CE group) have been economically more stable, with much smaller imbalances. Export sectors were well developed and more robust, current account deficits limited, exchange rate regimes flexible (except for SI and SK after their accession to the euro in 2008 and 2009, respectively), and domestic credit

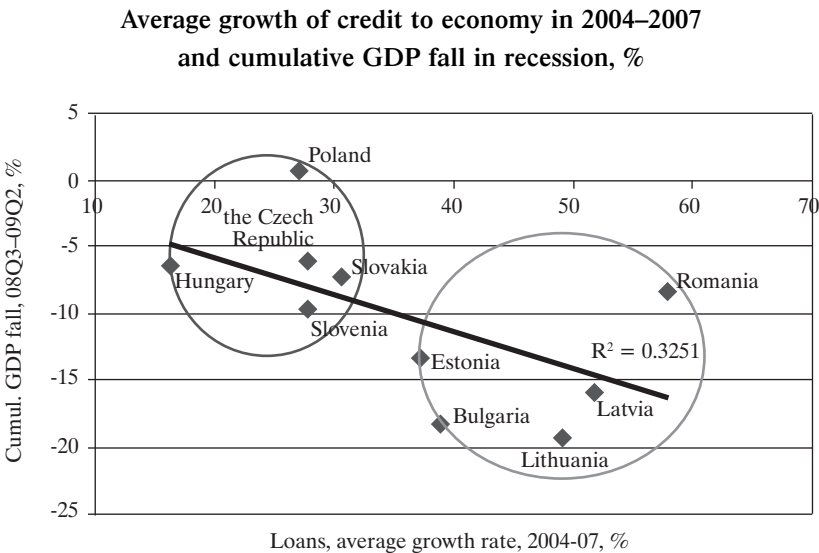
growth more moderate. As a result, the necessary demand adjustments were smaller and the output recession in the CE group was milder during the crisis.

Graph 6



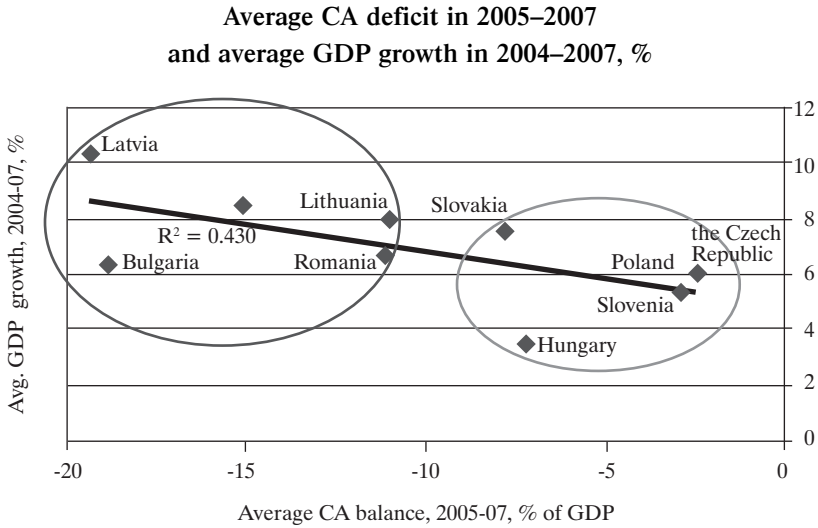
Source: Own calculations based on Eurostat data.

Graph 7



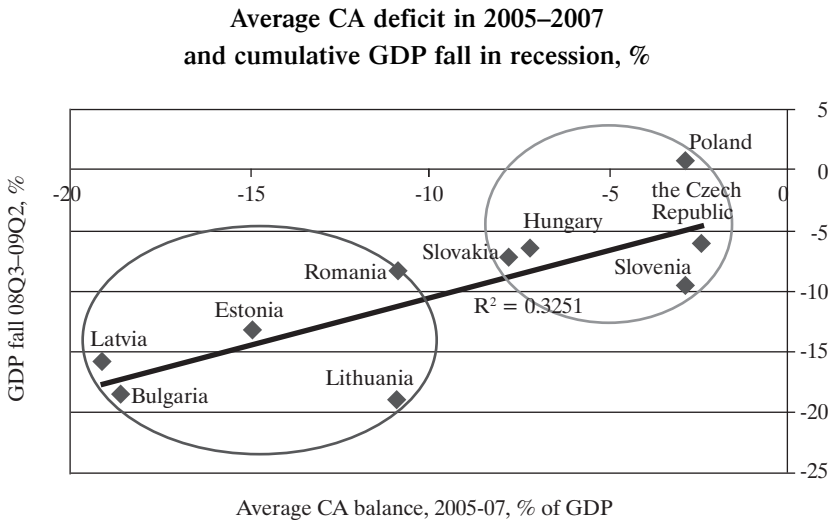
Source: Own calculations based on Eurostat data.

Graph 8



Source: Own calculations based on Eurostat data.

Graph 9



Source: Own calculations based on Eurostat data.

Graphs 6 through 9 show the pre-crisis and during-the-crisis behavior of output as a function of the pre-crisis rate of domestic credit expansion (Graphs 6 and 7) and as a function of the pre-crisis current account deficit

(Graphs 8 and 9) in the two groups of countries. As it can clearly be seen, the build-up of large domestic and external imbalances in the pre-crisis period contributed to the deeper recession during the crisis.

The relationships between pre-crisis GDP growth rates and the speed of domestic credit expansion and the size of current account deficit are statistically significant (coefficients R (square) are 0.43 and 0.51, respectively), and valid for all EU10 countries (although with variations between the countries concerned and generally much higher for BB countries). Clearly, a return to the same level of dependence in the post-crisis period is neither possible nor desired. Therefore, growth patterns in EU10 will have to be modified, if growth is to be sustainable.

One important factor that had impact on the depth of the recession has been the foreign exchange regime. Countries with fixed exchange rates (Bulgaria, Estonia and Lithuania followed a currency board regime, Latvia had a fixed exchange rate) suffered much larger declines of output and have more difficulties in returning to a stable growth path (see below). This is not surprising. The initial imbalances simply grew much higher in those countries, partly because no adjustment was possible in the pre-crisis period and partly because under fixed exchange rates the currency risk was limited (or plainly non-existent), which attracted more capital inflows and allowed for faster expansion of domestic credit. Moreover, when the crisis hit, the “fixers” could not (actually, did not want to) devalue which of course entailed larger losses in output. By contrast, the “floaters” were able to cushion the impact of the fall of exports with currency depreciation which, even if unable to prevent export level declines, was effective in alleviating the financial position of exporters.

5. WILL RAPID GROWTH RESUME QUICKLY IN EU10?

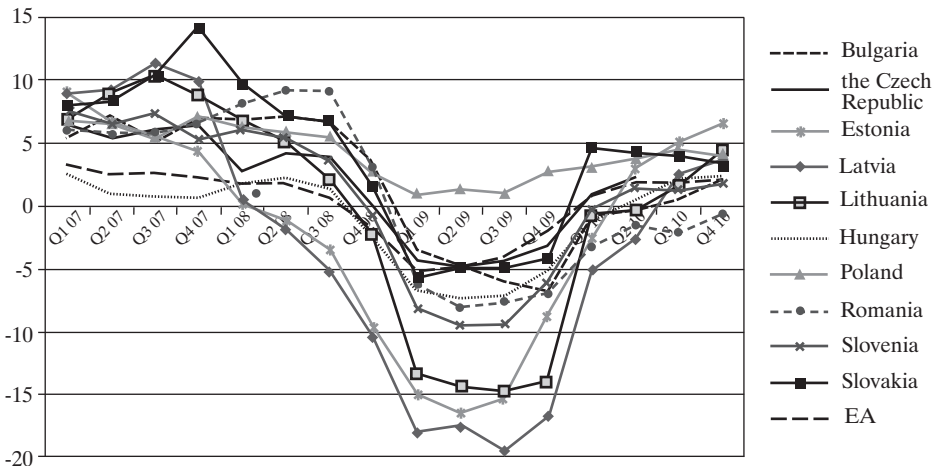
The return to high growth rates similar to those observed in the “integration” decade is probably not possible in the medium term, for several reasons. First, the integration growth model, which was so successful in achieving high growth dynamics in 2000–2007, cannot be continued in an unchanged form, and some important changes are needed to reduce its dependence on unstable capital flows and to scale down the imbalances involved. Second, in the medium term growth in EU10 will be hampered by new barriers and constraints on the domestic side, as well as by less favorable external environment.

That growth is not returning to the pre-crisis elevated levels can be seen from most recent Eurostat statistics on GDP changes. Graph 10 plots data

on GDP quarterly changes on a yearly basis through the fourth quarter 2010. It can be seen that recovery in EU10 is sluggish and nowhere near the pre-crisis highs. While the growth rates between 2006 and mid-2008 have been broadly between 5% and 10% annually, the growth rates in 2010 generally do not exceed 5% (except EE), and seem to plateau around 5%. Of particular concern is the visible slow-down of the recovery in the second and third quarter of 2010 which may signal that investors and consumers anticipate some barriers to growth that are likely to emerge soon.

Graph 10

Quarterly GDP changes in EU10 and the euro area, y/y, 2007–2010, %



Source: Own calculations based on Eurostat data.

On the domestic economy side the things cannot be expected to return to “normal” any time soon⁴. First, risk perceptions will stay higher because of budgetary problems, high levels of private debts in most countries, gloomy export perspectives and overall increased uncertainty in EU10. This means capital inflows from abroad will be lower and domestic credit conditions tighter. The actual credit squeeze will be even more restrictive because of limited availability of foreign currency denominated loans, so popular in the pre-crisis period (in countries like Hungary, Latvia or Romania the share of foreign currency loans to households exceeded 75% of total loans). Banks are likely to gradually reduce the share of those loans to the private sector,

⁴ For a more up-beat view of EU10 growth prospects, see Aslund (2010).

both because of increased awareness of the exchange rate risk involved and because of continuously high cost of swap transactions necessary to refinance foreign exchange loans. Some banks are saddled with large amounts of non-performing loans and still struggle to strengthen their balance sheets. Available evidence shows that private credit growth in EU10 was negative in 2009, and started to grow only very modestly in 2010 (IMF, 2010, p. 7).

It will take time to restore international competitiveness of most of EU10 economies, especially those with fixed exchange rates. With no devaluation option at hand, and with low inflation levels likely to continue in the euro area, the countries concerned will have to go through a prolonged period of wage stagnation or deflation, combined with large-scale reallocation of resources from housing and financial services into productive uses. Unless exports gathers momentum, imports will have to be cut, as financing the gaps in the balance of payments will be more difficult. Any additional external financing will come at a higher cost and in limited amounts. The balance of payments constraint will be somewhat less rigid for countries with flexible exchange rate regimes. When the crisis hit in 2008, their currencies depreciated substantially in nominal and real terms, cushioning the impact on the real sector. Although the currencies strengthened since then, in none of these countries have the exchange rates returned to the pre-crisis nominal levels. At the end of March 2011 the euro nominal exchange rates in Hungary, Poland and Romania were still 15–25% higher, and in the Czech Republic 3% higher, than in July 2008 (see Graph 11). This may be a factor supporting export growth and helping efforts to reduce current account deficits.

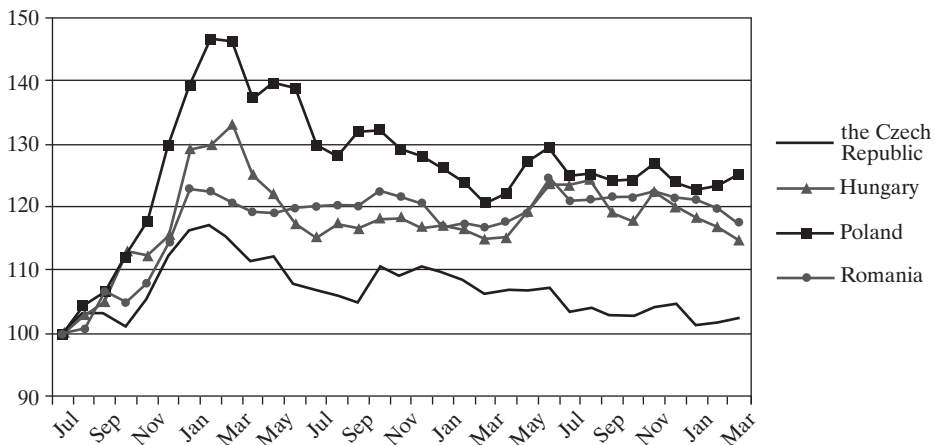
Deleveraging of the private sector (enterprises and households alike) will be a drag on growth for the years to come. Servicing and repaying excessive debts, under reduced or stagnant incomes and higher unemployment, will necessarily put a brake on growth of domestic demand in most EU10 countries (this is why shifting sales towards foreign markets is so important). A similar impact has come from the burst speculative bubbles in the housing and real estate sectors, especially in the Baltic States and Romania. Unfortunately, the government sector will be unable to step in and compensate for the loss of private demand with more public expenditures. As in most countries budget deficits are already high and governments struggle to bring growing public debts under control, there is only very limited scope for Keynesian-type fiscal stimulation.

Also the external environment will be less favorable for resuming rapid growth in EU10. First, potential growth rates will drop in EU15 and in the euro area, mainly because of the serious drop in investment in 2008–2010.

Ample spare production capacity and low confidence level will reduce the pace of investments in new technologies. This will translate into slower demand growth in EU15, with negative implications for exports from EU10. Second, many banks in the EU still struggle with inherited bad loans and are still short of capital. Their balance sheets are still loaded with some risky assets, such as government bonds of most indebted euro area countries. Moreover, the new wave of banking and financial markets regulations (chiefly the recommendations under Basel III and the measures proposed by Financial Stability Board) will put additional pressure on banks to consolidate their capital base and follow more prudent credit policies. This will inevitably reduce resources available for enterprises and households in EU10 countries – while capital inflows start to recover, it will take long time before they can exceed the pre-crisis levels. Between the 3rd quarter 2009 and 1st quarter 2010 private capital flows remained negative in all EU10, except Poland and Slovakia (IMF, 2010, p. 74). Inflows of FDI to EU10 fell sharply from USD bn 69 in 2007 to USD bn 55 in 2008 and USD bn 26 in 2009⁵.

Graph 11

Nominal exchange rates in the Czech Republic, Hungary, Poland and Romania, July 2008–March 2011, (July 2008 = 100, units of national currencies per euro, end of period)



Source: Own calculations based on Eurostat data.

⁵ These figures do not include data for Hungary for which the figures reported in UNCTAD’s World Investment Report are clearly inaccurate (UNCTAD, 2010).

One indication of the scarcity of foreign funding is the sharp improvement in the current accounts of EU10. In an economy open to unrestricted capital mobility, the capital account determines the current account rather than *vice versa*. Table 4 shows data on current account balance in EU10 in 2008–2010. It can be seen that the major adjustment took place in 2009 when the (arithmetic) average of CA balances for the group was reduced by more than 9% of GDP, but in some countries the adjustment was in the range of 20% of GDP (LV, LT). The adjustment reflected primarily an increase in net exports resulting from the fall in imports much larger than the fall of exports. Import volumes fell in 2009 by 10–14% in CZ, HU and PL, by 18–22% in BG, RO, SI and SR, and by 28–33% in the Baltic states.

Table 4

CA balances in EU10, 2008–2010, % of GDP

Country	2008	2009	2010 ^a
Bulgaria	-23.1	-9.9	0.7
Czech Republic	-0.6	-1.1	-3.3
Estonia	-9.7	4.5	3.1
Latvia	-13.1	8.6	5.2
Lithuania	-13.1	4.3	1.6
Hungary	-7.3	-0.4	2.3
Poland	-4.8	-2.2	-2.6
Romania	-11.6	-4.2	-5.6
Slovenia	-6.7	-1.5	-0.4
Slovakia	-6.6	-3.2	-3
EU10 ^b	-9.66	-0.51	-0.20

^a Estimates based on data for Q1-Q3 2010

^b Arithmetic average

Source: Own calculations based on Eurostat data.

The on-going crisis in the euro area, and especially the debt problems of peripheral euro countries, is also expected to slow down the pace of recovery in EU10. Apart from its negative impact on the financial markets and the resulting higher yields on government bonds of non-euro EU countries, it will reduce the scope for possible fiscal stimulation. Faced with massive deficits inside, the need to provide funding for rescue programs for ailing member

countries and under the rigors of excessive deficit procedures (imposed on 24 out of 27 EU member countries, as of end-December 2010), the EU countries will be very reluctant to spend more. Moreover, fiscal austerity applied across Europe will most probably translate into less resources in the EU budget, which is an important source of funds for investment in EU10.

Slower export growth to EU markets can only partly be compensated by higher exports sales to third countries. Global competition is likely to get stronger – not only because emerging economies, such as China, India, Brazil, Korea, Turkey, will try to retain, or increase, their export shares, but one can also expect a shift towards more exports from developed countries, especially from the US (partly because of the depreciation of US dollar engineered by Fed's policies). In general, in the context of rebalancing the global economy, more (indebted) countries will have to sell more on export markets, and EU10 will have to adjust to this new situation.

Table 5

GDP growth rates in EU10, EU27, EU15 and euro area (EA) 2010–2012, %

Country	2010	2011f	2012f
Bulgaria	0.2	2.6	2.8
Czech Republic	2.4	2.3	3.1
Estonia	3.1	4.4	3.5
Latvia	-0.3	3.3	4.0
Lithuania	1.3	2.8	3.2
Hungary	1.2	2.8	3.2
Poland	3.8	3.9	4.2
Romania	-1.3	1.5	3.8
Slovenia	1.2	1.9	2.6
Slovakia	4.0	3.0	3.9
EU27	1.8	1.7	2.0
EU15	1.8	1.6	1.9
EA	1.8	1.5	1.8

f – forecast

Source: European Commission.

In this new environment, economic growth in the EU10 countries will remain moderate. The recent forecast for 2011–2012 prepared by the European Commission (Table 5) suggests that GDP growth rates will generally stay in the range of 2% and 4% y/y, still well below the rates observed before 2008. These figures are generally consistent with similar forecasts made by private institutions⁶.

However, the performance of individual countries will differ, depending on their starting positions, inherited rigidities and, crucially, policy responses. Given the extent of the current imbalances and the existing scope for adjustment (flexible vs. fixed exchange rates, fiscal positions, wage adjustment), economic recovery will most probably establish sooner in most of CE countries and the Baltic States, whereas it will be more sluggish in Bulgaria, Romania and Slovenia.

Still, in spite of these somewhat less impressive figures, EU10 as a group is likely to remain by far the fastest growing part of the EU, with the predicted growth rates almost twice as high on average than the growth rates foreseen for EU15 and the euro area. This growth advantage will be key in maintaining EU10 position as the most attractive place to invest in Europe in the foreseeable future.

6. THE NEED TO STRENGTHEN INTERNATIONAL COMPETITIVENESS

Given more restricted access to foreign sources of funds, EU10 economies will have to rely more on own export expansion. In 2009, the rebalancing in their external position came from imports falling deeper than exports. This time round there is a need for exports to grow consistently if the economic recovery is to be sustained. But this requires that the EU10 economies become more competitive internationally.

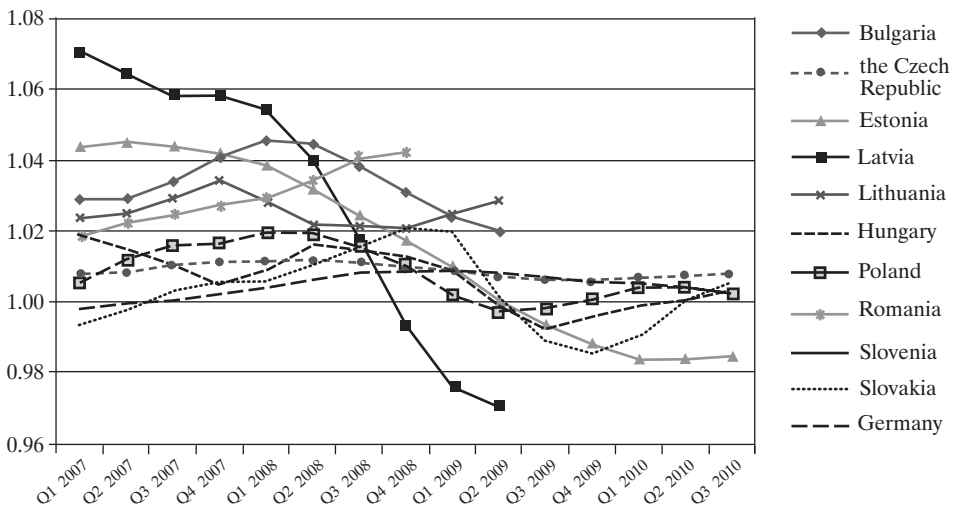
There are several standard measures of international competitiveness. The simplest one is the evolution of unit labor costs in the economy relative to its trading partners. Graph 12 shows OECD data for quarterly changes in the unit labor costs (for the whole economy) for EU10 and Germany between 1Q2007 and 3Q2010. It can be seen that until mid-2008 in most countries concerned real unit labor costs were increasing fast, at rates between 1% and 6% quarter-to-quarter. These rates declined substantially after the third

⁶ See, e.g., “The Economist”, April 9, 2011, p. 93, or CEEMEA Outlook, April 2011, BNP Paribasfortis, p. 4.

quarter 2008 and remained low or even negative for most countries. While the largest fall was recorded in LV, in all EU10 unit labor costs declined relative to Germany (except for CZ). This may suggest that at least in some countries cost trends have been reversed and competitiveness may be gradually improved. But given the very high increases in unit labor costs in the pre-crisis period, this process may take quite a long time.

Graph 12

Changes in real unit labor costs in EU10, q/q, 2007–2010



Source: Own calculations based on OECD data.

Another widely accepted measure of international competitiveness is the share of high technology exports in total exports of a country. The rationale behind this measure is rather straightforward. It can be expected that world exports will generally grow faster than world output. But not all export categories will expand at the same pace, and the changes in the structure of international trade will be mostly shaped by changes in the structure of global demand. As in previous decades, the strongest dynamics will likely be observed in exports of high-technology products. Countries that specialize in exports of technologically advanced products and services can expect their market shares in the global economy to increase. This will translate into faster economic growth.

As high-tech exports are defined as products with high R&D intensity, it can be expected that the share of high-tech exports in total manufactur-

ing exports is positively correlated with R&D spending. Table 6 shows the figures for high-tech export shares in manufacturing exports and on R&D spending, for two groups of countries: ten countries with largest high-tech exports and EU10. Out of 120 countries for which 2008 data are available EU10 rank generally in the middle of the classification. The data confirm that high-tech export shares in EU10 are generally much lower than in most developed countries, and one of the plausible explanations is the relatively low spending on R&D. The arithmetic averages in the last row suggest a very close relationship between the two variables: broadly, an increase of R&D spending by 1% of GDP is associated with a 10 percentage points increase of share of high-tech exports in manufacturing exports. No doubt, if EU10 are to rely on solid export expansion they need to spend more on research and innovations in order to stimulate knowledge-intensive production.

Table 6

Ten largest high-tech exporters and EU10: R&D spending (% of GDP, 2007) and the share of high-tech exports in manufacturing exports (% , 2008)^a

Rank	Country	Share of high-tech exports	R&D spending	Rank	EU10	Share of high-tech exports	R&D spending
1	China	29.7	1.49	19	Hungary	24.1	0.97
2	USA	28.5	2.67	20	Czech Republic	14.3	1.59
3	Germany	13.5	2.55	26	Poland	5.2	0.57
4	Japan	17.9	3.45	33	Slovakia	5.3	0.46
5	Singapore	46.6	2.61	34	Romania	7.2	0.54
6	Korea	33.4 ^b	3.47	41	Slovenia	6.1	1.48
7	France	20.2	2.10	43	Lithuania	11.4	0.83
8	Netherlands	22.2	1.75	47	Estonia	10.5	1.12
9	United Kingdom	19.3	1.84	49	Bulgaria	6.6	0.48
10	Malaysia	39.6	0.64 ^c	54	Latvia	7.1	0.63
	Arithmetic average	24.9	2.26		Arithmetic average	10.9	0.87

^a High-technology exports are products with high R&D intensity, such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery

^b 2007

^c 2006

Source: The World Bank, based on United Nations Comtrade Databases.

More comprehensive measures of competitiveness are produced by some international organizations. Two such measures may be of particular interest in the present context – the Global Competitiveness Index (GCI) published annually by World Economic Forum, and the ranking on the ease of doing business (DB) prepared by the World Bank. Both measures are composite indices constructed as weighted averages of several (or more) partial indicators (WEF, 2010; World Bank, 2010). Table 7 shows the rankings of EU10 economies in both classifications.

Table 7

Rankings of EU10 economies in GCI and DB

Country	GCI 2009-2010	GCI 2010-2011	DB 2010	DB 2011
Bulgaria	76	71	51	51
Czech Republic	31	36	82	63
Estonia	35	33	17	17
Latvia	68	70	27	24
Lithuania	53	47	26	23
Hungary	58	52	52	46
Poland	46	39	73	70
Romania	64	67	54	56
Slovenia	37	45	43	42
Slovakia	47	60	40	41

Source: WEF, 2010, p. 15, World Bank, 2010, p. 4.

It should be stressed that the two ranking provide different information on individual countries, because their scope, objectives as well as methodologies differ⁷. In general, *Doing Business Report* concentrates on the quality of

⁷ *Doing Business* concentrates on the regulatory framework for private economic activities—rules that establish and clarify property rights and reduce the cost of resolving disputes; rules that increase the predictability of economic interactions and provide contractual partners with certainty and protection against abuse. The objective is regulations designed to be efficient, accessible to all and simple in their implementation. *Doing Business* takes the perspective of domestic, primarily smaller companies and measures the regulations applying to them through their life cycle. Economies are ranked on the basis of 9 areas of regulation—for starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. In addition,

business regulatory environment, while *Global Competitiveness Report* takes a broader perspective and includes also macroeconomic and social environment. This explains different rankings the individual countries obtain in both classifications. Nevertheless, one conclusion is clear from table 7: EU10 do not yet belong to the most competitive countries in the world. They are still well behind the leading countries such as Singapore, Switzerland, Sweden, Hong-Kong, or the United States. There is also no clear trend to improve their relative positions – in terms of GCI only five EU10 economies, and in terms of DB six economies improved their rankings between 2009 and 2010. This clearly indicates the need to continue reforms of business, institutional and economic environment in the countries concerned.

7. WILL THE IGM BE SUSTAINED?

No doubt, the integration growth model has been a source of big success for EU10 countries. Trade, financial and institutional integration with the EU allowed them to grow fast in 2000–2007, reducing income gaps to the more affluent EU15 countries. This remarkable economic performance has come to a sudden stop during the crisis of 2008–2009, with most EU10 suffering big losses of output. As we have argued above, some important reasons for this unexpectedly severe recession have been linked to the IGM model embraced by EU10, and in particular its financial integration part.

Economic theory tells us that integration is growth-enhancing because its static and dynamic effects bring about gains from trade, specialization, large-scale production, more competition and increased investment. Integration also allows for faster technological progress and removes constraints on the access to capital resources. All these advantages have been tested positively in central and eastern Europe. There is no reason to give up these benefits through measures aimed at stopping integration or even going in reverse. Integration should continue in EU10.

data are presented for regulations on employing workers and for a set of pilot indicators on getting electricity (World Bank, 2010, p. V). The *Global Competitiveness Index* is more comprehensive as it measures national competitiveness through capturing the microeconomic and macroeconomic foundations of national competitiveness on the basis of 12 main pillars of competitiveness: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency financial market development, technological readiness, market size, business sophistication and innovation (WEF, 2010, pp. 4–8).

But lessons from the recent crisis must not be ignored. They show that there are some downside risks involved in the IGM and that smart policies are needed to neutralize them. The first priority is to reduce potential for imbalances and bubbles that can be unwanted side effects of free capital movements. The measures that can discourage excessive and volatile financial flows could include flexible exchange rate regimes (to increase currency risk and fend off speculative flows) or fixed rates with exit options, better financial regulation and, perhaps, well-designed fiscal measures that make financial transactions costly, including especially international capital flows (e.g. Tobin tax-type charges). As these instruments, however, can still be insufficient to change trends in times of “irrational exuberance” or irrational panic, imposing strict prudential microregulation, raising lending standards and strengthening banking supervision will be key to avoid credit-financed bubbles. Improved regulations and supervision will be even more important when EU10 countries that are still outside the euro area will join the common currency.

On the structural front, the need to control unit labor costs and maintain international competitiveness throughout the business cycle requires changes in the labor markets to make them more flexible. After all, low labor costs have been a key advantage of EU10 which, in combination with high educational levels, geographical proximity and institutional similarities, attracted foreign capital. This advantage needs to be preserved, especially given that on other fronts, such as infrastructure or business regulations, EU10 still lags behind more developed west European countries. Of course, the labor cost advantage will inevitably diminish over time, but if the process is accompanied by improvements in other key areas, EU10 can maintain its competitive edge over other regions. The alternatives that include chiefly the non-EU Balkan countries and CIS countries are not sufficiently attractive and, more importantly, they seem to be unable to make sufficient progress in transforming into viable, stable and competitive economies. In this sense, EU10 will remain a region with big growth potential for foreseeable future.

Structural reforms should also include measures to make EU10 economies more innovative and knowledge-based. The agenda Europe 2020 launched by the EU in early 2010, and which is expected to substitute for the failed Lisbon Strategy, shows the main priorities: education, R&D, labor participation. But its main weakness is that its implementation depends crucially on the political determination of national governments, who may not all be willing to push through the necessary changes. Increased ownership of the new strategy is the key to gain popular support for reforms.

An important area requiring urgent reforms is public finance. Fiscal reforms aimed at reducing inefficient social transfers and gradually shifting the burden of taxation towards indirect taxes should be combined with structural reforms of pension systems, including extending retirement age and promoting larger and longer active participation in labor markets. On the other hand, much more resources should be spent on education, innovation, and physical and institutional infrastructure in order to make EU10 economies more flexible, dynamic and competitive.

Generally low rankings of EU10 in terms of business regulations and business environment (see Table 7) call for reforms aimed at establishing more conducive conditions for business activities, cutting red tape and promoting entrepreneurship. Such reforms are especially important for small and medium enterprises which are largest job creators in EU10.

A separate issue concerns the euro adoption by EU10 countries (apart from Slovenia, Slovakia and Estonia that are already lucky members of the euro area). Given the recent series of sovereign and banking crises in the Eurozone, the idea of joining the club may raise some doubts, and may be even regarded bizarre by euro-skeptics. Yet there should be no change of plans. There is vast body of economic literature that consistently demonstrates that the euro adoption would be beneficial for EU10. These theoretical conclusions are also confirmed by the experience of Slovenia and Slovakia (too early to say anything on Estonia). Apart from standard benefits suggested by the optimum currency area theory, such as the elimination of transaction costs and price transparency, joining the euro would reduce the cost of capital, eliminate risk of currency crises and strengthen political position of EU10 within the EU.

Also, contrary to what some pessimists (especially those from across the Atlantic) say, there is no danger that the Eurozone would collapse and eventually fall apart. First, such a break-up does not make economic sense, because it would not solve any of the underlying problems of the “weak” countries (they would go bankrupt the very moment the break-up is announced, and not only would they still have to make tough reforms to restore competitiveness and credibility, but they would lose access to multilateral assistance under European Financial Stabilization Facility they are covered with now), and it would impose substantial costs on the “strong” countries (relative currency appreciation, heavy bank losses on bonds issued by the “weak” countries, and reduced exports). Second, political costs of the break-up would be enormous, as it would practically mean a failure of the European integration project, with all negative implications. Plainly, the Eurozone will not fall apart because it is in nobody’s interest.

Of course, it does not mean that the Eurozone is in good shape. It badly needs reforms to strengthen fiscal discipline, increase policy coordination and improve competitiveness through more innovation and entrepreneurship. These reforms have already started and will have to be continued, if only because the alternative is much worse. And an improved and more stable euro area remains an even more attractive destination for central and eastern European countries.

