

Selected topics in change management

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European framework

Patrícia Kaplánová
Uroš Pinterič
(eds.)

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Patricia Kaplánová, Uroš Pinterič
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Introduction

Patrícia Kaplánová¹, Uroš Pinterič²

If there is one word, which is to describe the reality of modern Earth it is "change". No matter if we talk about natural or social dimension of the Earth, change is basic description of what we face not only on long term but also on very short term basis. In this manner set of authors from different countries and different research fields contribute their aspects on change, according to their research interest. From the constructivist perspective one can ask first, what change really is and we will soon find out that different people will define change very differently. This brings us to the point that we will pay attention to different approaches to changes. Despite this lack of clarity, we still have to manage them on long term as well as in our daily routines.

In order to manage the changes, one first needs to accept them as inevitable part of the life and needs to understand them in different aspects. Change needs to be taken into the account as a fact, which can lead to different results. However, responsibility of the subject is to take active stance (even when this means proactive decision for non-reaction) and to understand it as a process which allows improvement. Taking such perspective on change leads to personal or organisational excellence and self-realisation.

Today's perspective on changes is often particular and based on prejudices. In order to avoid such simplistic approach one should now and take into the account also influences from the environment, different games of interests, etc. And on the other hand one should be open also to different opportunities arising from changes.

¹ Patrícia Kaplánová is PhD. student and assistant at Faculty of Social Sciences, St. Cyril and Methodius University in Trnava.

²² Uroš Pinterič, PhD is an associate professor of political science and post-doc researcher at Institute of political studies, Faculty of Social Sciences, Charles University in Prague.

The book is composed out of eight different perspective on societal changes and their management. The first chapter tries present the need for clear definition of the terms when one wants to act. It warns that many bad results have their roots in poor understanding of the terms, that causes noise in communication. Second chapter tries to show on the case of the European Union activities that historical events have significant influence on future decisions/actions and that ignoring them as part of understanding might reduce our ability to make proper decisions and to understand the environment. Third and fourth chapter presents two perspectives on how bad understanding of the historical situation and bad political decision-making influences our future position; in this case the position of the European Union. Fifth article implements new element in societal changes; ICT and discusses its role in the case of public diplomacy as important framework of societal development. Sixth chapter deals with monitoring of economic changes in selected countries over the time. The story behind, on the level of changes management, is that without proper monitoring changes will happen independently and might have impacts that we are not aware of. Such ignorance leads to bad decision-making and to negative effects of the changes. Seventh and eight chapters show few approaches to the administrative changes on national and local level.

Despite all the chapters look very different in the perspective of individual subjects of discussion and approaches, they are dealing with all levels and aspects of modern change management; from the political, economic and societal aspects and on the level of concepts, globality, supra-nationality, nationality and locality. By doing so one can return to the point of universality of changes. The management of this universal phenomenon seems to be one of most overlooked concepts, since it is always hidden in different other types of management, but never really conceptualised as independent. Change is often understood as attribute of materials, processes, institutions, reality. However no special attention is paid to the change as a subject which might have characteristic of job, life, nature. Maybe this is only naïve perspective of free thoughts, unrestricted by existing conceptualizations, but on the other hand what if the existing conceptualizations are too much burdened by rigorous scientific need for mechanical/naturalist approach to the reality. If the change

is universal, then maybe it should be studied as a subject and not only as characteristic of some other subject, which might be in this perspective just one of the micro-environments in which the change appears. Partially change management approach exist in the context of the organizational studies, but it is ignored in other disciplines, such as public administration, politics, sociology, psychology. However, also in these fields, managing the changes, by using proper measures, strongly influences the quality of life as well as ability to evolve on the way of self-realization of the subject.

THE DEFINITION OF TERMS “GOVERNANCE” AND “CRISIS” AS A PRECONDITION FOR UNDERSTANDING THE TRANSMODERN POLICY MAKING ACTIVITIES

Ante Barišić³, Josip Sapunar⁴

Keywords: *governance, public affairs, crisis, policy making.*

Abstract

In defining the political science content of the term "governance" and by demarcation in relation to the broader term of "public affairs", the conditions have been met for answering key questions arising in the implementation of policy making activities from logical, process-procedural and communication aspects. In order to meet the prescriptive purposes of the scientific treatment of the subject of politics, except conceptual decolonization, political science professional-scientific discourse must firstly resolve the internal issues of theoretical-methodological identity and autonomy in relation to other professional-scientific fields and areas. The final effect of the theoretical and methodological consolidation of the political science discourse is reflected in gaining corresponding authority that allows it to participate decisively in the political discourse.

1. Introduction

The goal of this chapter is to emphasize the necessity of reaching a general agreement about the meaning of terms “governance” and “crisis” to meet the preconditions for finding a solution to the key issues arising during the policy making activities. The politological expert-scientific

³ Ante Barišić, PhD, is a professor at Faculty of Political Science, University of Zagreb

⁴ Josip Sapunar, PhD.

discourse must therefore first resolve the issue of its theoretical-methodological identity and autonomy from other expert-scientific fields to be able to decisively participate in the political discourse with corresponding authority.

2. Definition of the term "governance" in the field of political science

Participation in the domain of public affairs only recently took on the characteristics of a profession in its own right and a corresponding scientific field. Almost exclusively, individual spheres of politics, economy or society were discussed as separate entities, always losing the big picture in the process, i.e. the asymmetry being expressed by presenting particularity as a whole, imposing the private on the public. However, owing to the increasing use of the well-known Anglo-Saxon term “governance”, which, along with the term “globalization”⁵, walked

⁵ The problematization of the concept of globalization which originated in the framework of the politological branch of international relations primarily takes the form of considering the trans-border overlapping of economics and policy by establishing a common dominant model, a version of the concrete historical type of liberal capitalism accompanied by neoliberal politics. The increasing complexity of globalized world likewise raises the issue of ensuring appropriate mechanisms of governance, raising the need to redefine the new reality of the globalized world. The term “governance” denotes basic organizational processes covering three ideal type principles of organizational structure – hierarchy, market and network. The solution to the main issue must be sought in the resolution of the question of whether this organizational combination occurring in the area of governance under the conditions of the globalized world may be understood by relying on the resources of traditional political science or by seeking to establish new theoretical-methodological approaches. Find out more in: Cerny, Philip G., “*Globalization, governance and complexity*”, (Prakash/Hart, eds., 1999: 188-212).

into social science glossaries through the front door in the late twentieth century, the preconditions for defining this type of activity were met.

The first step is to find an appropriate Croatian term for all those actions, institutions, motivations, processes and quality of the totality of public affairs contained in the term “governance”. Regardless of the different perspectives taken to approach the content of the term “governance”, we are primarily concerned with the institutional (Heywood, 2000: 93-94) and constructivist⁶ approach, the traditional interpretation of which (having its origins in a branch of international relations) was characterized by a hierarchical institution with state on top and relations/regimes established in the international community.

Such relations moved along an operative continuum with the relations of anarchy (including competition) and hierarchy on either end, depending on the level and the concrete historical period.

Since the term “governance” (Heywood, 2000: 19-21) is originally a theoretical twin of the term “government” and today encompasses actions characteristic of all three spheres of the societal community –

⁶ In the ocean of various institutional approaches, we find the neo-institutional concept with four subtypes which are not exclusively politological-oriented (rational choice institutionalism; historical institutionalism; sociological institutionalism; discursive institutionalism) most interesting. Using the resources of the school of sociological institutionalism, many politologists from the international relations branch developed the so called constructivist approach, and named themselves constructivists. They will be treated as a separate group in this chapter. A comprehensive review of the concept of institutionalism available in: Schmidt, Vivian “Institutionalism”, (Hay/Lister/Marsh, eds., 2006: 98-117).

political, economic and social – the key distinguishing characteristic of this activity found in each of the mentioned spheres, separated for analytical purposes, needs to be determined. As opposed to government, which in traditional politology (Geddes, 2003: 27), as a topographic category, plays the main role in the realization of descriptive purposes of knowledge about politics, exhausting itself by systematization, classification and typologization, the term “governance” is more abstract and primarily covers the process-procedural aspect of legal and political action.

Understanding the policy making activity as organization of collective action, understood as a discussion, analytically speaking, includes two separate process-procedural aspects or two functionalities: negotiation and contracting. They consist of the logical and the communication content involved in the argumentation and proving process. Negotiation⁷ results in a condition shared by the actors and its purpose is reaching an agreement, while contracting establishes and fixes with a legal instrument the understanding or agreement reached.

The political community/polity is a place in which governance has two levels: private and public autonomy in the form of political conflict, political strife or political competition and is greatly defined with the

⁷ The issue in the centre of interest of the international relations branch is the issue of the possibility of establishment of world governance, as an activity resting on the negotiation and contracting practice. Starting from linking the concept of “governance” with the process of globalization, a key breakthrough is made in the understanding of the new condition in which the area of the political needs to be examined. More about the text: Lake, David F., “*Global governance – A relational contracting approach*”, (Prakash/Hart, eds. 1999, 31-53).

term “governance”.⁸ Institutional and extra-institutional aspects are scenes at which the governance practice unfolds in the field of tension created between the public/policy area and the private/politics autonomy. The original meaning of the term political community/polity therefore does not relate to just any form of common action, but rather pertains to a special form of community based exclusively on the agreement of all members of that community – non-personal individuals, which is not reached by coercion or threat of any form of coercion.

And it is here that we find it necessary to commence with the exploration of the new meaning of the term “governance” and establish how the original term of governance or governing was modified, reshaped and changed in the new circumstances, becoming so widely accepted, although insufficiently well defined. The equation of the paradigm of world governance with the global governance approach seems to be unacceptable. It is immediately apparent that the modification of the term governing into term governance implies drawing the focus away from the traditional institutions, motivations and power of government in the form of a modern state towards the practice of public regulation in the context of new functionality shared by the trans-modern state and other actors from all three spheres of private autonomy.

The organizational field of public affairs, understood as a function of the societal community as a whole, gives framework, basis and content required for defining the term “governance”, legitimizing every such action as separate from other actions in the area, materially determined by the concept of privacy as a function of particularity, individual or group alike. A breakthrough towards understanding the field of public

⁸ Why world governance should not be equated with the practice of “global governance” is elaborated in: Keohane, Robert o./Nye, Joseph S., *“Governance in globalizing world”*, (Keohane, 2002: 193-218).

affairs as a function of the community as a whole on the one hand and placing this activity in the domain of conscious, institutional and measurable action on the other, allows the establishment of an appropriate interpretational transcription of term “governance” into the Croatian term “vladavinstvo”.

The constitutive principle and key distinguishing feature of activities to which the term “vladavinstvo” pertains is the principle of equalrightness, the greatest achievement of modernism, in creation since the sixteenth century. This principle applied as a norm to the material substrate of the belt of public affairs represents a gravitational centre of sorts, for the theory and practice of all activities alike. Since the category of contract or contracting has central place in the application of the principle of equalrightness in the culture of law, the term is contractualism captures all the complexity of the principle of equalrightness in practice.

3. The demarcation of the terms "governance"/vladavinstvo and "public affairs"/javni poslovi

Today, the total activities of public affairs are addressed as three related, but distinct circles of activity. Public affairs, the art of policy making and the public affairs conductment in contemporary political community are circles of indispensable activities of the members of a political community (a group of non-personal individuals/citizens in a given place) – policy participants. As such, and observed as a whole, they are known as the organization (dynamics) of the modern political process.

Public affairs as the broadest range of organization of the modern political process involve the cooperation of actors from the sector of

public and private⁹ autonomy in establishing common goals. It is the sphere of delegated governance in which the anatomy of the post-modern state indicates not only the emergence of hybrid and parastatal organizations in the form of "extended arms" of public bodies and public-private partnerships, but also points to the topography and scale of delegated governance which requires the redefinition of the fundamental concepts and paradigms of political science¹⁰, notably the question of power, authority and accountability (Hay / Lister / Marsh, eds., 2006:236-240).

In circumstances in which the *policy making process* is increasingly realized as a *globalized activity*, and *the purpose of public affairs is becoming the rule of law* based on the constitutive principle of equalrightness, specific areas of public affairs stack (dichotomy of the public and the private) and stages of policy making processes should be developed appropriately both organizationally and functionally. It is obvious and self-evident that the use of violence in any form or the threat of violence do not belong in the stack of public affairs.

⁹ On the relation between public and private matters through pushing the boundaries of postmodern state as the basic analytical unit, see: Flinders, Matthew "Public / Private: The Boundaries of the State"; (Hay / Lister / Marsh, eds., 2006:223-247)

¹⁰ The absence of a general theory of politics intended for those who engage in politics scientifically, pursuing it as a vocation, serves as a superior motive to appreciate the necessity of politics entering science exclusively as a subject of research. Such ethics directs us toward the scientific field and perceives science as duty, so all theoretical and methodological issues which need to be resolved on the way to achieving a general theory of politics should be considered from the point of where our scientific research leads us. Read more in: Norton, Anne "Political science as a vocation" (Shapiro / Smith / Masoud, 2004:67-82).

Political discourse, as understood within the context of modernity, is implemented as a process of argumentation and proving that requires logical, procedural and communication assumptions. The logical assumption of political discourse implies the existence of political science discourse, where the issues of scientific identity, autonomy and authority have been resolved, while the procedural assumption implies that the decisions made are legitimized in following the proper procedure. As for the communication assumptions of the process of argumentation and proving in political discourse, it is important to understand that the transactional relation of all participants includes relations of symmetry, the exclusion of coercion, internal or external, of the participants in the discussion, as well as an unlimited community of communication.

Every communication activity in the zone of political discourse that aims to achieve consensus is, as such, open to argumentation and proving, and implies the constitutive principle of equalrightness. Precisely this fact of the awareness, achieved through negotiation and contracting in political discourse, supposes a general position. In fact, the political community/polity itself sets the ethical norms as self-beneficial, while the general moral norms, as a moral-cultural choice, are outlined solely on the basis of general reasons. Pragmatic considerations implemented as compromise concern the rationality of the means of achieving purposes and values.

The primary activity in the implementation of public affairs through the process of policy-making by execution of the content of management activity is to ensure that the goal of the whole of societal community is articulated and promoted – its survival or continuous adaptation to changes occurring in the environment, external or internal. It appears that the political community is a subunit of the societal community, the other

two subunits being the economy and the society. Through bonds of unity, the three subunits are tied together in a single unit of societal community.

4. The stack of public affairs

In the stack of public affairs, no specific area can be shaped into institutions as elements of a separate or a self-sufficient system. In conditions of general interdependence (Keohane, 2002:14-18) prevalent at all levels of today's globalized world (sub-national, national, and supranational), it is simply no longer possible to define areas and authorities without having to engage others in solving the problem. In this sense, the concepts of the process of policy making and the stack of public affairs are not synonymous.

That what is traditionally called bureaucracy or public administration and services (Peters, 2001:16-22), as allocated primary resources for the implementation of adopted policies, is also unable to fulfil the tasks set before it without the support and direct involvement of private sector resources, regardless of whether their relations are profit- or volunteer-based.¹¹ The concept of the private is equated with the particular, individual and group autonomies, while the concept of the public is

¹¹ For the purposes of the "7th Global Forum on Reinventing Government-Building Trust in Government" held in Vienna from June 26 to 29, 2007, and organized by the UN, a great number of contributions were made that examined governance and public administration, among them the following: Rondinelli, Dennis A., *"Governments Serving People: The Changing Role of Public Administration and Democratic Governance"* (UN, 2007:1-32); Tommaso, Massimo, *"Representative Democracy and Capacity Development for Responsible Politics"* (United Nations, 2007:59-88); Rizvi, Gowher, *"Reinventing Government: Putting Democracy and Social Justice back into Discourse"* (UN, 2007:89-136); Cassese, Sabino/Savino, Mario, *"Accountable Governance and Administrative Reform in Europe"* (UN, 2007:201-234).

related to the whole or to the totality of the relational community. Relations between members of the community are established through the implementation of public affairs as a transactional relation and through the achievement of their purpose – the rule of law, which is based on the constitutive principle of equalrightness.

Pertinent to the new reality in the area of public affairs, where the foundation of relations lies and whose purpose is the establishment of the rule of law, public affairs activities are areas of the public and the private as a function of the whole political community. Unlike earlier periods, when governance institutions and the corresponding power¹² of authorities were realized through the use of various forms of coercion, duress and extortion, and in extreme cases through the use of violence in the broadest sense, in such a way that the good was measured through the extent of domination of the private over the public, today's public affairs are achieved through multi-member division of their respective total activities, and such practice is called governance (Peters, 2001:13).

Historical transition (Stourzh, 2007:304-334) occurring with the emergence of modern political community based on the culture of rights and authorities led to the establishment of a new fundamental framework of every rule – the constitutional one. The protection of the universal rights of each member of the relational political community through the constitution is related to the idea of constitutive power of the non-personal individual and their right of decision-making, either directly or through authorized representatives, and thus constitutes the core of modern governance.

¹² On power "as a policy currency", more in Hague/Harrop, 2007:10-11.

Constitutional order implies private autonomy, in which everyone is free to establish their rule of life, the implication being that they enjoy the protection entailed in this effect in the practice of preserving the universal rights of man. Constitutional order also requires public autonomy, according to which there are no other common rules than what non-personal individuals-members of the community had collectively established in a relevant political discourse that meets logical, procedural and communication assumptions in the process of argumentation and proving by filling the content of the functionality of negotiating and contracting.

The establishment of a political community in the form of rule through hierarchy of legal norms presupposes the separation of legislative and sovereign powers. The legal protection of inalienable rights of the individual is the reason why constitutionality appears as practice, while at the same time these universal rights serve as the basis or the source of sovereignty of the constitution-based form of rule. The clarity of the etiology of separation of the awareness from the rational, i.e. the basic law-constitution (in which inalienable rights of every member of community are guaranteed), and the laws adopted through legislation in pragmatic consideration, enables the verification of constitutionality or unconstitutionality of legislative activities.

The modern epoch is characterized by constitutional order which requires governance to be carried out only within the framework of institutions that are the subject of agreement. It follows then that every communicative activity and all communication with the aim of mutual understanding and reaching consensus within the framework and on the basis of political discourse are open to argumentation and proving. As has been repeatedly emphasized, the operation of the process of argumentation and proving has its own logical, procedural and

communication requirements. The latter requirement assumes a symmetrical relationship between participants, with the exclusion of the coercion of discussion, internal or external, and the unlimited community of communication.

Communication as a transactional aspect of political discourse is not so closely associated with the person of the individual-member of the community that it could not rise above it (where possible) through playing roles that belong to the non-personal individual in the institutional framework on the way to the good, i.e. the realization of the principle of equalrightness in the form of legal-political conduct. All communication with the aim of mutual understanding and open to argumentation and proving implies the interconnectedness of the principles of freedom, equalrightness and rationality. Therefore, the fact of awareness activity, the present assumption of the general, as well as the logical point of view which enables mature political science discourse that established its authority in the entirety of political discourse with essential characteristics of joint action with the aim of reaching agreement, is what should be relied upon.

At the same time, the focus of communication on the good (realization of the principle of equalrightness in its entirety) in the argumentation process allows the political discourse, or consensus, to focus on the effect of achieved agreement on each member of the political community, in their particular individual life form. Political discourse in the light of the argumentation process of communication must be comprehensive and not particularistic, nor can it produce divisions.

Political discourse in a position of consensus rather than dominance establishes order of the good and guarantees it. In a case in which political discourse is left to the dimension where the good is valued by

the extent of domination of the private/particular over the public/the whole, the non-personal individual would be annulled and condemned to strive for the good in themselves/ *bonum in se*. This cancels the key achievement of modernity – political community comprising non-personal individuals as opposed to society based on the biological fact of blood kinship where a major role in relations of transactional nature is played by instincts, drives, passions, feelings and emotions.

That is precisely where, in the contemporary post-modern period, the greatest achievement of modernity – the political community occurring in the constitutional form and resting on the principle of equalrightness – becomes annulled. Governance is perceived as personalized dominance in the worst behavioural form, subjected to complete naturalization and biologization. In mere coercion, the debate is reduced to no more than manipulation, imposition and exclusion, and with the elimination of the principle of equalrightness, the individual in their most personal form falls prey to a hopeless intrapersonal aspiration due to lack of belonging.

Such political discourse, degraded and not requiring the process of argumentation and proving, refusing to meet the demands of logic and procedure, in communication being reduced to manipulation and coercion together with the exclusion of individuals or whole groups of the political community, represents regression to the pre-modern era, which in turn leads to the re-feudalization of relations through the establishment of a master-servant relation.

There is the question of the type of circumstances in which the institutions that are the subject of consensus keep their promise and do not become a tool of domination. In other words, what kind of discursive interaction naturally ensures consensual outcomes? There is only one

answer: communicative activity in the sphere of private autonomy should be transformed into legal-political discursive practice. This is because the law acknowledges exclusively the non-personal individual, not recognizing collectivities, while consensus is something without which there exists only the concept of dominance. Private autonomy in the sphere of politics and in the form of political community/polity represents equalrightness between everyone and anyone, while the autonomy of the public denotes a relationship between all actors in a political community.

Political discourse in a position of dominance is strongly characterized by highlighted control, while at the same time refusing to take responsibility for the new situation. Reducing political discourse to the objective of reaching agreement is conditioned by the introduction of the category of accountability, which in turn enables laying down the conditions for assigning responsibility to each participant in a discussion. Therefrom follows the inevitability of the significance of process-procedural regulation of political discourse and associated institutions, as well as incentives in which discussion takes place, i.e. the creation of the conditions of accountability and the allocation of responsibility, and it is only through appropriate introduction of adequate regulation that political discourse as consensus can be reached.

Here we introduce the concept of transmodernity / **M** + / in response to the regression to pre-modernity and the above mentioned re-feudalization of relations in the form of absolutization of the living person through biologically-naturalizing reduction, as well as the prevalence of personalized dominance in political discourse. Interaction by means of professional argumentation and scientific evidence becomes possible only when the regulatory/process-procedural preconditions for the establishment of relations of symmetry between participants of

political discourse have been set out, when internal or external coercion or threat of coercion of the discussion taking place in the institutional framework in the form of negotiation and contracting have been eliminated, and when unrestricted collectiveness of communication as a transaction activity is practiced.

Precisely because of that, the statement of equalrightness is constitutive for the modern political community and the corresponding form of governance, and should be thus considered equivalent to the declaration of discursivity. This means that non-personal individuals-members of the modern political community/polity will act toward one another through reasoned discourse. In doing so, no one will be considered to be under illegitimate coercion of the free will by another, which irrevocably cancels the constitutive principle of political community – equalrightness.

In the practice of American constitutionalism, and as early as the colonial period, the theoretically informed attitude that the legislator is inferior to the constitution had been adopted. In modernity, the history of reducing the natural rights of man to the level of constitutional rights is accompanied by a rise of parliamentary legislation, especially of a procedural nature, to the level of constitutional rights. Over time, awareness has been brought to the critical importance of law for the political community (in the form of the modern liberal-democratic type of state), as well as the different levels at which the rights are positioned. The central feature of the "culture of rights" in the United States in the 20th century is constitutional judicature, which includes the promotion of the universal rights of the individual.

The constitution as the supreme constitutive power of the individual in a political community is a consequence, or a means of protecting the

inalienable rights of the individual, expressed through the principle of equalrightness rather than its source. Technical protection of the inalienable rights of the individual-member of political community through the court protects the very constitutionality in case the legitimized holders of a citizen's delegated powers, i.e. their representatives in the legislative activity, abuse their powers.

The consequences of the primacy or exceptionality of legislative assembly as an expression of sovereign will of the members of the political community are far-reaching. Namely, in a state where cultural rights are being negated and the relativism toward the rule of law (mostly from the standpoint of exclusivity of such concepts as nation, security, freedom or interest) is on the rise, the only guarantee against the emergence of a new form of despotism is the establishment of a relation between constitutionality and legislation based on the principles of mutual control and balance.

By transforming the game of power and superiority (power game) into a new network of legal regulations, new relations are being established based on authorities (powers), which brings to the forefront the activity of judicature as an integral part of the rule of law. This enables governance activities in circumstances of constitutional rule to be executed through contract rather than through resort to violence, coercion or manipulation in order to achieve superiority and impose relations of dominance through a type of extortion.

The components of the multi-member division of public affairs activities in circumstances of constitutional rule are the stacks of the public and the private, as well as the stages of the policy making process. The actors/organizations from the sphere of private autonomy enter the sphere of the institutions of public autonomy through observing the

electoral procedure that assumes the role of the narthex, an architectural barrier in churches, which separates the world of the secular/private from the divine/public.

The stacks of the areas of the public and the private are divided into three subunits: political, economic and social. They are viewed from four different aspects: operational, financial, proprietary and managerial.

From the standpoint of policy making as stack activity of a lower level than the level of public affairs activity, the process takes place in three stages:

- the preparation stage;
- decision-making stage; and
- the implementation and application stage.

Within these three stages, the role of the narthex is played by the stage of preparation and the stage of implementation and application of specific policies. This means that in the stage of policy-making there is no way to influence externally the outcomes of decisions made, which ultimately leads to the redefinition of lobbying activities.

However, a lower level stack compared to the level of policy-making is what we call public affairs conductment, and it includes resources from public and private spheres in each of the three stages through which the process of policy making takes place. Both the level of policy making and the level of public affairs conductment are viewed from operational, financial, proprietary and managerial aspects.

The key question of each of the three stacks is how they relate to the goals of the whole community. Namely, it is precisely on the basis of the relation toward the goals of the whole community in the policy-making

process that we can determine whether the purpose of public affairs has been achieved or not. If the implementation of public affairs at the level of policy-making in executing the content of the branches of conductment activities (negotiating and contracting) takes place on the foundation of logic administered by the discourse of political science, in compliance with legal procedures and communication appropriate to the political discourse and aiming at achievement, then we witness the fulfilment of the purpose of public affairs.

5. What is crisis?

When the basic principles which the action of a societal community rests upon are endangered in a part or on the entire territory of a state, outside the strategic context of war, extraordinary circumstances come to rise, which we call crisis. The supposition is that there exists or a direct and immediate threat to the survival of the community as a whole or any of its parts is imminent, either due to a natural or technological disaster or unconventional threat or threatened armed aggression. Extraordinary circumstances are not a consequence of threat to any individual or group part of a community, but exclusively of a direct threat to constitutionally guaranteed rights protected and promoted by the community as a whole, especially to the right to life and proprietary rights.