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SUMMARY

The article presents the economic growth in selected Central and Eastern European (CEE) economies since they recovered from the transformational recession in the early 1990s. The growth prospects for the region, including the present and future opportunities and challenges, are discussed against the past achievements and more recent crisis experience. The presented analysis is limited to ten CEE countries that joined the European Union between 2004 and 2007 (EU 10).

The article aims at answering three main questions: 1) What were the key drivers of rapid growth in the EU10 countries in the pre-crisis period? 2) What is the explanation of the very divergent economic performance of the EU10 countries during the recent crisis of 2008–2009? 3) Can the region return to a sustainable growth path and if so when and under what conditions? And specifically, what are the key policy recommendations that could be addressed to CEE governments if economic growth is to be sustained?

The analysis shows that between 2000 and 2008 economic growth in all EU10 countries followed a specific pattern based on large inflows of foreign capital, and supported by trade, financial and institutional integration within the EU. These inflows have pushed up growth rates but also contributed

to the emergence of various economic imbalances, making most of EU10 increasingly vulnerable to external shocks. Countries that have accumulated largest imbalances suffered most during the crisis. As far as the growth prospects in the post-crisis period are concerned, the policy recommendations focus on the need to eliminate these imbalances while preserving the growth-enhancing elements of the growth model followed before the crisis.

Andrzej Jagiełło

**SOCIAL AND ECONOMIC EFFECTS
OF THE INTRODUCED RATES OF EXCISE DUTY
ON TOBACCO PRODUCTS IN POLAND
IN THE 2000–2010 PERIOD**

CONCLUSIONS FROM OWN RESEARCH

INTRODUCTION

The state excise policy with regard to tobacco must consider a number of determinants, often of exceptionally conflicting and / or conflictogenic nature. Achieving many goals, often mutually exclusive, arouses strong emotions both among the directly interested (producers and consumers) and public opinion in general.

During the analysis of the tobacco industry's situation, a great number of difficult questions arise, such as how to reconcile the interests of tobacco producers interested in the production and revenue maximization with the interests of society and government in terms of public health condition and costs borne in this respect; how to reconcile the interests of government interested in the maximization of revenues from excise duty in order to, as usual, meet all budget needs with the interests of producers and their employees and also the interests of consumers interested in the minimization of their spending on tobacco products, who, when treated too brutally, will search for alternative (illegal) sources of supply. If this is the case, the grey area may soon exceed 15% of the legal production value. In other words, the government tax policy with regard to tobacco products must be and is the outcome of a number of contradictory interests.

Expert communities gathered in academic centres, producers' analytical offices, the Ministry of Finance are trying to solve those dilemmas, attempting as usual to optimize the rate of excise duty with a view to maximising

budget revenues. And this issue is by no means unimportant as excise duty revenues alone account for about 6% of state budget revenues.

There has been yet another, very important aspect of the issue since Poland joined the EU. It is the EU standards which must be applicable regardless of our assessments regarding excise duty rate optimisation or resulting from our socio-economic preferences.

The EU rates of excise duty on tobacco products and / or their implementation deadlines are often at odds with, as we will see, our Polish preferences, for instance with regard to budget revenues optimisation, and distort supply channels in favour of goods supplied by the grey area.

The discussion on tax rates, including excise duty whose level will allow to maximize budget revenues, has been held by scientists and experts since the dawn of time. Opinions and arguments on the subject were evidenced already by ancient chroniclers, inter alia, Titus Livius, Publius Cornelius Tacitus and Pliny the Elder. In the last decades, and specifically since the early seventies, that is since a famous, publicised conversation between a representative of the White House – Richard Cheney and Artur Laffer – an economist making an academic career and becoming more and more popular in the media at the time, a curve drawn during the conversation by the latter, presenting a relation between a tax rate and budget revenues has become a new point of reference or an axis of the contemporary, factual discussion on the optimum level of excise duty¹.

The curve drawn on a napkin during the above mentioned lunch / meeting, publicised and popularised by the media, and then propagated in economic literature, is only a simplified illustration of a deeper concept regarding tax policy optimisation understood more widely, formulated by many other economists of that period, above all by representatives of the so-called supply-side economics.

The Laffer curve is also a point of departure for our deliberations. However, we realise that the curve reflects only part of the issue which is budget revenue optimisation in the context of our wider deliberations. Excise duty

¹ Richard Cheney was at the time an assistant to Rumsfeld who managed the White House in the period of G. Ford's presidency in the first half of the 70s. It is worth mentioning that almost two decades later, both politicians, (officials in slightly reversed roles) R. Cheney became Vice-President and Rumsfeld – Minister of Defense, again constituted a core of the United States' administration in the period of G.W. Bush's presidency, successfully pursuing, inter alia, tax policy in the spirit of supply economics as during the G.W. Bush's administration taxes were decreased three times to the amounts comparable in % against GDP, to changes introduced by R. Reagan in the USA in the 80s.

rate optimisation from the perspective of other goals of the government policy, such as production level, employment rate in businesses manufacturing products covered by excise duty, public health condition, level of expenditures on the treatment of consequences of a given addiction calculated as rolling costs, an increase in the grey area and smuggling, but also effects of criminal activity and its costs, are other equally important phenomena and factors affecting decisions of the government considering – in this wide context – excise duty rate optimisation.

Therefore, excise duty rate optimisation from the perspective of the government policy must allow also for those other determinants, and consequently, its optimal rate does not have to, and often cannot coincide with optimisation criteria as such, referring to the maximum level of budget revenues obtained from excise duty alone².

In the article I will focus above all on investigating a relation between the rate of excise duty against anticipated and actually obtained budget revenues. Social and other aspects will be presented here to a limited extent.

1. DETERMINANTS OF THE POLISH GOVERNMENT POLICY REGARDING EXCISE DUTY RATES IN THE 2000–2010 PERIOD

Economic considerations determined by state budget needs and necessary adjustments to EU standards

As it has already been mentioned, revenues from excise duty imposed on tobacco products accounted for about 6% of Polish budget revenues last year. Those revenues could have been considerably higher if the government had more efficiently fought against smuggling. Only as a result of inefficient actions at this last section, no revenues from excise duty diminished state budget revenues by PLN 3–4 billion a year³.

² Similarly to literature regarding purely theoretical influence of tax level on budget revenues, also literature on a subject presented in such a wide, economic and social way, is unusually abundant. Among Polish economists, those which should be mentioned here are the studies of Nojszewska (1996) on optimal taxation, Owsiak's widely known studies on tax policy (2002), or more sectional studies and articles, such as Misala (1995), Ryszkiewicz (2000) and Wnorowski (a)(2002), (b)(2010) on excise policy pursued with regard to the distilling industry. Also studies of Oręziak (2007), presenting issues from the perspective of EU solutions are worth recommending.

³ According to data of Customs and Excise Duty Control Department at the Ministry of Finance – Drewnowska, Lentowicz (2011, p. B8).

However, the most important issue which determines the level of budget revenues is the rate of excise duty on tobacco products. An influence of excise duty rate on the activity of the grey area (illegal domestic production) or smuggling extent are in a way side phenomena, being consequence of above all excise duty rate itself, and only then they depend on the efficiency of government administration responsible for the observance of the law.

Returning to the issue of excise duty rate, one should point to its permanent fluctuation, or rather its permanent growth in the last decade, that is the period subject to this analysis.

In January 2011, that tax increased by 8% and will continue so, also due to the necessity of adjusting excise duty rate to EU standards. Those standards, treated out of necessity as a point of reference, is the rate of excise duty in 2018 not less than EUR 90 per 1000 cigarettes, which means a systematic increase in near future (on average 3% annually) as the current level of excise duty corresponds to the charge of EUR 78 per 1000 cigarettes⁴.

Conducting a short review of changes in the rate of excise duty on tobacco products in the 1993–2000 period, that is still before the period subject to the analysis, one should point to an important decision taken in that period:

- excise duty on tobacco products was reinstated in Poland in the period of system transformation, more specifically in 1993, as part of a tax system reform implemented that year, when VAT and excise duty were introduced instead of a single sales tax⁵.

Table 1

Per cent increases in excise duty in Poland, 1993–2000

Cigarette Category	1994	1995	1996	1997	1998	1999	2000
Foreign King Size	0%	28%	43%	10%	19%	27%	30%
Domestic King Size	42%	57%	77%	12%	25%	27%	30%
Domestic Filtered	41%	75%	78%	8%	12%	27%	30%
Domestic Non-Filtered	50%	79%	87%	10%	13%	27%	30%

Source: own compilation.

Changes in the rate of excise tax took place very often, also in the 90s, which was exemplified by four increases in excise duty in 1999 (which totalled

⁴ Ibidem, p. B8.

⁵ G. Szczodrowski, *Polish Tax System*, Warsaw 2009.

in a 27% increase in excise duty that year) and three increases in 2000 (which resulted in its subsequent 30% increase). The Table 1 illustrates this process in the 1993–2000 period.

In the period analysed (2000–2010), the process of increasing excise duty in order to raise budget revenues and fulfil tasks stipulated in the Health Protection Act of 9th November 1995 and Health Protection Benefits Financed from State Funds Act 2004, as well as other acts – O.J. No. 10, item 55 and further, and O.J. No. 210, item 2135 was continued.

In addition, in the 2000–2010 period excise duty on tobacco products sold in Poland changed a number of times.

- in 2000, a rate for 1000 cigarettes was PLN 37.50 and was increased to PLN 42.00 on 1st October 2000, whereas already on 16th January 2001, it was increased to PLN 50.00, and on 1st January 2002 to PLN 52.00 and on 16th January 2003 it was increased again to the level of PLN 57.00 per 1000 cigarettes;
- next years brought subsequent increases which were faster than usual as on 16th January 2004 it was increased to PLN 64.00, in 2005 to PLN 68.35, and in 2006 to PLN 75.12 per 1000 cigarettes;
- far greater acceleration took place in subsequent years. In 2007, excise duty amounted to PLN 80.87, in 2008 to PLN 91.16, in 2009 it was increased to PLN 138.50 for 1000 cigarettes, and already on 1st January it was increased to the amount of PLN 146.83 per 1000 cigarettes.

The year 2011 is a period of subsequent increases. Although we will not be able to estimate revenue effects of a new excise duty rate, to have a full picture of the government policy and intentions, we must state that since 1st January 2011 excise duty rates have been as follows:

- on cigarettes: PLN 158.36 per 1000 cigarettes,
- on smoked tobacco: PLN 103.32 per a kilogram,
- on cigars and cigarillos: PLN 244 per 1000 cigars / cigarillos.

As previously, increases in 2011 are aimed to increase budget revenues in order to reduce a deficit.

Economic considerations determined by tobacco and tobacco product manufacturers' needs for development.

The Polish government neither protects nor supports domestic tobacco manufacturers. Tobacco taxation in Poland is one of the highest in Europe. Tobacco tax amounts to PLN 95.00 per a kilogram and accounts for 31.41% of the maximum retail price, which in total accounts for 67% of the retail

price. For comparison, the amount of corresponding tax is 30% in Belgium, 38% in Germany, 42% in Holland and 47% in Czech Republic⁶.

The tobacco manufacturers' situation is made even worse by the fact of pursuing a determined, negative policy with respect to tobacco industry by the European Union. More specifically, in 2010, as a result of a tobacco market reform implemented, direct payment subsidies to tobacco crops were abolished. So far, tobacco growers have received 60% of subsidies to production and 30% of production unrelated subsidies. The only help for Polish farmers are to be small restructuring subsidies which are to be paid for three years from 2011 and amounting from EUR 1,500 to 4,500 depending on a farm size⁷. It is a very important decision for Polish tobacco growers whose number is about 14,000 (the half of which is located in the Lublin area)⁸.

Social aspects vs. the excise duty policy regarding tobacco products

Epidemiological estimates show that in 2000 smoking caused 69,000 deaths in Poland, out of which 43,000 accounts for the so-called premature deaths (persons aged 35–69)⁹.

Since the half of the 50s, the number of smoking related deaths of males has risen many times. In the total male population, the number of deaths resulting from smoking increased between 1955 and 1995 from 7,700 to 61,000 a year.

In the case of women aged 35–69, the ratio of smoking related deaths among all deaths at that age increased from 0.6% in 1955 to 13% in 2000. The above data is presented in the Diagram 1.

The data presented constitute good grounds for government actions aimed at limiting tobacco consumption. Tobacco related diseases are one of the main causes of premature deaths and burden the state budget in terms of expenditures on health protection¹⁰.

⁶ T. Teluk, *Economic consequences of a tax increase on the example of tobacco market*, Gliwice 2010.

⁷ World Health Organization, *A threat of smoking epidemics in Poland*, Copenhagen 2009.

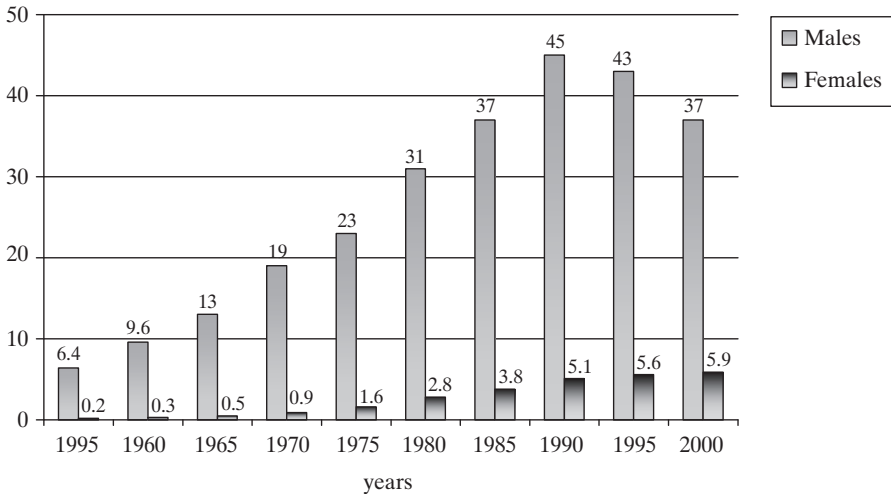
⁸ T. Teluk, *Economic consequences of a tax increase...*, op. cit.

⁹ World Health Organization, *A threat of smoking epidemics...*, op. cit.

¹⁰ Ministry of Health and Social Welfare, *National Health Program 2007–2015*, Warsaw 2007.

Diagram 1

Number (in thousands) of premature (35–69) deaths of smoking related diseases among male and female populations, 1955–2000



Source: World Health Organization (2009, p. 32).

It is no wonder that the government has offered a few smoking addiction treatment programs recently:

- the first one is “Polish Smoking Health Consequence Control Program”, which has been implemented since 1990,
- the second one is “Polish Smoking Health Consequence Control Program” adopted by the Council of Ministers pursuant to art.4 of the Act of 9.11.1995 on health protection.

It is worth adding that Poland joined the Framework Convention on Tobacco Control – FCTC of September 2006, which allows the coordination of tobacco consumption controlling actions in Poland with actions of other countries – convention signatories. It allows the state to reduce risks resulting from the lack of common, comprehensive approach to the issue of tobacco production and consumption on an international scale (for instance smuggling and illegal cigarette production).

Apart from governmental regulations, it must be added that the most important factor of cutting down on the consumption of tobacco products is their price. However, as prices of tobacco products are not determined administratively, the most efficient way of influencing the price of those products are taxes, and mainly excise duty.

Administrative decisions, such as the one applicable since 15th November 2010, an amendment to the health protection act containing a list of places where an absolute ban on smoking is applicable, are merely actions supporting the policy of restricting the consumption of those products.

2. ECONOMIC EFFECTS OF THE POLISH GOVERNMENT EXCISE POLICY REGARDING TOBACCO PRODUCTS IN THE 2000–2010 PERIOD

An influence on budget revenues and tobacco business situation in the 2000–2010 period

An increase in the rate of excise duty does not always bring desired effects, such as increased budget revenues or achievement of assumed budget revenues. It may be exemplified by last years of the period analysed, when both the pace of increasing excise duty in Poland was accelerated in view of budget needs and EU requirements regarding adjustments to applicable standards or those to be applicable soon. For instance, the increases in excise duty described above caused tobacco market to shrink by 10% in 2008 and by as many as 13.6% in 2009. As a result, revenues anticipated to reach PLN 14.9 billion of budget revenues from excise duty actually amounted to PLN 13.46 billion, that is less by PLN 1.44 billion. In 2009, anticipated budget revenues from excise duty on tobacco products were PLN 17.529 billion, and after an increase in excise duty that year, revenues obtained amounted to about PLN 15 billion, that is less by over PLN 2.5 billion.

However, when analysing the whole period of 2000–2010, it should be noted that budget revenues after subsequent increases in excise duty, though often lesser than expected, generally, or rather systematically, grew with the exception of the revenues in 2008, when they were lesser than anticipated, which is shown in the Table 2 below.

However, frequent and considerable increases in excise duty cause a number of negative consequences, such as deterioration of tobacco industry and related businesses and manufacturers, as well as a considerable increase in the risk of smuggling intensification and development of various pathologies. An important fact here is that the number of smokers did not change, which clearly indicates growth of the grey area and smuggling at the expense of the consumption of cigarettes manufactured legally¹¹.

¹¹ W. Szczepaniak, *Cigarettes sale on the decline*, „Puls Biznesu” issue 208.

Table 2

**State budget revenues from excise duty on tobacco products in 2000–2010
(in thousand PLN)**

Year	Total revenue	Revenues from excise duty as divided into articles of revenue:		
		§ 009 Excise duty on products in intra-community purchases*	§ 011 Excise duty on domestic goods subject to excise duty	§ 012 Excise duty on imported goods subject to excise duty
2000	6 355 981,6	-	6 336 346,6	19 635,0
2001	7 305 174,3	-	7 302 528,1	2 646,2
2002	7 927 208,1	-	7 909 796,2	17 411,9
2003	8 456 473,6	-	8 477 390,7	9 082,9
2004	9 275 760,6	**388,6	9 250 305,9	25 066,1
2005	9 819 728,0	8 751,8	9 768 115,2	42 861,0
2006	11 247 981,5	13 248,4	11 179 386,9	55 346,2
2007	13 483 026,1	25 133,2	13 292 673,0	164 219,9
2008	13 460 050,6	42 615,9	13 213 022,6	204 412,1
2009	16 057 843,3	46 855,4	15 982 191,6	26 796,3
I-V-2010	6 775 483,4	29 463,2	6 726 535,3	19 484,9

* Classification of revenues from excise duty according to articles was extended in May 2004 by the above mentioned §009 (under the regulation of the Minister of Finance of 20th September 2004 on detailed revenue classification [...] – O.J. No. 209, item 2132, as amended. Regarding §009 this regulation was implemented as of ** – data for the period of V–XII 2004.

Source: Ministry of Finance, Excise Duty and Ecological Tax Department (2010, p. 10).

As research conducted by Philip Morris Company showed, fast and considerable changes in excise duty on the one hand create greater opportunities for the substitution of more expensive goods for the production from the domestic and foreign grey area. According to those sources, as a result of multiple increases in rates last years, the level of cigarette smuggling increased, meeting 20% of the consumption, that is about 7 billion cigarettes, which accounts for a nearly two-month output of all tobacco companies in Poland.

The Table 3 below shows a very strong and adverse influence of increased excise duty on the conditions of developing tobacco industry in Poland last years.

Table 3

Processing industry sections which suffered decreases in production sold
in subsequent months of the third and/or fourth quarter of 2008 in %
(fixed prices)

	VII	VIII	IX	X	XI	XII
Tobacco products manufacture	-38.4	-43.3	-33.0	-31.2	-33.1	-40.0
Textile industry	-5.1	-11.6	-2.7	-10.7	-22.0	-13.0
Clothing and fur products manufacture	-2.0	-13.2	-4.4	-10.8	-20.2	-4.9
Leather and leather products manufacture	-0.7	-13.0	-1.0	-10.7	-23.5	-13.5
Chemical goods manufacture	-10.2	-7.3	-2.6	-9.5	-25.0	-12.7
Wood and wooden products manufacture	-7.5	-9.2	31	-4.6	-15.8	-12.8
Metal manufacture	14.8	-0.9	1.4	-23.3	-34.7	-33.7
Machines and electric equipment manufacture	1.8	-10.4	3.6	-10.1	-14.7	-1.1
Motor vehicle manufacture	15.9	-8.9	10.5	-9.8	-17.8	-21.1
Furniture manufacture, other activity	2.4	-6.4	6.3	-2.6	-10.6	-3.9

Source: Ministry of Economy (a) (2009, p. 17).

Parallel to the above described decrease in domestic production, legal manufacture of tobacco products in Poland also sells less, which is illustrated by the Table 4 regarding the industry output sold in 2008 and 2009, as well as sales during three quarters of the 2008–2010 period.

Table 4

Information on the industry output sold in 2008, 2009

Section – division	A % change (period)			A % change (December to December)			Number of months in which an increase in output was registered in the period of	
	2009/2008	2008/2007	2009/2007	2009/2008	2008/2007	2009/2007	I–XII 2009	X–XII 2009
INDUSTRY IN GENERAL	-3.2	2.5	-0.8	7.4	-5.6	1.4	3	2
MINING AND EXTRACTING	-12.9	2.9	-10.4	1.5	-0.5	1.0	1	1
Hard bituminous coal and brown coal mining	-16.1	0.5	-15.7	0.1	-11.4	-11.3	1	1
INDUSTRIAL PROCESSING	-2.7	2.8	0.0	8.2	-5.6	-5.6	3	2
Foodstuffs manufacture	6.1	0.1	6.2	8.0	4.1	4.1	8	3
Beverages manufacture	7.3	5.0	12.7	3.2	20.3	20.3	11	3
Tobacco products manufacture	-2.9	-32.5	-8.9	-8.9	-37.7	-37.7	6	0

Source: Ministry of Economy (b) (2010, p. 12).

An influence of excise policy on the situation of tobacco industry in the 2000–2010 period and the structure of supply from alternative sources; an assessment of the representatives of tobacco industry expressed in the author's questionnaire survey

Trying to broaden his knowledge on the influence of the Polish government tax policy on the situation of the Polish tobacco industry and changes in the consumption of those products, the author of this study has conducted his own questionnaire survey.

Apart from typical questions contained in the survey on the influence of changes in production and / or consumption after subsequent increases in excise duty introduced by the government, there was an interesting question included in a series of questionnaires, namely how the production structure changed, as well as how producers felt and reacted to the changing behaviour of consumers and foreign competitors, both legal and illegal. One also tried

to check manufacturers' opinion on the suggested, optimal rate of excise duty. Main questions marked 1–13 were close ones /the number of answers was clearly determined, marked with squares, and the contents was suggested by the research author¹².

4 producers from 6 tobacco factories in Poland have replied to the questionnaire survey which was conducted in November and December 2010; it concerned changes taking place in the government policy in the 2000–2010 period and referred to already described effects of that policy in the opinion of those polled.

The survey was conducted from November to December 2010 and covered the years 2000–2010. While analysing answers to various questions (1–13), two report sheets have been developed. The first one concerns a per cent share of various answers against all answers given in subsequent topics; the second one – the same answers to various questions. Interestingly enough results obtained in this survey bring more important information regarding a change in the cigarette production scale and structure in the 2000–2010 period, with reference to a change in excise duty.

- Question 1. Have changes in the rate of excise duty on cigarettes affected cigarette production in your company? All (4) answers were YES.
- Question 2. If your answer in item 1 is positive, what are the consequences of introducing various rates of excise duties for your company? All answers clearly pointed to a steady decrease in production resulting from governmental measures.
- Question 3. If your answer in item 1 is positive, how did the output fluctuate relating to the introduction of various rates of excise duty? The answers clearly pointed to great output fluctuations:
 - an increase in excise duty from PLN 52.0 to PLN 57.0 / 1000 cigarettes in 2003.01 meant fluctuations of over 30% (according to three producers) and 20–30% fluctuations (the fourth producer),
 - an increase in excise duty from PLN 64.0 to PLN 68.35 on 1st January 2005 resulted in the fluctuations (that is a decrease in output) by over 30% in all four producers.

Subsequent increases in excise duty resulted in output fluctuations relating to the introduction of various rates of excise duty and exceeded 30%:

- on 16.01.2006 from PLN 68.35 to PLN 75.12,
- on 15.01.2007 from PLN 75.12 to PLN 80.87,

¹² Closed answers facilitated comparative procedure and were more suitable for statistical analyses, hence their majority in the questionnaire.

- on 14.01.2008 from PLN 80.87 to PLN 91.00,
 - on 01.01.2009 from PLN 91.00 to PLN 99.16,
 - on 01.03.2009 from PLN 99.16 to PLN 138.50,
 - on 01.01.2010 from PLN 138.50 to PLN 146.83.
- Question 4. “How did the production structure change with every increase in excise duty?” Four respondents answered that the demand for lowest quality (cheapest) cigarettes fell, the demand for average quality cigarettes increased and the demand for high quality (most expensive) cigarettes remained on the same level.
- Question 5. What is the main factor affecting cigarette prices in your company? All (4) respondents stated it was the rate of excise duty.
- Question 6. Did you notice any unusual actions on the part of competitors other than domestic ones the moment of excise duty is increased? The polled (100%) answered YES.
- Question 7. If your answer in item 6 is positive, how much did the competition increase? Respondents (4) answered it did by 100%.
- Question 8. If your answer in item 6 is positive, which of the excise duty increases influenced an increase in competition from sources other than Polish manufacturers?

The polled (4), that is 100% answered identically, presenting the following sequence of importance of the following increases, which means that first increases had relatively greatest influence:

- an increase in excise duty to PLN 64.00 / 1000 cigarettes on 2004.01.16,
 - an increase in excise duty to PLN 68.35 / 1000 cigarettes on 2005.01.16,
 - an increase in excise duty to PLN 75.12 / 1000 cigarettes on 2006.01.15,
 - an increase in excise duty to PLN 80.87 / 1000 cigarettes on 2007.01.15,
 - an increase in excise duty to PLN 91.00 / 1000 cigarettes on 2008.01.14,
 - an increase in excise duty to PLN 99.16 / 1000 cigarettes on 2009.03.01,
 - an increase in excise duty to PLN 138.50 / 1000 cigarettes on 2009.03.01,
 - an increase in excise duty to PLN 146.83 / 1000 cigarettes on 2010.01.01.
- Question 9. “Which competition became the most severe for your company?”. Respondents (4) 100% answered it was industrial competition as well as other types of competition – if so, please state the type of competition. The answer was – cigarette sales by tobacco concerns.
- Question 10. Is the current rate of excise duty high in your opinion? All the respondents answered YES.
- Question 11. If your answer in item 10 was positive, what should be the rate of excise duty so as not to adversely influence cigarette market? The polled (4) 100% were in favour of about 30%.

- Question 12. How do you assess the government policy regarding cigarette manufacture in the last decade? All the polled considered it bad, pointing not only to wrong excise duty policy, but also the lack of clear policy with regard to that sector.
- Question 13. What is the manufacturer's location? The polled gave here locations of their registered seats, namely:
 - lubelskie province / voivodship,
 - mazowieckie province / voivodship
 - warmińsko-mazurskie province / voivodship
 - wielkopolskie province / voivodship.

Summing up the opinions of tobacco companies' representatives on the effects of Polish government's decisions regarding the rate of excise duty, it may be stated that such a policy resulted in a poor economic situation of Polish tobacco industry. The thesis may be confirmed by the following facts:

- the average number of cigarettes sold in the 1999–2004 period was 75.44 billion cigarettes a year,
- the number of cigarettes sold fell from 88.02 billion in 1999 to 73.70 billion cigarettes in 2005, which accounts for 83.73% of the number of cigarettes sold in 1999.

Subsequent years saw both falls and increases in sales as compared with previous years. A drastic fall by as many as 14.90 billion cigarettes as compared with 1999, took place in 2000.

- Subsequent falls in cigarette sales took place in 2003 and 2004 – by 2.91 billion and 1.5 billion cigarettes, respectively.
- A downward trend in the sales of legal cigarettes remained in Poland in the 2005–2010 period. A decrease in sales in the 2000–2010 period was not as much related to the phenomenon of society giving up smoking, as to consumers' massive switching to products coming from illegal sources (smuggling) and cheaper substitutes (tobacco for joints). As a consequence, there has been a steady downward trend in legal cigarette sales in Poland for a few years resulting from increases in excise duty. When analyzing survey data, it should be stated that the situation on the tobacco market deteriorated in the 2000–2010 period.
- Cigarette output systematically decreased in the period discussed.

Such a situation to a large extent resulted from an increase in excise duty. Its consequence was an increase in cigarette prices. It led to an increase in illegal cigarette sales. Seemingly free tobacco market is to a large extent controlled by the state manipulating with the rate of excise duty on tobacco products and restrictions concerning their advertising.

CONCLUSIONS REGARDING EFFECTS OF THE GOVERNMENT EXCISE POLICY WITH RESPECT TO TOBACCO PRODUCTS AND THEIR MANUFACTURERS

Increases in tobacco product prices in Poland in the 2000–2010 period caused a rapid increase in cigarette prices.

Based on the research conducted among 4 manufacturers of tobacco products operating in Polish economy, it should be stated that an increase in cigarette prices causes a decrease in demand for this product from legal sources. At the same time, the rate of excise duty on cigarettes and its rapid changes had an influence on cigarette output and their consumption.

In the 2000–2010 period, the production decreased by about 30% and its fluctuations were also on the level of 30%. Along with an increase in excise duty, manufacturers stated that there was an increase in demand for lowest quality (cheapest) cigarettes. As assessed by the entrepreneurs, the main factor affecting cigarette prices was a high rate of tax duty, as well as cigarette sales at low prices by strong tobacco concerns. An increase in excise duty entailed an increase in competition – tobacco concerns selling out cigarettes at lower prices and fierce competition with smuggled tobacco products.

The entrepreneurs assessed negatively the government policy with respect to tobacco industry in the 2000–2010 period. The main cause of such an assessment was a high rate of excise duty, its drastic increases. Respondents stated that the Polish tobacco industry is in a very bad situation (on the verge of collapse). To get a full picture and more balanced final assessment, it should be added that the author and tobacco product manufacturers' assessment does not coincide with the official assessment of the Polish government.

As assessed by the government, excise policy with regard to tobacco industry and market is right and efficient. It is proven by the fact of almost systematic increase in budget revenues in the 2000–2010 period, as well as adherence to the EU directive regarding systematic increase in excise duty on tobacco products.

Moreover – what is important and proves rightness and efficiency of the government policy – increases in tobacco product prices have a positive influence on restrictions to reduce cigarette consumption, thus contributing to society health improvement.

However, the thing is – as results from the author's own observations, analyses conducted and conclusions drawn from the questionnaire surveys – the government assessment omits or underestimates a number of negative effects resulting from the policy pursued by the government, such as:

- systematic decrease in output, for instance 63 billion cigarettes were manufactured in 2008, whereas 61 billion in 2009;
- change in the range of products towards lower quality (cheaper) products,
- distinct increase in smuggling and the grey area, which results in demoralization of part of society and various pathologies.

According to the author, the government policy regarding changes in the rate of excise duty should be deeper, better thought-out and more comprehensive.

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SUMMARY

The article presents a discussion and an analysis of how the successive rises in the excise rate on tobacco products in the years 2000–2010 influenced the level of the budget income, the economic condition of Polish producers of tobacco products and changes in the level and structure of tobacco products consumption in Poland.

Apart from statistical data illustrating the development dynamics of the above-mentioned phenomena under the influence of changes in the level of excise, the author presents some results of his survey carried out in a group of several hundred consumers and data and opinions received from four of the six major tobacco producers in Poland. These data and the presented analyses of the data obtained as the survey results had an impact on the author's critical opinion on the institutions responsible for the governmental policy.

Probably not in the field of the budget income tasks fulfillment, because here the government did not make a big mistake, but because of the negative results from the policy towards the tobacco industry that resulted in the development of grey market, increase in the scale of smuggling, deterioration of the consumption structure, i.e. the quality of the tobacco products with the evident consequences for the state of health of the consumers who because of higher prices moved towards the consumption of lower quality products.