The instrument with which a concrete political community adapts to changes in its internal and outside surroundings is the institution of the modern state. It is an institutional system with the corresponding architecture and infrastructure existing in a certain concrete environment defined as private space. The institutional is identified with the public and represents the whole of the political community, the constitutive principle of which is the principle of equalrightness. Since the institution

of the modern state protects and realizes the national goals in peace, the state is believed to be prepared to react to crisis under any extraordinary circumstances, at any moment, and ensure the capability of the societal community to fight a violent conflict in war as a strategic environment.

The crisis is in principle resolved by crisis management.

6. Conclusion

In defining the political science content of the term "governance" and by demarcation in relation to the broader term of "public affairs", the conditions have been met for answering key questions arising in the implementation of policy making activities. In order to meet the prescriptive purposes of the scientific treatment of the subject of politics, except conceptual decolonization, political science professional-scientific discourse must firstly resolve the issues of theoretical-methodological identity and autonomy in relation to other professional-scientific fields and areas so that it could decisively participate in political discourse with corresponding authority.

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THE EU AS A POST-WESTPHALIAN ENTITY IN WORLD POLITICS?¹³

Bekir Halhalli¹⁴

Abstract

From past to present, the perception of absolute political power has undergone significant semantic differences. The European Union Foreign Policy (EUF) has also been overcoming problematic difficulties in the processes of dominance notion in complexity. With the achievement of geographic integration, acceptance of the constitution, guarantees for the free movement of goods, capitals, services, and people – the 'four freedoms of the EU'–, establishment of the monetary union (with a few exceptions), removal of the borders and customs, and the flag of the Union based on supranational principles, the EU seems uncertain whether it is a post-Westphalian actor or not in its foreign policy. For the EU to become a fully post-Westphalian entity on the international stage, it discusses that it has to have significant transformation in sovereignty and new dimensions to the debate over the nature and the future of the European Union as an actor in world politics. From this point of view, the EU finds itself as a post-Westphalian actor in global politics based on certain norms and values: liberal market economy, liberal democracy, human rights, international law and a functioning multilateral order. Although the EU perceives itself as a post-Westphalian actor in domestic and foreign policy, it acts as akin to the United States with the idea of the United States of Europe. In this chapter, I will examine the EU as a post-Westphalian actor in global

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¹⁴ Bekir Halhalli is a PhD Student in IR at Sakarya University and Comenius University in Bratislava, e-mail: hiwyan@gmail.com

politics and then go on to assess the arguments surrounding whether or not it should be. More specifically, this chapter seeks to identify what kind of an international actor the EU is on the global stage and what the specific characteristics of post-Westphalian EUFP might be.

Key Words: *EUFP, Post-Westphalia, EU's Global Location, Sovereignty, Nation-State.*

1. Introduction

One of the most recent debates on international actors/ness is that they have suffered the loss of national sovereignty in terms of the social and political conditions, or at least a significant transformation. From the Treaty of Westphalia to present, nearly four centenarian internalized myths were collapsed.¹⁵ In the academic field, this significant transformation thesis in sovereignty had brought a new dimension to the debate over the nature and the future of the European Union as an actor in world politics. At the point where the EU stands today, there are some basic epistemological and ontological questions related to philosophical views such as: “What kind of Europe?” and “What kind of an international actor?” In regards to these questions, very different and legitimate answers are given on how Europe should be. A pluralistic and normative Europe seems to be ideal for all member states and about the absence of deep agreements and what direction it needs to go.

¹⁵ The Peace of Westphalia signed in 1648 which ended the Thirty Years' War, in which the major continental European states – the Holy Roman Empire, Spain, France, Sweden and the Dutch Republic – decreed that the sovereign ruler of a state had power over all elements of both the nation and the state, including religion. Thus the modern idea of a sovereign state was born.

By the end of the Cold War, with its 28 member states and more than 500 million population, a quarter of the world's GNP¹⁶, around 40 per cent of its merchandise exports and a comprehensive array of economic, legal, diplomatic and military instruments at its disposal, the EU is able to exercise great influence in various parts of the world as well as being nearly on equal footing with the US (Kagan, 2002). Given the fact that the "EU is neither a state nor a non-state actor, and neither a conventional international organization nor an international regime", it's hard to interpret what kind of actor the EU is in global position (Ginsberg, 1999: 432). On the one hand, according to some observers, we need not be disconcerted by the current picture of the Union as an economic and political global actor. Even though the EU is one of the most unusual political actors in international system without much changing attitudes and existing global position, the Union might continue its soft (diplomacy, international cooperation treaties and conventions, security assurances, organizational membership) power.

On the other hand, there are some opinions which defend the EU as a hard (military intervention, military cooperation and sanction) power. Based on this opinion, and contrary to what is believed by the post-modern order, the world, except the EU, is still acting realistic and have

¹⁶ The single voice of the Union in economic affairs has made it the most significant single market in the world. According to Zbigniew Brzezinski, Western / NATO countries possess 45% of world production and constitute an unstoppable force when they act together. Brzezinski, Z. (2009): "An Agenda for NATO: Toward a Global Security Web", in *Foreign Affairs*, September & October 2009 Issue. (<http://www.foreignaffairs.com/articles/65240/zbigniew-brzezinski/an-agenda-for-nato>)

Westphalian layout.¹⁷ This suggests that the EU should be a much more effective global power based on realist model views and arguments.

This chapter interprets the EU's role as an international actor. More specifically, this chapter is seeking to identify what kind of international actor the EU is on the global stage and what the specific characteristics of post-Westphalian EU foreign policy might be.

2. Conceptual Framework: Soft Power Dilemma

Joseph Nye (2004), in his book entitled "Soft Power: The Means to Success in World Politics" described the concept of the power in the following way: soft power as when X gets Y to want what X want (co-optation), and hard power as when X gets Y to do something that Y would not otherwise do (coercion). In other words, if an actor (state) engages in persuasion and diplomacy, cooperation and culture, this assumed to be soft power; by contrast, if an actor (state) uses military and economic force (intervention) to success a task, this is assumed to be an exercise of hard power. Soft power, however, could be used not only by actors (state/s) but also by other actors in world politics, such as Non-Governmental Organizations (NGOs) or international institutions. For this reason, state/s, without resorting to carrot and/or stick, (are) creating elements of 'attraction' and 'cooperation' rather than coercion, use of power or give money as means of persuasion (Nye, 2011: 84).

¹⁷ Robert Cooper described post-modern order in which we Europeans live does not rely on balance; nor does it emphasize sovereignty or the separation of domestic and foreign affairs. Cooper, R. (2000), "The Post-Modern State and the World Order", *Demos*, p. 20. Available online at: <http://www.demos.co.uk/files/postmodernstate.pdf?1240939425>

Soft power, to put it simply, states' (or international supranational organization/s, for example: EU) political values, culture, and diplomacy principles—these principles are seen as appropriate ethical and legitimate extent—are always more effective than coercion, and many values like democracy, human rights and individual opportunities can be identified seductive (Nye, 2004: x).

Soft power is basically authority to change perspective and approach of other actor/s. Based on soft power description, for the implementation of power, there is neither threat nor deception. Guen Lee (2009), who has been working on theorizing of soft power, defines it not such as military or economic sources. Lee argued that use of soft power with national and global symbols can be divided into 5 categories such as image of state, theories, discourses, education and culture. Lee emphasized relationship between soft power and soft power's sources (resource-based soft power theory).

According to the theory, soft power and/or hard power can be coercive or cooperative. The distinction between these two correlated powers depends on use of sources. Unlike Joseph Nye's soft power which is based on the elements of attraction, cooperation and mobilization, Lee stresses on resource-based theory that it establishes a dilemma correlation between coercive hard power and cooperative soft power (Lee, 2009).

As Robert Cooper (2004: 168), a strategist and diplomat, quite correctly mentioned “hard power is coercive force and we all know what hard power looks like, but soft power (it seems) can be just anything else— is a more elusive idea”. From this interpretation, soft power also could be other same side of the coin.

The concept, use and resource of soft power have interpreted in various ways by various theorists and political scientists. It seems 'resources' is one of the significant non-consensuses among theorists. Joseph Nye's soft power theory has not been fully revealed; because, there is an ambiguity arises the link hard/soft power and their resources. This means hard power may be used as soft power in some cases, at the same time soft power may be used instead of hard power. Although theorists have been not met at a common point about soft power dilemma, they recently agree on the existence, importance and value of soft power.

Above all, this essay attempts to analyse whether the EU has intention and potential and implication of soft power to shape its foreign policy as a post-Westphalian actor. Before analysing of will and intentions, it needs to unfold debates on sovereignty and its interpretation on EU's global position.

3. Sovereignty and the Debates on the European Union's Global Position

During the Cold War, global crisis has started especially with transition of sovereignty to state capital, goods, people, companies and information flow (Philpott, 2001: 298). In mid-1970s, the Westphalian system began to see itself as under attack as at an unprecedented scale. While sovereignty faced the risk of losing its ground, globalization took an important place in the process of questioning about political Westphalian myths. A new design of globalization (i.e. a distinction between the economic sovereignty and national sovereignty) now formed upon world order (McGowan, 1999: 67). Westphalian sovereignty has lost its previous meaning and its domination with the emphasis of post-sovereignty in the transition to the world we live in (post-sovereignty

over identity in the post-modern era) ended.¹⁸ There is no doubt that there is a huge impact on sovereignty with globalization. Discourses of globalization which have been transforming the rule of old myths of sovereignty are indeed true, however; new myths are emerging through the domination of new discourse and are becoming exaggerated in regards to globalization over sovereignty transformation. According to Stephen D. Krasner (1999), if it would be interaction of globalization, there is no new interaction between states. There were similar interactions before the emergence of globalization in terms of the minority rights, religious rights and self-determination. For Krasner, globalization actually strengthens sovereignty in some ways.¹⁹ Even though losing its influence or losing its meaning in the traditional sense, sovereignty is still a rhetorical tool and strong political weapon. Today, sovereignty finds itself in different particular values over international institutions and has started to build a new sense of sovereignty over these institutions. The roots of the EU integration in terms of structure and depth should be considered as a new revolution and the role of integration in the transformation of sovereignty should be discussed in detail in this regard.

¹⁸ In Westphalian system the state was the primary actor and the state as a sovereign actor and may run domestic politics as it has seen fit. In post-Westphalian system both concepts have become outdated. For an comprehensive study, see, Jackson, R. (1999): "Introduction: Sovereignty at the Millennium" in Robert Jackson (eds), *Sovereignty at the Millennium*, Blackwell: London; Mahncke, D. (2011): "Post-modern Diplomacy: Can EU Foreign Policy Make a Difference in World Politics?", in *EU Diplomacy Papers*, April 2011.

¹⁹ For a comprehensive study please see: Krasner, D., S. (1999): "Globalization and Sovereignty", in Dorothy J. Solinger (eds), *State and Sovereignty in the Global Economy*, Routledge: London, pp. 34–44; Krasner, D., S. (2001): "Abiding Sovereignty", in *International Political Science Review*, Vol: 22, No: 3, pp. 234-237; Krasner, D., S. (1999) *Sovereignty: Organized Hypocrisy*, Princeton University Press: Princeton.

This discourse is of particular relevance to the present situation of European integration, in a sense, is now at a post-ontological level.²⁰ We are now discussing how to explain the process and outcomes, not how to classify the EU. In other words, the process has become more important than structures and institutions. As an inevitable result of the mixture of weak central, multi-spatial alternative centres, united in diversity, sovereignty has turned into a long-winded story. As long as the EU removes borders, improves civil rights and takes step towards democratic governance, 'state sovereignty' becomes less important and more complex. Therefore, sovereignty ceases to be only source of legitimacy in the integration process. While states still remain important (perhaps the most important) actors, the system is no longer state-centric: non-governmental organizations (NGOs), multinational corporations and international organizations have emerged as significant transnational actors in global politics (Kobrin, 2008: 3-4). In short, there may have sovereignty that it does exist limited and sovereignty collected in a pool in terms of either absence of government or governance or governance without government (Shore, 2006: 709).

²⁰ Even the origin of the idea of forming a union in Europe goes back to the Middle Ages; the Unity couldn't become a practical issue caused by the World Wars' destruction. In order to prevent war/s and stop to expansion of Germany, a plan known by the French Foreign Minister Robert Schuman's name was implemented in 1950. According to this plan, coal and steel industry/territory would be transferred to supranational governance. This, in some sort, means the states abandon their sovereignty over coal and steel industry/territory. In this regard, the Treaty of Paris (treaty establishing the European coal and steel community) can be also recognized first agreement that European states are agreed to give up their sovereignty. For a comprehensive details please see: Gunugur, H. (2007): *Avrupa Birliği, Avrupa Ekonomik Danisma Merkezi (EKO)*: Ankara

Considering the historical processes, Europe is seen as a “crazy theatre of war”. Besides it, the EU has tried to be out of great battles until present position since World War II. In due course, the major powers in European countries and EC²¹ members had been moving away from power politics. After the Cold War, “the political systems of four centuries came to an end in Europe: the balance-of-power and the imperial urge (Cooper, 2002)”. In contrast to the ‘multi-level governance’ dominant realistic approach, this shows integration is not a zero-sum game— where one person (or side) wins and another loses the game/situation. The EU —as a result of both institutions and states— goes beyond this two-dimensional structure and is built on a new interpretation of sovereignty. In this sense, the EC has become a Kantian morphing tool, increasing interdependence and solidarity in the region in particular but also at a global level. In the Cold War context, it should be also noted that Western Europe's economic and political recovery reached a good state of the US's great promotion. Europe, in fact, waivers between Immanuel Kant, Adam Smith and/or Thomas Hobbes, "Idealist", "liberal" and/or "realist" models. Similarly, according to one of the most prominent scholars in European Studies and International Relations, Hartmut Mayer, (2009: 12-13), Europe is defined by various academics as “a ‘civilian power’ (Duchane, 1973), a ‘normative power’ (Manners, 2002), a ‘soft power’ (Nye, 2004), a ‘soft empire’ (Hettne & Söderbaum, 2005), a ‘transformative power’ (Grabbe, 2006), an ‘ambiguous power’ (Gasteyger, 1997), a ‘conflicted trade power’ (Meunier & Nicolaidis, 2006), a 'green normative power’ (Falkner, 2006), or even, most bizarrely, a ‘metrosexual superpower’ (Khanna, 2004)”. All these interpretations are based on the notion of the EU as uniquely norm-based/norm-obeying actor (Mayer, 2008: 7-25).

²¹ EC refers to as an alternate name for the European Economic Community, one of the three pillars of the European Union.

As aforementioned, in recent years plenty of concepts for the role of the EU have been advanced and discussed, each one of them suggesting that the EU has a particular kind of power (*sui generis*) in the world. As Jacques Delors (1985) asserted, the EU is an “unidentified political object”. It is not easy to classify where Europe and the EU stand in the international arena. Therefore, for the claim of European integration in change cannot be only explained as one-dimensional but as a multi-level and multi-dimensional actor in international politics. According to those who want to see and show that the EU in this light, the EU attitude and ideology can also impel a more healthy and enduring transformation in the candidate states, and at less cost rather than by military intervention. Given these various concepts, the next section will not only focus on any of this concept/s, but also more closely on the EU as an effective global power with a post-Westphalian ideology.

4. EU as Post-Westphalian Foreign Actor?

One of the most contemporary trends in the transformation of traditional world order has described as a shift from Westphalia to post-Westphalia. Based on this conception, traditional orders consisting of sovereignty authorities interact with condition of anarchy paved way of a post-Westphalian order take a place in world politics.²² The EU, a union of member states with shared sovereignty, challenges conventional

²² This literally switches the conventional conception of Westphalian order and sets a precedent for post-Westphalian order. For further information, see Krasner, D., S. (1999) *Sovereignty: Organized Hypocrisy*, Princeton University Press: Princeton.

Westphalian order as a supranational state while members state waive in order to belong to the Union.²³

As a result of this shared sovereign conception, there are two essential views about the position of the EU in global politics; first, there is soft power approach as a consequence of lack of full sovereignty; second, there is possible post-Westphalian approach plays a significant role in both integration of union and foreign affairs. Based on these two views, in order for EU becomes such a more effective global power in the light of post-Westphalian order can be summarized as follows:

1. The European Union's concept of shared sovereignty is contrary to historical views of Westphalian sovereignty as it provides for external agents to interfere in nations' internal affairs (Kissinger, 2014).
2. For not to getting acquisition of hard power and use it actively, the EU prefers to use soft power in its foreign policy because it proves to be much more convincing by / to the other powers/states (Pardo, 2012).
3. The post-Westphalian system does not rely on balance; neither has it emphasized sovereignty nor the separation of domestic and foreign affairs (Duke, 2014).
4. Contemporary patterns of diplomacy in the EU diplomatic structure and practice transform into features of what might be viewed as a "postmodern" foreign policy environment (Bátora and Hocking, 2008).

²³ Supranational organizations which consist of number of states and organizations transfer their sovereignty to an organization. The most developed of these actors is EU. Because EU, a union of member's states with shared sovereignty, has a unique position (*sui generis*).

5. The EU can/should be an effective global power not only regarding the (inclusion of) military matters but also the norms and principles governing areas of international relations and other matters (such as supranational institutions, municipal and regional authorities, transnational interest and advocacy groups, technical experts, multinational enterprises etc.). For instance, nuclear armament, and missile strike are unacceptable; this is not efficient and is contrary to the moral principles of preserving and respecting human life.
6. Voluntary mutual intrusiveness and mutual verification (Cooper, 2000).
7. The growing irrelevance of borders and geography (Sperling, 2014: 102).
8. Security is based on transparency, mutual openness, interdependence and mutual vulnerability (Cooper, 2002).

As aforementioned, academics, intellectuals and politicians argue that the EU role in post-Westphalian system is as a normative and civilian power insofar as it continues its current policy opposing the US-style global actor. In contrast to the relatively anarchic order and sovereign states relies on a realist approach by which it dominates the world, Europe protects its interests and projects as a normative order via (post)modern tools and it usually ignores the global world and realist layout. Accordingly, the realpolitik view is incorrect and creates animosity and long term instability. The risks of turning the EU into global realpolitik power and conversion to a US-style power far outweigh the alleged benefits. Implementation of power politics, since two and three generations were turned down; it is not easy to reverse this trend; this means that ominous history returns to future.

Apart from that, being idealistic and solidaritarian (Kantian) internally and keeping realist and being competitive (Hobbesian) externally is / has impelled somewhat schizophrenic decision making in the EUFP. Rather than continuing this trend, spreading the model of Kantian societies across the world would be more appropriate and be in Europe's best interests.

However, there are serious objections to Europe using its power in the same manner as the United States. For example, stability in the new democracies in the Balkans cannot be provided by bombs and missiles (Stefavona, 2005). Returning to *realpolitik* in this sense could have catastrophic consequences. There are several difficult questions that need to be answered, such as: is German issue in terms of economics and military solved in a permanent way? To what extent the use of force of great powers are easier to prevent than much more snoring smaller EU members? Does the EU pose a security risk/paradox between security and democracy in the Middle East and the Arab World in particular? Does resolution of Europe's main problem (colonialism vs. post-colonialism) hinge upon it becoming an imperial power in the Middle East again?

In order for all these possibilities not come about, the current model of the EU needs to keep its present course. For example, in contrast to military activity, mobility and firepower focused on attempting to impose a security concept in the Europe, the main issue should be the safety of civilians. This is based on the fact that the majority of conflicts have taken in conflict zones in the interior of most countries and the victims of these conflicts were predominantly civilians. Although creating a 'better world' seems ideal and a long-term interest, the European Union and its members would be safer and better off in such a world (Mahncke, 2011: 19). As one of the most significant post-

Westphalian actors in the world, the EU must be “a model”, “reasonable” on issues such as transnational interests, common security and defense and the fight against terrorism either alone or with partners.

From this point of view—the struggle against anachronistic temptations—, EU foreign policy should be more normative, moral, and universal. Realism and the pursuit politics of national interests are harmful. As Ian Manners (2008) pinpointed, the EU should make clear political choices that can be explained to the public, parliament and the media. Thus, in despite of the rise of the security state and the erosion of democracy, the ‘civilian’ dimension of the EU’s operations consist of the Union’s desire to “project stability and lasting peace not only within but also beyond its borders”(Nowak, 2006: 9-10).

The Middle East and North Africa (MENA) has always been an important region for the EU for political, economic and strategic reasons. Conflicts and instabilities occurring in the region are followed closely by the EU, who has become involved in some cases. As a foreign policy actor, the EU has often tried to develop an international identity as a soft power with a post-Westphalian structure. However, the EU's “soft power” — cooperation, dialogue, democratic transformation processes—definition in international relations is ambiguous due to the expectations-capability gap and Westphalian approach. For example, the keywords of the EU in their Middle East policy are “stability” and “democracy”. But, when one looks at the history of the EUFP, these terms are not the dominant ones. The Gulf War and the Balkan crisis revealed the EU to be acting as a nation-state that the common foreign policy in very poor condition.

When one evaluates the Common Foreign and Security Policy (CFSP), it would not be wrong to say that the 9/11 and the 2003 Iraq War were

turning point for the EU. After both events, resurgent understandings of realpolitik and security have clearly affected the EU. The majority of the EU member states preferred to maintain the transatlantic partnership and extend America's role as Europe's strategic guarantor— although this was by no means a consensus. There was a pro-war coalition led by Britain against an anti-war coalition led by France and Germany (Kupchan, 2007). The EU's "soft power"—democracy, cooperation and human rights— was replaced by an economic and security discourse. For the sake of its own security, the EU has tried to prevent instability in the region and support authoritarian regimes when beneficial (Efegil & Musaoglu, 2008).

The EUFP was deeply influenced by popular movements that erupted in the Middle East and North Africa in the end of 2010. In 2009, the EU created the Lisbon Treaty—"the High Representative for the Common Foreign and Security Policy"— which aimed at overcoming the inconsistency and diversity in EU foreign policy; however, the EU was unprepared for the MENA revolutions. In response to developments in the political and humanitarian crisis in region, the role of the EU was the focus of discussions regarding civil rights and human rights. Competitions and disagreements between member states become more evident and national interests and policies came to the fore. The EU and the US has gone to share roles/ switching hats about problems of the Middle East in many ways. Although the EU has a chance to change the aggressive policies of the US in Middle East, it has not been finalized so far (Kaya, 2009: 46). Following 9/11 and the 2003 Iraq War, and later, the Arab Revolutions: Should the EU continue to follow US leadership or become completely independent from the United States and use soft power instead of military force in its foreign policy?

5. Conclusion

This chapter has explained the EU's role in global stage as an international actor. In order to confirm what kind of international power the EU is, it implemented the concepts of post-Westphalian environment. Westphalian principles are a highly effective discourse to execute domestic and foreign policy because they legitimize the idea that the state is the only actor in international relations. To defend Westphalian sovereignty and principles means to defend state and states' order, in other words, it is to maintain the established system and the status quo. Even if it partially lost its effectiveness, the Westphalian state still maintains its presence. The key point of which is that the nation-state is still the main actor in the international system, but it is not the only actor. Definition of the sovereignty began to change in the multi-actor and multi-centered world.

In the context of the EU, while states still remain important (perhaps the most important) actors, the system is no longer state-centric: non-governmental organizations (NGOs), multinational corporations and international organizations have emerged as significant transnational actors in global politics. The EU is the one of the strongest examples of this post-Westphalia system. Currently, with its 28 member states and more than 500 million populations, a quarter of the world's GNP, the kind of a global power the EU is should be considered as an important issue. Undoubtedly discussions and evaluations on this issue both inside and outside of the EU have occasionally been the subject of heated debate. However, the EU seems one of the highest developed post-Westphalian entities in global politics. This entity basically focuses on the understanding of the EU's international identity, common principles, and willingness to disregard Westphalian conventions. In addition to

this, the vision the EU must choose in the global system is pluralistic, not unipolar, because the US is balanced by other major regional powers (Russia, Japan, India and China).

In contrast to the conventional Westphalian conception, win-win logic has been more prevalent than win-lose logic in an environment of increased mutual interactions, exceeding all kind of borders, and accelerating integration efforts. The EU has faced the restriction of sovereignty under the influence of such developments: strengthening actors such as multinational corporations and international institutions, security based on transparency, mutual openness, interdependence and mutual vulnerability, the legitimacy crisis of the nation state (reduction of state control capability and power, legitimacy problems in decision-making, lack of provision of administrative services). All of these elements of a post-Westphalian system mean, in terms of contemporary politics, that there is an emerging culture of non-state-centric views of international relations and there is a wider spectrum of foreign policy actors, ranging from nation states of possible sovereignty to international (or supranational) organizations to non-governmental actors (Grajauskas, 2011). In addition to this, although the nation-state has been the predominant unit of the Union for long years, its future is uncertain.

One additional point needs to be made. Although non-state actor/s, democracy, good governance, and economic development have replaced conventional Westphalian state, the EU is nothing like a state, nor is it likely to become one. Thus, the rationale for further debate should be recognized, which it could be argued, should intensify the debate of the EU's global politics.

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EUROPEAN UNION'S FAILURE TO TACKLE CRISIS SITUATIONS²⁴

Mihai Berti²⁵

Abstract

For more than four decades, EU has risen to the point that it became an important global actor. Being the world's largest economy has made it possible. But despite its economic power, EU seems to be unable to be a strong political actor in the tri-continent region. The fact that EU does not want to assume a role as a hard power is not the only reason. There are other factors that need to be taken into account. The problem lies in the heart of the institutional framework. Recently, EU has failed to become a major regional leader in more than one occasion: Libya, Syria and Ukraine, are the perfect examples. EU has a hard time to react in a promptly matter to external crisis situations, and this is because the foreign policy of the Union depends on the external policies of the member states, altogether. So in order to react, EU needs to have all the members to agree. Intergovernmentalism is a failed policy in this matter. Having failed to find a proper response, one that would count, EU has basically just managed to impose economic sanctions in all 3 separate occasions, a solution that did not managed to resolve the problem. Instead, the inability to react more promptly, EU has opened the door for the most important member states to take matter into their own hands: France in Libya, Germany, Poland and again France in Ukraine, and that only shows that the Union as a whole is just not ready to take it to the next level in the region. This will probably not

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²⁵ Mihai BERTI is PhD candidate, Babeş-Bolyai University, Cluj-Napoca

happen until EU foreign affairs will not be run almost entirely by the European Commission.