Tadeusz Teofil Kaczmarek

DOES GLOBALIZATION SOLVE THE PROBLEMS OF THE CONTEMPORARY WORLD? ON GLOBALIZATION CRITICALLY*

THREATS BROUGHT BY THE GLOBALIZATION PROCESS

Currently, opinions on the inevitable development of globalisation processes which will integrate the whole world economy in the future, maintaining at the same time high level of agreement between people do not gain universal recognition. It should also be noted that opponents of globalization are not always prone to discussion, debate and criticism while expressing their disapproval. An event of 11 September 2001 in New York proved that regardless of how hard economists and politicians are trying to make the world warm to advantages resulting from globalization, there are still people who not only do not accept globalization, but are ready to oppose it effectively. The biggest threat to globalization is religious fundamentalism, which is one of the biggest conflictogenic factors in the contemporary world.

Antiglobalists, being spokesmen of poorly developed countries, oppose the idea of further liberalisation of trade and uncontrolled penetration of the developing countries' capital. They demand that trade liberalisation be dependent on creating new workplaces and introducing supervision of foreign capital flows. They demand that developed countries resign from part of their national income for the benefit of the poorest countries in the world.

Ecological postulates concern restriction of wasteful exploitation of natural resources, limitation of the use of raw materials through the promotion

* The article is the continuation of problems presented by the author in the article titled *Future of the Global Economy – Dilemmas and Forecast* – published in issue 1 (28) 2010 of the scientific magazine “Economic and Political Thought”, Lazarski University in Warsaw. See www.kaczmarek.waw.pl

of new technologies (high-tech) and restriction of exporting goods manufactured by means of methods harmful for the natural environment.

Main postulates put forward by the opponents of globalization include *inter alia* a need for the strengthening of a civil state so that it could defend itself against increasing inequality, as well as the strengthening of the role of trade unions so that they could balance its power with the power of entrepreneurs' lobby¹.

Naomi Klein is considered one of the most influential persons and she is the leader of the anti-corporate movement. In her book *No Logo*, she summarizes main trends in the trade and culture of the last years, including the creation of brands and their role in the expansion of corporations. She describes domination of such brands as Nike, Microsoft, Coca Cola. She believes that an increasing role of brands is connected with the powerful position of many corporations. In her opinion, it is brands which have power since people do not pay for products, but for an image created by a corporation. Corporate control they exercise over the media and distribution channels, is dangerous.

Naomi Klein has published another book titled "The Shock Doctrine", in which she follows through the history of an increase in the importance of anti-globalization and anti-corporate movements, *inter alia* she is pondering over the problem: how did the disaster capitalism complex come into being? For antiglobalists, globalization accounts for domination and privileges of big corporations. Antiglobalists undermine the whole, contemporary political, economic and cultural order. Intellectual property illustrates one of typical conflicts of globalization between those who "have" and those who "do not have" (the rich and the poor)².

AFTERMATHS OF UNDERMINING THE ROLE OF THE STATE

One of the fundamental threats of the globalization process is the limitation of the role of the state. A contradiction between the global market and the state is an inevitable effect of globalization. The power of globalization logically results from the impairment of the state being a barrier blocking free movement of capitals, services, goods and people³.

¹ Cf. T.T. Kaczmarek, *Economic Order in a Democratic State*, Difin, Warsaw 2007.

² N. Klein, *Shock Doctrine*, MUZA SA Warsaw Literary Publishing House, Warsaw 2008.

³ Cf. T.T. Kaczmarek, *Global Economy and Global Crisis*, Difin, Warsaw 2010.

Globalization causes a gradual erosion of the institution of the state. While restricting some economic functions of the state, it, at the same time, undermines those functions which protect healthy competition. Uncontrolled competition will quickly turn into harmful forms of global monopolies.

The current free movement of capitals poses a threat of the outbreak of a world economic crisis. In 2008, we painfully experienced effects of a global financial crisis. The power of the capital market and individual transnational corporations is consistently growing. Transnational corporations increase their power by carrying out mergers, acquisitions and alliances. Their size and power disturb balance between the market and the state in the world.

The power of the world financial market is proved by the fact of everyday turnover exceeding 1.5 b. dollars on stock exchanges, whereas the annual export volume oscillates around USD 15 billion. Lack of acceptance of a given country's policy by chief players of capital market may lead to a crisis and collapse of the country's economy, which may cause the domino effect.

Apart from the above mentioned impairment of the role of the state, the process of globalization leads to liberation of economic phenomena from under the authority of man. It is about processes aiming at the impairment of government authorities of individual countries and a gradual legal incapacitation of the society in terms of an influence on economic and social affairs⁴.

While analysing effects of the globalization process, it should be noted that a greater number of reservations concerns political issues rather than economic ones. While economic effects of globalization may be considered uncertain, political and social effects are easily noticeable.

Nowadays, two trends of liberalism are distinguished:

- 1) Ethical liberalism, demanding the state's activity and its involvement in economy in order to support equality of chances of all entities;
- 2) Doctrine liberalism regarding the protection of principles, tradition and social hierarchy and, at the same time, being in favour of the restriction of the state.

Another trend within the doctrine liberalism is to a large extent open to globalization, so it represents an optimistic trend in the assessment of globalization. On the other hand, ethical liberalism is political liberalism which generally opposes the process of globalization⁵.

⁴ Cf. W. Szymański, *Globalization, Challenges and threats*, Difin, Warsaw 2001, pp. 93–98.

⁵ W. Szymański, *Globalization, Challenges...*, op. cit., p. 99 i 100.

DOES GLOBALIZATION POSE A THREAT TO DEMOCRACY?

There is a conflict between the process of globalization and democracy, which is expressed by the following premises.

Firstly, it is the existence of opposing phenomena creating objective contradictions between free market and democracy. The point is that democracy gives everyone the same political rights, but causes considerable income diversity and unequal life opportunities.

The moment contradictions exceed the level tolerable by democracy, a conflict breaks out, which puts democratic systems in danger. It should be noted that views invoking freedom and democracy are defenceless against populist movements based on frustration, phobia, aggression and an increase in social inequalities. Globalization creates its main enemy, which is populism, by drastic diversification of societies.

Secondly, it is restriction of the institution of the state, its basic functions and pursued policy. Since democracy has been created by the national state, impairment of its function resulting from globalization processes leads to the restriction of democracy as the transnational state does not exist, nor does transnational democracy.

Thirdly, these are contradictions occurring between voters and political class following financial markets, and not its voters.

Globalization is the process of introducing principles of *laissez-faire* on an international scale, which leads to a qualitative change in those principles. In the global economy, *laissez-faire* is a free market without overlords, that is, a market deprived of control.

An increase in the level of direct competition and rivalry in globalization processes puts pressure on modernization and automation of production processes and a decrease in overheads. It entails a rise in unemployment, a decrease in employment and salaries, which disturbs operation of market economy dependent on demand.

Globalization weakens human relationships and causes ecological danger to grow. While tearing down principles of the previous order, it sets principles of a new order⁶. The process of globalization facilitates considerable growth of private wealth, at the same time not being in favour of social affluence at all. It leads to a rise in the level of crime, enhances an influence of mafia organizations, environmental pollution, development of illegal trade, so in fact it accounts for the lack of a global system of values. In such circum-

⁶ Cf. T.T. Kaczmarek, *Economic Order...*, op. cit.

stances, searching for an immediate profit has taken precedence over any other social goals.

European Union states, wanting to compete with countries of North America and Asia, are ready to give up many of their values which underlay a high position of the European civilisation in the world.

Increasing commercialisation and aggression in winning over new consumers at any rate cause a dangerous perversion of traditional system of values.

The awareness of the fact that knowledge, intellectual capital and informational technology are used to accomplish goals which are dubious or even dangerous to mankind, is restricted. Creating artificial, often unnecessary needs, leads to destruction of non-renewable natural resources in the world.

Globalization, while weakening state and democratic institutions, eliminates also the overlord, who sets and imposes conditions protecting the environment and its resources. Weakened democracy means a decreased level of civic reflection on the long-term social interest of future generations.

Intellectual associations opposing globalization, gathered around the so-called Lisbon Group, indicate negative results of excessive competition, highlighting the following phenomena:

- precedence of technical systems over a human being,
- only short-term cost analysis,
- development of global oligopolies as an effect of financial and industrial competition on a global level,
- highlighting and deepening differences between regions and countries,
- division of the world into the integrated one and the rejected one,
- an increase in the level of destruction of the natural environment as a result of excessive and irrational competition,
- alienation of uncompetitive persons, companies, cities and nations as a consequence of excessive competition,
- emergence of individual and collective aggression preventing the dialogue between individuals and nations.

Opponents of globalization see here the “winner takes it all” syndrome, emphasising that mechanisms of globalization serve to gain greatest benefits by the richest and strongest countries, companies and individuals. Therefore, opposing it, a view should be propagated that a free market is merely a mechanism to accomplish certain goals, and not the philosophy of social existence. A free market may turn out beneficial only when institutions operating in it will take into account costs of human failure and extract the most precious of human nature⁷.

⁷ W. Szymański, *Globalization, Challenges...*, op. cit., pp. 111–116.

PARADOXES OF LIBERALISATION

Trade liberalisation

A fundamental assumption of trade liberalisation is an increase in the national income of a country through an influence on the shift of resources from their less productive applications to more productive ones. In economic literature, such a phenomenon is referred to the law of comparative advantage. It happens, however, that those resource shifts do not enrich the country at all, which happened while implementing programs framed by the International Monetary Fund. Trade liberalisation often leads to a decrease in employment through closing inefficient plants and branches under pressure of foreign competition. Ideology of the IMF suggests that new, more productive jobs will be created in place of ineffective ones. Meanwhile, creation of new companies and jobs requires capital and enterprise, which is often impossible in underdeveloped countries characterized by low level of education and no capital.

A positive example of liberalisation is the economic development of East Asian countries, which, while opening to an external world, did it slowly and gradually. Those countries have taken advantage of globalization to increase their own export and achieve faster economic growth. But protecting barriers were eliminated there carefully and slowly when new jobs were created. It is exemplified by China, which is eliminating above mentioned barriers twenty years after starting its march towards the market. That period has become for them a time of extraordinarily fast economic development.

A forum in which trade agreements are negotiated is the World Trade Organisation (WTO), but often the IMF considerably influences the acceleration of the pace of trade liberalisation. The IMF often agrees to help subject to faster pace of trade liberalisation. Meeting this condition is for developing countries the only way to obtain necessary capitals.

Liberalisation of capital flows versus a growing threat of financial crises

An often discussed issue connected with globalization is the problem of financial markets and their influence on a change of exchange rates, interest rates and stock prices. One of the main aspects is an influence of financial markets' instability on financial crises.

Capital movement on the international financial market is conditioned by a number of factors. The first and foremost is development of investment, pension and trust funds. Those funds, while managing savings of “small savers”, are oriented at short-term profit. Regarding those markets, development of banking relating to new products of investment banking affects them in a considerable way. Forward contracts, as well as options and futures trading start dominating in world financial markets. Those operations, while increasing turnover in financial markets (virtual money!), led to sudden perturbations and reactions in markets⁸.

Capital flows on a global scale are detached from real investments and this fact poses a serious threat to the contemporary world economy. Three crises, namely Latin American (1982), collapse of Mexican peso (1994–95) and the so-called Asian crisis (July 1997), though originating from different sources, resulted not from disturbances in the world trade, but from speculation and deformation of international financial transactions, which are not subject to any regulations⁹.

The causes of a crisis are very complex and involve a number of factors. It is relating to an increased scope of high-risk capital investments made by various institutions and companies in many countries. Governments, while protecting themselves against the effects of crises caused by speculation, often make use of state funds gained as a result of taxation.

Discussions held by numerous economists and politicians concern a way of restricting negative effects of the liberalisation of financial markets. Above all, it is about restricting possibilities of using the liberalisation of financial flows by speculators, who have no scruples about involving countries in crises in order to gain individual benefits.

EXTERNAL COSTS OF GLOBALIZATION

Due to the fact that globalization is of microeconomic nature, an issue of external costs should be taken into consideration. External costs are not directly borne by organisers and participants to the risky market game, but they are borne by “ordinary” members of society. It concerns above all benefits gained from those spheres of business activity which are not entirely

⁸ Por. T.T. Kaczmarek, *Global Economy...*, op. cit.

⁹ A. Gwiazda, *Globalization and Regionalisation of the World Economy*, Adam Marszałek Publishing House, Toruń 2000, p. 152.

borne by direct market purchasers. An effect of technical and technological progress, which brings benefits to entities implementing it, but also spreads across the economy, may be mentioned here. Another example is business activity serving the purpose of education, science and culture, whose effects cannot be boiled down to merely the calculation of an entity directly making use of it.

It is relatively easy to measure and define external costs of globalization processes when we talk about effects within the area of natural environment and unemployment. However, it is more difficult to assess them in such negative phenomena as social pathology, degeneration of social bonds, development of international terrorism, frustration and individual feeling of being lost.

The role and importance of qualified manual labour decreases as a result of global technological progress. That is why, employment stability, and not the level of pay, is superior for many people. It becomes even more important, the greater becomes the threat of putting labourers on the sidelines¹⁰.

External costs of globalization should be seen not only in the increase of uncertainty, frustration or disappointment of big social groups with increasing polarization and risk processes, but also in the social dimension as disintegration of social bonds. A consequence of the disintegration of such bonds is increasing family crisis and social pathology. Disintegration of social bonds often leads to an increase in such pathologies as corruption, thieving and violent crime.

HOW "TO CIVILISE" GLOBALIZATION?

There are various answers to the question posed in such a way, namely, what should be done for globalization to be not only an economic process, but also a process bringing social benefits. Fundamental reforms, which should be implemented, include:

- understanding and realising threats resulting from the liberalisation of capital markets,
- reforms in the field of bankruptcy law,
- relying to a lesser degree on co-funding and subsidies,
- improvement of regulations in the banking system,

¹⁰ Cf. T.T. Kaczmarek, G. Ćwiek, *Threat of Crisis vs. Action Continuity*, Difin, Warsaw 2009.

- improvement of risk management efficiency¹¹,
- improvement of social protection system,
- improvement of responding to crises.

It should be unambiguously stated that a return to fundamental economic principles is necessary. The International Monetary Fund should return to its initial mandate – provision of funds for the resumption/restitution of effective demand in countries in which economic recession prevailed.

Another very important aspect is an improvement of the relation between globalization and democracy. Globalization often leads to the replacement of old, corrupt dictatorships with new dictatorships from the world of international finance. Individual countries, particularly those developing ones, are forced to fulfil some difficult conditions under threat of not lending them money. In practice, those countries are forced to resign from part of their sovereignty, as well as agree to actions often being of speculative nature, oriented at short-term profits of the so-called foreign investors, and not long-term economic growth of a given country.

Despite quite common dissatisfaction, globalization may become a force serving the purpose of improvement. For instance, global political movements led to the remitting of debts and signing the Anti-Personnel Mine Ban Convention. Thanks to globalization, hundreds of millions of people achieved higher standard of living. Many countries took advantage of globalization to find new markets and attract foreign investments.

Globalization proceeding in a way similar to as it was in the past will cause further growth of disproportions, oppositions and dissatisfaction of part of the society. Implementation of the above reforms may give hope for a more human face of globalization, thanks to which this process will turn into a force bringing prosperity. Thanks to those changes, most people living in developing countries will benefit from it.

Free market ideology should be replaced with results of analyses based on scientific research, balanced view on the role of the state, taking into account the problem of unreliability of both market and the state itself.

Global development is not about a handful of people becoming rich, but an increase in the standard of living of billions of people in many countries. Global development is about a positive process of transforming many societies, improvement of the poor's life, giving a chance of success to everyone, and above all, ensuring an access to education and welfare.

¹¹ T.T. Kaczmarek, *Risk Management. Interdisciplinary Perspective*, Difin, Warsaw 2011.

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SUMMARY

The author keeps criticizing the process of globalization. First of all, he draws attention to the threats originating from a spontaneous globalization process. He highlights the issue of disregarding the role of the state in the contemporary world. And addressing this problem, he asks a question: does globalization pose a threat to democracy?

The weakening of inter-personal contacts on a regional and global scale is an unquestionable fact. Another dangerous phenomenon is an increase in ecological threats in highly developed countries and especially developing countries.

The author highlights many paradoxes connected with the liberalisation of international trade and uncontrolled capital flows in the global economy. A phantom of neo-protectionism is becoming a danger. He ends his considerations with a reflection on the ways of “civilizing” globalization.

Tomasz Grzegorz Grosse

METHODS OF ECONOMIC MANAGEMENT IN THE EUROPEAN UNION

TENDENCIES OF CHANGES AS A RESULT
OF THE 2008–2011 CRISIS

INTRODUCTION

The article presents selected mechanisms of economy management in the European Union (EU) and traces leading tendencies in respect of management occurring as a result of the economic crisis (2008–2011). Actions taken by the Community impact economic policies of the member states to a different extent. They influence institutions of national economic systems which literature¹ describes as national capitalistic models. They trigger various economic and social results, also for national businesses and consumers. They refer to competitiveness of companies on the common market, influence a growth (or reduction) of the GNP and employment levels. EU actions, which include regulation and European policies, create a new structure for economic opportunities on the common market. They impact mutual economic competition between particular states, e.g. in the regulatory area.

This way, European integration, though in various manners, influences economies of particular member states. It also contributes to the fact that national governments try to actively participate in working out European policies so that they are most advantageous for their national development interests and conform to rationality of national economic systems opera-

¹ P. Hall, D. Soskice (ed.), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford – New York: Oxford University Press 2001, pp. 1–44; B. Amable *The Diversity of Modern Capitalism*, Oxford – New York: Oxford University Press 2003, pp. 103–114, 176; J. Alber, *The European Social Model and the United States*, “European Union Politics” 2006, Vol. 7, nr 3, pp. 393–419.

tion. Governments differently take part in particular policies, depending on management mechanisms used. A national economic policy within European integration requires the member states not only to recognise their own strategic developmental interests but also to actively approach politics on the European arena and to use various management methods in EU. This means that a condition necessary for an effective economic policy of a state is not only its efficient management in its own territory but also skilful participation in EU managing processes. This covers both keeping control and steering economic processes in the country and influencing upon and steering of political processes occurring in EU.

The article presents two main management methods in EU: the Community method and the open method of coordination. Also selected examples of using these methods in the economy have been provided.

Within European integration, the Community method dominates, which is a source of hierarchy in managing public policies in EU. It has a strong component of technocratic approach to management which is reflected through a wide range of entitlements delegated to various European administration institutions. Then, the open method of coordination is found less hierarchical and more inter-governmental as compared to the Community method. It allows the member states to keep greater autonomy in economic management processes which is more difficult in case of the Community method. In both types of management we can equally observe competition and cooperation (negotiation) between key players. Subject literature² presents an opinion that both cooperation and competition take place in Europe in the “shadow of hierarchy” of the EU law and Community institutions. This also applies to voluntary or network managing systems which include the open method of coordination. Due to a restricted size of this article, the network management forms in EU have not been presented in detail³. They are relatively numerous and occur in various areas of European policies. To the greatest extent, they demonstrate a tendency towards a corporate management system. However, many of them complement the Community method. For instance, political networks organised by the European Commission or European lobbying organisations participate to a large extent in working out European legislation or monitor its subsequent implementation. Also networks of European and national agencies often implement the EU legisla-

² T.A. Börzel, *European Governance: Negotiation and Competition in the Shadow of Hierarchy*, “Journal of Common Market Studies” 2010, Vol. 48, nr 2, pp. 191–219.

³ T.G. Grosse, *Europa na rozdrożu*, Instytut Spraw Publicznych, Warszawa 2008, rozdz. 5.

tion or disseminate information on its interpretation. They are an example of tension between technocratic and inter-governmental approach to economic management. They also show two contradictory tendencies: to strengthen European institutions or to maintain autonomy of national institutions. All the aforementioned phenomena are also observed in case of the Community method and the open method of coordination.

The article conclusion considers key tendencies of changes in management mechanisms which result from economic difficulties occurring in the years 2008–2011. Changes in the management in EU are mostly accompanied by two main objectives: first of all, a will to improve efficiency of European policies; secondly, a tendency to increase authority over European integration processes, also through higher control over and steering of Union politicians. In this context, the focus is on the issue of effectiveness of managing economic policies in EU and actions aiming at increasing economic control by leading member states. Additionally, results have been taken into consideration of such changes for peripheral states which are located in the central-east part of the old continent.

THE COMMUNITY METHOD

The dominating mechanism of European integration is the Community method⁴. It is based on regulatory actions which are binding for the member states. Experts⁵ draw attention to a systematic increase of the amount of European regulation and still broader subject matter covered by European legislation. Such processes are defined in English literature as *competence creep*. They mainly result from subsequently implemented treaty changes and abrupt growth of secondary law resulting from new treaties (a so called ‘positive integration’). The regulatory sphere is mostly developed within the common agricultural (and fishing) policy, the common market and competition protection on this market as well as regulating foreign trade (outside Europe)⁶.

⁴ J.A. Caporaso, J. Wittenbrinck, *The new modes of governance and political authority in Europe*, “Journal of European Public Policy 2006”, Vol. 13, nr 4, pp. 471–480.

⁵ M.A. Pollack, *The End of Creeping Competence? EU Policy-Making Since Maastricht*, “Journal of Common Market Studies” 2000, Vol. 38, nr 3, pp. 519–538.

⁶ See: A. Alesina, I. Angeloni, L. Schuknecht, *What does the European Union do? “Public Choice”* 2005, Vol. 123, nr 3–4, pp. 275–319.

An important feature of the Community method is the biggest, as compared to other management methods, share of Community institutions, and specially the European Commission (EC) and the Court of Justice of the European Union (CJEU). Apart from that, also the Council and the European Parliament take part in the decision-making process. Research has shown that⁷ despite the growing influence of the Parliament, inter-governmental institutions still have a dominating impact upon the final shape of EU regulations. Also EC plays an important role, specially during the phase of regulation preparation. The Commission has the exclusive right of legislative initiative, develops the shape of legal solutions and proposals for strategic orientation of European policies; it has remarkable impact upon working out agreements between the Council and the European Parliament. It has expert knowledge and information necessary to make decisions which is an asset in dialogues with representatives of other Community institutions. It skilfully makes use of opinion differences between partners from these institutions, including conflicts between member states. It competently uses opinions from social and lobbying organisations and, if necessary, the opinion of the public (e.g. Eurostat research). It enjoys significant competencies in controlling the process of implementing the EU legislation by the member states. Joining the competency of legislative initiatives with monitoring of the implementation of EU policies and legislation gives the Commission opportunities to quite effectively realise its own political concepts. Therefore, in the Community method we have both a strong component of technocratic management as well as an inter-governmental one. Both components of the management complement each other but they are subject to competition for extending own competencies and influence upon the discussed management method. This is proven by Commission's proposal regarding an improvement of the Community method⁸.

Remarkable effectiveness of the Community method is related to an extended system of enforcement of implementing EU legislation and judicial interpretation which extends its scope of application (a co called 'negative integration')⁹. An important feature of the discussed method is a legal regu-

⁷ R. Thomson, M. Hosli, *Who Has Power in the EU? The Commission, Council and Parliament in Legislative Decision-making*, "Journal of Common Market Studies" 2006, Vol. 44, nr 2, pp. 391–417.

⁸ *European Governance, A White paper*, Commission of the European Communities, COM(2001) 428(final), Brussels, 25.7.2001, pp. 18–21.

⁹ F.W. Scharpf, *Negative and Positive Integration in the Political Economy of European Welfare States*, [in:] G. Marks, F. Scharpf, P. Schmitter, W. Streeck (eds.), *Governance in the European Union*, London: SAGE Publications 1996, pp. 15–40.

lation binding for the member states. When compared to other managing methods, this is the most coercive method of running public policies. It is based on hierarchic (top-down) imposing of certain regulations and actions in the public area by the Union onto the member states. The execution system of the Community method is based on judicial enforcement of application of the EU legislation through penalising sanctions and a two-level monitoring system. It is run by the EC on one hand, and on the other by national and local partners who often come from non-governmental circles.

The Community method compared to other managing methods is assumed to ensure harmonisation of public policies within united Europe to the largest extent. This is related to centralisation of management (save for bottom-up mechanisms of contradictory legalism) and a far-reaching details of regulatory solutions and political guidelines. This is also a management method which provides the biggest transfer of external institutions and policies to the member states; it is found to be the most effective way to realise European policies¹⁰. It is treated as the strongest mechanism to make administration of the member states European-like, i.e. to influence changes of procedures, organisational structures and management methods in national public administration. Simultaneously, standards for turning European-like are not uniform and sometimes even internally contradictory. This is exemplified by the integrated approach which coordinates public actions of various entities in many aspects of public matters. A different standard is the sector approach, which focuses on a rather narrow, substantive scope, mostly applied within ministerial administration¹¹. Therefore, European policies shape the directions of public intervention and management standards which can have remarkable consequences for effectiveness of actions and efficiency of modernising processes in particular states.

This is related to the issue of compatibility of union regulations to local conditions and their usefulness for solving local economic and social problems. Critics of the Community method indicate a need to introduce more flexible integration actions which would to a larger extent consider the administration specifics and other conditions in individual states¹². They assume

¹⁰ See: S. Bulmer, S. Padgett, *Policy Transfer in the European Union: An Institutional Perspective*, "British Journal of Political Science" 2005, Vol. 35, nr 1, pp. 103–126.

¹¹ T.G. Grosse, Ł. Hardt, *Sektorowa czy zintegrowana, czyli o optymalnej strategii rozwoju polskiej wsi*, „Pro Oeconomia”, Fundacja Ewaluacji i Badań Ekonomicznych, Wydawnictwo Key Text, Warszawa 2010.

¹² E. Jones, *Idiosyncrasy and integration: suggestions from comparative political economy*, "Journal of European Public Policy" 2003, Vol. 10, nr 1, pp. 140–158.

that more flexible planning of EU policies on the national level (and the local one) shall allow their more effective realisation and more comprehensible use to solve diverse social and economic problems of the member states. That is why many states slow down development of the Community method, which is related, *inter alia*, to a desire to protect national interests. One method to avoid the Community method may be to direct European policies towards “soft” management methods (defined as “soft law”). They are based less on binding and detailed legal regulations (*hard law*), are less hierarchic, more decentralised in terms of implementation and give better possibilities to be flexibly adapted to local conditions¹³. Using “soft” management methods shows a special reference to competence areas which are found politically and socially sensitive. There occur biggest contradictions between national capitalistic models, and states are not willing to abandon their current entitlements. So, the Community method does not include numerous crucial public issues, which is defined as regulation gap in the Community legislation¹⁴.

The criticism of the harmonising function of the Community method was expressed by introducing in 1985 less detailed framework directives. Also, larger freedom was ensured in transposing directives (in respect of regulations) to national legislative system. They only bind EU members in terms of the result of Union regulations. This leaves the states a possibility to chose a legal form for implementing a given directive. The issue of the *regulation gap* in Union legislation then was supposed to be solved by the rule of mutual recognition introduced into the Union legal system on the turn of 1970s and 1980s. It orders opening borders for goods and services from other member states, provided they meet the standards defined within national legislations for analogous national goods and services. It was supposed to serve the development of the common market in the areas where the member states did not agree to harmonising regulations by the Community legislation¹⁵.

From the beginning of the discussed rule, two contradictory tendencies appeared. On one hand, Community institutions, and specially the European Commission and the CJEU, used it to liberalise commercial exchange on the common market, e.g. by removing protective barriers in access to national markets. On the other hand, the rule of mutual recognition served

¹³ B. Eberlein, E. Grande, *Beyond delegation: transnational regulatory regimes and the EU regulatory state*, “Journal of European Public Policy” 2005, Vol. 12, nr 1, pp. 89–112.

¹⁴ *Ibidem*.

¹⁵ S.K. Schmidt, *Mutual recognition as a new mode of governance*, “Journal of European Public Policy” 2007, Vol. 14, nr 5, pp. 667–681.

to maintain autonomy of the member states in economic processes happening in their territories, which was connected with a will to keep control over and steering of economy by national governments. In this sense, the rule was perceived as an alternative to the hierarchization of the Community method and harmonising function of the European legislation. The member states used it to protect their national economic or social interests (e.g. consumers' interests) in areas found as sensitive, e.g. by creating high costs for entering the national market for external manufacturers or service providers. However, they sometimes removed bureaucratic barriers and burdens in order to create optimum conditions for external investments. This type of actions is named regulatory competition, and due to a tendency to reduce employment standards or social services – “a race to the bottom”.

In case of goods exchange, also in the areas found as sensitive¹⁶, strict control from CJEU and monitoring by the European Commission restrict possibilities of excessive autonomy of national authorities. For instance, European institutions expand the scope of goods standardisation which in fact eliminates the rule of mutual recognition. Also, the Commission requires notification of any changes to national legislation which may introduce barriers on the common market. The member states are highly active in respect of national market regulation which was illustrated by over 800 notifications reported in 2005 only¹⁷. This, in experts' opinion¹⁸, proves a constant tendency of national governments to keep control over economic processes in their own territories and protection of national interests and national institutional systems.

An interesting instance of using the rule of mutual recognition is seen in services. The discussed rule resulted in keeping various barriers in access to the market, specially in countries which show the highest institutionalisation level in the economic area. The objective of the service directive proposed in 2004 by commissioner Frits Bolkestein was liberalisation of the market of services based on the rule of country of origin. A debate over this regulation in the European Parliament firstly led to introducing numerous exceptions to this rule, and then to its full removal and restoring the previous practice of mutual recognition. The rejection of the liberal shape of the service directive

¹⁶ SHEC: Safety, Health, Environment, Consumer.

¹⁷ J. Pelkmans, *Mutual recognition in goods. On promises and disillusion*, “Journal of European Public Policy” 2007, Vol. 14, nr 5, pp. 699–716.

¹⁸ K. Nicolaïdis, S.K. Schmidt, *Mutual recognition ‘on trial’: the long road to services liberalization*, “Journal of European Public Policy” 2007, Vol. 14, nr 5, pp. 717–734.

was voted for by MEPs from the biggest member states (Germany and France), strongly supported by their own national governments. In experts' opinion¹⁹, this was caused by protection of national economic and social interests against competition from new member states. It also resulted from a will to keep unity of national economic (capitalistic) systems and control of national authorities over their own economies.

Summing up the above divagations, it should be noted that European regulations strongly impact national economical policies and the institutional system of economy (the national capitalistic model)²⁰. This influence varies depending on local conditions. If Union policies do not conform to the local logic of the economic system, this leads to serious costs, reduction of internal rationality of the system work or its gradual de-institutionalisation. This is also an example of using European policies to maximise benefits by particular states on the common market, also by such shaping of Union regulations which shall support national competitive advantages and reduce possible costs of implementing Union regulations²¹. This shall require from national governments active policy on the EU forum and its close coordination with the state's development policy.

The Community method is an arena of economic competition between the member states. Divergent interests and different economic and social institutions in particular states contribute to serious conflicts about the shape of European regulations²². One of the purposes of this competition is to transfer national institutions, legal solutions or mechanisms of national public policies to the Union level which is related to expected benefits for the national economy²³. Another example is blocking of legal solutions taken on the European level which are unfavourable for national interest groups. According to the European Commission²⁴, the biggest problem regarding the

¹⁹ M. Höpner, A. Schäfer, *A New Phase of European Integration. Organized Capitalism in Post-Ricardian Europe*, MPIfG Discussion Paper 07/04, pp. 12–13. K. Nicolaidis, S.K. Schmidt, *Mutual recognition...*, op. cit., pp. 724–726.

²⁰ M. Höpner, A. Schäfer, *A New Phase...*, op. cit., pp. 8, 22.

²¹ M.P. Smith, *Germany's Quest for a New EU Industrial Policy: Why it is Failing*, "German Politics" 2005, Vol. 14, nr 3, pp. 315–331; H. Callaghan, M. Höpner, *European Integration and the Clash of Capitalisms: Political Cleavages over Takeover Liberalization*, "Comparative European Politics" 2005, nr 3, pp. 307–332.

²² H. Callaghan, M. Höpner, *European Integration...*, op. cit.