Key words: *European Union, foreign policy, Ukraine, intergovernmentalism, institutional framework.*

The European Union needs to be pro-active and forward looking if it wants to live in a peaceful neighborhood. This is in fact rather mandatory. EU has a history of involvement in crisis or conflict situations whether we are talking about the Balkans in the 90s or in Aceh, Indonesia. (Popescu, 2011, p. xii) We can also mention situations that are rather recent, such as Syria, Libya or Ukraine. There is a thin line between success and failure in managing crisis situations. Since there are no guideline for obtaining the best results, EU has to improvise each time according to the specific situations. European Union's ability to cope under stress situations lies in the heart of its unique foreign policy institution. For more than for decades, EU has risen to the point that it became an important global actor. Becoming the world's largest economy (European Union) has made it possible. But despite its economic power, EU seems to be unable to be a strong (or stronger) political actor in the tricontinent region. The fact that EU does not want to assume a role as a hard power is not the only reason. There are other factors that need to be taken into account. The problem lies in the heart of its institutional framework, more precisely the fact that EU foreign policy relies on intergovernmentalism. Because of this, all the states have to agree upon any major foreign policy action, and it hasn't been that easy.

The measures that are at the EUs disposal are designed mainly to prevent crisis situations and offer mediation for conflict resolution. Direct military actions are off the table since the EU does not use hard power

tools. EU was not created to act as a hard power, so the means at its disposal are limited in this sense. Also there aren't any real reasons for a transformation in this direction, even if there are voices that call for this. The former High Representative, Catharine Ashton suggested that Should elevate its status to becoming a hard power. (European Union Delegation to the United Nations) While there are certain valid arguments for this, it is neither the time nor the place for this, so the subject of transforming the EU towards a more involved actor on the regional scale was set aside. This does not mean that the EU cannot be a strong actor in the region. It is, but disregarding the official pro-European propaganda, we can see that the Union in its current state is not able to be the strong regional actor that it can.

There are too many voices in Europe today that have to agree upon taking action. Transforming Europe's responsibilities into action is often too difficult. Today it is only too often that the member states have too many divergent views on what is good for the EU. In fact, the common good is often present only in official speeches. If the member states are not able to achieve more in terms of firm unified positions, the EU will not appear as a credible and reliable partner. The members of the EU have not been as good as they should have been in tackling issues that present common challenges to them. As it is well known, in the early phases of European political cooperation, governments were reluctant to share or give away any of their sovereignty in terms of foreign policy. There are several examples of those early difficulties. We saw much of it as it came to dealings with the breakup of Yugoslavia. More recently, we have seen it in the context of the campaigns in Iraq and – to a lesser degree – in Afghanistan. For a number of years, part of the problem has been an institutional one. Today, the situation has changed. The rather fragile machinery for cooperation in foreign and security policy has been strengthened as the Lisbon Treaty entered into force in December 2009.

Now the European Union has proper instruments for the conduct of a common foreign and security policy. It will have even fewer excuses not to act in the future. Of course, it may be unrealistic to expect that the members of the union would always find common positions. However, these new institutional arrangements should be that springboard towards a real European political union which will be capable of giving a larger contribution to the resolution of the major issues of our time. (Popescu, 2011, pp. xii-xiii)

All these being said, even if the institutional problem has been resolved, the decision making process based on the unanimity of the member states remains unchanged and it may cause similar problems in the future. We see it better today, when Greece plays a tricky game by not wanting to prolong sanctions against Russian Federation. While qualified majority vote is in order in case of immediate danger, the unanimity vote makes it harder and slower to counteract crisis situations in the region. After the Lisbon Treaty it should have been easier, but it doesn't appear that too much has changed. Being a strong regional key player needs one thing: the ability to act fast and efficiently. The fact that the EU does not use military troops to be deployed to solve a regional crisis is and will be a major difficulty in resolving the situations. Diplomacy is the big gun of EUs foreign policy and I have to admit that it is better sometimes to use words instead of guns. But not always. Syria is probably the best example of what you can't achieve with diplomacy. After the World War Two, the western civilization was built on one idea: never again. While this was the foundation that has brought peace in Europe, the problem lies outside of the EU borders. Here, it appears that never again, tends to repeats itself quite often: the genocides in the former Republic of Yugoslavia, the civil war in Syria, or the war in Ukraine are a good remainder of this.

To better understand where the EU has failed, we need to see first off all the design that makes the European foreign policy work. European External Action Service has among other attributions, the ability to address crisis situations. But what is the definition of crisis management? It is often used very loosely and interchangeably with other phrases such as peacebuilding, peacemaking and peacekeeping as well as crisis response, conflict resolution and conflict prevention. (Post, 2014, p. 64) Narrowly defined approaches view crisis management as one of many other approaches to realizing and maintaining security. Crisis management in this regard deals with situations, when preventive measures have already proved insufficient. In contrast to conflict prevention, crisis management is perceived more short-term and contingency-oriented. Crisis management instruments may entail a more direct use of military and negatively perceived means such as sanctions, embargoes or the freezing of relations. It contains crisis assessment, crisis response and post-conflict peacebuilding. In this understanding crisis management is conceptually very different from any preventive action and involves immediate efforts to manage tensions that have reached a high level of confrontation and violence. In other words, narrowly defined crisis management can only exist if a conflict has reached a violent stage. More broadly defined, crisis management in the international arena is taken to refer to any attempt by third parties to resolve crisis and prevent further escalation of conflict. (Post, 2014, p. 66)

The EU has acknowledged that conflict poses risks for its own objectives. Therefore, it is deeply committed to conflict prevention, and, in consequence, the use of civilian crisis management tools. Addressing the root causes of conflicts is regarded as essential from EU perspective. The ability to use civilian and military crisis management instruments can be claimed to be the “specific characteristic of the EU’s approach to

conflicts”. Theoretically, the Union has both, a wide variety of civilian crisis management means such as political, diplomatic, economic, and police instruments as well as military means at its disposal. (Post, 2014, p. 164)

Despite the large number of diplomats and departments under the EEAS that are involved in active crisis management, European integration has probably been the most successful exercise in conflict resolution in history. It started with the integration of the coal and steel industries of Germany, France, Italy, Belgium, the Netherlands and Luxembourg in the early 1950s, and later became an economically integrated community of states, which has constituted the basis of a peaceful Europe for more than half a century. The driving forces behind European integration were economic, but the objectives were predominantly political. As integration advanced and the potential for conflicts in Western Europe faded, the European Union’s concern with conflicts gradually externalized. The EU’s concern was increasingly with non- EU conflicts which could affect its security. After the end of the Cold War, the EU was dragged into efforts to prevent, manage and resolve potential and existing conflicts in Central and Eastern Europe and the Balkans. With eastern enlargement effectively accomplished and the EU’s common foreign and security policy developing apace, the EU has been playing an increasingly active role in conflict management worldwide. (Popescu, 2011, p. 25)

The EU’s institutional complexities created significant problems of political coordination, external representation, as well as it generated an ambiguous division of competencies and inter- institutional rivalries. At the highest political level the EU had two senior foreign policy figures: The High Representative for CFSP and a Commissioner for External Relations. In addition, rotating presidencies of the Council changing

every six months also had the mandate to represent the EU abroad and set the foreign policy agenda. And all these actors were supposed to represent the EU worldwide and contribute to the development of a common foreign policy often leading to a certain cacophony. (Popescu, 2011, p. 29)

The Lisbon Treaty aimed to move the EU further into security issues, particularly those relating to countering terrorism. The Treaty makes a provision for a common defense response if any EU member is subject to a terrorist attack or natural disaster. It also incorporates changes to the institutional framework. Significantly, a High Representative of the Union's Common Foreign and Security Policy is created by the treaty, and the person in charge is serving as a Vice-President of the Union, reflecting the seriousness with which external relations are now taken. Similarly, the Commission and the High Representative can submit joint proposals on external action – thus bringing together the economic and military sectors. The Treaty also created the EEAS which acts as the diplomatic corps of the EU and which is made up of seconded staff from the member states, the Commission, and the General Secretariat of the Council. This is an important move which centralizes foreign policy activity within Brussels. The most important institutions within CFSP and European Security and Defense Policy are the foreign and defense ministries of the member states. Within these institutions policy initiatives are formulated and agreements struck on whether to accept Common Positions and Joint Actions. Neither the Commission nor the High Representative has demonstrated the ability to act in the same way as a domestic ministry. For example, there have been doubts about the quality of internal security in the Commission, which leaked information potentially endangering the safety of officials in the field, something that is particularly sensitive in counter-terrorism operations. (Dover, 2010, p. 251)

The European Union (EU) was awarded the Nobel Peace Prize in 2012. In announcing the award in Oslo, the Nobel Committee President, Mr Thorbjørn Jagland, said the Committee wanted to direct public attention towards the EU's work over the past six decades in advancing "peace and reconciliation, democracy and human rights." In its formal announcement, the Committee mentioned the success of successive enlargements of the EU over the decades—extending towards Southern Europe, Eastern Europe and, most recently, the Balkans. Linking Europe more closely together economically and politically has contributed greatly to the spread of peace, democracy and stability across the continent. (Holzhacker & Luif, 2014, p. 1)

Europe appears that it doesn't want to take the chance in order to protect its founding ideas outside its borders, in situations that are quite close to its borders. In the case of Yugoslavia the excuse was that there were no institutions strong enough to interfere, although the head of the European Community declared at the beginning of the crisis that it will intervene because, and I quote: „It is the hour of Europe, not of the United States". (The Guardian) What happened in the last 3 major crisis situations, Libya, Syria and Ukraine shows best UEs inability to act promptly in its vicinity. Syria may be in the Middle East, but it is a neighbor of Turkey, a long time potential accession candidate, and this poses a major threat. United Nations Security Council was unable to put an end to the civil war, the United States refused to go to war again in the Middle East, and we all see the results today. If stopped years ago, the civil war may have not resulted in the forming of the Islamic State which poses major threat on the security of the EU member states. The sanctions imposed by the EU had no outcome.

I think that economic sanctions tend to be futile, take for example North

Korea, which managed to pursue its nuclear ambitions under strict sanctions. Libya, though not a direct neighbor of the Union poses a major threat, and a strong regional actor should react. EU used only diplomacy to promote democracy, but on an individual level, France reacted promptly and became the self-proclaimed leader of Taint-Gadhafi coalition. Other member states joined alongside NATO forces, but not all the EU countries joined which shows us just how difficult is for the EU to have a prompt and unanimously reaction to a regional crisis. The current institutional framework and foreign policy of the EU are not able to respond in this kind of situations. Lastly, the situation in Ukraine shows just how bad EU responds to crisis situations. At a diplomatic level, EU acted in its normal routine of condemning the clashes in Kiev and asking president Ianukovici to respect democratic principles. No harm done so far, but it was not the time nor the place for the UE institutions to interfere, even if at a diplomatic level, with a country's sovereignty. The fact that the massive demonstrations had a pro-European stance, gave the EU the motive to interfere furthermore after the government of Ukraine decided not to pursue the signing of the Association Agreement. It claimed, and I quote: „The EU took note of the unprecedented public support in Ukraine for political association and economic integration with EU”. Even if that would have been true, it is unwise and even undemocratic to assert this. For an institution that praises democracy like the EU, to go over the powers of a legitimate parliament and government like those of Ukraine, shows the double standards of the Union. EU should have abstained. But what it did next was even worse. Instead having a common policy towards Ukraine, UE stood by while 3 of its member states decided to mediate the conflict that the UE fueled by trying to get Ukraine to sign the Association Agreement and supporting the massive protests. Even if the people in the streets of Kiev had the right to be heard, they were in no way representative for the entire country, and the EU or any other member states should not have

interfered there. Germany, France (that tries to find its imperial glory) and surprisingly Poland, decided to form a troika and help with the negotiations. The result was similar to the negotiations between Chamberlain and Hitler. While the 3 European powers were still under the influence of their apparent success, Yanukovych fled, and chaos broke loose. EU doesn't have the experience yet to be a strong regional actor. Its recent failures are eloquent. The main reasons for this are the common foreign policy and the individual actions taken by some member states on occasions that would require an EU intervention. As long as intergovernmentalism remains the basis of the EU foreign policy, EU will not be able to function in a proper way in regards to regional crisis situations. There is also a bright side to the foreign policy of the EU. The Union uses, with a high degree of success a stick and carrot approach, and the example of Kosovo is the best on how EU can settle the problems in the Balkans. As long as Serbia wants to join the EU it has to comply with the fact that it has to recognize the state of Kosovo and take actions in order to have a normal relation with the authorities from Pristina. But this approach seems useless outside the eastern border in Ukraine, Moldavia, Georgia or Armenia. EU should focus its attention on the Balkans first, and give up for now its ambitions regarding the eastern partnership because Russia will certainly refuse to lose its influence in this region, and it has and will make use of its military force to retain the eastern countries in its sphere.

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EUROPEAN UNION AT THE CROSSROADS - POLITICIZATION AND REPRESENTATION

Patrícia Kaplánová²⁶

Abstract

The emergence of the economic and financial crisis has already shown important political consequences in the European Union. The purpose of my presentation is to identify a crucial relationship between the processes of the European integration and its political representation in the times of instability. In my opinion, one of the main consequences of the Eurozone crisis, which has culminated in recent years, is a more politicization of the European governance. Not only the European political issues, but also a recent political institutionalization, have triggered discussions about a democratic deficit referring to the future of the European Community. The politicization derived from the Eurozone crisis has been creating new forms of cleavages and political/social conflicts. The ongoing process of the negotiations between national and European representativeness also has encouraged a social mobilization of masses across the Europe. In my view, a major question now is whether Europe needs more supranational governance or more national states. My chapter demonstrates the new cleavages occurred after the politicization of the Eurozone crisis.