²³ M.P. Smith, *Germany's Quest...*, op. cit.; S. Bulmer, S. Padgett, *Policy Transfer...*, ed. cit.; H. Callaghan, M. Höpner, *European Integration...*, op. cit.

²⁴ *European Governance...*, op. cit., p. 18.

Community method is the blocking of regulatory solutions in certain sectors of public affairs or delaying the approval of such regulations through never-ending negotiations among the member states.

Another method to protect national interests from any results of the Community method is delaying the implementation of Union regulations into the national legal system. Also other methods are used to restrict negative influence of these regulations upon national economic interests, such as superficial or improper implementation of Union regulations, introduction of control and administrative measures which shall make application of these regulations more difficult²⁵. It should be stressed that the mentioned actions frequently come from a will to protect important national interests and are also dictated by a need to maintain coherence of the national economic system. They are often linked to a wish to keep control over key economic processes. Therefore, the bigger the level of incoherence of the Union legislation with national developmental problems and social interests, the more serious probability of wrong application of EU legislation and thus bigger difficulties for the realisation of the Community method²⁶.

Therefore, *the regulation gap* together with leeway of implementing Community legislation by the member states is in some areas an important factor which differentiates the law in Europe, especially among legal systems applicable in particular states. This creates conditions for development of competition between legal systems. This tendency is reflected in a possibility to choose a legal system by private entities among particular states (horizontal competition) or to choose between the national and European standard (vertical competition)²⁷. Differentiation of law in Europe can be treated as an example of weakness of the Community method, especially with reference to its function of harmonising the rules of the game on the common market. However, it creates opportunities to make business in Europe flexible, including possibilities to adapt to local conditions or economic difficulties. That is why, in some areas, an option has been deliberately left to optionally choose

²⁵ S.K. Schmidt, *Reform in the Shadow of Community Law: Highly Regulated Economic Sectors*, "German Politics" 2005, Vol. 14, nr 2, pp. 157–173.

²⁶ T.G. Grosse, *Instytucjonalne przygotowanie Polski do członkostwa w Unii Europejskiej*, „Międzynarodowy Przegląd Polityczny” 2004, nr 7; T.G. Grosse, *Pierwsze miesiące członkostwa Polski w Unii Europejskiej. Szanse zwiększenia korzyści w odniesieniu do wybranych polityk gospodarczych*, [in:] *Ocena pierwszych miesięcy członkostwa Polski w UE – fakty i mity*, Instytut Studiów Strategicznych, Kraków 2005.

²⁷ W. Schön, *Playing different games? Regulatory competition in tax and company law compared*, "Common Market Law Review" 2005, Vol. 42, nr 2, pp. 331–365.

European or national regime (for instance with reference to companies law). It should however be noted, that differentiation of law in Europe is mainly beneficial for large, trans-European corporations which have a true possibility to choose their seat and the legal system, and which have sufficient financial resources to use, if necessary, differences between legal regimes through litigation.

Another consequence of the legal differentiation in Europe is launching regulatory competition between particular member states. This most often relates to enhancing conditions for foreign investors and helps to liberalise some national regulations. However, specialists have various opinions on the scope and direction of law changes in the member states. To some of them, this is a clear liberalisation trend which specially refers to fiscal burdens and social obligations (e.g. employees' laws) which means a tendency to level down to the lowest standard applicable in the territory of the Union (the *race to the bottom* mechanism)²⁸. For some other researchers²⁹, the scope of regulatory liberalisation is moderate. National legal regimes characterise with a high inertia level. Also, an increased competition on the common market leads to an intra-system adaptation (but not a thoughtless decrease of standards) with a simultaneous attempt to keep control over economic processes by state authorities (also in the regulatory aspect). Any endangered national interest puts pressure upon political authorities in order to keep the current laws. This refers especially to the areas under the rule of mutual recognition, so ones which to large extent are taken out of the harmonising Community law. If it is justified, the mentioned social groups support attempts to introduce proper standards into the EU legislation. This tendency is exemplified by attempts of shaping of Community regulations in such a manner that it shall be possible to make a top-down impact upon competitiveness conditions on the common market. Facing the results of the economic crisis (2008–2011), such actions were taken by the strongest states in respect of strengthening economic coordination or by regulations of Union energy and climate package.

²⁸ F.W. Scharpf, *Governing in Europe. Effective and Democratic?* Oxford: Oxford University Press 1999.

²⁹ C.M. Radaelli, *The Puzzle of Regulatory Competition*, "Journal of Public Policy" 2004, Vol. 24, nr 1, pp. 1–23.

OPEN METHOD OF CO-ORDINATION

The open method of coordination is an attempt of a broad transfer of international management methodology to economic and social policies. The OMC was supposed to be a more flexible method, in comparison to the Community method, of solving local problems and ensure better compatibility of European policies to local social and economic conditions. It was also supposed to be decentralised to a larger extent and allow higher effectiveness of realising Union policies.

The best known example of using the OMC is the Lisbon strategy which was initiated during the EU summit in 2000. It was taken from the flexible coordination of national policies in the area of European monetary union and from the European Employment Strategy introduced by Maastricht and Amsterdam treaties. It is based on common establishing of objectives and threshold conditions for implementing a given policy, leaving freedom of its realisation to the member states. Simultaneously, the method is based on cyclical monitoring of the implementation of a given policy and reports on that issue prepared by national governments and the European Commission³⁰. It is complemented by experience exchange between the member states run, inter alia, through mutual monitoring visits (the *peer review process*)³¹. The OMC heads for such a change and coordination of national public policies so that they match Union objectives and bring new quality on the European scale.

The key feature of the open method of coordination is abandoning a uniform and common for all countries mechanism for implementing policies, including the top-bottom imposed regulatory implementation of detailed solutions. Instead, the preferred method is an exchange of best experience and searching for national methods of implementing Union policies. So, the method is an example of using the subsidiary rule in the EU practice, by which particular public competencies should be realised on the lowest possible administration level. The method is used in various areas of Union policies,

³⁰ J. Mosher, *Open Method of Coordination: Functional and Political Origins*, ECSA Review 2000, Vol. 13, nr 3, pp. 2–7. Również: L. Jesień, *Otwarta metoda koordynacji. Kontekst i znaczenie dla Polski*, „Polska w Europie” 2004, nr 1 (45); T.G. Grosse, *Nowe metody zarządzania zadaniami publicznymi w Unii Europejskiej i w Polsce*, „Studia Polityczne” 2005, Vol. 17.

³¹ B.H. Casey, M. Gold, *Peer review of labour market programmes in the European Union: what can countries really learn from one another?* “Journal of European Public Policy” 2005, Vol. 12, nr 1, pp. 23–43.

including economic policies (tax, monetary, energy and telecommunication), environmental, technological research and development, immigration policy, counteracting unemployment, health and other areas of social policies, transport development and regional policy. Depending on the political area, different precision of indices is seen for implementation and monitoring of public activities and the scope of possible sanctions for improper progress of implementing obligations accepted by the member states (they are usually restricted to public stigmatisation of an outsider³²).

The open method of coordination uses previously applied techniques of “soft” management in the EU. Such actions can be exemplified by: comparison of realisation of European policies in particular countries (*peer review*), and setting the scope of implemented tasks (*benchmarking*)³³. Compared to the previously used “soft” management techniques, the open method of coordination has an obvious strategic inclination (a key aspect is preparing long-term plans for political actions). It tries to join numerous policies (e.g. within the Lisbon strategy), various levels of public authorities, including horizontal cooperation between particular national administrations. It is based on cyclical comparison of results between various countries and multilateral exchange of information and experiences³⁴.

According to specialists³⁵, the open method of coordination allows particular countries to keep a higher scope of sovereign decisions than the Community method does. A basic assumption of the OMC is voluntary participation by states in actions covered by this method and abandoning the binding law as a bond for this method. The open method of coordination allows the member states to maintain a higher level of control over European initiatives realised in their countries, so it gives higher possibilities to steer economic processes. It also allows more flexible adaptation of Union policies to local conditions. However, this aspect of management is not always fully used in practice.

³² S. Borrás, B. Grave, *Concluding remarks: New method or just cheap talk?* “Journal of European Public Policy” 2004, Vol. 11, nr 2, pp. 329–336; M. Citi, M. Rhodes, *New Modes of Governance in the EU: Common Objectives versus National Preferences*, European Governance Papers 2007, nr N-07-01, <http://www.connex-network.org/>.

³³ M. Marcussen, *Multilateral surveillance and the OECD. Playing the idea-game*, [in:] Armingeon K., Beyeler M. (ed.), *OECD Surveillance and Welfare States in Western Europe*, Edward Elgar, Cheltenham 2004.

³⁴ S. Borrás, K. Jacobsson, *The open method of co-ordination and new governance patterns in the EU*, “Journal of European Public Policy” 2004, Vol. 11, Nr 2, pp. 185–208.

³⁵ A. Schäfer, *A new form of governance? Comparing the open method of co-ordination to multilateral surveillance by the IMF and the OECD*, “Journal of European Public Policy” 2006, Vol. 13, nr 1, pp. 70–88.

Much depends on competence of the government administration and ability to use this method for national policies' objectives. In some cases, flexibility of the open method of coordination and its adaptation to local conditions is apparent, just because there is no appropriate cooperation between diplomats who agree directions of strategic actions on the Union level and officials in particular ministries who realise national policies³⁶.

The OMC is particularly useful for the most active member states. Due to their own ingenuity in the process of developing assumptions of a given policy and quick implementation of own concepts, these countries have big impact upon Union goals and solutions adopted in other member states. This way they are able to co-create dimensions of European policies they prefer most. It should also be observed that despite the fact that essential decisions are taken by the member states, the discussed method leaves space for the European Commission. It defines collective goals for particular actions, acts as their coordinator and is responsible for cyclical supervision of implementation of subsequent phases of using a method. The role of the Commission grows specially towards passive states which do not have their own ideas for using the discussed method³⁷.

The OMC is also evaluated as a method to restrict expansion of the Community method and tough European regulations which are the key mechanism in developing European integration³⁸. From this perspective, the open method of coordination can be then assumed as an attempt by the member states to rebuild their influence upon the direction of further development of European integration. The analysed method is also understood as a result of a crisis in the current management in the Union, an effect of excessive discrepancies between interests of the member states, difficulties in mak-

³⁶ Ibidem.

³⁷ S. Rosa, *The Open Method of Coordination in the New Member States – the Perspectives for its Use as a Tool of Soft Law*, “European Law Journal” 2005, Vol. 11, nr 5, pp. 618–640.

³⁸ D. Hodson, I. Maher, *The Open Method as a New Mode of Governance. The Case of Soft Economic Policy Co-ordination*, “Journal of Common Market Studies” 2001, Vol. 39, Nr 4, pp. 563–591; P. Leisink, R. Hyman, *Introduction: The Dual Evolution of Europeanization and Varieties of Governance*, “European Journal of Industrial Relations” 2005, Vol. 11, nr 3, pp. 277–286; A. Schäfer, *Beyond the Community Method: Why the Open Method of Coordination Was Introduced to EU Policy-making*, “European Integration online Papers” 2004, Vol. 6, nr 6, http://eiop.or.at/eiop/local_old.html; Peters A., Pagotto I. (2006): *Soft Law as a New Modes of Governance: A Legal Perspective*, NewGov, CIT1-CT-2004-506392, 04/D11, <http://www.eu-newgov.org/>.

ing decisions and other weaknesses of the Community method³⁹. Only few experts treat the OMC as a possibility to initiate a legislative procedure for binding European regulations and a method to intensify cooperation and deliberation in Europe⁴⁰.

The OMC is deemed a faster way to make decisions on the European level and agree national policies, especially in politically sensitive areas or ones related to strong differences in interests and institutions among the member states⁴¹. However, among the biggest problems, a low effectiveness level⁴² is listed. This mainly refers to ineffective enforcement of collectively determined political goals. The discussed method does not coordinate public policies among the member states in a good manner, what is missing are proper mechanisms of enforcement of particular states' obligations by Union institutions. It arouses social expectations due to easier adaptation of common strategies in socially sensitive cases, but it does not ensure effective fulfilment of promises in practice. An example which illustrates all the aforementioned shortcomings is ineffectiveness of realisation of goals by the Lisbon strategy⁴³. That is why in subsequent stages of this strategy and later on within the "Europe 2020" strategy adopted in 2010, there appeared attempts to supplement the OMC mechanism with other management methods, mainly ones taken from the Community method. This refers also to enforced regulations in coordination of economic management, energy and climate package and stronger connection between the goals of the EU economic strategy and Union's redistributing policies. This way, first the updated Lisbon strategy (of 2005) and then the "Europe 2020" strategy were, to still greater extent, an area of using various management methods towards the European economy.

Concluding, it should be accepted that the OMC does not eliminate contradictions among the member states but only seems to mask them under general political strategies. In experts' opinion⁴⁴, the discussed method hardly

³⁹ A. Schäfer, *A new form of governance?...*, op. cit.

⁴⁰ D.M. Trubek, L.G. Trubek, *Hard and Soft Law in the Construction of Social Europe: the Role of the Open Method of Co-ordination*, "European Law Journal" 2005, Vol. 11, nr 3, pp. 343–364.

⁴¹ A. Schäfer, *A new form of governance?...*, op. cit.

⁴² J.A. Caporaso, J. Wittenbrinck, *The new modes of governance...*, op. cit.; S. Bulmer, S. Padgett, *Policy Transfer...*, ed. cit.

⁴³ T.G. Grosse, *Doświadczenia Strategii Lizbońskiej – perspektywy Strategii „Europa 2020”: o kontynuacji i zmianach w polityce UE*, „Zarządzanie Publiczne” 2010, Nr 1(11), pp. 5–23.

⁴⁴ A. Schäfer, *A new form of governance?...*, op. cit.

effectively realises common European goals while it well secures national interests and competencies of the member states. It is turning into the area of transferring national goals and economic institutions to European policies which gives hope that they shall one day become all-European, legally binding standards. The problem with the discussed method is lack of political leadership on the Union level which could overcome such contradictions and ensure its more effective practical work⁴⁵. That is why, the OMC is still more frequently supported by regulatory or redistribution instruments of Union methodology. Such actions are often worked out within a circle of leading European countries and then sent for realisation to e.g. the European Commission.

CONCLUSION

Keeping strategic steering of public policies realised in the European Union (both on the European and national levels) requires uniform and strong political power on the Union level. Meanwhile, the current system of European authorities is dispersed and multi-level, without a clear division of competencies and political leadership; it is incompatible to the current size of the Union and the scope of its public policies⁴⁶. Union institutions insufficiently perform control functions one towards another. Instead, competition of competencies can be seen which results from an open political debate in the Union and from many, often contradictory, concepts regarding the future of European integration. The management methods are subject of this rivalry. Various social and political interests frequently prefer different managing methods, which results from different expectations regarding institutional reforms and a final integration model⁴⁷. For instance, supporters of federal Europe support the Community method, while defenders of the inter-governmental model – various methods of cooperation among the member states, e.g. the open method of coordination or detailed cooperation of governments in selected areas of integration.

Lack of an unambiguous choice of the final political system for the Union together with intensity of competition between opposite interest hinder management in the Union. They also slow down decision-making processes,

⁴⁵ P. Leisink, R. Hyman, *Introduction: The Dual Evolution...*, op. cit.

⁴⁶ J.P. Olsen, *Unity, Diversity and Democratic Institutions: Lessons from the European Union*, "The Journal of Political Philosophy" 2004, Vol. 12, nr 4, pp. 461–495.

⁴⁷ T.G. Grosse, *Europa na rozdrożu*, op. cit.

“dilute” substantive contents of strategic policies, hinder coordination of Union policies with national ones and harmonisation of regulatory systems in Europe. The managing difficulties are deepened by weakness of the Union budget and limited possibilities to complement regulatory policies with redistribution programmes. The mentioned difficulties lead to implementing new management techniques which sometimes supplement the Community method but which can also be used as an alternative management method for public policies.

Weakness of the *democratic legitimization* in the Union additionally enfeebles possibilities of effective management by Union institutions. It seems that appropriately strong political legitimization is a condition to ensure strategic steering in the European Union⁴⁸. That is why there is no clearly separated executive power in the Union which, when holding a proper political mandate, could effectively “cut” disputes between interests of the member states and pressure groups, and also clearly identify with the interest of the entire Community.

When comparing the above discussed management methods, it should be stated that none of them ensures an effective intervention in crisis situations which comes mainly from weakness of the political centre. One of the basic problems in managing European policies are complications in decision making and problems related to their realisation in practice. These difficulties result from diversity and competition of social interests represented on the Union level. According to experts⁴⁹, decisions are most difficult to take according to the Community method. This is manifested, inter alia, by lengthy duration of decision-making processes and complicating negotiations on substantive content of a given policy (regulation), which reduces possibilities of effective problem solving. Concurrently, the Community method is considered the most effective instrument for implementing approved solutions in practice. Contrastingly, the “soft” managing methods, e.g. the open method of coordination, give far better possibilities of taking joint political decisions but are less enforceable in practice⁵⁰. So, management in EU has significant

⁴⁸ T.G. Grosse, *Modele integracji europejskiej wobec dylematów reformy Unii Europejskiej*, „Polska w Europie” 2007, nr 1 (50), pp. 29–68.

⁴⁹ Ch. Knill, A. Lenschow, *Modes of Regulation in the Governance of the European Union: Towards a Comprehensive Evaluation*, “European Integration online Papers” 2003, Vol. 7, nr 1, http://eiop.or.at/eiop/local_old.html.

⁵⁰ Ch. Knill, A. Lenschow, *Compliance, Competition and Communication: Different Approaches of European Governance and their Impact on National Institutions*, “Journal of Common Market Studies” 2005, Vol. 43, nr 3, pp. 583–606.

problems with putting together high effectiveness of agreeing decisions with their later, equally effective implementation.

The European Union seems to quite well prepare long-term political strategies such as e.g. the Lisbon strategy (and the following “Europe 2020” strategy) or the European Employment Strategy. However, a closer analysis of these documents shows in many instances their vagueness, dispersion over too many goals, internal inconsequence or even contradiction of accepted priorities⁵¹. Coordination of policies taken between particular states fails. There is no clear political responsibility for implementing strategies both in the Union and in the member states. A large portion of these documents identifies strategic problems quite well but cannot turn them into operational goals⁵² or allows, in an inappropriate manner, to distinguish goals important for the entire Community from truly particularistic purposes, e.g. ones related to a narrow group of interests. This is conditioned by a weak capability to discriminate between interests of the entire Union and group interests (including individual member states’) and by difficulties in valuating these interests between themselves and settling conflicts between them.

The 2008–2011 economic crisis highlighted problems of improper steering of the economy in the European Union. It is a derivative of conflicts of interests and excessive differentiation of economic institutions among the member states. The mentioned differentiation have deepened as a result of expanding the Union eastwards (2004–2007). The managing method currently in use in the Union cannot guarantee effective control of economic processes in such conditions. As it has been mentioned, in EU there is no political leadership and executive power strong enough. Additionally, during the crisis, leadership of technocratic institutions in Europe and the meaning of the Community method weakened. In such a situation, economic problems forced the biggest states’ governments to take over the political initiative. They strive to regain control over economic processes in their own territories and to increase influence upon economic management in EU. For it is very

⁵¹ T.G. Grosse, *Nowe podejście do strategii lizbońskiej*, Instytut Spraw Publicznych, „Analizy i Opinie” 2005, nr 34. Także: *Facing the challenge. The Lisbon strategy for growth and employment. Report from the High Level Group chaired by Wim Kok*, European Commission, Brussels 2004; A. Dierx, F. Ilzkovitz, *Economic Growth in Europe: Pursuing the Lisbon Strategy*, [in:] S. Mundschenk, M.H. Stierle, U. Stierle-von Schuetz, I. Traistaru (ed.), *Competitiveness and Growth in Europe*, INFER Advances in Economic Research Vol. 1, Cheltenham: Edward Elgar 2006, pp. 15–46; T.G. Grosse, *Doświadczenia Strategii Lizbońskiej – perspektywy Strategii „Europa 2020”*, 2010.

⁵² J. Pisani-Ferry, A. Sapir, *Last exit to Lisbon*, Brussels: Institute BRUEGEL 2006.

difficult, within European integration conditions, to control development of own economy without adequate control over Union policy. As a result, it strengthened the role of inter-governmental cooperation, especially within the circle of the biggest member states. A method to regain political influence upon European integration is to restrict the role of Union technocratic institutions (mainly of EC) and to reduce the circle of countries participating in making key decisions regarding economic management. This phenomenon is reflected by enhancing cooperation among the Euro zone states (e.g. by organising informal summits of their leaders). This way it is easier for the leading states to arrange new mechanisms for economic coordination or counter-crisis instruments, which partially apply also to states which do not belong to the monetary union. This leads to strengthening of the European Union power centre concentrated around the biggest member states and to a growing asymmetry of political influences in the Union between the central and peripheral states.

What is even more important, the crisis has revealed weakness of European federation supporters and ambiguity of declarations supporting development of Community mechanisms. Instead, it presented particular member states' aspirations to use European instruments chiefly to fulfil their national goals. The crisis showed that integration actions in many countries and economic management methods they use in EU to a smaller extent serve the building of the Community or realisation of all-European objectives. Instead, they are more supposed to increase benefits for particular national economies, also by increasing their competitive positions on the common market and global markets⁵³.

The economic crisis has resulted in increasing political and economical competition among the member states. As it has been mentioned, some governments intensively get involved in processes of shaping European policies and regulations so that they strengthen their competitive position on the common market. Additionally, they care for keeping internal reasonability of operations of national capitalistic systems, and are trying to transfer their national institutional patterns to Union policies. This way they support national economic and social interests and tend to use Union regulations and policies to stimulate growth and employment in their own countries. A competitive element among the member states is a "bottom-top" regulatory competition which is intended to create the most advantageous conditions for

⁵³ A. Milward, *The European Rescue of the Nation State*, Routledge; 2 edition, London 2000.

foreign investors. Also various forms are used to protect national institutions or economic interests from institutional pressure arising from Europeisation.

Attempts are more and more clearly seen of reaching for Community method instruments which help to increase competitiveness of own economy against other member states' position on the common market. This tendency is also reflected by some proposals regarding strengthening economic cooperation in EU and also by provisions of the energy and climate package. The member states use methods of inter-governmental cooperation, the open method of coordination included, to initiate political objectives. They are then given for realisation to European institutions and also strengthened by regulatory or redistribution instruments of the Community method. Such an approach is exemplified by a hybrid structure of the "Europe 2020" strategy which shall be realised by both the OMC and Community instruments.

One of the basic management dilemmas in European Union is to keep balance between the need to keep political coherence (and regulatory harmonisation) and the need of internal autonomy of particular states (and flexibility in solving local problems)⁵⁴. This dilemma is specially well observed after recent expansion of the Union (2004–2007) and growth of internal diversities which emphasise division into central and peripheral areas. The differentiation of management types in the Union is, to some extent, an answer to this dilemma. The Community method reinforces the harmonisation tendency while its failings and gaps reduce coherence of policies and regulations in EU. "Soft" managing methods, and the open method of coordination specially, are related to a need of decentralisation and bottom-top shaping of public policies⁵⁵.

From the EU peripheries' perspective, a key meaning is assigned to whether European instruments are well addressed to their developmental needs or if they become a source of benefits mainly for external economic entities. It should be remembered that EU actions, including ones addressed mainly to peripheral states, are a result of negotiations between Community institutions and the 27 member states. So, they are a resultant of various economic interests and political objectives. Whereas it is the central states, not the peripheral ones, which enjoy the highest role in working out political decisions in EU.

⁵⁴ J.P. Olsen, *Unity, Diversity...*, op. cit.; S.S. Andersen, N. Sitter, *Differentiated Integration: What is it and How Much Can the EU Accommodate?* European Integration 2006, Vol. 28, nr 4, pp. 313–330.

⁵⁵ Por. Ch. Knill, A. Lenschow, *Compliance, Competition and Communication...*, op. cit.

It is also related to compatibility of any external institutions transferred to local conditions, which was named as *institutional compatibility*⁵⁶. It is related to compatibility of external institutions with internal rationality of the national economic system. This system creates framework of benefits and costs for national companies and consumers, including opportunity structures, upon which competitive advantages of a given country depend on the common market.

An example of a relatively weak *institutional compatibility* of European policies and local conditions is presented by the situation of the new member states. European integration meant for them a huge transfer of external institutions. Concurrently, they were hardly adapted to local conditions which increased a few correlated phenomena. Firstly, it was connected to domination of power and hierarchic institutional transfer based on adopting by these countries the entire legislation of the European communities (*acquis communautaire*). Also, it resulted from asymmetry of the accession process⁵⁷, i.e. a need to adapt membership conditions with very few negotiation options⁵⁸. Another factor was a specific political strategy of the new member states towards European integration. Their key goal was to reach geopolitical objectives, that is ones mainly related to gaining membership in the European Union. Negotiating detailed economic and social conditions was of far smaller importance for them, which included adapting European policies

⁵⁶ T.G. Grosse, *Instytucjonalne przygotowanie Polski...*, op. cit.; T.G. Grosse, *Pierwsze miesiące członkostwa Polski...*, op. cit.

⁵⁷ A. Wiener, *Finality vs. enlargement: constitutive practices and opposing rationales in the reconstruction of Europe*, [in:] J.H.H. Weiler, M. Wind (eds), *European Constitutionalism beyond the State*, Cambridge University Press, Cambridge 2003, pp. 157–201; F. Schimmelfennig, U. Sedelmeier, *Theorizing EU enlargement: research focus, hypotheses, and the state of research*, “Journal of European Public Policy” 2002, Vol. 9, nr 4, pp. 500–528; A. Scott, *The political economy of enlargement*, [in:] F. Cameron (ed.), *The Future of Europe. Integration and enlargement*, Routledge, London – New York 2004, pp. 80–97; A. Moravcsik, *Preferences and power in the European Community: a liberal intergovernmentalist approach*, “Journal of Common Market Studies” 1993, Vol. 31, nr 4, pp. 473–524.

⁵⁸ F. Schimmelfennig, U. Sedelmeier, *Conclusion: The Impact of the EU on the Accession Countries*, [in:] F. Schimmelfennig, U. Sedelmeier (ed.), *The Europeanization of Central and Eastern Europe*, Cornell University Press, Ithaca, NY, 2005, pp. 215–217; U. Sedelmeier, *Europeanisation in new member and candidate states*, Living Reviews in European Governance 2006, lreg-2006-3, <http://europeangovernance.livingreviews.org/Articles/index.html>; F. Schimmelfennig, U. Sedelmeier, *Candidate Countries and Conditionality*, [in:] P. Graziano, M.P. Vink (ed.), *Europeanization. New Research Agendas*, Haundmills, Basingstoke, New York: Palgrave, MacMillan Press 2007, pp. 88–101.

and legislation to national conditions. Additionally, the problems of *institutional compatibility* were increased by merging two radical transformation processes, i.e. changing the socialist system with accession to EU. The pace of introduced changes was enormously high. Also insufficient competencies were noticed among political and administration elites for proper adoption of external institutions to national conditions. This was connected with a tendency to imitatively import external experiences, often in order to increase acceptance with foreign partners.

Therefore, problems of weak adaptation of European policies to local conditions in some member states are to large extent related to relying the integration process mainly on implementing the European legislation. For these purposes the Community method was chiefly used (though without a phase of working out and negotiating legal regulations). Using this method increased the speed and range of implementing the European law and policies and at the same time weakened possibilities to flexibly adapt these instruments to local conditions.

Gradually, new member states are joining policies where the “soft” management methods are used. However, as research shows⁵⁹, using the open method of coordination for these states is related to higher competencies of EC and a larger scope of hierarchic control, specially on the level of programming public policies. The Commission seems to “substitute” state authorities in planning actions and also imposes substantive objectives, indices, deadlines and instruments for realisation – sometimes incompatible with local conditions. This is also related to lacking experience and activity on the part of the national administration and a habit of thoughtless adoption of European guidelines.

The presented examples show that the currently used management methods have restricted options to adapt European policies to local conditions in peripheral countries⁶⁰. Methods of management allow a high scope of institutional transfer to these countries. They agree Union policies with national goals in a weaker manner and allow to increase effectiveness of solving local problems using European instruments. This is highly related to lack of appropriate competencies and activity on the part of administration of the peripheral states. It also results from asymmetry of power in Union decision-making processes in favour of the central states.

⁵⁹ S. Rosa, *The Open Method of Coordination...*, op. cit.

⁶⁰ T.G. Grosse, *Innowacyjna gospodarka na peryferiach? Wybrane koncepcje teoretyczne oraz europejskie doświadczenia rozwoju regionów peryferyjnych*, Instytut Spraw Publicznych, Warszawa 2007.

The peripheral states from Central Europe have then too weak a political position in EU and too low political and administrative competencies to effectively influence economic management methods in EU. This may result in lack of *institutional compatibility* and thus deterioration of possibilities of economic growth for these states within European integration. This phenomena grows under the economic crisis in Europe. The political role of the peripheries is decreasing. An example is seen in enhanced political cooperation within the monetary union, which actually marginalises the meaning of many Central Europe states which do not belong to the monetary union. However, the meaning of Eurozone's peripheral states is being reduced, mainly due to their protracting economic and fiscal troubles. Another difficulty for the new member states is that as a result of the crisis of the common currency, the basic economic challenge for Europe is problems of peripheries in the south of Europe (the PIGS group: Portugal, Ireland, Greece, Spain). They push modernisation challenges and economic problems of Central Europe to the background. This may negatively influence EU redistribution policies addressed to this area, specially in the new budget period after 2013⁶¹.

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⁶¹ T.G. Grosse, *Kierunki zmian w polityce spójności UE. Analiza wybranych nurtów dyskusji prowadzonej w latach 2008–2010*, „Studia Regionalne i Lokalne” 2010, nr 4(42), pp. 60–82.

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SUMMARY

The article aims to present selected mechanisms of economy management in the European Union as well as to examine major tendencies taking place under the influence of the economic crisis (2008–2010). The author concentrates especially on the issue of effectiveness of management in the EU. Moreover, he presents the consequences of changes initiated for the peripheral countries, i.e. those which are in the Central and Eastern Europe.

Józef M. Fiszer

THE ESSENCE, PREMISES AND PERSPECTIVES OF MODERNIZATION OF THE EUROPEAN UNION

INTRODUCTION

Modernisation of the European Union or just its another modification? Such dilemma appears regularly during all inter-governmental conferences, specially before and after approving another revision treaty for the European Union. To answer such a question, first the essence and meaning of these terms has to be explained, and to do so, the best option is to refer to their etymology. And so, according to the PWN “Dictionary of Foreign Words”, ‘modification’ <latin modification = measuring> is a change, transformation, remake; a modified object, while ‘modernisation’ <fr. moderne = modern> is making something modern or making something contemporary’.¹

Therefore, modernisation shall mean a broader and deeper process, these are actions leading to radical transformations and changes as compared to modification, which usually precedes modernisation. It then may be said that as far as the European Union is concerned, commencing from its origination by the Maastricht treaty of 7th February 1992 till the latest revision treaty, i.e. the Lisbon treaty which became effective on 1st December 2009, we only witnessed its successive (permanent) modification, that is slow transformations which were generally named extension and enhancement processes. Today, after nearly twenty years of remakes and use, the European Union needs not only a radical overhaul but rather modernisation, meaning its update and adapting to contemporary times. Today, the European Union requires adaptation to challenges and requirements of 21st century determined by acceleration and globalisation progressing within all spheres of life.

Modernisation has been a long-known category in the field of international relations science or political science, but only recently it has been

¹ See *Słownik wyrazów obcych PWN*, J. Tokarski (ed.), Warszawa 1980, pp. 484–485.

making enormous career in internal and foreign policies of particular states. This term is also used by politicians and columnists, especially during election campaigns or during breakthrough periods for states and nations, e.g. during crises or revolutions. Colloquially, the essence of states' modernisation is referred to as deep, radical reforms and building a new social, political and economic order, and they are either required or promised to be introduced after taking the power. This is exemplified by the 1986 modernisation of the USSR announced by Mikhail Gorbachev which entered the history under key words of "*perestroika*", "*glasnost*" and "*uskarene*" – that is reconstruction, transparency and democratisation of social, political and economic life of that country² Unfortunately, it ended up with a catastrophe, a collapse of the USSR, which despite its superpower status disappeared from the global political map³.

In 1999, i.e. the moment when he became the prime minister, and then in 2000 when he was elected president, Vladimir Putin announced modernisation of the Russian Federation and, alas, it did not work⁴. In 2010 modernisation of Russia was proclaimed by the new president Vladimir Medvedev but so far nothing has been done in the internal and foreign policy to achieve that.

Whereas, for twenty years the People's Republic of China has been successfully modernising, with its national economy experiencing a specific miracle as today it is among the fastest-growing economies in the world. A strategic purpose of the recently published another five-year development plan for China for 2011–2015 is bringing Yuan to international markets which, in other words, shall become an international currency and may endanger the position of the US dollar⁵. The Chinese are also modernising their army. They are replacing heavy equipment, e.g. tanks, building an aircraft carrier

² See M. Gorbaczow, *Przebudowa i nowe myślenie dla naszego kraju i dla całego świata*, Państwowy Instytut Wydawniczy, Warszawa 1988; M. Tatu, *Gorbachev. L'U.R.S.S va – t – elle changer?*, Le Centurion, Paris 1987.

³ More on this topic see eg: D.R. Marples, *Historia ZSRR. Od rewolucji do rozpadu*, Wrocław 2006; W. Marciniak, *Rozgrabione imperium. Upadek Związku Sowieckiego i powstanie Federacji Rosyjskiej*, Kraków 2004.

⁴ See eg J.M. Fiszer, *Władimir Putin – dlaczego zaufała mu cała Rosja? Specyficzne formy przywództwa politycznego*, [in:] T. Bodio, W. Jakubowski (ed.), *Przywództwo i elity polityczne w krajach WNP*, Vol. II, Oficyna Wydawnicza ASPRA-JR, Warszawa 2010; A. Bryc, *Rosja w XX wieku. Gracz światowy czy koniec gry?*, Warszawa 2008.

⁵ See R. Romanowski, *Juan będzie już wkrótce walutą światową*, „Puls Biznesu”, 30.V.2011.

and stealth planes⁶. Slowly the social and political system of the PRC is being modified, though the country remains a communist state⁷.

Modernisation of the US has also been announced by president Barack Obama, but its realisation is obstructed by the financial and economic crisis which has been shaking America since 2007. Modernisation is demanded by rebels of Tunisia, Egypt, Morocco, Yemen and Libya who caused the outbreak of the Arabic spring of nations in 2011. Today it is difficult to say whether their dream shall come true.

Then, if everyone is modernising, then the European Union must not only modify its system and improve the expensive policies which are in permanent crisis anyway. Does the European Union need modernisation today? Certainly yes, but it should be wise, well thought out and prepared and then consistently implemented. The Union must not repeat M. Gorbachev's or V. Putin's errors, and modernisation must not end up with its erosion and destruction as consequences would be terrifying for Europe and the entire world.

1. THE EUROPEAN UNION TODAY AND PREMISES FOR ITS MODERNISATION

So far, we have faced in the European Union evolutionary transformations and changes regarding its composition and political system, legal system, decision-making processes as well as internal and external policy. As a result, the Union has become a global economic power but is still a political dwarf, a minor division player on the global political arena. Its position in international relations was not strengthened by the long-awaited Lisbon treaty which gave the Union legal personality and made it a subject to international law and international relations. Today, the European Union is unofficially said in Beijing and Washington to be weak, divided, inconsequential and duplicitous. Many even foresee its end. Right is then a question by Timothy Garton Ash: "Why we, Europeans, cannot act together towards the world? We have done so much at our home – we are about to close the most ambitious expansion of the Union in history, we are celebrating the 10th anniversary of the Euro. But in the foreign policy we are merely a step ahead than a decade

⁶ See J. Winiecki, *Nowe skrzydła smoka*, „Polityka”, 12.II.2011.

⁷ See J. Feny, *Chiny. Upadek i narodziny wielkiej potęgi*, Wydawnictwo Znak, Kraków 2009.

ago. (...) Facing the growing power of China and India, the relative power of Europe is inevitably shrinking (...). If we, Europeans, do not get a grip on ourselves, our American, Chinese and Russian 'friends' shall have any reasons to despise us"⁸.

I believe it will not be that bad. Europeans notice common threats and global problems and are aware that construction of a new, democratic global order where the European Union shall play one of the key roles should be accelerated. Therefore, the Union, its structures and policies must be reformed, improved and modernised, it makes no sense to only criticise and destroy what we have already managed to achieve. First of all, the Europe of "heads of states and governments" has to be rebuilt into the Europe of citizens. The Union has to develop towards a Europe of citizens, create a common public opinion and build a European community of political, economic and social interests together with a community of values⁹. Shortly speaking, today the European Union is facing great challenges and problems, it needs far-reaching modernisation.

Increasing EU from 15 to 25 and then to 27 states was a great, unprecedented event in the history of European integration and international relations. It became a turning point in the process of unification of our continent and overcoming the times of divisions and the cold war. In the global scale, the potential and international position of the European Union remarkably increased and it became the strongest player on the international arena¹⁰.

After its recent expansion, the European Union has become the biggest economic zone in the world which produces 30% of the global GDP and makes 17% of the global trade. The *per capita* income in the new member states increased from 40% of average income in the "old EU" in 1989 to 52% in 2008. The average economic growth in the years 2004–2008 was 5.5%, and from 1999 till 2003 – 3.5%. In most politicians' and experts' opinions, the recent accessions brought Europe notable benefits and strengthened its position in the world. This made it one of the most important pillars of the new international order which is being shaped in the world today¹¹.

⁸ See T.G. Ash, *Unia zostaje w tyle*, „Gazeta Wyborcza”, 10–11.I.2009.

⁹ See P. Mikiewicz, *Kierunki ewolucji Unii Europejskiej na tle wyzwań globalnych*, „Przegląd Politologiczny”, no 4/2010, pp. 34–40.

¹⁰ See J.M. Fiszer, *Konsekwencje polityczne członkostwa Polski w Unii Europejskiej. Fakty i mity*, [in:] J.M. Fiszer (ed.), *Polska w Unii Europejskiej. Aspekty polityczne, międzynarodowe, społeczno-gospodarcze i wojskowe*, ISP PAN, Warszawa 2009, p. 13.

¹¹ See S. Konopacki, *Pięć lat po akcesji*, „Przegląd Polityczny” 2009, no 7, p. 7.

There is a dominating view that the European Union shall become a still more important centre of influence upon the shape and course of global international affairs. Today it already is the biggest community in the world which merges features of a developed international organisation with a federal structure of a union state. So it has still stronger attributes of a global player and competencies to actively participate in international relations. EU should then aspire not only to maintain but to increase its presence in all regions of the world. It should rationally bind a commercial policy, developmental and humanitarian aid with expanding political and diplomatic activities, as from many years the United States has been doing and as recently China has done. This may allow EU to become an important “stabiliser”, a centre of political influence on a global scale and impact the shape of a new international order simultaneously being one of its key poles (pillars).

The presented, relatively positive image of the European Union does not mean though that it shows no weaknesses and deficiencies. After the recent expansions, the Union lost its vigour and vision, it is struggling in a political provisional existence trying, with continuously growing effort, to balance national egoisms. Numerous crises of actually each of the so called Union policies – energy, immigration, fiscal, climatic, defence, etc. make governments reach rather for their own national tools, rather than for Community ones. The currency crisis in the Euro zone is not only exacerbating but is starting to undermine the foundations of the entire European Union. The biggest member states challenge not only economic but also political and social pillars of united Europe. The Community system does not work, new demarcation lines appear, and the biggest states in the European Union change their alliances. In Greece, Ireland and Portugal, the fate of both the Euro zone and the entire European Union hang in the balance. Serious rumbles come from Italy, Union’s third economy, which may follow Portugal. Over 20% unemployment in Spain causes anxiety. France and Germany are moving further away from each other while they are the two most important states in the Union, a tandem which so far has been its driving force. *De facto*, it was Germany who for decades made the foundation, also financial one, of unifying Europe, and today it openly presents its sense of harm and a weakening belief in a sense of driving the entire cracking machinery which the European Union resembles today.

German-French differences in opinions often reach beyond personal animosities of both leaders: France, despite a German objection, joined the war in Libya, then Germans abandon their nuclear power system neglecting the French opinion. In April 2011, Nicolas Sarkozy contacted Italian prime

minister Silvio Berlusconi demanding restrictions of free people transfer in Europe (the Schengen zone), one of the most important pillars of the European Union. The next in line may be the common market. The French-German split is a result of the latest system changes (modifications). The Lisbon treaty created an inter-governmental Europe where the European Commission, a traditional opponent to governments, is but a shadow of the old power, and leaders fight with each other. Growth of the meaning of populist parties and movements throughout Europe brought back the rhetoric of “national interest” and has intensified ritual attacks against the Union bureaucracy¹².

As the events showed related to the French and Dutch “no” to the constitutional treaty of 2005 and the Irish objection to the Lisbon treaty in 2008, expressed in national referenda, in the European Union states a remarkable part of citizens does not accept the pace or direction towards which the project of European integration is heading. Even in the repeated Irish referendum of 2009, over 30% of votes were cast against the Lisbon treaty. Euroscepticism is now an important problem which may halt integration processes and create new dilemmas for united Europe which have not been experienced before.

Simultaneously, as it can be seen from the example of Greece, none of the big problems which the union governments face cannot be solved on their own only. Today, there are no influential political movements or leaders in Europe who would propagate a will to restrict state sovereignty in favour of common, Union institutions. Nowadays, in the European Union there is less and less solidarity, coherence and belief regarding its perspectives. Union’s enemies comprise not only Eurosceptics but also realists who easily find arguments that it all works bad so we should take care of our own interest and grab whatever we can or at least not let others grab anything from us. Now, the crises-torn, tired and crossroads facing European Union needs today to

¹² See A. Moroska, *Prawicowy populizm a eurosceptycyzm (na przykładzie Listy Pima Fortuyna w Holandii i Ligii Polskich Rodzin w Polsce)*, Wydawnictwo Uniwersytetu Wrocławskiego, Wrocław 2010; H.G. Betz, *Warunki sukcesu (klęski) – populistycznych partii radykalnej prawicy we współczesnych systemach demokratycznych*, [in:] Y. Meny, Y. Surel (ed.), *Demokracja w obliczu populizmu*, Warszawa 2007, pp. 273–275; C. van der Eijk, M. Franklin, *Potential for Contestation on European Matters At National Elections in Europe*, [in:] G. Marks, M.R. Steenbergen (ed.), *European Integration and Political Conflict*, Cambridge 2004, pp. 31–33; A. Kopka, *Populizm lewicowy w Europie na przykładzie partii „Die Linke” w Republice Federalnej Niemiec*, „Przegląd Politologiczny”, no 4/2010, pp. 79–96.

refresh forgotten words, concepts and emotions which used to motivate for efforts to build a unified, democratic and rich Europe¹³.

Sławomir Sowiński writes: “The European Union is a historic experiment and a phenomenon where a quite strong economic and political community is build not on the basis of a community of national experiences but in a sense against them. A bond of this supranational political and economic unity shall be not only common interests but also shared values. In other words, the reason why a German pensioner should share their Euro with a Greek student, and a Swedish or French businessman contribute to building roads in Poland or Bulgaria should not only be a common European interest (good holidays in Greece with a comfortable transit through Poland), but also common European identity, responsibility, solidarity and subsidiarity”¹⁴.

Now, the deepest crisis in the European Union is the crisis of values and Union axiology, or rather no axiology at all. As a result, inhabitants of this common European home feel more and more strange here, behave still more egoistically, neglect the common fate, achievements and future. It is becoming still more difficult for the inhabitants of the Union building to expand it further on, so that the rest of the European family could find their place here. On the contrary, ideas of returning to “old good” national times, national colours and national currencies are becoming more and more popular. Therefore, it is high time to start a serious debate on basic values in the European Union. About what the European identity, responsibility and solidarity are today and what should become of them. What obligations do they impose on the richer and what on the poorer members of the European family? Without a reliable naming, recalling or re-discovering of the European identity, the Union will not be able to operate normally, solve its economic, social and political problems effectively, expand and develop or modernise and this may soon result in its even stronger paralysis or even destruction.

¹³ W. Malendowski, *Suwerenność państw w procesie integracji europejskiej*, „Przegląd Politologiczny”, no 4/2010, pp. 7–20; W. Smoczyński, *Europa się chwieje*, „Polityka”, 29.VI–5.VII.2011; J. Baczyński, *Czy porwiemy Europę?*, „Polityka”, 6.VII.–12.VII.2011.

¹⁴ See S. Sowiński, *Kościół szansą polskiej prezydencji, prezydencja szansą Kościoła*, [in:] P. Burgoński, S. Sowiński (ed.), *Od akcesji do prezydencji. Kościół katolicki w Polsce i Unia Europejska*, Wydawnictwo Adam Marszałek, Toruń 2011, pp. 114–115.

2. PERSPECTIVES OF MODERNISATION OF THE EUROPEAN UNION

The European Union, in order to be able to modernise itself, urgently needs not only new axiology and more democracy but also new approach to democracy and new visionaries, leaders, moral and political authorities. It certainly also needs new reforms and new strategy which should focus on the citizens and their problems. A remarkable improvement of the financial situation in democratic countries, and only such states there are in the European Union, allows some social stabilisation. Concurrently, today in the European Union countries, a gap is increasing between the behaviour of the elites and those who are lower in the social hierarchy. Such an approach by the elites, Poland included, is well characterised by the saying that simple folks will take everything for granted. However, the folks are not simple enough that they would not see of what is exemplified by demonstrators and people fighting for their rights in the streets of Greece, Portugal, Spain and countries of North Africa and the Close East. And they are often trying to release their humiliation upon “others”, “strangers”, i.e. *gastarbieters* (guest workers) or immigrants. And not only upon them¹⁵.

Ever since the times of Alexis de Tocqueville it has been well known that if you want stabilisation then democracy is the best method as it removes influences of a revolutionary spirit. A guarantee for a democratic stability should not only be looked for in the “hard” zone of social and political institutions but also in the “soft” zone of culture and habits. The great system where the fate of the community is entrusted to the general public shall not last if the seed of democracy falls on a socially infertile land. With advantageous conditions created by a supportive exterior, progressing wealth, expiring nationalisms and fanaticism, the “hard” zone of institutions and the “soft” one of democratic culture support each other and cool down the level of class, political, religious, ethnic and racial conflicts which are dangerous for democracy. Even democratic and stable America was, in A. Tocqueville’s opinion, put at risk not by excess of democracy but rather by its deficit. As professor Jan Baszkiewicz correctly notices: “Dependence between chances of democratic stability and cooling down the temperature of conflicts gives a deep sense for concepts taken within the Euro-American

¹⁵ See A. Domasłowski, *Widmo buntu krąży po Europie. Wrze w Hiszpanii, Grecji, Portugalii*, „Polityka”, 1.VI.–7.VI.2011; K. Kubiak, *Źródła ludowego gniewu*, „RAPORT. Wojsko. Technika. Obronność”, no 2/11; P. Biernacka, *Tunezja czyli od czego się zaczęło*, „Stosunki Międzynarodowe”, no 71–72, 2011.

culture that democracy is the ruling of a majority which respects justified rights of a minority”¹⁶.

The European Union, as I have already mentioned, requires today further strengthening of the Community structures and common shaping of a European and global awareness among its members states and their citizens. The Union also suffers serious problems with shaping Community justice, defence and foreign policy systems as it is not a state, while the Western European integration, whose crowning phase is the EU, took place under the protective shield of NATO where the key role was played by the United States. That resulted in making the EU and Europe’s defence system dependent on an external superpower which did not belong to the integration structures. As a result, EU, or broadly Europe, still cannot define “who we are?” and the term “fortress Europe”, though seldom used in recent times in the European Union, in the non-European countries remains a synonym of its non-openness to the world and globalisation.

It is an open secret that the European Union is at a crossroads, but many do not admit it is so. The old, post-war concept by Schuman and Monet does not fit the new 21st century challenges. It has turned out that the federalist concept of creating a “still closer union” and which has been the driving force for European integration for the recent sixty years is no longer a permanent method for further measures. This idea has been exhausted. The concepts “the bigger, the better” and “the universal approach” are not valid any more.

A responsible reaction to the current situation is finding a new definition of cooperation among European nations. New balance is needed between the power exercised on the EU level and competencies of the member states. This approach should create proper balance between care for EU to possess resources and capabilities to look after issues which impact all the member states and protection of their national independence.¹⁷

However, the intellectual concept which is the basis for EU integration is still the federalist idea. It seems that this situation is impossible to change, as any debates about the future of EU lack courage and a fresh approach. Additionally, the situation is strengthened by the conduct of EU institutions. Both the European Commission and the European Parliament have turned into self-affirming institutions which promote their own interests and

¹⁶ See J. Baszkiewicz, *Gaśnie duch rewolucji*, [in:] S. Zawiślański, *Trudne łatwe czasy. Rozmowa z humanistami*, Wydawnictwo „Skorpion”, Warszawa 2011, p. 42.

¹⁷ See J.M. Fiszer (ed.), *Bilans pierwszych lat członkostwa Polski w Unii Europejskiej*, ISP PAN, Warszawa 2011, pp. 12–13.

programmes at the citizens' expense. This increases the differences between perception and reality in case of EU and citizens of its member states. This phenomenon is proven by attendance at European Parliament elections constantly falling since 1979. So, the social perception of EU is remarkably insignificant. European integration, to a large extent, is becoming an elite project which is hardly comprehensible for the citizens. If this status continues then the basis of EU shall be gradually undermined which shall increase protectionist and nationalist tendencies. Therefore, new, stronger leadership must be established as soon as possible which shall be ready to change the current EU paradigm and define a new vision for its development. The European Union must become more open, flexible, transparent, efficient and responsible, capable to provide the citizens of its member states with high quality services but simultaneously the process of its excessive interferences in competencies of the member states has to be stopped.

Moreover, continuation of internal reforms of functional or neo-functional nature or actions taken within the Common Foreign and Security Policy should not be treated as a sole factor which conditions the creation of EU as a "superpower". Europe and the European Union should offer the world their new identity as soon as possible. However, the way of discussing the identity should be changed¹⁸.

Also, there is an urgent need to intensify scientific research which shall analyse and describe processes of European integration as they are perceived by societies and political elites from various participants of international relations. This research should explain basic controversies related to the perception of Europe and the European Union. It should aim at a complex analysis of perception of Europe by external entities together with pointing out any factors which contribute to strengthening a space for cooperation and coexistence together with conditions to create international alliances within or with structures of integrated Europe. Without such an analysis, which would clarify the perception of Europe and the EU by the international environment, there is no option to strengthen the EU position in the world and to face global challenges, which has for many years been declared by heads of governments and states from the European Union.

As Stanisław Parzymies writes: "The European Union is still looking for its place and role on the international stage. This applies to both preven-

¹⁸ See A. Giddens, *Europe in the Global Age*, Polity Press, UK–USA 2006, pp. 123–124; J. Zielonka, *Europa jako imperium. Nowe spojrzenie na Unię Europejską*, PISM, Warszawa 2006; M. Cichocki, *Północ i Południe. Dwie Europy*, „Gazeta Wyborcza”, 21.VII.2010, p. 16.

tion of all kinds of threats and the form of relationship with such renowned powers as the United States and the Russian Federation as well as newly arising powers such as China, India, Brazil or South Africa. It is acting the more intensively the bigger the number of its members is, the larger it area is expanding, the more remarkable its share in the international trade is becoming, and the European Security and Defence Policy (ESDP) provokes questions about its destiny. In a situation, when the European Union is addressed by various parties with requirements regarding crisis management, the European Council, during its session in Brussels on 11th and 12th December 2008, announced a new impulse for the ESDP by strengthening and optimising in the nearest years European capability and readiness to act for international peace and security. Altogether, the European Union is expected to define its own identity and unity in actions towards the external world”¹⁹.

Toady, the European Union must first of all come out stronger of the financial crisis and cope with the economic recession and to reinforce its position on the political map of the world. This may be achieved e.g. by cooperation with the United States, Russia and China. Sergey Karaganov, one of the most renown political scientists, is right when writing about necessary political cooperation between Russia and the European Union: “During the past half of the year, many European politicians and intellectuals have declared a fast rapprochement with Russia. Without understanding of our mutual interest and without long-term strategic goals we shall not overcome the drift and we shall not avoid further marginalisation in the world. A shadow shall cast over the great 500 years of Europe, and the United States and China shall give a tone to the world. This may not be a great disaster, but such a bipolar world shall be extremely unstable. A triangle USA – China – united Europe may make it more stable. That is why Russia and Europe should strive to create a common Union of Europe and to include there the states which have not yet declared their orientation: Turkey, Ukraine, Kazakhstan, etc. We should aim at an union, not bureaucratic forms, a partnership, be it only strategic. This shall not be easy, but the game is worth the candle. (...) In the future world, Russia and Europe (EU) if acting against each other shall be condemned to degradation and weakness. That is irrational and unwise”²⁰.

¹⁹ See S. Parzymies, *Unia Europejska jako uczestnik stosunków międzynarodowych*, [in:] S. Parzymies (ed.), *Dyplomacja...*, p. 15.

²⁰ See S. Karaganow, *Europa i Rosja. Postawmy na Związek*, „Gazeta Wyborcza”, 28–29. VIII.2010, p. 19.

* * *

After its initial years in the European Union and with the experience already gained, Poland also needs to find its new place in the Union and establish goals which we shall be consequently trying to achieve in subsequent years and which shall help us to strengthen our position on the international arena. Considering the currently changing power distribution in the world and the shaping new multipolar international order, the foundation of the Polish foreign policy, including its Union policy, should include the following assumptions: firstly – cooperation with neighbours and countries in the region; secondly – cooperation with the European Union; thirdly – NATO has to remain the foundation for the Polish security policy; fourthly – Poland should develop cooperation and thorough relationships with the United States, but should not support such aspects of the American foreign and security policy which do not serve interests of the West or international stability, undermine reliability of the United Nations and aim at causing divisions in Europe and in the world; fifthly – Poland must not fail to notice Russia and ignore its presence in Europe and in the world. On the contrary, we should strive for an agreement and comprehensive cooperation with Russia, both bilateral and unilateral within EU, on equal terms.

Poland, being a medium-size state, with its economic, territorial, demographic, military and other potentials, can and should successfully act as a leader in Central-East Europe or even as a local superpower gathering around itself such states as: Lithuania, Latvia, Estonia, the Czech Republic, Slovakia, Hungary, Slovenia, Romania, Bulgaria or Scandinavian states.

CONCLUSION

The 2009 European parliamentary election, together with the Lisbon treaty coming into force on 1st December 2009, constitute a turning point in the history of the European Parliament but also in the history of European integration and its outcome – the European Union. That is because the process reforming EU which lasted for over ten years was completed, provided we assume that the Amsterdam treaty on EU which came into power on 1st May 1999 was the first phase of adapting the European Union established on the basis of the Maastricht treaty to new challenges and needs. Another step was the treaty of Nice on the European Union of 2000 and the commonly named constitutional treaty of 2004, but none turned out to meet expectations of all the EU members. In spite of that, basis was created for further modification

and modernisation of the Union so that it may be able to meet expectations of all the members and be the pillar for the new global order. The Lisbon treaty which radically reforms Union institutions made the European Union capable of competing and cooperating with the biggest parties in international relationships, effectively face any challenges and become one of the most important pillars in the new, multipolar international order shaping now in the world. Such challenges come from both the situation in the Union itself and also relate to its international environment. In the first instance the point is in strengthening the Union cohesion, increasing its capacity to make decisions on the basis of a qualified majority, equalising the level of economic and social development among the member states, effective work of the Union as a zone of democracy, peace, justice, security, respecting human rights as well as an area of solidarity in military and energy security. In the second one – to ensure for EU a possibility to act its due role in the globalised world. It means creating conditions for the Union to wield remarkable influence upon international processes and co-shaping of the new international order where Europe will not be marginalised or endangered by new powers and decision-making centres. These conditions have already been outlined in the “Europe 2020” strategy, approved by the European Council in March 2010, which is a continuation of the Lisbon strategy of 2000, as renewed in 2005²¹.

As Maciej Duszczyk writes: “The “Europe 2020” strategy was developed during the global economic crisis, which despite intentions of its authors to avoid making it the main point of reference, had to impact its shape. The strategy (...) defines main priorities in the economic and social development for the next decade. The crisis time allowed to stress more the issues which without such a perspective would not be placed in the document. (...) That applied specially to social challenges related on one hand to demographic processes, and on the other to a growing competitions from states where incomparable standards of labour laws or social insurances are in force. The Lisbon strategy failed mainly due to three reasons. Firstly due to the mushrooming number of goals which often were contradictory to each other. Secondly, due to political conflicts regarding the so called “European social model” which pushed the need to modify the Lisbon strategy to the background. And finally – a weak position of the European Commission which

²¹ See J. Ciechański, *Problem modernizacji Unii Europejskiej w świetle strategii Europa 2020. Problem zmiany paradygmatu integracyjnego*, [in:] J. Adamowski, K.A. Wojtaszczyk (eds.), *Strategia rozwoju Unii Europejskiej*, Oficyna Wydawnicza ASPRA-JR, Warszawa 2010, pp. 387–432; M. Duszczyk, *Od Strategii Lizbońskiej do Europa 2020 – lekcja dla Unii Europejskiej*, [in:] ibidem, pp. 433–451.

was unable to force the member states to take actions they had undertaken to do. It seems that the three problems were properly addressed in the “Europe 2020” strategy to which the Lisbon treaty contributed by transferring subsequent competences to the Community level. This, however, does not guarantee a success for the strategy, which anyway depends on determination of the member states in realisation of their national actions focused on a growth of competition”²².

In order to make this strategy successful and contribute to modernisation and updating the European Union, which is anyway necessary, the decision-making parties responsible for its practical realisation should become aware that European integration is first of all a social process. This refers to entire societies of the EU member states and to all spheres of life: economic, political, social, cultural and broadly understood sense of security. Until now, the integration driving force included narrow, pro-European elites gathered mainly in EU institutions and bodies and spread in bureaucracy as well as elites of politics, business and culture in particular member states. Europeans, the EU citizens, are the object of the process and not its subject. Most of the so called common folks in the countries which belong to the European Union either are unaware of their participation in the Europe integration processes or are sceptical towards the concept of unification of our continent. Such a status must quickly be changed and integration and the European Union must serve people, all citizens and not just the elites. This way any modernisation processes in EU must head.

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²² See M. Duszczek, *Od Strategii Lizbońskiej do Europa 2020...*, pp. 450–451.

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SUMMARY

The present article aims to answer a question whether the European Union needs another modification or rather its modernization is indispensable. The author proves that the European Union urgently needs modernization, i.e. updating its political system, decision making process as well as domestic and foreign policy, but this must be wise, deliberate, well prepared and implemented consistently. The author highlights that the European Union cannot repeat Gorbachev's or Putin's mistakes, and the modernization cannot end with its erosion and decomposition because the consequences would be disastrous for Europe and the whole world.

The main thesis of the article is a statement that, in order to modernize, the European Union urgently needs new axiology, more democracy and new visionaries, new type of leaders, moral and political authorities, idealistic people committed to this modernization. Obviously, as J.M. Fiszer highlights, the European Union also needs new reforms and new strategies with the citizens and their problems in the center of interest. The author writes that the European Union and Europe in general should offer the world its identity and take active part in the process of building a new multi-polar international system.

Agnieszka Bógdał-Brzezińska, Anna Budziszewska

**NATIONAL AND INTERNATIONAL IDENTITY
IN THE CONTEXT OF POLISH EUROPEAN UNION
PRESIDENCY – CONSTRUCTIVISM-BASED
APPROACH**

THE ISSUE OF IDENTITY AND ITS INTERNATIONAL ASPECTS

The issue of identity is one of key categories within social sciences, and in view of international relations, it acquires both functional and theoretical value. In international relations theory, the position of conceptual trends investigating national and state-national identity has been consolidated since the quarter of the last century, which may result from, inter alia, a renaissance of social interest in finding an answer to such questions as: who am I, what do I identify with, and what community do I associate my interests with. Own characteristics, views, aspirations, needs and interests are developed within identifications processes, which is indirectly reflected in created institutions, social order, political and economic systems¹. However, it should be understood that a historical change implies an identity change as it is modelled according to metamorphoses which a state's surroundings undergo. Identity is also worth being considered as a relation between a historically determined set of values and the process of individuals becoming subjectively conscious of them. As a result, a sense of collective identity is a sense of belonging to a community, even if it is based on ideas. As a rule, two aspects of collective identity are developed with the participation of political institutions: signs of solidarity among community members and clearly distinguished and consolidated borders with the external world².

¹ S. Bieleń, *International Identity of the Russian Federation*, Warsaw 2006, pp. 21–22.

² J. Kukułka, *Issue of collective identity*, [in:] *Generations, culture, politics. Jubilee Book for the Profesor Bronisław Gołębiowski's 65th Birthday*, Warsaw 1999, pp. 383–384.

The ambiguity of the notion of *international identity* and *national identity* argues for a slightly broader introduction of interpretations of those notions in this study. Identity may be considered the emanation of every individual or collective subject's consciousness. It is a kind of its behaviour's guideline, it is a form of "localising oneself in the world". Identity is ascribed cognitive, evaluative and emotional functions. However, none of them lasts for the whole period of a subject's existence, none of them is more important than the others. It is so because every subject's identity should be discussed as a process of permanent change through which it adapts itself to the lapse of time, redefining its place in the environment.

Among various types of identity, national identity is the most important "from the social point of view". It is one of collective identities between which people are free to choose. It constitutes, however, their fundamental and natural identity since it is imposed on them every day by the form of life which is a nation state, distinguished by the community of a language, tradition, religions and system institutions"³. National identity is a form of collective identity in which a subject's belonging to cohabitants' community is central. What counts here is also its positioning against other communities, as well as a sociological division following the formula: ours – stranger. It is enough to state at the beginning that group identity refers to social subjectivity which not always consciously creates objective cultural and ethnic identity.

As a rule, historical aspects of identity include: memory of one's past, conscious anticipation of the future and a sense of community existence continuity. While building identity, political community is affected by: national ideas, patriotism, national feelings. However, some researchers do not allow the above notions to be identified with each other claiming that "... national identity has got a broader meaning than national character, national consciousness or national memory. It represents the most general characteristic of a nation; a basis for its achievements and actions; it is "the identicalness" and "essence" of a national community"⁴.

National identity is sometimes defined in two ways: by making reference to a sense of political and territorial community or ethnic community. With reference to West European countries, what definitely stands behind the notion of national identity is a territory. Hence, the political and historical definition of national identity seems more legitimate, where the subject of

³ S. Bieleń, *International Identity...*, op. cit., p. 25.

⁴ K. Łastawski, *Barriers of Polish National Identity in the European Integration Process*, [in:] S. Bieleń (ed.), *Polish Foreign Policy after Joining the European Union. Issues of Identity and Adaptation*, Warsaw 2009, p. 39.

analysis is the role and meaning of nations as political communities. The western understanding of national identity is that political community refers to a territory, legal system and political (civil) culture. A national territory must reflect statehood continuity, it must be related to the history of a nation, it must be a space which national myths refer to. Legal and political community means that a nation may refer to the law and institutions which, apart from a sense of equality, express common aspirations and guarantee the community's consensual goal. In addition, a nation should develop political culture made up of values, aspirations and convictions shared by its citizens. National identity is perceived in a different way with reference to East European countries since cultural and civilization factors determine the above notion there. Hence, a sociological definition combining subjects' ethnic self-identification with their participation in various cultural groups would be more appropriate here. The key variables of such understood national identity should include community of origin and ethnic culture, including language and, in particular cases, also religion.