Key words: *politicization in European Union, cleavages, Eurozone crisis, political conflicts, social mobilization*

26 Patrícia Kaplánová is PhD Candidate and assistant at the Faculty of Social Sciences, Department of Political Science and European Studies, University of Ss. Cyril and Methodius in Trnava, Slovakia

1. Introduction

This chapter examines the main discussion in the European political and international theories of today. The ongoing process of the crisis in the European Union, which evolved in the 2008, has become the topic of various analyzes. My approach to the European crisis is based on the methodology of identity politics. I have chosen the sociological approach because I see the current European crisis as a multiple concept, which has caused not only the economic and financial changes, but also it has triggered a new paradigm to the institutionalisation of the European Union (the EU). The politicization of the issue of crisis is my main view how to grab the debate about the consequences of these changes. Apparently, the one of circumstances of the increasing politicization in the EU is a radicalization in the view of political and social cleavages. The questions inside the Europe, which have been accurate from the first establishment of the European Community, are still alive and concerned about the level of the European integration. The main thesis of my chapter is to demonstrate that in these days new cleavages have already occurred across the Europe. This is the radical point of view how the politicization in the European Union has become more evident than ever. Moreover, the political issues of the Eurozone crisis has triggered not only a process of scaling radicalization of politics, but also a new institutional constraints of the European establishment. The new paradigm of a prospective institutionalisation, according to my view, has to overcome the core problem of a deficit of representation at the European level of governance. The demonstration of a new politicizing issue with the connotation of core cleavages helps me to introduce a complex view about the development of the European integration last years.

2. Politicization at the European level of governance

The escalating European crisis known as the Eurozone crisis has already opened a question how to analyse its own reasons. The development of the global economic system could be considered as one of the main reasons why the crisis is still present in Europe. Moreover the process of the European integration has been already defined as a process of negative integration which means in the long-term understanding to see the EU as an international organization. On the other hand, the Eurozone crisis has its own implications and results. For political perspective, one of the core issues of the outcomes of financial recession is to categorize the EU as a regulatory state (Majone 1996). By the theory of Simon Hix (2007) the European Union has shown the main signs of a political system of any national state in the western meaning of statehood. This assumption brings me to the consequences of the financial crisis from the political perspective. The political paradigm is based on the idea that the EU should work in the stability of its own political institutionalism. In this point of view of positive integration the European Union has already gained the sign of its own politicization. From the cultural and sociological theory of institutionalization, the politicization essentially means two things. On the one hand, it points to the increased resistance to the European institutions, their politics and their policies. Stability of the European institutions could then indicate a quality of democratic settlement. Also the European political system substantially could demonstrate a level of constitutional legitimacy which is characterized as a normative turn in the explanation of the European governance (Bellamy, Castiglione, 2000).

On the other hand, the second meaning of politicization is described as a raising awareness of political authority beyond the nation-state, inducing a wide range of societal interests to address their demands via European institutions. It thus promotes the use of supranational institutions for political purposes. From this side, the increasing politicization could be

described as sufficient to the European democracy in the sense "it heralds a normalization of EU-level decisions through their incorporation within national politics." (Statham, Trentz, 2012, p. 2) Politicization can thus mobilize society and citizens in favour of the European integration process. On the other hand the raising awareness, mobilization and contestation should not be accompanied with a rejection of the EU and renationalization within the European countries. In this sense, the development of politicization could be seen as a threat to democracy by an increase of populist, radical or in some cases xenophobic reactions of nationalist parties within European countries. Additionally the intensity of the Euroscepticism has been accurate last decade which has already lead to a new wave of identity politics in Europe. According to Hooghe and Marks (2008) a new identity politics could trigger a risk of an apart of the European Union. To generalize the understanding of the politicization of the European governance, I can conclude that there is a difference between a positive meaning (Hix, 2007) and a negative meaning (Hooghe, Marks, 2008) of politicization in the EU. In a positive way, the politicization means a process of the Europeanization of national public spheres by a development of the European institutions. The Europeanization thus creates a common public sphere which consequently could trigger a common identity, encourage a role of mass media about the European politics and at least support the involvement of policy actors, Ngos etc. The process of politicization at the european level of governance could be understood also in a negative way of integration. A radicalization of politics is not common only at national level of governance. the increased nationalism and extreme political parties have already switched their attitudes against the European Union at the first stance. In my opinion the tension is evident mainly in domestic policy of budgeting or structural funds. A comparison of advantages and disadvantages of the membership in the European Community has become a longstanding political issue before the national elections not only in the new member states, but also in the states which established the EU.

Continuously to the distinction of the negative and positive understanding of the politicization, I assume that there is also a main dimension of subjects in the politicization. I have identified the two subjects of politicization in the context of supranational politics in the EU. One of the key subject is a politicization of the political system and on the other hand is the politicization of the political issue. Politicization in the context of political system could be described as one of the solutions of a democratic deficit in the EU. At the simplest explanation it means a strengthening of role of the European Parliament and national parliaments in the political system of the EU. The eligible role of the EP to strengthen the representation democracy is a nomination of commissioners to the European Commission. On the other hand, the politicization of a political issue means that the question of the European Union affairs is accurate in the public. Also it could help to nourish a public debate over the European issues by informing citizens through the mainstream national media across the Europe. "The basic idea is that the politicization of European integration is driven by an expanding public discourse. This public discourse fulfils an important democratizing function: it makes executive decisions transparent, includes civil society, and provides important critical feedbacks, while it is carried by an independent self-steering mass media." (Statham, Trenz, 2012, p. 6) The presence of these issues could be seen as a proof of the persistence of the European legitimacy. In my opinion the politicization of political system and political issue is a parallel process. Politicization of a political issue leads consequently to the politicization of a system. My point is that while political scientists saw a politicization of a system as a solution of a democratic deficit, a debt/euro crisis as an issue that has already pushed the debate about a future of the EU to a reconstruction of its political system.

3. Political and social cleavages in the European Union

In the positivist theory of pluralism (Dahl, 1989) a politics is seen as a bargaining process between more than two identities to conclude common result. Doing politics thus means the tension between two different identities by which could be politics provided. The presence of the political issue is than as a mirror of the politicization what could at least encourage this conflict among actors. Cultural conflicts and identity politics are thus seen as a need for the constitutionalization of political system also in the European Union. The sociological approach and cultural studies of the European Union have already explored the main tensions between identity politics according to the classical theory of cleavages²⁷ identified by Stein Rokkan and Martin Lipset (1967). Hix (1994) has demonstrated that during the development and the establishment of the European Community have already occurred two kinds of political cleavages toward the integration process. Applying the sociological theory of Lipset and Rokkan to the system of the EU (see Figure 1.), there are two fundamental lines of conflicts. The first is a critical juncture of Supranatioanl Integration which produces a centre versus periphery cleavage between national interests and European interest. This cleavage manifests the conflict tension between further integration and national sovereignty. The second critical juncture, the Industrial Revolution, demonstrates a socio-economic or Left-Right cleavage, which have been common mainly in the development of party system in the Western countries. Moreover, according to Hix “this Left-Right cleavage is manifest at the European level with the “politicization” of

²⁷ The Cleavages have occurred from divided conflicts created by “critical junctures” in the historical development of every political system. For example, the National Revolution created Church versus State and centre versus periphery conflicts, and the Industrial Revolution produced landed versus urban and middle-class versus working-class conflicts (Hix, 1994).

the European Community, as decisions on questions of market regulation (such as in the Single Market programme) and redistribution (social and regional policies) begin to be taken at the supranational level.” (Hix, 1994, p. 9)

Figure 1: The Lipset-Rokkan schema applied to the EC System (Hix, 1994, p. 9)

Critical Juncture	Cleavage	Conflict
Supranational Integration	Centre-Periphery	Integration vs. National Sovereignty
Industrial Revolution	Left-Right	Free Market vs. Intervention

The presence of these two fundamental dimensions of conflicts in the European Union could be seen as a natural consequence of the development of politics in the Western part of the Europe. Furthermore the enlargement to the Central and Eastern part of Europe has already shown that the character of the European Community has been working in the sense of a regulatory state. So the feature of the basic cleavages has been maintaining also in the new member states from the Central or South Europe (Hooghe, Marks, 2005). Mainly the socio-economic and Left-Right cleavages have already occurred in the Eastern regions during the shaping of integration process. To sum up, the creation of the main two cleavages has maintained its own development through the history of European integration. In other words, it could be said that these conflicts have been evolved in the prism of strengthening the European evolution to these days. Moreover, for many scholars (Dinan, 1994) the strengthening of the European integration by joining other countries means a process how to avoid a possibility of disintegration. In this point of view, the EU has been widening its borders by the enlargement process more than the evolvement of the disintegration

movements. On the other hand, as I will try to point out later, the current situation is not contributed to the strengthening the EU by its enlargement but the EU is trying to resolve the present financial and political conflicts inside the Union.

4. Crisis of the Eurozone as a political issue – politicization through the Eurozone crisis

Hutter and Kercher (2014) demonstrated that the current crisis has a character of triple sequence of financial crisis, debt crisis and Eurozone crisis which have triggered an unprecedented politicization of the Europe. According to my view, the crisis we are still facing in these days, has deep roots connected with the development of integration processes. Last decades have shown that the integration progress is not able to continue according to the intergovernmental (Moravcsik, 1993) or neofunctionalist (Haas, 1958, Schmitter, 2004) integration theories. The new theory how to look at the European integration process is developed by a prism of post-neofunctionalism (Schimmelfenning 2014)²⁸. The reason why the post-functionalism has prevailed is the politicization of the issue of Eurozone-crisis which has been penetrating to the public discourse in Europe. Moreover, through the Eurozone crisis, “European member states have torn apart the core founding myth that the integration leads to stability and growth for all (countries and citizens)” (Statham, Trentz, 2012, p. 19). The core issues concerned about the euro have been already established in domestic politics and public debate across the Europe. Additionally, these debates circulated around the consequences of the crisis and have mobilized

²⁸ Frank Schimmelfenning pointed out that the Euro crisis has featured both major politicization and major technocratic reform and called it as „a postfunctionalist moment“ (Schimmelfenning, 2014, p. 331).

not only masses to demonstrate²⁹, but what is important, have already forced the European elites toward the prompt political solutions³⁰. As the main evidence, the Eurozone-crisis is substantially a crisis of the Monetary Union (the EMU). The Monetary Union, as designed at Maastricht and as a part of the *acquis communautaire*, was according to the Nobel laureate Paul Krugman a mistake, even a “fatal mistake” (Spiegel Online, 23 April 2012)³¹. The common currency union has introduced a control over the communitarian monetary policy given the European Central Bank (the ECB) the responsibility for the exchange rates. For many economic experts such as Paul Krugman was the EMU a political, not an economic project. Because of it, Chancellor Angela Merkel concluded that the European Union is a “community of destiny”: „if the euro fails, then Europe fails“ (Merkel in Majone, 2012, p. 2). It is seen that the economic crisis which had the financial reasons, has required political interventions and solutions. This step has also called for a collective responsibility of the member states of Eurozone for the present situation. Moreover, an avoiding the break up of the Eurozone integration, a few members of the Eurozone had to face the political crisis at national level³².

²⁹ One of the official platforms against the politics after the Euro-crisis is a movement of Blockupy which has been organizing the demonstrations and resistance petitions and gradually gaining supporters across the Europe. (<http://blockupy.org/category/international-de/>)

³⁰ Interesting point is that the knowledge from media about the crisis which could mobilize voters to come to the European elections in 2014 had not have this impact for example in Slovakia. Slovak turnout of the elections was the lowest across the Europe, approximately 13,05%. Source: European Parliament, <http://www.europarl.europa.eu/elections2014-results/en/country-results-sk-2014.html>

³¹ <http://www.spiegel.de/wirtschaft/soziales/nobelpreistraeger-paul-krugman-ueber-den-ausweg-aus-der-euro-krise-a-828724.html>

³² For example the resignation of the Radicova government (Slovakia) after the motion of censure in 2012.

Reforms of the Eurozone have been already agreed and implemented during the crisis to strengthen a fiscal and financial integration. There was created the European Financial Stability Facility (the EFSF) in 2012 superseded by the European Stability Mechanism (the ESM) as a permanent international financing institution (Schimmelfenning, 2014, p. 325). This capital stock from the Eurozone countries had a lending capacity of 500 million euros. Besides, the ECB possessed the lending capacity of 200 billion euro. These steps from the perspective of politicization should be seen as how to establish a new institutional framework. Beside this type of institutionalization is in the view of citizens and national elites of harmed countries viewed as a no legitimate establishment. From this point of view I want to point out that the EFSF and the ESM were not derived in the prism of “natural” negative (economic) integration. This is important to note that the reason was clearly a reaction to the political issue of crisis. In my view, in these days the crisis measures should be valid by people of the Europe. Additionally, fiscal regulation and supervision of the new institutional framework has been strengthened in a series of legislative acts (most notably the “Six-Pack” of December 2011 and the “Two-Pack” of March 2013) and in the Treaty on Stability, Coordination and Governance in the EMU (aka Fiscal Compact) (Schimmelfenning, 2014, p. 325). The main aim has been to oblige the national states to establish a national balanced budget rule subjected to the European rules and monitoring. The European Stability Mechanism and the European Central Bank have been providing the core financial assistance for the affected countries by supervising the extension of the deficit limits or entering the sanctions into the force. As we have already witnessed, the impact of sanctions and regulation policies of the ESM and the ECB, especially in the Greece, is still under the discussion. In my opinion, the extent of the measures supervised by the European institutions should respond to the domestic conditionality of each harmed country. The process of implementing the harmonization of common policies/sanctions has been undergone by national preferences and terms. In

this respect, the statement of the ECB President Mario Draghi in July 2012 that “do whatever it takes to preserve the euro”³³ even has been approved by the European elites, but not legitimized by domestic political actors and people. According to Schimmelfenning, the EU has also taken steps towards a “banking union” by creating a European System of Financial Supervisors including the European Banking Authority in 2010 (Schimmelfenning, 2014, p. 326). The banking union was established as a response to the financial crisis to harmonize standards and most importantly to address decisions of the European Community to national authorities. The official institutionalization of the European Banking Authority means that the negative integration of neofunctionalism has been moving towards the positive integration of political union. Even the harmonization has been seen as one of the shortcomings of solution of crisis, in the perspective of integration theories is a further step to deepen the European Union. However, the idea that economic integration requires extensive harmonization of national laws and regulations has been criticized by well-known economists since the early years of the European Community (Majone, 2012, p. 8)³⁴. As been subscribed, the way how to harmonize and settle common monitoring policies of the structural politics of domestic governments has not completely met with the understanding of public opinion. Moreover, the real impact of european harmonization policies to the national level of governance has been reducing a national autonomy of authorities. Even this development of banking union has provided the important political steps of problem solving of crisis, the way how this process was conducted (crisis) has been still under the discussion.

³³ Speech by Mario Draghi, President of the European Central Bank at the Global Investment Conference in London (July 2012). Source: <http://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html>

³⁴ The most serious difficulty for centralized harmonization today is created by the level of socioeconomic heterogeneity in the enlarged Union (Majone, 2012, p. 8).

5. New cleavages in the European Community after the Eurozone crisis

The politicization of the political issue of Eurozone crisis has already opened the new perspectives how to analyze the cleavages across the Europe. In this part of my contribution I want to point out several conflict lines which have occurred during and after the crisis. As a first conflict line which I have identified is a new cleavage between member states of the European Union, especially inside the Eurozone. The European Monetary Union is in my view divided to two groups of states. One group of states consists of those consolidated countries which are creditors of the crisis stabilization process. These elite countries mainly represented by Germany and France could be described as a powerful European core (Statham, Trentz, 2012, p. 19). The power could be seen in the negotiation processes of dealing with the solution of crisis and also in the institutionalization of new mechanism of governance (for example, the European Banking Authority). On the other side, there is a group of affected states which are characterized as a European Periphery (Statham, Trentz, 2012, p. 19). This European Periphery consists of the indebted and troubled countries, called PIGS³⁵. Within the European Union are also the “other” countries which can not be categorized by the elite division of creditors and indebted countries, but still these third countries are politically and economically

³⁵ “PIGS is a horrible acronym which refers to the troubled and heavily-indebted countries such as Portugal, Ireland, Greece and Spain. Some analysts use PIIGS to include Italy - Europe's longstanding biggest debtor“ (BBC, February 2010, <http://news.bbc.co.uk/2/hi/business/8510603.stm>)

more or less affected by the solving decisions of European crisis³⁶. As I have already pointed out, the case of Slovak government which had fallen over has proved that the crisis had also domestic political consequences even in the countries not directly involved in the elite division. Politicization of this cleavage is still present mainly during the ongoing process of negotiations between Troika (the European Commission, the European Central Bank and the International Monetary Fund) and current Greek government. The European Union represented by the stabilized countries is trying to strengthen its position by insisting on strict rules and sanctions of loans towards the affected countries on the European Periphery, especially Greece. The political conflict has raised even after the decisions of austerity measures introduced by the EU. These European crisis politics had to be implemented by the national policies of indebted countries and after few years has turned the public opinion in Europe against the European integration in general. In addition to this cleavage, I have identified that new political questions are discussed by national elites and among people. These issues are circulated around the possibility of the disintegration of the EU. The evidence is the presence of political issue of disintegration in the national election campaigns in Greece and Great Britain which had helped to the winner coalitions to settle new governments. Also the case of British elections are a good example how to demonstrate the increasing importance of European issues also in the domestic politics. Second cleavage which has already occurred after the crisis is close connected to the previous elite division cleavage. The form of new identity politics has gained a character of the conflict between sovereign national people and the European

³⁶ „When people talk about the fragility of the euro and the increasing fragility of the euro, and perhaps the crisis of the euro, very often non-euro area member states or leaders, underestimate the amount of political capital that is being invested in the euro.“ (Speech by Mario Draghi, President of the European Central Bank at the Global Investment Conference in London (July 2012). Source: <http://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html>)

bureaucrats³⁷. The mobilization of public unrest and opposition to the European institutions are consequences of a high potential for politicization of the issue of crisis. According to Haas (1958), the bureaucratized nature of the European Union means that the core decisions are made by elites rather than by people. The well-known description has come from P.C. Schmitter who pointed out that the European Community has been working on the principle of “Europe without Europeans” (Schmitter in Majone, 2012, p. 13). Except of the critical movements against the deepening European integration which have been present from the first establishment of the European Community, the division of peoples thoughts about the future of Europe is driven primarily in the party competition before the national elections (Hooghe, Marks, 2008, Statham, Trentz, 2012). As I have already mentioned, the paradox which should demonstrate this thesis is invalid in the case of few member states form the Central Europe which voter turnouts have been gradually decreasing (Clark, 2014)³⁸. Moreover, after the Euro-crisis a potential for civil society mobilization is even stronger and a gap between citizen and elites is becoming wider and wider across countries. In my view, the new ideological division between people and European elites could triggered the process of establishment a new “european social class”. I suppose that the new european social class has already been consisted of “losers” from the Euro-crisis belonging to the countries of the European Periphery. The mass demonstrations and protests in the main European cities opposing to the consequences of financial

³⁷ According to Statham and Trentz, „the Euro-zone debt crisis brings to the fore that now „what you get“ is strongly tied to „who you are“. The forms of identity politics that emerge, e.g. sovereign national people versus EU monetary technocrats, Germans versus Greeks...and which tells us the basis of the redistributive conflicts..“ (Statham, Trentz, 2012, p. 19)

³⁸ According to Nicholas Clark, even the european issues have prevailed in the media discourse, one of the main reasons is the trust of people towards the European institutions, especially the European Parliament (Clark, 2014, p. 350).

globalization could be a sign of the emergence of a new social collective identity of people affected also by the political solutions of crisis. Further, the European austerity measures implemented by former national governments, especially in the case of Greece, have not been received by public so calmly. The demand for a popular mandate to implement such harsh austerity measures has been growing since the opposite movements were trying to call for referendums of exist. “The democratic legitimacy problem with implementing these unpopular policy measures provides incentives for social movements (like the Occupy movement in Frankfurt and elsewhere) to challenge the system on the basis of this perceived injustice (lack of democratic legitimacy, national self-determination, will of the people) in the face of the (negative) consequences of economic globalization” (Statham, Trentz, 2012, p. 21). In this respect, in the European level of governance is a cleavage between citizens and elites evident and thus multidimensional. The multidimensionality could be perceived as a different level approach to the representation features. First dimension is between national political actors and their domestic voters conducted in the national elections. Second dimension is the European level where people of Europe respond to the European elites. At least the third dimension is between political actors of national level and supranational level of governance. In my point of view, this multidimensionality and mutual relationships among actors are the crucial political issues to be solved after the crisis. By this perspective, the increasing conflicts raised from these cleavages would be not able to overcome the European crisis also in the future development.

6. Conclusion

Frank Schimmelfenning has pointed out that „No Eurozone country has officially questioned the existence of the Euro or its membership in the

Eurozone.“ (Schimmelfenning, 2014, p. 328). But the turbulent circumstances in the last months have already shown that this statement is not valid anymore. Not even the new Greek government has opposed to the political solutions of the European representatives, but also in the last British elections people voted towards the referendum of BRexit. Undoubtedly, the triple sequence of the financial crisis, debt crisis and the Eurozone crisis has triggered the unprecedented development of political and social consequences. The point of view of political sociology is to overlap the tensions and conflicts among actors in the Europe. Moreover, these tensions have become more valid and politicized after the unsuccessful austerity measures designed by the European elites. As a reaction to these rules and sanctions aimed mostly to the indebted countries, a new wave of movements against the European institutions has already occurred. Moreover, a new cleavage of elite division between creditor and indebted states has enhanced the media attention. The politicization of the Eurozone crisis which is still accurate to solve has attracted also the public debate in the understanding of a future of the European Union. Nowadays the circumstances of the European politics have not been negotiated in the prism of democratic legitimacy of the Union. In my view of new cleavage settlement, a deepening gap between citizens and elites should be served on the table as soon as possible to avoid more serious deficit of representation.

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PUBLIC DIPLOMACY IN DIGITAL AGE: NEW PERSPECTIVES IN THE DYNAMICS OF CHANGE IN INTERNATIONAL RELATIONS

Boris Mattoš³⁹, Roland Kyška⁴⁰

Abstract

Over the recent years the internet has become a new environment where politics is played out. It is also a medium that affects politics, and a tool that is being used by the latter. Yet internet is now more than an information highway, an effective information tool or virtually unlimited information source. The concept of cyberpower, however shows that the online environment is the field of not only ideological war, but also that where cyber terrorists can carry out attacks with fatal consequences. Rather than focusing on hard-attacks within extra-cyberspace, the chapter addresses soft tools, particularly public diplomacy that has found new and more effective instruments in information and communication technologies (ICT).

New ICT enable an unprecedented opportunity to reach hitherto inaccessible public. That, however, requires proper understanding and wise use of the power, limitations and risks involved in the very type of media. The chapter highlights the growing role of ICT in public diplomacy and points out new foreign policy challenges. New ICT ought to be seen within the scope of new dimensions in diplomacy and international relations. That includes, *inter alia*, transformation of communication from classical one-way to two-way flow of information, active participation in communication frameworks, facilitation of

³⁹ Boris Mattoš, Ph.D., Faculty of International Relations, University of Economics in Bratislava, Slovak Republic (boris.mattos@euba.sk)

⁴⁰ Roland Kyška, PhD. Faculty of International Relations, University of Economics in Prague, Czech Republic (roland.kyska@gmail.com)

public interest and its engagement in public diplomacy through innovative forms.

Public diplomacy faces a number of challenges brought by new ICT. Communication is becoming one of the key and most frequent social activities. At the same time, web 2.0 has moved the limits of interpersonal communication and media environment, as well as political communication, political marketing and international politics. Diplomatic institutions therefore ought to keep enhancing their capacities able to communicate at the new level with the broad public as partner to diplomacy.

Keywords: *cyberpower, ICT, international relations, public diplomacy, social media, soft power*

1. Introduction

Developments in information and communication technologies have significantly affected international relations and diplomacy across board. The change has also affected an approach to information and particularly how it is handled. The internet has become a new environment where politics takes place. At the same time it is a medium that affects politics, and is an instrument used by politics. A number of disciplines, such as political marketing, media communication, political linguistics, and political sciences have engaged in an intensive discourse on politics and the internet.

Internet has created an international space that, more than ever, links communities world-wide. The new degree of interconnectivity makes it imperative for the governments to use the tools provided by the new media to communicate with international public. Whilst the internet plays a crucial role in global development of communities, new media,

particularly social media are becoming a tool that can be used by public diplomats to support foreign policy. (Harris, 2013, p. 18)

Westcott (2008, p. 2) suggests that internet has three fundamental effects on international relations:

- a) It multiplies and amplifies the number of voices and interests involved in international policy-making, complicating international decision-making and reducing the exclusive control of states in the process.
- b) It accelerates and frees the dissemination of information, accurate or not, about any issue or event which can impact on its consequences and handling.
- c) It enables traditional diplomatic services to be delivered faster and more cost-effectively, both to ones' own citizens and government, and to those of other countries.

It is the American literature that pays most attention to the use of ICR in diplomatic communication, public diplomacy and the framework of digital diplomacy. The emphasis reflects the global technological advantage of the US.

Internet today, however, is more than an information highway, an effective tool of communication or virtually unlimited information source. Internet is a weapon used by many, including radicals and terrorists across the globe, be them in organised groups or hard-to-detect lone riders. (Kyška, 2013, p. 3034). Cyber terrorism is becoming a serious threat. Specialists point out that new attacks are moving from battlefields to cyber space. This reality calls for adaptation in thought and deed, something for what security forces in many countries remain as yet unprepared (Nadim, 2014).

Dale (2009) suggests that the new media enable connection with hitherto unreached public. The prerequisite, however, is that the power, limitations and risks of each media tool are properly understood and technologies are wisely handled using their comparative advantage. This is one of the current challenges faced by public diplomacy. Ministries of foreign affairs and diplomatic missions ought to appreciate the role that the internet and particularly the different web applications play in political life. They ought to effectively utilise the space not merely for the publicity of their home country, but also to highlight and exercise the values and culture using soft power.

Diplomacy, as an instrument of foreign policy, is confronted by current developments in all walks of life. New ICT require a new approach. Diplomacy is among the fields where connection with new technology innovations has become an integral part of work. (Mattoš, 2013). ICT play a growing role in public diplomacy. They also present new challenges to foreign policy also in connection with increasingly active non-governmental players, including hackers and cyber terrorists and such groups. (Kyška, 2014a, p. 25). None of this is a one-off activity, but it requires a permanent sophisticated process.