As a result of such an adopted division, it may be assumed that the western understanding of national identity is of voluntarist and constitutive nature at the same time since a subject identifying himself / herself with a nation / state thus confirms both his / her civil sense of belonging and some kind of the state's attractiveness, which legitimises the logic of its existence continuity. Such an understanding of identity was called "the achieved identity"⁵. On the other hand, the eastern concept of national identity assumes a more deterministic dimension. It is ethnic determinism which does not allow the subject to be free to choose to belong to a community. At the same time, the said community confirms identity of its individual members. Such a form is referred to as the "the ascribed identity"⁶.

Poland has clearly leaned towards Western civilisation since the dawn of time, however, its geographical situation might indicate strong ties with East European civilisation. It not only tries to accept values which have been created by Western civilisation, but also, conditions permitting, has contributed to the development of that civilisation, especially its eastern neighbours⁷. It is assumed that every national / state community aims at multiple clarification of its identity, geographical criterion being a point of reference. Security rea-

⁵ E. Wnuk-Lipiński, *The World of Interepoch. Globalization. Democracy. Nation State*, Kraków 2004, pp. 210–211.

⁶ Ibidem.

⁷ S. Parzymies, *Successes and Defeats in Building the Western Identity of Poland*, [in:] S. Bieleń (ed.), *Polityka zagraniczna Polski...*, op. cit., p. 23.

sons and a need for affiliation induce countries to search for zonal identities⁸: regional, continental, global.

SOCIAL CONSTRUCTIVISM – DELIBERATIONS ON IDENTITY AND INTERNATIONAL ROLE

Theoreticians of international relations who take up a challenge of studying identity belong to a trend referred to as social constructivism⁹. It is not a theoretical paradigm *sensu stricto*, however, its position is considered equal to institutional liberalism or structural liberalism in a number of studies. The heart of constructivism is searching for answers to questions regarding self-identification of countries, societies, nations and transnational communities. However, it is not an aim in itself, constructivists achieve it as a value added, first undermining and then relativizing the main assumption of political realism being the omnipotence and self-determination of states as main international subjects. They come to a conclusion that every international subject achieves its identity as a result of an interaction with environment, which permanently develops it and tests its values. Hence, the way how a state belonging to a community or an international organisation adapts itself to its organisational, institutional and functional rules appears to be central for constructivists. From this point of view, building foreign policy of a candidate and then a member of a transnational institution constitutes a material for the diagnosis of flexibility and changeability of those priorities, which seemed permanent and constant to realists. From this perspective, a state is not a solitary island, but a part of the whole, which changes its internal rules by reaching compromise and consensus, which does not exclude, obviously, a relative negotiating advantage of stronger members of a community. “Just as in the case of subjects whose identity is developed by social roles [...], also big collective subjects are determined by their place in a broader structure. Trying to grasp what the contemporary Germany is, among many statements, its EU membership is mostly mentioned. Poland is a new EU member – this statement conveys a specific meaning indicating our country’s place in Europe and its perception by others. According to constructivists, international organisation membership, especially of integrative nature, affects the identity of

⁸ Cf.: M. Bobrownicka, *Pathologies of National Identity in Post-Communist Slavic Countries*, Kraków 2006, p. 255.

⁹ Cf.: A. Wendt, *Social Theory of International Relations*, Warsaw 2008.

a subject who, by participating in a given project, gradually redefines its interests, also because it strives to behaviour appropriate for a group member”¹⁰.

National and international identity should not be dialectical to each other. It is indeed impossible to maintain that prioritisation and promotion of national identity collides with active building a state’s international identity. International identity is admittedly manifested by a state’ self-perception based on a sense of identity against others and features ascribed to it by other states¹¹. It does not mean, however, it serves the purpose of building psychological boundaries. Since the problem of international identity on the European level undergoes permanent practical tests, it may be acknowledged that the EU has already developed three models, which are a kind of compromise between both identity dimensions. P.J. Borkowski determines them as the model of a matryoshka doll, a model of overlapping patterns and a marbled model¹². In the first of them, the compromise is about an assumption that more individual and inclusive forms of identity (of man, an ethnic group member, a state citizen) are included in more common ones (EU resident, man of the West/. The model serves the purpose of appreciating and enhancing each of the above identity dimensions. The second model is of a network nature and allows for the coexistence of various, hierarchical systems of values in the conglomerate of European identities, which is a basis for identification to individual people. From this perspective, the EU resident’s identity is an eclectic, slightly remote structure, which, however, does not prompt an objection since it does not infringe upon a sense of the most significant identities (national, local, vocational, sexual). The third of the above mentioned models implies blending identification levels into a liquid, labile ideologically-conscious mass, however, each level is manifested depending on the topicality of problems attracting a subject’s attention.

The above mentioned models are to indicate how arbitrary the boundary between a sense of national identity and its expression on an international scale and supplementation with elements of interaction with a state’s external environment is¹³. Researchers do not notice the antinomy of those notions, but a considerable debate attended by political parties, media and a large part of the society has been taking place for a decade on the issue of maintaining or reconstructing national identity in Poland. Subsequent governments, hav-

¹⁰ P.J. Borkowski, *Political Theories of International Integration*, Warsaw 2007, p. 177.

¹¹ J. Zając, *Roles of the European Union in the Region of North Africa and Middle East*, Warsaw 2010, p. 30.

¹² P.J. Borkowski, *Political theories...*, op. cit., pp. 182–183.

¹³ Cf.: J. Zając, *Roles of the European Union...*, op. cit., pp. 30–31.

ing taken up a challenge of joining the European Union, and then pursuing member state policy, were placed under considerable pressure of opposing political parties. During the debate, Sarmatism, dominating Catholicism, fulfilling the role of “the bulwark”, tolerance against infidels, strong liberation aspirations and traditions of good coexistence in a state of many nations were considered the most important features of the Polish national identity¹⁴. What counts is also the Polish people’s common conviction that it has always been part of the West-European cultural heritage. This conviction is strengthened by East-European nations for which Poland appears as “the West”¹⁵.

A historical-spatial factor was becoming part of the above relativism of regional belonging / membership, and the issues of national identity were linked with the problem of the identification of Poland’s international position¹⁶. Natural neighbourhood with Germany and Russia – powerful states and Polish enemies in historical terms, has been a challenge. Hence, the nationalist abuse of anti-German and anti-Russian phobias by Polish politicians should, as A. Smolar writes, be recognised as a natural fact, and not an expression of pathology since the permanent experiencing of historical sufferings results in long historical memory¹⁷. On account of its geopolitical position, Poland is and will remain within the area of a direct, political influence of the European Union. Being outside the EU would deprive us of political profits from the participation in taking decisions by European institutions¹⁸. In this situation – as S. Stebelski stressed – a chance of simultaneous strengthening the geostrategic position by affiliating with an institution whose part is Germany, improving the geostrategic configuration of the whole European region and contributing to the revision of the previous balance of power could by no means be missed. In this field, a new dimension of Polish identity is expressed in slow socialization and simultaneously realized diagnostics of own power coming from the participation in the community enlargement¹⁹.

¹⁴ By: K. Łastawski, *Polish National Identity versus European Integration*, [in:] M. Marczevska-Rytko (ed.), *Poland between the West and the East in the Age of European Integration*, Lublin 2001, pp. 37–38.

¹⁵ S. Bieleń (ed.), *Poland in International Relations*, Warsaw 2007, p. 20.

¹⁶ *Ibidem*, p. 15.

¹⁷ A. Smolar, *Preface*, [in:] K. Bachmann, *Polish Duck in the European Pond. Polish Chances and Challenges after the Accession to the European Union*, Warsaw 2006, p. IX.

¹⁸ R. Willa, *A Road to Membership in the European Union – an example of Poland*, “Political Dialogs” 2007, no. 8, p. 97.

¹⁹ Cf.: S. Stebelski, *A Change in the Balance of Power in the EU after the Accession of Poland and Other Central and East European Countries*, [in:] S. Miklaszewski (ed.), *Poland in the European Union*, Kraków 1999.

INTERNATIONAL ROLES AND SOCIAL PREFERENCES

Constructivism contains an expectation addressed to states that they shall approximately determine and implement a specific array of international roles. As J. Zajac remarks “social roles and identity are closely interrelated and interdependent on each other. An individual’s identity has a considerable influence on social roles it declares or plays. Roles played by man affect his/her identity. The more an individual identifies with its roles, the stronger they determine its identity. A strong identification with the role may affect personality and change it, causing as a consequence a change of identity”²⁰.

Social roles may be played only within the environment and in such a context we know them from everyday practice as the roles of a teacher, student, parent, policeman²¹. They are not neutral, but – referring to a theatre metaphor – they can be divided into at least two fundamental subgroups: roles of heroes and villains. It is similar in the case of international roles, however, with the difference that state subjects, taking care of their image, avoid a rhetoric that could result in the role of a villain or “enfant terrible”. While creating a positive image, they make use of an array of most common international roles which literature considers: a mediator, patron, dialogue chain, intermediary and bridge, etc. A very important thing is awareness that every state regardless of its real potential can find and optimize (an) international role(s), which would be beneficial to it, which will combine social expectations with tradition, culture and current political needs. In this context, Polish national identity constitutes a great challenge and space for experiments while building roles affirming its EU member international identity. Materials are to some extent supplied by a public debate preceding an accession, during which political parties presented their distinct views²².

Based on the above, Polish political parties could be divided into two typical blocs: Euroenthusiasts and Eurosceptics. Democratic Left Alliance (Polish /SLD/, The Freedom Union (UW) and Civic Platform (PO) assumed the former attitude in the pre-accession period, not disavowing historical values nor national tradition, they tried to refer rather to contemporary history, making it a point of departure for a debate on the future. The future was to combine the values of national identity and European identity, which in conclusion would bring two new international roles to Poland: a competent

²⁰ J. Zajac, *Roles of the European Union...*, op. cit., pp. 22–23.

²¹ Cf.: P.J. Borkowski, *Political theories...*, op. cit., p. 177.

²² A. Domagała, *Polish Integration with the European Union*, Warsaw 2008, p. 112.

member and representative of an institutional community and the role of a modern, flexible model state for neighbours. Costs relating to the integration were considered a necessary price of modernity, whereas the integration process – a kind of elevation due for Poland for system transformations, and earlier – a leading role in the collapse of the Eastern bloc. A certain shift of emphasis could be observed in the political declarations of right-wing and peasant political parties. Firstly, Solidarity Electoral Action (AWS) and then Law and Justice (PiS) assumed moderately eurosceptical views, formulating an array of priorities which were connected with a sense of historical mission and maintenance of national identity pillars. They were dominated by Christian ethos combined with the idea of social solidarism. Hence, Poland should manifest its opposition to the laicization of Europe and play the role of a promoter of re-Christianization of the Community within the EU structure. The idea was unusually popular in the period of a debate on a constitutional treaty for Europe, but remained for longer and affected the views of PiS / Self-Defence in accordance with the concept of the 4th Republic of Poland. Distinct favouring national priorities at the time was interpreted as juxtaposing Polish identity with European identity, and diplomats representing less radical political parties called that style of political game “defensive nationalism” justified by a need for quitting the role of a client state²³. The debate on the project of a constitution treaty focused on the discussion of the influence of that legal act on the role and position of Poland in union structures. The relation between nation states and communities was particularly important. A kind of a storm was caused by no reference to God in the preamble to the treaty. Both PO and PiS discerned an attempt of dominating weaker partners by stronger states, such as Germany and France. It appeared much harder to adopt the constitutional treaty by parties being in favour of Europe perceived as a Europe of Homelands. It was absolutely rejected by the parties which referred to Christian and national values in their programs, for instance “Self-Defence”. The latter together with PSL were polar opposites in the debate on identities and international roles of Poland in the integration process. PSL seemed to remain in that debate in a state of schizophrenic choice between advantages of the union agricultural policy and fears underlain by deterritorialization which were symbolised by warnings against the purchase of Polish land by foreigners. “Self-Defence” negated in the pre-accession debate any profits for the Polish economy and national identity. The integration was

²³ P. Grudziński, *Intelligent State. Poland in the Search for International Role*, Toruń 2008, pp. 103–104.

to be de-sovereignisation of the state, which will entail the nation's moral collapse, however, the party authorities assumed just as PiS did that the only protective measure for national values would be to fulfil all conditions made by the Centre-Right²⁴.

POLISH PRESIDENCY VS. SIGNS OF NATIONAL IDENTITY *PRIMUS INTER PARES* OR COACHING FOR EUROPE?

The level of political parties' identification, being torn between what is national and international, has slightly changed over the 7 years since the Polish accession to the EU. Currently, the Polish presidency is not only "an identity test" for parties whose representatives sit in the European Parliament, but it revises the government's stance and tests the social level of satisfaction with the membership. Already in 2007, there were voices of experts predicting difficulties relating to the Polish EU presidency. T.G. Grosse pointed to the context of the Treaty of Lisbon, which depleted the real authority of a state presiding over communities²⁵. It can be interpreted as three hints which the Polish government should allow for during its presidency. Surely, one cannot be afraid of mistakes resulting from practice since Poland makes its debut as the chair and it may only be in danger of fluffs arising from the lack of experience. Objectives set for this particularly important half a year should include the idea of creating a new image based on intra-state unity and negotiating flexibility. Three years later, the same author warned against the totalization of a political fight on the national stage. Seeking to destroy a political opponent, which can be observed particularly in the relations of the government and the opposition, may result in two side effects in the context of the Polish presidency. Since politicians with opposing views are not considered possible partners to the discussion over the state's future, they gain a natural argument for the fractional fight in community structures, for instance the European Parliament. The Prime Minister's address of 7 July 2011 proves the credibility of that diagnosis. According to the reports, "the Polish-Polish" political war is very likely to be transferred into the European society²⁶. It entails a difficulty in reaching an agreement between political opponents, that is, a platform of common good excluded from current party

²⁴ A. Domagała, *The Polish Integration...*, op. cit., pp. 113–114.

²⁵ T.G. Grosse, *Can the Polish Presidency be Successful?*, "The Polish Diplomatic Review" 2007, issue 4 (38), pp. 29–52.

²⁶ A. Słojewska, *The Polish Affair in the European Parliament*, „Rzeczpospolita”, 7.07.2011.

competition. Combined with a quite short period of election cycle, it considerably hinders politicians' long-run thinking about the state's development²⁷. The problem of pre-election pressure also emerges in media speculations on the Polish presidency in months preceding the assumption of presidency over the EU Council. In June 2011, "Nasz Dziennik" pointed to the fact that the stance of the Prime Minister declaring the prioritization of attractiveness of Poland as a partner for other countries proves the lack of specific national goals in the presidency period²⁸.

One may get an impression that Poland with its euroenthusiasm in the period of crisis addresses its message to new EU members – former socialist states. The process of creating international identity among post-transformational states, which just as Poland have joined European structures, is very distinct. In those states, authority elites only built tools necessary for the assimilation of international values and readiness for developing international identity. This study is to prove that one those states is Poland, and the example of Poland assuming the EU presidency is an illustration of the phenomenon of international identity.

Having joined the EU, Poland is trying to catch up with building international identity mainly with a view to deepening its sense of own modernity and becoming a member of the union West elite. Excessively nationalist attitude of PiS government prevented Poland from achieving this goal. Resultant black PR did harm to the state's interests in the communities and became less important only during the PO-PSL government. The Polish government's cooperation with national branding experts, above all Wally Ollins, was to prove a new concept of building *public relations* with community institutions²⁹. Branding actions can be easily assessed from the perspective of choosing a logo of the Polish presidency referring to the graphical sign of "Solidarity". The association with Solidarity epic is of symbolic dimension; on the one hand, it refers to the national past, and on the other hand, it may strengthen the importance of the event (a historical symbol of the Polish road to liberty and democratic transformations in this part of the world) being convinced that "the Solidarity" inscription painted with a brush" went around the world and has become one of the most known graphical mark in the world culture. The Polish government wants the presidency logo to

²⁷ T.G. Grosse, *Influence of Political Culture on the Development of the European Policy in Poland*, "The International Political Review", issue 1 (25), 2010, pp. 156–158.

²⁸ A. Kowalski, *Role of Poland? To improve the mood*, „Nasz Dziennik”, 18/19.06.2011.

²⁹ M. Strzelecka, *Poland Becomes a Brand*, „Gazeta Wyborcza”, 16.03.2009; M. Ostrowski, *Polska, Sp. z o.o.*, „Polityka”, 26.08.2006.

intentionally refer to the great, historical tradition of “Solidarity”³⁰. It is not only a symbol of Polish services rendered to system transformations, but also a contemporary, universal watchword paraphrasing the EU member states’ need for unity in the conditions of the present crisis. It is also an element of the advertisement of common Polish and European values. Donald Tusk indeed very often invokes those common principia. He says about issues joining European nations and rules of solidarity and community. In his visions, every member state should be modern, imbued with the spirit of transnationality and pro-integration ideals³¹. Those priorities are also shared by the president Bronisław Komorowski calling for the reconciliation between the authority and the opposition regarding EU issues since the assumption of presidency is a logical consequence of joining the community structures, a test of consistence and a community member’s responsibility³².

At this point, another aspect of an ambition to play the role of “the best leader of the European Union” is worth considering. The government presents it as a rational and justified action, resulting from the challenges of the crisis era, which forces an active *Primus inter pares* attitude³³. Poland must prove offensive, ingenious and efficient. The official, preliminary report of the Office of the Committee of European Integration (UKIE) of 2009 directly suggests formulating goals and expectations corresponding not only to Polish national interest, but also more real goals allowing to gain the greatest recognition of the European community after the end of the presidency³⁴. Hence, it was assumed that the priorities should be: firstly, attractive (desirability) and feasible (feasibility), secondly, they should correspond to union needs in order to gain community members’ support. Members of the European Parliament from PO consider the Polish presidency a chance for establishing closer cooperation with Ukraine, whereas Jerzy Buzek, President of the European Parliament, emphasized how big the support of society for Europeanism and the EU – a guaranteeing institution in the area of security

³⁰ Press Conference, Presidency in the Council of the European Union – “Press”, June 2011, p. 7.

³¹ A. Kowalski, *Union Interests’ before National ones*, [URL - <http://www.naszdziennik.pl/index.php?dat=20110709&typ=po&id=po07.txt>], 09.07.2011.

³² See *Komorowski at the Ceremonial National Assembly: Polish Presidency the Fulfillment of Dreams*, [URL - www.gazetaprawna.pl], Source PAP, 01.07.2011.

³³ See “*Economist*”: *Poland in the EU is a Preacher and Suppliant*, [URL - http://wyborcza.pl/1,91446,9913731,_Economist__Poland_in_theEU_is_a_preacher_and_suppliant.html] 08.07. 2011

³⁴ J. Bielecki, *Poland will Determine its Position in Europe*, *Dziennik Gazeta Prawna*, 30.06.2011.

and development stability is³⁵. Poland has survived the crisis relatively well as compared with other European states, which does not deteriorate, but rather stabilizes public feeling towards the Union. It follows euroenthusiasm, which could be noticed two years before Poland's formal accession. Then PO and SLD electorate was the most pro-European, but also PiS and PSL supporters presented a rather pro-integration attitude³⁶. Currently, the Polish people are not afraid of the therapist's role for the European economy. They share a view that the domestic economy has survived the crisis in an unusually good way, hence they are ready to share its experience with other European partners³⁷.

The argument is even more significant as the residents of the Western Europe are much more discouraged from union institutions after the recession in 2008 and expect new ideas³⁸. A decrease in the support for the EU results from its inefficiency and helplessness in the face of, for instance, events in Greece. Although it is often said that Poland is assuming the presidency in very unfavourable international circumstances³⁹, Tusk's government wants to reduce the feeling of threat. It seeks to enhance the image of a modern state ready to play the role of a leader, and such an image of Poland is close to realization⁴⁰.

Debates and any forms of prounion education of the society to a large extent resulted from the ruling elite's conviction about the public opinion support for the government's actions. At the same time, surveys were conducted which illustrated the level of support for the EU. According to surveys from 2009, not all countries could take advantage of prounion attitudes⁴¹. The presidency over the European Union was to stimulate the importance

³⁵ A. Koziński, *Poland has been ruling the Union since today*, „Polska The Times”, 1. 07.2011.

³⁶ T. Żukrowski, *Poles towards European integration – a road to referendum do referendum*, “The International Political Review”, issue 2, 2003, p. 124, Civil Platform – 85%, Law and Justice – 65%, Polish People's Party (PSL) – 55%.

³⁷ J. Baczyński, *Will we capture Europe?*, „Polityka”, 6–12.07.2011.

³⁸ See *Meeting of Manuel Barroso, Chief of the European Commission with Prime-Minister Tusk in Warsaw. Subject – priorities of the Polish presidency*, [URL - www.gazetaprawna.pl, Source: PAP], 08.07.2011.

³⁹ J. Pawlicki, T. Bielecki, *Today Europe is us*, „Gazeta Wyborcza”, 1.07.2011.

⁴⁰ See *Italia Press on Presidency: Poland with a turbine drive is trying to stimulate the UE*, [URL - www.gazetaprawna.pl], 01.07.2011.

⁴¹ Report of the Office of the Committee of European Integration (UKIE), part IV, *Prounion attitudes and social expectations towards the EU in the context of the future Polish presidency*, 22.11.2009.

of the event in the society and thus strengthen pro-European sympathies. However, it appeared that in some states a proportion of population supporting integration actions had decreased as a result of an inept and inefficient presidency. The stimulation of Poles' sympathies for the presidency in view of the missionary status of that international role was distinctly emphasized in governmental documents a few years ago. As it was written in the preliminary report of the Office of the Committee of European Integration (UKIE) "it seems that the importance ascribed to the presidency results partly from the nature of presidency as such (over other EU member states and in general), being a leader, by which a sense of a national event (and also national pride) is built⁴². It explains to some extent an explosion of cultural and scientific events, celebrations manifesting the Polish national character on the occasion of the beginning the Polish presidency both in Polish cities and foreign centre of Polish culture (national branding)⁴³. Hence, an information-educational campaign not only causes an increase in the support and sense of national identity, but also it enhances a sense of being Europeans among Poles. President Bronisław Komorowski referred to that two-dimensionality of identity in his addresses, suggesting that the manifest of Polish national identity and symbols originating from the state's history goes hand in hand with active acceptance of international identity as the emanation of the already mentioned pride in being a Pole as well as the fact of being a European, uniting the society and all political parties⁴⁴. It is exemplified by celebrations of 1 July 2011 beginning the Polish Presidency in the European Union during which, apart from exhibiting national symbols, also symbols of the European Union (balloons with the EU logo, anthems of Poland and the EU) appeared⁴⁵. So the guidelines contained in the report regarding the pro-European campaign whose efficiency was achieved allegedly by means of the considerable use of mainstream information channels (media, press and especially the Internet⁴⁶) have been fulfilled. One cannot omit the fact that the Polish EU presidency is becoming an element of a political game in the context of the upcoming parliament election (October 2011). The above mentioned Civil Platform is definitely pro-European, which in the context of increasingly strong public

⁴² Ibidem.

⁴³ R. Pawłowski, *With what to Europe or a half a year of the Polish culture*, „Gazeta Wyborcza”, 1.07.2011.

⁴⁴ See *Komorowski at the solemn National Assembly: Polish presidency being the fulfillment of dreams*, [URL - www.gazetaprawna.pl], Source: PAP, 01.07.2011.

⁴⁵ R. Biskup, W. Lada, *Music for our Europe*, „Rzeczpospolita”, issue 152, 2–3.07.2011.

⁴⁶ Report of UKIE, p. 135.

support for the party also means taking advantage of pro-European moods as an element of the election campaign⁴⁷. As “Poland the Times” indicates: “Tusk has got an additional motivation to come out well during the presidency. Since he announced to be the head of PO for the last term, rumours have been circulating that he is dreaming of an important post in Brussels. If it is so, then a successful presidency would be the best mark when seeking the post of the chairman for the armchair of (for example) the President of the European Commission”⁴⁸. Meanwhile, the society is treated like an object (“The EU as the best place in the world”⁴⁹), unconsciously assimilates models and attitudes traditionally considered pro-European and, to some extent, allows itself to be deluded by the mood of the moment: inauguration celebrations, catchwords of common origin and civilization community⁵⁰. Surely, Poles’ pro-European attitude is based on objective benefits gained by the state during the last seven years. However, such strong enthusiasm is not unconditional and eternal, but accelerated or slowed down by election campaigns with the use of instruments of political persuasion. Stimulating Poles’ interest in European affairs has become a superior goal of the campaign promoting our presidency under the rule that “apart from strengthening Poland’s position as a strong and trustworthy partner, one should also seek to enhance European moods among the Polish people”⁵¹, which is nothing but a political manipulation.

CONCLUSION

National identity and international identity do not exclude each other, they can coexist and complement each other. Emphasizing elements of national culture and, at the same time, supporting watchwords and ideas of the European Union mostly by generations of young people and intelligentsia explicitly give rise to further integration and assimilation of European models

⁴⁷ “Law and Justice already today accused the government of taking advantage of it for its own promotion”, D. Kołakowska K. Borowska, *Poland rules the Union*, „Rzeczpospolita”, 1.07.2011.

⁴⁸ A. Koziański, *Poland has been ruling the Union since today*, „Polska The Times”, 1–3.07.2011.

⁴⁹ J. Pawlicki, *Donald Tusk: Europe is the place world in the world*, „Rzeczpospolita”, 7.07.2011.

⁵⁰ J. Dudek, *Even stronger ties within the EU*, „Rzeczpospolita”, 1.07.2011.

⁵¹ Report of UKIE, p. 145.

and attitudes. It is very likely to be successful especially if, in the context of the Polish presidency, we can see how far goals and attitudes of the Polish people are identical with priorities and goals within the EU (the Eastern Partnership, further EU enlargement, economic issues). It does not mean, however, the collapse of national culture and identification, but the creation of a new international identity, aiming at an open attitude with elements of cosmopolitanism and gradual departing from xenophobic attitudes. Thus, the role of Poland starts to be perceived in a different way, it being an innovative state which gives a note to European diplomacy.

When twenty years ago, Krzysztof Skubiszewski, the minister of foreign affairs identified Polish national identity with European identity, he emphasized that “the aim of Polish foreign policy is integration with structures and institutions of Western Europe. It has required gradual approaching it step by step, and each of those steps must be successful”⁵². Replying to it, key negotiators of Polish membership distinctly reminded other parties to the identity debate in our country that the EU as a community limits interests of its individual members, reasons of state are not always coincident, they are more often divergent. Hence, the acquisition of membership rights results in the participation in permanent negotiations and searching for compromise within the community⁵³. So one cannot deny that the opposition was right still highlighting an important phenomenon which has been omitted by governmental groups. The art of compromise in the EU forum, being one of the Prime Minister Tusk’s main advantages, may overpower the Polish side in the accomplishment of national priorities, blur the perspective of individual interests. Poland is a member of the European Union, but remains a nation state, and not a transnational institution, which means that it should not identify with the EU at the limits of the loss of its identity. Moderation guided by strategic balance is necessary when combining community and state priorities. It should also be present when playing the role of a EU *coach*. An attempt at occupying the best position among previous nominal EU representatives may prove illusory, and will surely be not enough to reduce the real leadership deficit in the Communities. It is not true that we must prove the best steersmen of the union ship. Life is not a prize competition. This rule covers both people and states in a similar way.

⁵² K. Skubiszewski, „Polska Zbrojna”, 19–21.06.1992.

⁵³ J. Kulakowski, *Poland towards European integration*, [in:] A. Maksymowicz (ed.), *Materials from the conference Poland and European integration*, University of Wrocław, Leopoldin’s Lecture Theatre 29 May 1999, Wrocław 2000, p. 13.

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SUMMARY

Taking over the presidency of the Council of the European Union was interpreted by the Polish authorities as a great opportunity to strongly manifest its political role in the Community. The inauguration of the Polish Presidency was accompanied by numerous promotional events aimed at bringing the citizens closer to understanding integration and strengthening the sense of being part of the common European nation's family. On the wave of those events, there was a discussion in the media and between parties about the national and international identity of the Poles and Poland, which is an

excellent material for studies within the methodological frames of social constructivism. The authors asked several research questions. Does a contemporary state, such as Poland, consciously and consistently build a sense of diversity and self consciousness of its citizens or does it aim to blur the borders between the national and communal identity? Do political parties include the issue of the double identity of the state in the public discussion agenda and in what way do they differ in doing that? How do the authorities translate the issue of the state identity into its international roles? What is the community's ability to critically assess the authorities' actions in the field of the state's identity? All the above-mentioned research dilemmas lead to critical conclusions. It seems that neither political elites in Poland nor broadly understood community do not perceive identity issues as important topics in a public debate. Infantile attitudes or excessively instrumental social engineering predominate and there is a lack of real reflection over the relation between the state self-consciousness and the roles that a country can play on the European Union arena.

Stanisław Faliński

EVOLUTION OF THE ADMINISTRATIVE SYSTEM OF THE CAPITAL CITY OF WARSAW BETWEEN 1990 AND 2002

INTRODUCTION

The Polish local government is a three-level structure comprising communes (*gmina*), counties (*powiat*) and provinces or voivodships (*województwo*). All these entities of the local government, typically for a unitary state, have an identical system structure, though among communes we can distinguish rural, rural and municipal, municipal communes while there are country counties and large municipal communes which perform the tasks of counties and thus are named municipal counties. Provinces are not differentiated¹. The only exception to this quite simple structure is the system of Warsaw, defined in a special, separate legal act, i.e. the Act of 15th March 2002 on the System of the Capital City of Warsaw².

However, this article does not aim at detailed analysis and description of the current system of the Polish capital. Its objective is to present reasons why since the restoration of the Polish local governments in 1990 Warsaw has had a system different from those of other Polish cities. But first of all, it shall present various systems of the capital city of Warsaw implemented and working in the years 1990–2002 and, in the summary, explain reasons which were behind liquidation of Warsaw communes which existed throughout that period.

¹ The literature on the Polish local government is very rich and differentiated. I shall only mention here three works from various scientific centres: B. Dolnicki, *Samorząd terytorialny*, Wolters Kluwer, Warszawa 2009; H. Izdebski, *Samorząd terytorialny: podstawy ustroju i działalności*, Lexis Nexis, Warszawa 2009; E. Nowacka, *Polski samorząd terytorialny*, Lexis Nexis, Warszawa 2006.

² Off. J. of 2002, no 41, item 361.

When commencing analysis of the Warsaw system specifics, it should be remembered that it is the biggest Polish city which counts double the number of inhabitants than further big cities.

They have less than one million inhabitants whereas Warsaw population totals to nearly two million. This difference does exist and should find its expression in different system solutions which not only should serve the quality of Varsovians' life and the city's development, but should also contribute to optimise functioning of Warsaw as a huge metropolitan area which should most effectively act as a metropolis both for its closest surroundings and the entire country.

Warsaw's otherness can be then characterised due to its internal specifics established mainly by the city size, understood as the number of inhabitants, but also as the area of the city. This vast city is very differentiated due to building development character, technical, transport, social and cultural infrastructure or ownership structure of properties in the city. These "differentiations" should be expressed in management organisation on the local level, both in the city centre and in its outskirts. Therefore, Warsaw administrative structure should specify and include local and district differences. The structure of administration should match the city's social and economic diversity and not act in isolation from it or even against it. Considering the just indicated, multilayer internal diversity of the capital of Poland, we should remember that Warsaw is one municipal organism. Its inhabitants live in one of its districts, work in another, rest and spend their leisure time in still another one. They are connected with mutual relations, they need each other, they depend on each other. Places where they spend time have to be accessible by public transport, have water, electricity and heating supplies as well as waste and sewage removed. So we can see that Warsaw is internally diverse yet one municipal organism. Administration in such an organism should be created in such a manner as to perform local and overall city functions³.

On the other hand, Warsaw's specifics are defined by its external role, that is influence of the city beyond its area and performing functions whose meaning exceeds its area. This means Warsaw's performance of the metropolitan role or a kind of heartland, like a concentrate of culture and civilisation projecting to social and economic surroundings⁴ and performing obligations of the capital city of a forty-million people state.

³ On this topic see M. Niziołek, *Problemy ustroju aglomeracji miejskich ze szczególnym uwzględnieniem Warszawy*, Wolters Kluwer, Warszawa 2008, pp. 95–96.

⁴ I discuss the term „metropolis” more in: *Metropolia – termin wieloznaczny*, [in:] S. Faliński (ed.), *Warszawa – jaka metropolia? Materiały z konferencji naukowej zorganizowanej*

In order to intensify performance of the aforementioned functions, in 1990 a new system for Warsaw was needed, different from other Polish cities'. In my opinion, to increase Polish cities' capabilities to act as metropolises, special system and legislation solutions are necessary for such cities and their direct surroundings. They are needed by the cities themselves and Poland as a country. Unfortunately, until now, twenty years after restoring local governments in Poland, such solutions have not been implemented. In Warsaw the system evolved in such a manner that its present shape questions city's optimum performance of metropolitan functions. Before the current act on the capital city system was introduced, it had had a metropolitan system, in different variants, based on existence of Warsaw communes. Now, I shall have a look at the evolution.

The first democratic local election after the second world war took place in Poland on 27th May 1990. In Warsaw they were organised under special act for the capital city named *The Act of 18th May 1990 on Local Government System for the Capital City of Warsaw*⁵. It was agreed that Warsaw was a metropolitan union of districts-communes which, just like the union, were legal persons and had the same entitlements as other Polish communes, as defined in terms of their competencies in *The Act of 8th March 1990 on Local Governments*⁶. Tasks for the districts were defined very generally and imprecisely. A provision we can find in the act of 18th May, reads: "*District's scope of activities shall include all public matters of local meaning not reserved by other acts for other entities*"⁷. Similarly unclear were tasks for the Union, i.e. Warsaw as an entity, as respective provisions read that they included "...public matters of overall city meaning from among commune's tasks (...),

w Wyższej Szkole Ekonomiczno-Informatycznej w Warszawie 13.10.2007, Wydawnictwo WSEI w Warszawie, Warszawa 2008; and *Pojmowanie terminu „metropolia” – kilka uwag porządkujących*, [in:] S. Faliński (ed.), *Samorząd terytorialny w Polsce po wejściu do Unii Europejskiej. Wybrane problemy. Materiały z konferencji naukowej zorganizowanej w Wyższej Szkole Ekonomiczno-Informatycznej w Warszawie 14 maja 2009*, Wydawnictwo WSEI w Warszawie, Warszawa 2009. On this topic see also: A. Gawryszewski, P. Worcelli, E. Nowosielska, *Funkcje metropolitalne Warszawy*, „Zeszyty IGiPZ PAN”, 1998, nr 53; G. Gorzelak, M. Smętowski, *Metropolia i region w gospodarce informacyjnej*, Scholar, Warszawa 2005; B. Jałowiecki, *Metropolie*, Wydawnictwo Wyższej Szkoły Finansów i Zarządzania, Białystok 1999; S.J. Kozłowski, *Funkcje metropolitalne miast światowych*, [in:] I. Jażdżewska (ed.), *Funkcje metropolitarne i ich rola w organizacji przestrzeni*, Łódzkie Towarzystwo Naukowe, Warszawa 2003.

⁵ Off. J. 1990, no. 34, item 200.

⁶ Off. J. 1990, no. 16, item 95 and no. 34, item 199.

⁷ Art. 5 of the act.

and in particular whose performance exceeds districts' possibilities and requires inter-communal cooperation"⁸. In fact, district and all-city competencies were not distinguished. The same style of wording underdefined tasks resulting from Warsaw's role as the state capital⁹. This ambiguity of provisions caused competency disputes between particular elements of local authorities in Warsaw. It was often used by authorities of districts-communes to deal with any public matters in the territory of a given district-commune, ignoring assumed yet imprecise all-city competencies. Such imprecise power was executed by Warsaw local authorities.

Districts-communes' bodies were carbon-copied from bodies created in other municipal communes. The decision-making body was the district council comprising councillors elected in direct elections. Organisation of its works was headed by a president, who together with deputy-presidents constituted the board of the council. Within the board key initial decision regarding the council work were made. Final decisions were made by the council *in gremio*. They included passing the most important document for the district-commune, that is its statute. In case of districts larger than 300,000 inhabitants, its contents was subject to arrangements with the Prime Minister. The district council worked during sessions convened not less than once a quarter and chaired by its president or an authorised vice-president. Between its sessions, the council worked within its specialised and substantively defined sections – council commissions. They were only advisory bodies. They had no decision-making entitlements. Such authority was always in the hands of the council during its sessions. It was the district council who passed the most important annual document of the commune – the budget where tasks were defined and announced for realisation in a given year by a specific district-commune. In the system and political sense, the key function of the council was to appoint, supervise and possibly dismiss another body in the district-commune – the managing board. This was a collective body comprising five to seven members. Its works were managed by the mayor of the district-commune. There were seven such organised districts-communes: Bielany, Mokotów, Ochota, Praga Południe, Praga Północ, Śródmieście and Wola. That is why Warsaw of 1990-1994 was a bit maliciously yet with a grain of truth named “Siedmiogród” (*German: Siebenbürgen, both meaning “Seven Towns”*) Such a nickname for Warsaw not only resulted from the division into seven districts but also from actions taken by authorities in particular

⁸ Ibidem, art. 6, sect. 1, item 2.

⁹ Ibidem, item 1.

districts, sometimes uncoordinated and neglecting the all-city interest, which were possible due to aforementioned legislative inaccuracies. What is interesting, if we analyse the amount of the content in the said act of the local government of the capital city of Warsaw devoted to districts-communes, it shall turn out that it is far smaller than the content devoted to the union, i.e. the capital city of Warsaw. In fact, the amount of competencies was far smaller on the part of districts-communes than on the entire city. There were only a few, aforementioned provisions which broadly described competencies of the district authorities and imprecise, also aforementioned provisions regarding all-city tasks. In 1992 the name “Siedmiogród” ceased to be adequate as a new district-commune Ursus was sectioned off the district-commune Ochota. However, the problems typical for the “Siedmiogród” remained unchanged.

All-city tasks were performed by bodies of the municipal union of districts-communes named the Capital City of Warsaw. Its decisive and supervisory body was the Council of the Capital City of Warsaw¹⁰. It was not chosen in direct elections, it was a representative of all existing districts-communes of the capital city of Poland. The Council comprised representatives chosen by districts’ councils. (four persons from each council). The Council of the Capital City of Warsaw worked, just like any other council, through its commissions, which was, however, a kind of curiosity – it had neither a president nor a managing board. The role of the president was performed by the secretary. Such structured Council passed the most important city document – the statute, which just like the one passed by bigger districts-communes was subject to agreement with the premier. Each year it also passed the budget for the municipal union named the capital city of Warsaw. Apart from the aforementioned, its tasks included passing long-term zoning and development plans for Warsaw; setting fees for using all-city enterprises, companies, institutions and equipment and establishing administration fees; passing resolutions on participation in general taxes and subsidies which constituted district incomes – this task was often challenged by the districts and was not realised. Among other obligations of this body, ones should be mentioned which presented actual role of the Council of Warsaw in the system of local government in the capital: deciding together with respective councils on city monuments; granting honour citizenship of Warsaw; assessment of districts’ and other municipal institutions’ work in Warsaw – without any real consequences for the evaluated district or its subordinate city institution; running

¹⁰ *The act of 18th May 1990 on the system of the capital city...*, op. cit., art. 15.

mediations in conflicts between districts; convening extraordinary sessions of district councils; representing the Union before the government administration; arranging studies, analyses and trainings on local government.¹¹

The aforementioned tasks were a harbinger of merely decorative and representative role for the authorities of the capital city of Warsaw. And the practice of the 1990–1994 cadence often confirmed that fact. An important system and political role of the Council of the capital city of Warsaw was election of the Union's executive body – the managing board of the capital city of Warsaw which was elected by a special Warsaw Election Assembly from among the aforementioned candidates¹². The Assembly consisted of councillors from all Warsaw districts and counted 345 people. Such elected mayor presented candidates to be chosen by the Council of the capital city of Warsaw to the Warsaw managing board which consisted of three deputy mayors and five members. Its sessions were chaired by the mayor, who was an executive body of the Union, just as the managing board¹³.

The presented system of the local government was a subject of a far-reaching and common discussion both in terms of system solutions and the practice of its functioning. It was criticised and a change of the system of the Polish capital was broadly requested¹⁴.

¹¹ Ibidem, art. 16.

¹² Ibidem, art. 21.

¹³ Ibidem, art. 25.

¹⁴ Publications found in „Wspólnota” weekly are specially attractive. The following seem to be the most representative: S. Wyganowski (an interview with I. Marcisz), *W sercu Europy*, ibidem, no. 17 of 07.07.1990; J. Rutkiewicz (an interview with J. Walewskim), *Śmiać się czy płakać?*, ibidem, no. 2–3 of 19.01.1991; *Jaka będziesz Warszawo?* Notowała M. Krassowska, ibidem, no. 6 of 09.02.1991; P. Fogler (in an interview with A. Świątek), *Kto rządzi Warszawą?*, ibidem, no. 11 of 16.03.1991; A. Markiewicz, *„Model” do naprawy. O samorządną i sprawnie zarządzaną Warszawę*, ibidem, no. 23 of 08.06.1991; S. Wyganowski, *Uwagi do „Ustroju samorządu m.st. Warszawy” autorstwa 6 burmistrzów i przewodniczących Rad Dzielnic-Gmin Warszawy*, ibidem, no. 11 of 14.03.1992; L. Winiarski, *Komisarz dla Warszawy?*, ibidem, no. 51–52 of 19–26.12.1992; idem, *Między dzielnicami a ratuszem*, ibidem; *Memoriał w sprawie zarządzania m.st. Warszawą skierowany do pana Bohdana Jastrzębskiego o przestanie H. Suchockiej*, ibidem; *Tylko ewolucja. Dyskusja redakcyjna nad ustrojem Warszawy*, ibidem, no. 43 of 24.10.1993; M. Czarnota, *Nowy ustrój Warszawy. Jak wam się to podoba?*, ibidem, no. 7 of 12.02.1994; G. Buczek, J. Radziejowski, *Dyskusja o ustroju Warszawy*, ibidem, no. 14 of 02.04.1994. An interesting independent work on the variants of changing the Warsaw local government system in the years 1990–1994 is one by A. Krasnowolski, *Problemy ustroju samorządowego Warszawy*, a study produced in the Senate Intervention Office of 1st December 1993.

The 1994 elections took place under a new act¹⁵. It was a true revolution of the shape of the public authorities in the capital city of Warsaw. The existing eight district-communes were liquidated. Instead the following were created: first of all – one, great commune Warszawa Centrum, which approximately covered the area of 1939 Warsaw, which is a densely built-up area; secondly – on the outskirts of Warsaw, beyond the Centrum commune, a kind of a ring was formed comprising ten communes surrounding the Centrum which were established on the areas adjoined to Warsaw after the World War II. The capital city of Warsaw remained a municipal union, but now it comprised 11 communes: Warszawa-Bemowo, Warszawa-Białołęka, Warszawa-Bielany, Warszawa-Centrum, Warszawa-Rembertów, Warszawa-Targówek, Warszawa-Ursus, Warszawa-Ursynów, Warszawa-Wawer, Warszawa-Wilanów, Warszawa-Włochy. This time, an effort was made to precisely define commune competencies and obligate them to fulfil functions typical for the capital of a state, i.e. a city where the most important state institutions, missions of foreign states and international organisations are seated¹⁶. This was supposed to prevent early avoidance or even refusal to perform such actions by the Warsaw communes.

A specially important element in the new act was an extended description of the competencies of the municipal union of Warsaw communes, i.e. the capital city of Warsaw. Issues were listed which were to be included in the scope of activities of the Union: planning strategy and development in the capital city of Warsaw; all public investments – firstly of infrastructural character – which were of importance for the entire city or for a few of its communes, especially initiating and developing cooperation in this respect among communes and supporting such activities, also assistance for the Warsaw communes in their activities aiming at equalising the level of fulfilling mass needs in the all-city scale¹⁷. What is characteristic for the document is its strong stress upon autonomy of the Warsaw communes and subsidiary understanding of the Union's role. That resulted: first of all from a decision to reinforce local issues in the act and a strongly related will to create a mechanism for building local bonds and citizens' activity on this level of citizen society; secondly from a will to create a mechanism of "Warsaw openness to the outside" and the city's stronger connection with its direct neighbourhood so that the capital city of Poland could most effectively emanate upon

¹⁵ *The Act of 25th March 1994 on the system of the Capital City of Warsaw*, Off. J. of 1994, no. 48, item 195.

¹⁶ *Ibidem*, art. 2.

¹⁷ *Ibidem*, art. 5.

these surroundings and be still stronger bound with them. The mechanism of creating metropolitan unions not only within Warsaw was supposed to be useful in this respect, which was expected to result in taking over of all-city enterprises by Warsaw communes, but also to allow sub-Warsaw communes to join such unions¹⁸. This way, municipal infrastructure would not constitute a barrier or a hindrance for the development of the Warsaw municipality but should rather support such development. The capital city should ultimately, that is after creating Warsaw metropolitan unions, deal with the aforementioned issues. However, no metropolitan unions were created and the Warsaw communes were liquidated and the metropolitan system of the Polish capital ceased to exist. This only happened in 2002.

Let us though return to the Warsaw system of 1994–1998 where on the level of the Union the decision-making and supervisory body was the Council of the Capital City of Warsaw¹⁹. It comprised 68 councillors elected in multi-mandate constituencies. Its works were chaired by the president of the council who, just like in other Polish local government decision-making bodies, had his or her deputies. All of them formed the presidium of the council. The councillors worked in commissions and through commissions. A kind of “non-statutory” body in this council was a seniors’ council which dealt with preliminary agreement of key issues regarding the works of the Council. That body did not restrict statutory competencies of the president but gave an opportunity to agree his/her decisions so that, wherever possible, they were taken in concordance and agreement with politically diverse councillors who worked in their clubs. The seniors’ club comprised the council presidium and the club leaders. The competencies of the Council of the Capital City of Warsaw were partially analogous to those of its counterparts in Poland and comprised: passing a statute of Warsaw, establishing directions of work for the Managing Board of the Capital City of Warsaw and accounting the Board for their work, appointing the Warsaw treasurer (there was no secretary), passing the budget, making decisions on property issues exceeding regular board competencies and acknowledgement of fulfilment of duties by members of the Board, making decisions on names for Warsaw streets and squares and about honorary citizenship of Warsaw. The Council competencies also included spatial development, i.e. approving development programmes and zoning plans and related decisions which were binding for the Warsaw communes.

¹⁸ *Ibidem*, art. 6.

¹⁹ *Ibidem*, art. 7.

As it turned out during the existence of the discussed act, the spatial development constituted an important subject of disputes regarding competencies between the Union and the communes. As it can be seen, among these competencies there was no, perhaps the most important, political competency given to other town and city councils in Poland. The Council of the Capital City of Warsaw was not entitled to elect the managing board. Instead, its competencies included a rich complex of matters regarding Warsaw functioning as a municipal union, such as initiating and developing cooperation among Warsaw communes and applying to the Government to appoint a mandatory municipal union²⁰. The issue of creating municipal unions in Warsaw under this act was another bone of contention between the city (as the Union authorities were commonly named) and the Warsaw communes.

The executive body of the capital city of Warsaw was the managing board²¹. Its form and method of appointment were supposed to facilitate harmonious and effective work of local public authorities in Warsaw, both on the commune and union (i.e. all-city) levels. The president of this collective body was the mayor of the capital city of Warsaw. However, he/she was not elected by the Council of the capital city of Warsaw but by the council of the biggest Warsaw commune, i.e. the Council of the Warszawa-Centrum commune, where the mayor acted as a one-person managing board²². Therefore, there was a personal union between politically and economically strongest Warsaw commune and the union of all Warsaw communes. Apart from the mayor as the president, the Managing Board of the capital city of Warsaw included deputy mayors of Warsaw. Such was the composition of the obligatory municipal union named the capital city of Warsaw. The rules for its functioning were detailed in the statute of Warsaw which was subject to consultations with the Prime Minister. The shape of this document, which was supposed to be a kind of Warsaw constitution, was another battlefield between the authorities of the city and of the Warsaw communes. The statute specified rules for planning and development of Warsaw, deadlines for payments to the budget of Warsaw – also payments of contributions by the Warsaw communes, rules for neighbouring communes to join Warsaw as the metropolitan union²³.

²⁰ Ibidem, art. 8.

²¹ Ibidem, art. 9.

²² Ibidem, art. 20.

²³ *Resolution no. XVII/93/95 by the Council of the capital city of Warsaw of 27th March 1995 on approving the statute of the capital city of Warsaw*, M.P. of 28th April 1995, no. 20, item 251.

The commune level of authorities in Warsaw was of inconsistent system. The authorities of the biggest commune Warszawa-Centrum, which covered the area of pre-war Warsaw, were constructed in a different manner than the authorities of the aforementioned “ring” – the communes which surrounded the area of Warsaw from before 1939. The key difference of the system of the Centrum commune was that: firstly it had a one-person executive body – the managing board, a situation that did not take place elsewhere in Poland! The person who was the managing board also acted as the mayor of Warsaw. Also, in the Centrum commune, the mayor had his/her deputies, appointed by himself/herself acting as the one-person managing board, who formally were not members of the collective management of the Centrum commune, as there was no such body. The deputies only had competencies given to them directly by the one-person managing board of this commune, that is the mayor of Warsaw²⁴. Secondly, the difference was that in the Centrum commune statutory auxiliary units were introduced – districts. There were seven of them: Mokotów, Ochota, Praga Południe, Praga Północ, Śródmieście, Wola, Żoliborz. They took names after the districts-communes previously existing in the area of the newly created Centrum commune²⁵. The system of the auxiliary units was also defined in the act. Each of them had their own resolution-passing body, that is a council comprising Centrum commune councillors elected in constituencies of a given district and councillors elected only for the district council. The rules and method of electing district councillors were stipulated in the commune statute. Such established district council was not chaired, as it happened in communes, by a president elected by the council, but by the head of the district’s executive body, that is the director of the district managing board²⁶. This person was elected by the district council upon an application from the mayor of Warsaw. Apart from the director, the collective executive body of a district – the district’s managing board comprised two more members – deputy directors, elected by the district council upon an application from the director²⁷.

As we can see, the Polish capital city system of that time was truly complicated. There were four levels of local government, apart from the three

²⁴ The City had a collective management which comprised deputy mayors elected by the Warsaw Council (upon a motion from the mayor) who enjoyed competencies of co-masters which resulted from their participation in the collective management of Warsaw.

²⁵ *The act of 25th March 1994 on the system...*, op. cit., art. 35, sect. 3.

²⁶ *Ibidem*, art. 27.

²⁷ *Ibidem*, art. 28.

discussed: all-city's, commune's and district's, whereby competencies defined by the statute of the Centrum commune made their real entitlements more similar to those which were granted to "ring" communes²⁸, and additionally within districts there were also estates. It should be noted though, that under the said act Warsaw functioned quite effectively. An element which complicated this work was political competition between two most numerous and having biggest competencies decision-making bodies operating in the territory of Warsaw – the council of Warsaw and the council of the Centrum commune. The specific position of the mayor of Warsaw, as described above, did not effectively ensure harmonious work of the local government in the Polish capital.

What is most important is that during the time of the said act no municipal unions were created, which were supposed to be a form of taking over the property of city enterprises temporarily managed by the Union by the Warsaw communes. Unfortunately, the Warsaw communes were unable to reach an agreement on that issue which was fundamental for Warsaw functioning, and as it resulted later on, this lack of agreement caused their liquidation by the act of 2002²⁹. However, before that happened, Warsaw had unsuccessfully entered the public administration reform of 1998. At that time, during discussions and debates among members of Warsaw local government about introducing a county in Warsaw, also various options about it were considered. Two of them were considered most probable. One assumed that the tasks of a county shall be taken over in Warsaw, just like in entire Poland, by communes which counted more than one hundred thousand inhabitants and such communes' bodies should become bodies of respective municipal counties. Another option assumed that the capital city of Warsaw as an entity should become a county, and the Council of Warsaw and the Warsaw Managing Board should act as counterparts of county bodies³⁰. Finally, a solution was chosen which was expected by nobody, save for those who chose it. Another

²⁸ *The resolution of the Warszawa-Centrum Commune Council no. 390/XXXI/96 on approving the statute of the Warszawa-Centrum Commune.*

²⁹ *The act of 15th March 2002 on the system of the capital city of Warsaw*, Off. J. of 2002 no. 41, item 361. About the system of Warsaw at that time see: M. Niziołek, *Problemy ustroju...*, op. cit., pp. 110–115; S. Wyganowski, *Ustrój samorządu miasta stołecznego Warszawy*, [in:] *Dzielnica Śródmieście wczoraj, dziś i jutro, Materiały z sesji z okazji 20-lecia samorządności w Dzielnicy Śródmieście m.st. Warszawy Zamek Królewski, 25th May 2010*, Warszawa 2010, pp. 26–28.

³⁰ About various options of implementing a county in Warsaw see inter alia.: *308 plus 65*, „Wspólnota”, no. 33 of 15.08.1998; B. Komorowski, *Dziwoląg warszawski*, ibidem, no. 36 of 05.09.1998.

level of local government was established in Warsaw – a country county with its own bodies, i.e. a county council, a county managing board and the county mayor (*starosta*). The first mayor of Warsaw after 1989 and a renown urban planner named that solution “a capital disaster”³¹. Indeed, the quite complex system of local government in Warsaw, which required corrections through more detailed specification of competencies for its particular elements, was made even more complicated. This meant a relative restriction of the role of the Warsaw communes because as a result of the administration reform of 1998 they were not granted entitlements analogous or similar to ones received by other Polish municipal communes. The union of Warsaw communes – the capital city of Warsaw – also did not receive such entitlements. This could mean a beginning of changes of the Warsaw system towards its centralisation. This process commenced with failure to transfer to Warsaw communes or their union entitlements of municipal counties. An evolution commenced which was a gradual abandoning the metropolitan system based on the strong position of the Warsaw communes. The system was characterised not only with strong, local legitimisation of public power and strong identification of local communities with their “own”, i.e. commune, authority but also with opening Warsaw, through the “ring” communes, to neighbouring communes which were not administrative parts of Warsaw.

The local government in Warsaw established as a result of the 1998 administrative reform became even more complex, and competencies of its particular components were not specified precisely enough to not arouse controversies in their understanding by particular bodies of Warsaw local government institutions. Conflicts occurred and the atmosphere among politicians and officials representing various levels of local authorities was not marked with a will of amicable cooperation. The system needed repairs and modifications. A change occurred as soon as less than half a year from the local elections date. The modification took place but whether it meant a repair or even an improvement of the Warsaw system.... It is highly disputable. The change happened on the basis of an act of 18th March 1999 and meant abolishment of the system otherness of the Centrum commune in comparison to other Polish communes and termination of the personal union between the union of the Warsaw communes (i.e. the capital city of Warsaw) and the mentioned Centrum commune³². From that moment, the city should have, just like else-

³¹ S. Wyganowski, *Stoleczna katastrofa*, ibidem, no. 38 of 19.09.1998.

³² *The act of 18th March 1999 on changing the system of the capital city of Warsaw*, Off. J. no. 92, item 1044.

where in Poland, a collective managing board fully elected by the Council of the capital city of Warsaw, contrary to the situation up to that moment when the mayor had been elected by the council of the Centrum commune. The commune was supposed to have, just like elsewhere in Poland, a collective managing board fully elected by the Council of the Centrum commune. The managing board was to be headed by the mayor of the Centrum commune. Therefore, the mayor of Warsaw ceased to be simultaneously the one-person managing board of the Centrum commune and the mayor of Warsaw. It seems that the abolishment of this personal union determined the imminent termination of the metropolitan system. It was impossible that the two independent and politically powerful centres of public authority: the capital city of Warsaw and the Warsaw-Centrum commune could coexist long, effectively and amicably. Cooperation of such powerful centres of public authority should be ensured institutionally so that the city could exist as an entity and so that quite independent communes could exist within the city.

The amendment of the Warsaw system of 18th March 1999 was the last one before liquidation of the Warsaw communes which happened through the act of 15th March 2002 which until today defines the system of the Polish capital³³. Under the new law, local elections in Warsaw took place on 27th October 2002. Ever since then, Warsaw has been one commune, counting nearly two million people, and a municipal county. As obligatory auxiliary units, districts exist in Warsaw which have their own councils elected in common elections. The councils choose managing boards headed by district mayors. The decision-making body, as in any other commune, is the council and the executive body is the mayor elected in direct elections who acts as a one-person managing board. So, Warsaw enjoys the special act which defines its system. Otherness included in the act only refers to the auxiliary units. The commune bodies are identical to other communes in Poland. There are no systemic solutions which would support the Warsaw metropolitan functions.

CONCLUSION

When concluding, an explanation proposal should be presented which shall only be a suggestion for a discussion on reasons why communes, which were the basis of the metropolitan system, were terminated. Why the Polish

³³ *The act of 15th March 2002 on the system of the capital city of Warsaw*, Off. J. of 2002, no. 41, item 361.

state abandoned solutions which helped the biggest Polish city to perform metropolitan functions needed for the region and the entire state and solutions which build local democracy, localism and finally citizens' society? Generally speaking and simplifying, the reasons for this liquidation can be divided into two groups: objective reasons and subjective reasons.

The group of objective reasons should include: incapability of the Warsaw communes to harmoniously take over all-city enterprises and thus failure to fulfil provisions of the Warsaw system act. It seems that the legislator's fault was to leave this issue within the Warsaw communes competencies. This issue, together with precise definition and division of all-city and commune tasks, should have been solved through an act of law. Then, the commune-based metropolitan system would work well both in entire Warsaw and the Warsaw communes and would allow cooperation with neighbouring communes. Unfortunately, this never happened. Instead, a new level of administration in the form of Warsaw county, independent from the commune and city structures, was introduced into the Warsaw system. That remarkably complicated both the city system and the situation of the Warsaw communes. It provided arguments for supporters of their liquidation and centralising power in the city scale.

Among the subjective reasons, three are of key importance. The first and general one was no climate among state political elites for existence of a decentralised metropolitan system in Warsaw; the second one was these elites' desire to take over entire power in Warsaw, which during the existence of the communes was dispersed and diversified in its political aspects. When communes were terminated, nobody knew who should become the all-powerful and influential mayor of Warsaw. There were a few political options and related politicians who aspired to the power over entire Warsaw. Each of them hoped to win all the stake... And here comes the third subjective reason – a will of large political parties to eliminate competitive local politicians who owned their position to influences in a commune and support from its inhabitants but not to their position in a hierarchical party machine. The machines, from left to right wing, jointly forced termination of communes which allowed emancipation of local politicians. This meant reduction of the concept of local governments. On the other hand, development of this concept during the existence of the communes was accompanied by difficulties in managing the entire city and, unfortunately, lack of responsibility for the city as an entire entity on the part of some commune leaders.

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SUMMARY

Since the revival of the self-government system in Poland in 1990, the capital and the biggest city of Poland has had an administrative system different from other Polish towns. In 1990–2002, the system was based on the

territorial structure made of separate units called gminas (communes), having a status of legal entities. However, the system was evolving over that period. In 1990–1994 the city was divided into seven districts-gminas: Warszawa-Mokotów, Warszawa-Ochota, Warszawa-Wola, Warszawa-Żoliborz, Warszawa-Praga Północ, Warszawa-Praga Południe and Warszawa-Śródmieście. The mayor of the city of Warsaw was its President elected by all the city councilors. The system did not function well. In 1994 a new system was introduced: the central part of the city, which had the biggest building density and the population of about one million, became one gmina called Warszawa-Centrum and divided into districts. Around it, there were ten neighboring gminas: Warszawa-Ursynów, Warszawa-Wilanów, Warszawa-Wawer, Warszawa-Targówek, Warszawa-Rembertów, Warszawa-Białołęka, Warszawa-Bielany, Warszawa-Bemowo and Warszawa-Ursus. In 1998 a decision was made to introduce one more level of self-government in the city: powiat warszawski (County of Warsaw) with its own administrative units. This very complicated system existed until 2002, when it was replaced by a new one in which Warsaw became one gmina with eighteen districts.

Bartosz Bojarczyk

NATO'S PRESENCE IN THE GULF REGION

When analyzing today's security systems in the Middle East, particularly in the Gulf region, we may emphasize its several distinguishing features. The main one is its permanent penetration by external forces. Many researchers characterize the Gulf system referring to it as *Pax Americana*. It means that the United States have become the most influential power in the region and their dominance is multidimensional. Washington has penetrated most of the region in a political, economic and, what's most important, military sense. It seems that the only country which is still trying to retain its independence in pursuing regional (and world) foreign policy is the Islamic Republic of Iran.

Such a domination of the United States in the Gulf region results from a few processes. The first of them is devastation of the US supported system of security in the 70s, the so-called policy of twin-pillars policy, when a revolution broke out in Iran and this country turned from the main American ally into the main American enemy. This fact along with the Russian invasion of Afghanistan in December 1979 resulted in a new, more active and direct involvement of the USA in the Gulf region. The Carter Doctrine, announced on 23 January 1980, assumed that an attempt to take control of the Gulf region by any external forces will be considered an assault on vital interests of the USA and such an assault will meet with a reaction involving any necessary measures, including military intervention¹. Washington has considered this region its exclusive sphere of influence since 1980, and tried to extend its influence, supporting GCC states and Iraq in a war with revolutionary Iran.

The second mile stone in the intensification of the American penetration was Iraq's invasion of Kuwait and international actions taken with a view to liberating that sheikdom in 1991 ("Desert Storm"). As a result of the second

¹ After: M.J. O'Reilly, *Unexceptional. America's Empire In the Persian Gulf, 1941–2007*, Lexington Books, Lanham 2008, p. 150. Also we may find a great analysis of that doctrine in the mentioned position.

war in the Gulf region, the USA could sign with all countries, except for Iraq and Iran, a security treaty ensuring this country with unconditional authority regarding relations in the region. "(...) combining GCC states' security with its own, the USA increased its sensitivity and vulnerability to events in the Gulf region ... (a) ... 'entrusting' its security with the United States, the Gulf monarchies rendered the Persian Gulf more open and sensitive to changes in the United States posture"².

In the 90s, the United States became a power fully responsible for maintaining status quo in the region and did it stopping Iraq and Iran, as well as extending its contacts with sheikdoms. Naturally, the USA was not alone in its aspirations for domination in the Persian Gulf and restriction of two main powers in the Gulf. European states, especially Great Britain, Germany, Italy, supported the USA, but some other unwillingly agreed to those actions (Russia, France). However, after the Cold War, it seemed there was no alternative for the American leadership in the world and US policy in the Middle East was unusually intensive and aimed at submission.

There was no consensus among European countries regarding their and American role in the Middle East, but all of them were vitally interested in providing stability and pro-Western orientation in the region. Their main interests were obviously stable prices and supplies of energy resources to world markets. Growing unrests among societies and a growth of radical Islamism were considered direct threats also to western powers. A. Ehteshami's words best describe the role of the then western coalition: "Western coalition led by the USA became a new card dealer in the Middle East, and the USA became a new hegemonic leader in the region. Thus, long before 9/11, the region was completely penetrated by the USA. What happened on 9/11 constituted an excellent excuse for absolute domination in the region and its programs"³. It was commonly held among NATO members that the alliance won the Cold War and it was time it developed and organized the international order. The Middle East became its basic area of penetration.

The 9/11 events changed completely the US and its NATO allies posture on the Middle East, opening a new chapter in the world politics referred to as a war with terrorism, and the Persian Gulf is the main area where they decided to become involved. The war in Afghanistan may be justified by the fact that terrorist attacks were planned and organized in the territory

² A. Adib-Moghaddam, *The International Politics of the Persian Gulf. A cultural genealogy*, Routledge, London & New York 2006, p. 90.

³ A. Ehteshami, *Globalization and Geopolitics In the Middle East. Old Games, New Rules*, Routledge, London & New York 2009, pp. 69-70.

of that country, but the decision to attack Iraq was something different. Unconfirmed accusations of Iraqi support for Al-Qaida, searching for nuclear weapon and an idea of democratic Iraq were enough to invade that country and occupy it until today. The Persian Gulf's security system was crushed both by the United States and their western allies. As it has already been stated, 9/11 was only an excuse for extending American domination in the region, but the process had started earlier.

NATO's involvement in the Persian Gulf results from vital interests of its member states which located themselves in the region. The first and foremost factor affecting the Persian Gulf's importance is energy resources. Over 60% of confirmed crude oil reserves and about 40% of world gas reserves are located in this region. It makes the Persian Gulf a very important, geo-strategic region, not only for NATO members, but also for global economic stability. The region also plays the role of an exceptionally important sea route (transport of oil crude resources directly to open seas). Another factor is a changing nature of the local order in terms of wars and security. During last 30 years, we were witnessing serious conflicts in the region and all of them resulted in an increase in foreign presence. Moreover, the conflicts caused important changes in terms of security for the system itself and its members. Another problem is that all countries of the region are endangered by potential extremist and terrorist organizations, which not only operate in their territories, but also here prepare their actions against alliance members. Recently, Iranian nuclear program has become one of the most urgent international problems, and NATO is seriously interested in not allowing Iran to build an atomic bomb, which most probably would cause the arms race in the Persian Gulf region, if not in the whole Middle East. Obtaining weapons of mass destruction by Iran along with its advanced missile rocket program is considered by NATO members one of the most dangerous prospects of the next decade⁴. Importance of the Persian Gulf region to NATO has definitely increased since NATO's involvement in operations still conducted in Afghanistan and Iraq as the stabilization in the region may contribute to the success of those operations.

NATO as an alliance entered the Persian Gulf after the invasion of Iraq when some of its members (however, under NATO's command) started the mission of training Iraqi forces in 2003/2004. Some European counties (for

⁴ R. Polenz, *NATO and Persian Gulf Security*, NATO Parliamentary Assembly 2005 Annual Session, Committee Reports 177 PCTR 05 E, <http://www.nato-pa.int/Default.asp?SHORTCUT=676>, p. 1.

instance Germany) refused to participate in direct military actions, but decided to actively support the new Iraqi state and American ally in other fields. It was, however, only a prelude to a new chapter of NATO's involvement in the region.

Officially, NATO appeared in the Persian Gulf in relation with Istanbul Cooperation Initiative (ICI) which was launched in June 2004 during a NATO summit in Turkey. This initiative is part of a new approach to the treaty as such and its new role in the international system. After the Mediterranean Dialogue which was launched in 1994, ICI is a natural continuation of NATO's growing involvement in formal actions in the broader Middle East. The aim of ICI is to contribute to long-term world and regional security through offering the Middle East countries an opportunity of bilateral cooperation with NATO in the field of security. ICI is open to all countries in the region which subscribe to their aims, mostly a fight against terrorism, countering proliferation of weapons of mass destruction, as well as the cooperation in the scope of border security and improvement of disaster-preparedness and disaster-response⁵.

The NATO's initiative is based on following principles:⁶

- the importance of taking into account ideas and proposals originating from the countries of the region or regional organizations;
- the need to stress that the NATO initiative is a cooperative initiative, based on joint ownership and the mutual interests of NATO and the countries of region;
- the need to recognize that this process is distinct yet takes into account and complements other initiatives;
- the need to focus on practical cooperation in areas where NATO can add value, particularly in the field of security;
- the need to avoid misunderstanding about the scope of initiative, which is not meant to either lead to NATO/EAPC/PfP membership or to provide security guarantees.

Cooperation and support would be implemented by focusing on the following priorities:⁷

- provision of tailored consultancy on defence system reform, defence budgeting, defence planning and civil-military relations;

⁵ *Security Cooperation with Mediterranean region and the Broader Middle East*, <http://www.nato.int/doc/mediterranean/secopmed-e.pdf>, p. 10.

⁶ *Istanbul Cooperation Initiative*, <http://www.nato.int/docu/comm/2004/06-istanbul/docu-cooperation.htm>, p. 1.

⁷ *Ibidem*, pp. 2-3.

- promotion of military departments cooperation through participation in selected military exercises and related education and training activities;
- fighting against terrorism through information sharing and maritime cooperation;
- contribution to the NATO's work on threats posed by weapons of mass destruction and their means of delivery;
- promotion of cooperation as appropriate and where NATO can add value in the field of border security in connection with terrorism, small arms and light weapons and fight against illegal trafficking;
- promotion of cooperation in the areas of civil emergency planning.

ICI creates a new value not only in the Middle East, but also in NATO as such. That is why its members decided to establish ICI Group composed of political advisors from 26 delegations of NATO's members. The group tries to engage states participating in ICI on the '26+1' basis in the development of individual plans for themselves. The group reports to the NATO Council or the NATO Senior Political Committee⁸.

The Istanbul Initiative is part of NATO's new strategy and the result of a changing role of the alliance in the international system. New threats to the alliance, but also to the international system resulted in an urgent need for extending the multidimensional role of the alliance. From a security pact, NATO is trying to become a multilevel organization with various political, military and even socio-cultural goals. In order to remain effective in defending and promoting security in this new rapidly changing security environment, the Alliance is engaged in an ongoing transformation affecting all aspects of its agenda, with new missions, new members, new capabilities, new partnerships, and new ways of doing business⁹.

The evolution of NATO's character is an outcome of the changing global environment as well as a product of a new vision of the alliance among most prominent American and European politicians. They realized that it is the last call for enlarging the western sphere of influence and absorbing the areas like the Persian Gulf into it by engaging the Middle East states into the mechanisms and instruments of NATO's activity. Otherwise, other global powers like China will try to establish some kind of institutional and multilevel cooperation with the Middle East states in order to safeguard deliveries of energy resources, but also increase its international position and influence. It is commonly held that a viable regional defense system is not

⁸ *NATO In the 21st century*, http://www.nato.int/docu/21-cent/21st_eng.pdf, p. 3.

⁹ *Ibidem*.

feasible without direct involvement of a major power or powers, so current actions are aimed at the inclusion of the region to its own security system.

The NATO's new strategy in the international system is something more than just a new approach. It is a completely new quality in the analyzed region as well as international affairs. The USA and European countries continue to have the same security interests in the Middle East region and NATO still remains the best mechanism for coordinating their policies. Because of the vital interest of most western powers in the region, the trend towards NATO's deeper involvement in the Persian Gulf and the greater Middle East is most likely to continue¹⁰. But there is no unity among the members of the Alliance about the shape and directions of NATO's strategy, especially in the discussed region. Of course, the United States are pushing for more complex policy based on full involvement of all NATO's mechanisms and instruments in the Persian Gulf, but most European states are more reluctant to such an idea. They would prefer to establish some loose institutional relations with the Gulf states and to maintain bilateral relations based on traditional contacts or influences, and sell military equipment. Europe has a different view on NATO's engagement in the Persian Gulf system. For most European states there is no need to build long-standing and multidimensional cooperation. "There is not in Europe the same sense of strategic requirement or urgency found in the US that could lead readily to European allies' engagement in a formal security structure"¹¹. There are few reasons for such a stand of NATO's European members. The most predominant one is a financial factor. Europeans would like to cut as much as it is possible the pact's budget, and such mechanisms as the Istanbul Cooperation Initiative goes beyond the organization's defence character. However, the United States are the main financial contributor to the alliance and pay the most so they may push for such projects. The next thing is a general vision of the pact itself. Europeans are more interested in developing NATO's involvement in the greater Middle East through the Mediterranean Dialogue because of the geographical closeness of that region to Europe and historical interests of main European powers (France, Italy, Spain). Despite the fact that there is not a unanimous position among the alliance members towards the new strategy in the Persian Gulf, the relations with the region states will be expanded.

When analyzing the NATO and the Persian Gulf states relations, a question should be asked whether NATO is really trying to establish long-standing

¹⁰ P. Gordon, *NATO's Growing Role in the Greater Middle East*, 63 Emirates Lecture Series, The Emirates Center for Strategic Studies and Research, p. 3.

¹¹ *Ibidem*.

cooperation with the region states to increase the level of the security of its members and the whole global system or those affairs serve just as the new instrument in expanding the position of the United States in this area. Many analysts are pointing out that the NATO's involvement in the Persian Gulf is parallel to the American increase in military, economical or even socio-cultural activities in the region. For the USA, NATO might be a good instrument to play a major role in the Persian Gulf, but there are a lot of questions about its possible evolution into the comprehensive global oriented organization. There are also a lot of doubts and suspicions among the regional states about the actual role and aims of NATO's involvement. Most of them come from the Islamic Republic of Iran where Iranian government officials are basically accusing the US of turning the Persian Gulf into an American-dominated body of water in the post Cold War era¹². For Iran, the NATO's presence in the Persian Gulf region is an extremely dangerous process because not only results in even greater foreign involvement, but may also serve as a tool for further isolation of that state. For the Gulf states, it would be best to construct an exclusive security organization meant only for the region states, but such an idea is not likely to be implemented in near future. There are too many obstacles and suspicions between them. Above all, the GCC states are afraid of being dominated by the Islamic Republic, but at the same time, they choose to be under US supervision, if not dominance.

The Istanbul Cooperation Initiative is still a young and developing project, in which many interests and hopes are located from both sides – NATO members and Persian Gulf states. However, it does not have a universal appeal among the GCC states because Saudi Arabia and Oman still stand apart from the initiative¹³. A specially prudent position of Saudis shows that even among the traditional allies of the United States there is indisposition for taking part in not so clear American or Western projects inside the Persian Gulf. The existence or rather the development and enlargement of the ICI is dependent on the NATO's global posture and practical cooperation with the initiative's current members. Today the character of the initiative is described in the best manner by words of NATO's experts – "Although potentially valuable, the ICI has been held back by a lack of common strategic vision and rivalries among the partners and some Allies"¹⁴.

¹² S. Loftian, *op. cit.*, p. 124.

¹³ R.E. Hunter, *op. cit.*, p. 97.

¹⁴ NATO 2020: Assured Security; Dynamic Engagement. Analysis and Recommendations of the Group of Experts of a New Strategic Concept for NATO, <http://www.nato.int/strategic-concept/expertsreport.pdf>, p. 28.

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SUMMARY

Persian Gulf is a very important geopolitical region in the world today. Its strategic location, enormous energy resources, social and political instability of the countries in the region and a continual multidimensional penetration by world superpowers constitute its geostrategic character. The article aims to analyze the increasing NATO's involvement in the region of Persian Gulf. Another essential research issue is the evolution of NATO's role in today's world and the real roles the Pact would like to play in the analyzed area.

R E V I E W S

KRYSTYNA LESZCZYŃSKA (ED.)
REPUBLIC OF POLAND 1989–2009.
SELECTED PROBLEMS

ADAM MARSZAŁEK PUBLISHING HOUSE,
TORUŃ 2010, PP. 209

In 2009, an official celebration of the twentieth anniversary of signing the „Round Table” agreements of 5 April 1989 and the resultant collapse of communism and revival of sovereign Republic of Poland, was rather modest. It was so due to *inter alia* competence disputes and animosity between the ruling Platforma Obywatelska (*Civic Platform*) political party and the opposing PiS (*Law and Justice*) political party, as well as between the Chancellery of the President of the Republic of Poland and the Chancellery of the Prime Minister. However, the jubilee resulted in numerous, excellent academic studies devoted to the genesis, premises and effects of social, political and economic transformation still taking place in Poland since 1989. Among academic studies attempting to have an objective look at those historic events and, at the same time, balance achievements of twenty years of the independent, third Republic of Poland, monographs and syntheses of renowned historians and professors, such as Andrzej Frieszke, Andrzej Paczkowski, Jerzy Eisler, Wojciech Roszkowski, Antoni Dudek, or younger historians and political scientists, such as Jan Skórzyński, Paulina Codogni, Adam Burakowski and many others, deserve special attention. Those studies unanimously imply that the year 1989 was one the most significant landmarks both in the history of Poland and the whole Europe. An example of a bloodless, negotiated collapse of dictatorship in Poland in 1989 attracted followers in other countries of Central and Eastern Europe. As a consequence, already at the end of 1989, the whole Post-Yalta Europe was free, and deep reforms and social, political and economic transformations started in countries of the former Soviet block,

which resulted in a change of the political system and balance of power in Europe and the world.

There is no doubt that Poland was the leader of system transformations and building a new, democratic, social, political and economic system in 1989–2009. Its internal and foreign policy, though hard and not deprived of mistakes, filled the whole world with admiration. They have still been the subject of numerous, scientific, both domestic and foreign conferences, research projects (grants) or scientific treatises of historians, political scientists, lawyers, economists and sociologists. And it is no wonder, as they were unprecedented, fraught with various consequences and departing from previous practical solutions and theoretical models. The study being reviewed proves it, too.

I would like to distinctly emphasize that this paper deserves to be read taking into account its factual content and high scientific and technique level. It presents the genesis of the Third Republic of Poland, its difficult problems, transformations and building democratic system in 1989–2009 in an admittedly novel manner. It is so thanks to its co-authors, ten renowned historians and political scientists, who have handled the political transformation in Poland, as well as its internal and foreign policy for many years.

In the reviewed study, written in a problem representation, which in a sense is the coping stone of long-standing research conducted by its individual authors, most important problems relating to the genesis and development of the Third Republic of Poland of the last twenty years have been analyzed in a very solid manner. It is the contemporary history of Poland written in an interestingly extraordinary way; the history described without unnecessary embellishments, based on a wide source basis and extensive bibliography. In the study Aleksander Łuczak depicts the course and effects of the “Round Table” session, that is the genesis of the Third Republic of Poland, whereas Andrzej Antoszewski analyses its political system transformations. Arkadiusz Żukowski discusses an election system being a very important element, while Wojciech Sokół – a political system and its evolution in Poland in 1989–2009. Krystyna Leszczyńska presents government elites in Poland in 1989–2009 and analyses their efficiency in exercising authority. A sketch by Arkady Rzegocki, devoted to the Polish reason of state in 1989–2009 is also very interesting, which seems to be complemented by a study written by Marek Pietraś on the evolution of security strategy in Poland after 1989. The entire publication is complemented with valuable studies written by Iwona Hofman on the evolution of the media market in Poland in 1989–2009, and by Andrzej Chodubski on the Polish stand on emigration and Polish community abroad after

1989, as well as by Edward Olszewski on the European Parliament election of 2009.

For reasons of space, it is impossible to present the content of all articles more widely, but I would like to draw the readers' attention to some original theses and hypotheses formulated by individual authors. So, referring back to the extremely interesting study by Aleksander Łuczak, in which he presents the genesis, course and behind-the-scenes secrets of the Polish Round Table talks; his conclusions regarding the essence and assessment of effects of those talks around which a great deal of myths and legends have grown up, deserve attention. Aleksander Łuczak attempts to dispel them and present their actual dimension in a factual manner, as befits a proper historian. He writes *inter alia* "It should be stated that it appears that from the perspective of the past time, most important arrangements made by the "Round Table" were not what Solidarity gained – a trade union pluralism, not what the Polish greatest urge was – an economic reform, but what was to be a bargaining card – a parliamentary election. Against criticism expressed by activists of the so-called working group, L. Wałęsa and his adherents at the "Round Table" did not accept the offer of a political agreement which was expressly suggested by them. Thus, in the first place they defended the trade union pluralism. The "Round Table" Agreement went further than the Gdańsk Agreement of 1980. Apart from the legalization of a trade union, the opposition was allowed to take part in distribution of mandates in the parliament. A free, democratic senate election was a kind of harbinger of creating new political parties. They did not manage to introduce the independence of the judiciary, genuine self-government or limitation of nomenclature, which they had strived for. However, a partially free election had apparently more serious consequences than the legalization of "Solidarity". As a result of that election, a river of social aspirations flooded which could not be stopped by the authorities" (p. 27).

Aleksander Łuczak peacefully and specifically explains also a controversial problem of "secret agreements", which were allegedly concluded during the "Round Table" talks, particularly those held informally in Magdalenka, as well as the role Lech Wałęsa participating in them. He unambiguously states, referring to sources, that there were no secret agreements in Magdalenka or at the "Round Table". He writes that it has been confirmed by General Czesław Kiszczak and also Bishop Orszulik in his words "the Round Table was a way to political transformations in Poland. And Wałęsa was a tough negotiator with communists. He cared for Solidarity. There is no doubt that he was not a secret agent, there was no betrayal in Magdalenka. All the talks

have been documented. Bishop Bronisław Dembowski, another representative of the Church who also took part in the talks, expresses similar views –” (...) I strongly state that there were no secret agreements at the “Round Table. None” (pp. 39-40).

Summarizing his deliberations, Aleksander Łuczak, accurately writes: “In Polish system transformation, spread over the years, initiated at the “Round Table”, features of a radicalism characteristic of a revolution alternated with evolutionary changes, controlled by both the opposition and the government party. It should be emphasized that both parties “took into consideration” an internal and international system” (p. 41).

The next scientific text in the reviewed study which I would like to draw your attention to is a study by the renowned political scientist Andrzej Antoszewski titled “Political System Transformations in Poland (Methodological Notes)”. The author deliberates on methodological aspects of the analysis and assessment of transformations in the Polish political system after 1989 as an effect of transformations agreed upon at the “Round Table”, and the resultant collapse of the communist regime in our country and the whole Europe. He makes an attempt at periodization in the development of a new political system in Poland after 1989, referring to the institutional theory which considers constitutional changes the fundamental criterion for periodization. As a result, Andrzej Antoszewski distinguishes between three main stages in the development of the political system of democratic Poland. The first stage, which covers the years 1989–1992 and may be referred to as a temporary one, during which the dismantlement of system institutions established in the period of the Polish People’s Republic (PRL), overlaps with the development of new political institutions. The second stage covers the years 1992–1997, that is a period from the so-called Small Constitution of 1992, which formally introduced principles of authority distribution to the Polish constitutional order in order to adopt a new constitution in 1997, which has been applicable to date. *Notabene*, that constitution established a parliamentary-cabinet system in the Republic of Poland and, as A. Antoszewski writes – “with a corrective role of the presidency, strengthening the position of the government *vis-à-vis* the Sejm and the President. On the other hand, rights of the head of state, against both the Sejm and the government, have been limited” (p. 4). The third stage covers the period from 1997 to date.

Concluding his deliberations, Andrzej Antoszewski emphasizes that a weakness of the Polish political system is the lack of “a stable party system, constituting – as it is widely held – one of the conditions of democracy consolidation” (p. 57).

The above thesis is also confirmed by Wojciech Sokół in the next study titled “Evolution the Party System in Poland”, which I would also like to draw your attention to. That renowned specialist, expert in contemporary political parties and party systems in Europe and the world, writes *inter alia* “A positive effect of transformation of the political system in Poland was the establishment of a rivaling party system”, but political parties “were criticized for a number of times during the period of twenty years *inter alia* due to: 1) problems with institutionalization, including *inter alia* ideological and program identification, program offer, membership base, gaining the status of a relevant party; 2) high frequency of changes in organizational formulas; 3) failure to fulfill its function with respect to society, state authority and themselves; 4) no positive contribution in the field of political inclusion (which was manifested by *inter alia* a low voter turnout); 5) attempt at developing a parliamentary stage by means of tampering with the election system (political parties, changing election system as per current preferences, did not ensure stabilization necessary from the point of view of both rivaling entities and voters)” (pp. 103–104).

The above mentioned faults of the Polish party system must also include: veterans, parties’ social eradication, appropriation of the state and local governments by parties, ideological and policy dullness, ethical callousness, low quality of staff in charge of parties and their finance, lack of political experience and factual knowledge of party members and leaders, and gerontocracy.

Moreover, in Poland – Wojciech Sokół writes – “similarly as it is in some other countries of Central Europe, politicians gained the ability to abandon disgraced, seasonal parties and establish new political beings. Abandonment of own parties in favour of newly established ones included even chairs of political parties. The phenomenon is more like a change of wrapping on products which are past their sell-by date, and, with a new image can count on a great clientele” (p. 105).

No wonder that the level of confidence in political parties in Poland is very low, oscillating on the level of only 5% last years, and it still shows a downward trend. As a result, political parties in Poland occupy the lowest position among public life institutions. Such a low level of confidence in political parties also results from their failure to satisfactorily fulfil their function against society, state authority and themselves.

Nature, effectiveness and shape of a state political system, and at the same time, effectiveness of its government, apart from stable election and party system, is also to a large extent affected by political elites. Therefore, I would like to shortly discuss another scientific text published in the reviewed

study, namely “Government Elites in Poland in 1989–2009” by Krystyna Leszczyńska. It is an excellent analysis of system transformation in Poland in the aspect of power exercised by subsequent government in 1989–2009, and their internal and foreign policy. The author comes here to interesting, though generally very sad conclusions. She writes *inter alia* “it can be stated that in Poland in 1989–2009 the staffing of individual positions in governments was not, to a large extent, based on factual factors, but friendly and social relations, common opposition past (“solidarity” cabinets) or party past (SLD – PSL coalition cabinets), L. Wałęsa’s very skilful use of art. 61 of the Constitutional Act of 17 October 1992 on mutual relations between the legislative and executive branch of the Republic of Poland and local government, balance of power in the parliament, and even so-called international factors” (pp. 126–127).

In 1989–2009, as many as 367 persons, including 33 women, were appointed to sit in governments during that period, 14 prime ministers were in charge, including Marek Belka twice. So, on average, prime ministers served their office for about 16 months, which is slightly longer than prime ministers in the postwar Italy (13 months). It is heartening – as K. Leszczyńska writes – that “the government elite in Poland in 1989–2009 was not gerontocratic nor paidocratic” (p. 130) and “was characterized by a very high level of education” (p. 138). Indeed, as many as 359 members of Councils of Ministry in the above period has higher education, which represented 98% of them all, and as many as 157 members of governments held academic degrees and titles, which represented 43% of them all (p. 148).

To conclude, I would like to once again emphasize that we are dealing here with a valuable study having considerable cognitive, scientific and educational values, which should interest researches, doctoral students and feature writes, as well as politicians. There is surely great public demand for such a study. Such studies are still scarce in Poland. And it is not only the reviewer’s courteous assessment, who is deeply involved in the subject analyzed in the reviewed study.

Józef M. Fiszer

TAHIR ABBAS (ED.)

MUSLIM BRITAIN UNDER PRESSURE

ZEED BOOKS, LONDON 2007, P. 271

The British way of dealing with cultural diversity, referred to as multiculturalism was for many years considered by other countries of Western Europe one of the best methods of Muslim integration. The integration process has assumed an exceptional dimension since the beginning of pursuing integration policy in the United Kingdom as no “immigrant integration” policy was operated in Great Britain. Those notions were almost completely absent in legal provisions. However, there were many provisions regulating relations between different “ethnic groups”. Such an approach reflected the British “philosophy of society” since diversity was treated as a normal phenomenon, an inherent feature of a society, and not a consequence of the integration process.

The contemporary Great Britain covers, however, such a complex mosaic of races, nations and immigrant types that it has reached a stage of super-diversity in which previous institutional solutions are no longer effective. A terrorist attack in London of 7 July 2005 shocked international public opinion. Islam ceased to be perceived as an internal issue of individual countries and has become a problem of western civilization. The bomb attack was carried out in Great Britain – a country which has the most advanced antiterrorist law in Europe. Terrorist attacks forced the British government to assess results of the previous policy pursued towards Muslims living in Great Britain. The bomb attacks were not carried out by anonymous “strangers”, but young people – Muslims born, raised and educated in Great Britain. In this particular context, it has become necessary to conduct research on the situation of Islam followers living in the United Kingdom. From among monographs dealing with this issue, a collective work edited by Tahir Abbas titled *Muslim Britain: Communities under Pressure* is worth recommending.

It should be emphasized that the main aim of the book is not a holistic analysis of the situation of all ethnic groups making up British Muslims as the study refers only to the population of South Asian (accounting for nearly 2/3 of all Islam followers living in Great Britain). The authors of individual chapters analyzed the situation of the indicated ethnic group with reference to economic and social history, demography, social geography, Islamic identity, race equality policy, doctrine of multiculturalism, religious discrimination, Islamic political radicalism, education, labour market and activity in local government bodies.

The reviewed study consists of a preface, introduction, four parts, afterword, bibliography, note on the authors and index. The book is started by a preface written by Tariq Modood. It is a summary of main topics of a public debate that has flared up in Great Britain after terrorist attacks of 11 September 2011. Tariq Modood analyses an influence of those attacks on the situation of the British population of Muslims coming from South Asia; his investigations covered both an issue of local tensions and development of the British doctrine of multiculturalism and national radicalism.

The first part of the book, consisting of three chapters, presents the general situation of South Asian Muslims in the United Kingdom. In the chapter *British South Asian Muslims: State and Multicultural Society* Tahir Abbas analyzes the history of Muslim-British relations before 1945. Despite the article being of historical nature, it, however, presents an issue of contemporary tensions and conflicts between Muslims and Britons, as well as difficulties arising from the implementation of the British doctrine of multiculturalism. In the second chapter *Muslim in the UK*, Ceri Peach analyzed the demographic and socio-economic situation of South Asian Muslims in the United Kingdom. Presentation of this ethnic group's profile was possible owing to the inclusion of a question about British citizens' religious affiliation in the census in 2001. Based on that data, Ceri Peach showed a scale of social exclusion and economic marginalization of South Asian Muslims in the area of housing, education and labour market. The problem of a difficult socio-economic situation of Muslims is also dealt with in the last chapter of this part of the book – *Muslims in Britain: Issues, Policy and Practice* by Muhammad Anwar. The author draws attention to a high level of unemployment among the British community of Islam followers, bad housing situation of this ethnic group and Muslims' poor participation in politics. Moreover, it shows an extent to which racism affects Muslims' everyday life in Great Britain.

The second part of the book, made up of four articles, presents a phenomenon of islamophobia and its influence on the British doctrine of multicultur-

alism. In the chapter *From Race to Religion: the New Face of Discrimination* Chris Allen presents examples of islamophobia in Great Britain after 11th September 2001. He remarks that there has been a centre of gravity shift from attacks for racial reasons to religious crimes. Legislative mistakes, an increasing role of extreme right-wing groups, repetition of a stereotypical image of Muslims in the media exemplify only some activities favouring the spread of islamophobia. In the chapter *Negotiating British Citizenship and Muslim Identity* Ron Geaves tries to find an answer to the question: what does it mean to be a Muslim and a citizen of the United Kingdom? In order to do it, he analyzes such events as protests about the withdrawal of *The Satanic Verses* by Salman Rushdie from being published and the first war in the Persian Gulf, which lead to the development of transnational Muslim solidarity. The chapter *In the Shadow of September 11: Multiculturalism and Identity Politics* by Stephen Lyon provides us with an interesting case study of the behaviour of two representatives of the British South Asian Muslim community. The first Muslim should be considered more radical in the context of his attitude to events of 11 September 2011; the other one adopted an integration attitude. Owing to such a juxtaposition of behaviour patterns, Lyon shows that the representatives of the British South Asian Muslim community can choose an option: from extremely radical to pro-Western one. In the last chapter (*Lobbying and Marching: British Muslims and the State*) placed in this part of the study, Jonathan Birt tries to present the process of Muslim unification around the "Stop the War" campaign. Moreover, he analyses the problem of Muslim lobbying.

The authors of four chapters placed in the third part of the book concentrate on the presentation of the role of the media in showing a simplified image of British Muslims and the problem of Islamic radicalism. In the chapter *Reading between the Lines: Muslims and the Media* Tahira Ahmed analyses press texts on Islam and Muslims published both during the attacks of 11 September 2011, and later. The research she has conducted shows that the Muslim media play an increasing role in the process of broadening knowledge in Islam. Audrey Osler and Zahida Hussain, the authors of the chapter *Education Muslim Girls: do Mothers have Faith in the State Sector?* present educational experiences of young Muslim women from South Asia. In their research, they took into account views of Muslim mothers on their daughters' education in terms of development of Islamic values, chances of achieving economic independence, identity, self-esteem and being prepared for life in a multicultural society. The chapter *Attitude to Jihad, Martyrdom and Terrorism among British Muslims* by Humayan Ansari presents the prob-

lem of Islam followers taking radical attitudes more and more frequently nowadays (the research has been based on interviews conducted with young British Muslims). Theological differences between Islam followers inciting to use violence against infidels and those being in favour of peaceful coexistence are the subject of a descriptive analysis. In the last chapter of the study – *'(Re)turn to Religion and Radical Islam* – Parveen Akhtar presents radical organisations established by Muslims from South Asia (*Hizb al-Tahrir* and *Muhajiroun*). The results of the research she has conducted show that radical organisations operating in the West constitute a form of opposition against economic, social and political marginalisation, whereas analogical entities operating in the East are most frequently established in defiance of a given political order and corruption.

The authors of four chapters placed in the fourth and last part of the study analyse the problem of religious identity of Muslims living in strictly specified territorial units. Halima Begun and John Eade, the authors of the chapter *All Quiet in the Eastern Front? Bangladeshi Reactions in Tower Hamlets*, presents the problem of an influence of a war against terrorism on the situation of Muslims living in the poorest, eastern boroughs of London. In the next chapter – *Tower Hamlets – Insulation in Isolation* – Nilufar Ahmed undertakes to analyse the development of ethnic-religious identity of Bengalese women, who arrived in the United Kingdom in the first wave of mass immigration. The research she has conducted shows that the socio-economic situation of Bengalese women living in the London borough of Tower Hamlets has considerably deteriorated after the attacks on the World Trade Centre. Extremely interesting is the study of Paul Bagguey and Yasmin Hussain presented in the chapter *Flying the Fag for England? Citizenship, Religion and Cultural Identity among British Pakistani Muslims*. The problem of the identity of Pakistani Muslims is presented in the context of riots which took place in 2011 in the northern England. It should be emphasized that the research was based on interviews conducted with young Pakistanis living in areas where the riots occurred. In the last chapter of this part of the book (*Pakistanis in Northern Ireland in the Aftermath of September 11*) Gabriele Marranci analyzes experiences of Pakistanis living in Northern Ireland after 11 September 2011. The research he has conducted shows that despite a small size of the Pakistani community (about two hundred Pakistanis living in the above area in 2001), the socio-economic situation of that group was as difficult as in other parts of the country. John Rex's afterword finishes the factual part of the book.

The publication being reviewed should be considered useful and needed. It provides a knowledge on problems which representatives of South Asian

Muslim community contend with in a accessible way. A big advantage of the study is an innovative approach to the subject and author's research conducted most frequently by means of sociological methods. Conclusions reached by the authors of individual chapters often surprise, nevertheless analyse difficulties which representatives of British Muslim community cope with every day. Although the book does not exhaust this multifaceted subject, it constitutes a summary of the research conducted so far and – what is important – may become both an inspiration and basis for further scientific investigations.

Grzegorz Wilk-Jakubowski

NOTES ON THE AUTHORS

Prof. Dariusz K. Rosati, PhD – lecturer, Lazarski University and Warsaw School of Economics; Member of Parliament

Andrzej Jagiełło, PhD – Assistant Professor, University of Economics and IT in Lublin; owner of a tax counseling office in Warsaw

Tadeusz T. Kaczmarek, PhD – Assistant Professor, Lazarski University in Warsaw

Prof. Tomasz G. Grosse, PhD – scientist and researcher, Institute of Political Studies of the Polish Academy of Sciences in Warsaw

Prof. Józef M. Fiszer, PhD – lecturer, Lazarski University in Warsaw; head of European Studies Department of the Institute of Political Studies of the Polish Academy of Sciences; Vice-Chair of the Committee on Political Sciences of the Polish Academy of Sciences

Agnieszka Bógdał-Brzezińska, PhD – Assistant Professor, Institute of International Relations of the Journalism and Political Sciences Department, Warsaw University

Anna Budziszewska, PhD – Assistant Professor, Institute of International Relations of the Journalism and Political Sciences Department, Warsaw University

Dr Stanisław Faliński, PhD – Assistant Professor, Siedlce University of Natural Sciences and Humanities in Siedlce and Vistula University in Warsaw

Bartosz Bojarczyk, PhD – Assistant Professor, Political Studies Department of Marie Curie-Skłodowska University in Lublin