2. Cyberpower in international politics

Joseph Nye (2011, pp. 122-123), the author of the concept of soft power, defines the new means of power as cyberpower. He points out that power based on information resources is not new, whilst cyberpower is. Cyberpower behaviour rests upon a set of resources that relate to the creation, control and communication of electronic and computer-based information – infrastructure, networks, software and human skills. This includes the internet of networked computers, but also intranets, cellular

technologies and space based communications. Defined behaviourally, cyberpower is the ability to obtain preferred outcomes through use of the electronically interconnected information resources of the cyber domain. Nye offers an inspiring categorisation of physical and virtual dimensions of cyberpower as follows:

Table 1. Physical and Virtual Dimensions of Cyberpower

<i>Targets of Cyberpower</i>		
	<i>Intra-Cyberspace</i>	<i>Extra-Cyberspace</i>
<i>Information instruments</i>	Hard: denial of service attacks	Hard: attack on SCADA systems
	Soft: setting of norms and standards	Soft: public diplomacy campaign to sway opinion
<i>Physical instruments</i>	Hard: government control of companies	Hard: bomb routers or cutting of cables
	Soft: software to help human right activists	Soft: protests to name and shame cyberproviders

Source: Nye, J. S. (2011). 'The Future of Power'. New York: *Public Affairs*.

The concept of cyberpower shows that online space is not merely becoming a new area for trade, communication or entertainment, but also for politics. Underestimation of ICT may cause major damages as online arena today is not only an arena of ideological war (Kyška, 2014b, p. 83), but also the space for cyber terrorists to deliver attacks with fatal consequences. Instead of addressing hard attacks within extra-cyberspace, this paper focuses on soft tools, particularly on public diplomacy that has been given new and effective tools by ICT. These tools, however, are also available to the counterparts, be them any entity: states, non-governmental agencies, civil society or corporations.

Smith - Sutherland (2002, pp. 154-160) consider the implications of five of the most significant factors of ICT that affect international relations:

1. ***Many-to-many international communication:*** There was a time when diplomats were the sole interlocutors among countries. Now, unmediated dialogue and information exchange among citizens from around the world occurs twenty-four hours a day. To cope, diplomats must be flexible enough to interpret their representation function in new ways, becoming fluent in electronic media and engaging new actors on the international scene (MNEs and NGOs), both of which have substantial virtual presences and are savvy users of ICTs.
2. ***The accelerated pace – coping with the time crunch:*** Perhaps the most important long-term impact of ICTs relates to pace. There may be concern that this time crunch leads to less consideration of policy options and responses than previously. Certainly, the demand for incisive analysis is as great as ever, and it may be that part of the response will be to allocate a greater portion of a squeezed decision-making process to brainstorming, analysis, and options development.
3. ***Visibility:*** Today's citizens have vastly greater access to information than any previous generation. In particular, citizens need a better understanding of how international issues affect their daily lives. This is the role of public diplomacy, an area that has not been a traditional priority in many foreign service organizations. The function and priority given to public diplomacy needs to be rethought, and ICTs are bound to have a prominent role in future activities.
4. ***Soft power:*** Nations hoping to cultivate soft power must be prepared to make investments in knowledge infrastructures, both within government policy research staffs and throughout their

societies. Ideas are the currency of soft power, and nations without them cannot hope to wield soft power effectively. In addition, those using soft power diplomacy must have the courage to challenge the status quo by presenting far-sighted views and risk being “ahead of the curve.” Finally, soft power probably requires greater interaction among the various epistemic communities, that is, academics, policy research institutes, NGOs, media leaders, and diplomats.

5. ***The enabling of a global information infrastructure:*** As time goes on, ICT issues will loom larger in their own right as international issues, that is, as subjects requiring diplomacy, negotiation, and, possibly, new institutional infrastructures. The intractable issues that may arise from the emergence of a global information infrastructure should not obscure the potential benefits of ICTs. Many aspects of ICTs resonate with people’s deeply held democratic values and support the objective of many countries to promote these values internationally.

3. Changing role of public diplomacy

Specialist literature does not offer a unified definition of public diplomacy. That might be the result of the amount of current changes and challenges faced by the field. This chapter draws from the definition of public diplomacy as offered by Pajtinka and Peterková. Pajtinka (2013, p. 146) refers to public diplomacy as a set of activities performed or coordinated by diplomatic bodies that primarily focus on general public abroad and whose aim is to influence public opinion in order to push through or support foreign policy interests of a particular government. Public diplomacy is an activity aimed at establishing and influencing positive ideas about a particular country, the values and activities it

represents to the international public. According to Peterková (2008, pp. 13-15), the main impact of public diplomacy is not limited to:

1. Growing awareness of people about the country (to make them think about it, update its image or possibly change their negative opinions);
2. Growing understanding of the country (building a positive vision, approximation of approaches of countries to issues of global importance);
3. Stimulating interest of people in the country (strengthening bonds and cooperation in education, science and research, supporting the image of our country as an attractive destination for tourism or study, inviting the public to buy our products and preparation for understanding and supporting our values);
4. Influencing people (motivate companies to invest, the public to support our positions or policies, to building an attitude of perceiving our country as a preferred partner).

In this context, the role of ICT in diplomacy can be viewed from a much wider perspective as technologies offer many more options to address the global public, to spread ideas not only about the country and give rise to interest in it with opinion leaders, business people or travellers, but also to spread political messages about country attitudes, its actions in domestic and foreign policies, etc..

ICT in international relations play an exceptionally important role. In comparison with the past, their particular role is in accelerating and increasing the efficiency of communication internally, within diplomatic corps and, externally, in facilitating public engagement. The public has an unprecedented access to information about political processes, including foreign policy. Furthermore, the public never had an

opportunity to act and affect processes as is the case now. Broadly speaking, by using appropriate policies, diplomacy is now able to make each cyberactive citizen an instrument of public diplomacy. Mattoš (2015, p. 26) argues that the efficiency of foreign policy and diplomacy, however, also depends somewhat on how diplomacy departments approach the use of modern information and communication technologies in diplomatic practice. The art of diplomacy is largely based on the art of communication.

The onset of web 2.0 no doubt means one of the communication revolutions comparable with the introduction of book printing, telegraphs, photography or film. The digital media revolution was well under way, creating major shifts in media structures and sparking dramatic social change, as the 21st century passed its first decade. For the first time in human history, digital networks allowed billions of people to communicate across national boundaries, instantly, at no cost, in any media format – from text to video. (Kovarík, 2011, p. 315)

Anxiety or prejudice that inevitably accompany similar changes have to be overcome. The process is natural. As argues by McLuhan (2011, p. 9), every new technology creates an environment that is perceived as rotten or degrading. Quite on the contrary, diplomacy ought to view new ICT as a challenge. New ICTs ought to be seen in their key dimension as new also within diplomacy:

1. Two-way communication: The many-to-many model is a new framework for communication that is revolutionary in diplomacy that traditionally used the one-to-one model. Diplomatic departments have to learn to listen better and particularly to discuss. The public is becoming the partner to diplomacy. The public may be, *prima facie*, an atomised mass of billions of profiles on social networks, blogs and microblog platforms.

2. Permanent communication: departments of diplomacy are not among the agencies with set opening hours. To them the notion of permanent communication means rather a change in dynamics and acceleration of communication.
3. Innovation: Entails particularly the accentuation of learning and professional development of diplomats, particularly the enhancement of their communication skills and the latest knowledge in information and communication qualities. The media environment changes every day. Media channels and forms emerge and disappear at the same time virtually on a daily basis. The environment and the effect of the use of ICTs have to be therefore regularly analysed.

The aforementioned dimensions of diplomacy and international relations have, however, additional proportions, defined as follows:

1. Rising influence of non-governmental player: New ICTs have offered an attractive media and advocacy space to non-governmental players. The notion does not only include the traditional civil society sector, or what is known as the global or transnational civil society with its rather positive connotation. (Císař, 2003, p. 9). It also includes terrorist and violent groups that operate in the online space (Anonymous, hacktivists, cyber terrorists), as well as groups that only use the web to support their activities in the real world (ISIS).
2. Public engagement: Public diplomacy may, with the aid of web 2.0 tools, be truly public, provided diplomacy learns to actively cooperate with the public and is able to use the citizens for instance as interpreters of values subscribed to by their home country. Here the engagement has to be differentiated from information trolling that is more a component of the asymmetrical struggle which is organised and often highly sophisticated, as shall be shown further

below. The engagement entails active works with local and international public, informing and persuading about culture, values and politics of a country concerned, engagement of the public in communication campaigns and in the construction of country image.

3. Information war: Abstracting from cyber terrorist and hacktivist attacks that present a serious threat to national security, recent years have seen rising significance of asymmetrical attacks by some states and non-governmental players. This calls for cooperation between national security forces and diplomacy, as it is often difficult to expose the attacks until executed. That can cause significant losses to reputation and economy. The task of public diplomacy is to enter the information wars, in which case it becomes an instrument of the state. The asymmetry of modern information wars cumbers the work of diplomacy and makes it hard to anchor in diplomatic practice. Anonymity makes it often impossible to detect the actual actors and their geographical location, as the residence of an attacker does not necessarily have to be the domicile of the initiator of the attack. All that calls for new way of thinking, analysis and responses.

4. Conclusion

Public diplomacy faces a number of challenges brought about by the arrival of new ICTs. Communication is becoming one of the key and most frequent social activities. At the same time, however, web 2.0 has significantly widened the limits of interpersonal communication, political marketing and equally international politics.

The power, in this case cyberpower, belongs to the states that are prepared to use it and systematically build their information infrastructure. The growing number of cyber attacks coupled with the interconnected systems makes states and their public more vulnerable.

That highlights the vital significance of the issue to national security. It is indeed the greater public engagement that ought to be the target of public diplomacy as one of the instruments of cyberpower. The Western world experiences a decline in public trust in political elites, often even in the existing democratic political systems. That makes the challenge more complex than it may seem on the first sight.

Departments of diplomacy should therefore systematically keep on enhancing their capacities able to communicate at a new level where the broad public is the partner to diplomacy. Transformation of communication from the traditional one-way to two-way flow, an active participation in communication frameworks, facilitation of public interest and its engagement in public diplomacy through innovative forms – all those are important components of the effort.

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THE EVALUATION OF ECONOMIC GROWTH FACTORS IN DEVELOPING COUNTRIES

Anna Jaškova⁴¹

Abstract

The aim of the chapter is the analysis of economic growth factors and estimation of their relative importance in both theoretical and empirical framework. The theoretical part of the chapter introduces the cornerstones of the neoclassical theory of growth - exogenous theory of growth. This theory does not give the explanation of technological progress i.e. the technological progress is exogenously determined. The assumption of exogenous technological progress, as well as the inability of the neoclassical theory to explain the differences in per capita income across countries, brought about the appearance of the endogenous theory of growth - the New Growth Theory. This theory analyses investment in human capital, innovation process, R&D and spillover effects. The empirical part of the chapter deals with the influence of different factors on economic growth, with the emphasis on openness of economy, investments and human capital. The subject of economic growth and its determinants is essential for the countries with low or negative growth rate. That is why it is necessary to understand economic growth in order to formulate an adequate economic policy and the revival of economic activity in these countries.

Key words: *factors of economic growth, neoclassical theory, the New Growth Theory*

⁴¹ Anna Jaškova, Faculty of Economics, University of Belgrade

1. Introduction

Why are some countries rich and other poor? Why are some countries developing faster than others? What are the key factors for explaining the existing differences in the levels of development among countries? These are the questions that have been capturing the attention of economists since the very birth of modern economic science. In his famous work *An Inquiry into the Nature and Causes of the Wealth of Nations* that is considered to be the cornerstone of the classical economic thought and economic science in general, Adam Smith tried to provide answers to the above questions. His research into the area of countries' economic progress inspired other classical school economists to study this field as well. However, all from the marginalist revolution (1870) to the 1940's, both economic growth and development, and macroeconomics in general (except for Keynesian economic school) were overshadowed by the research in microeconomic topics. Working independently, Harrod (1939) and Domar (1946) developed the well-known Harrod-Domar Model that is considered to be the first "revolutionary" theory of growth. Several years later, Robert Solow in his article "A Contribution to the Theory of Economic Growth" presented a new model of growth – The Solow Model that is considered to be the most important work in the field of economic growth theory. In 1987 he won the Nobel Prize for this work. The neoclassical model (Mankiw, Romer and Weil (1992)) along with endogenous growth models, represent the modern economic growth theories that are, relying on the previous results, constantly changing, updating and developing. Therefore, regarding its research field, the economic growth theory at the same time belongs to the oldest and the youngest branches of economic science. (Devetakovic et al., 2011, p.12)

In this chapter, the basic ideas of the most important economic growth theories will be presented. Special emphasis will be put on differences

between the theories and explanation of economic growth factors and their definitions. Furthermore, empirical findings on the economic growth factors of the countries with different levels of economic growth will be presented. In a special section, the research results of economic growth factors of Serbia in the post-crisis context will be discussed, and accordingly, possible concepts of economic policy directed towards achieving sustainable economic growth will be presented.

2. Modern economic growth

Economic growth is a relatively new phenomenon in economic history. It is estimated that the average economic growth throughout one and a half millennia prior to the industrial revolution had approximately remained at zero (Baumol, 2006, p.3). All until the second half of the 18th century economic growth hardly existed in any country, so the differences in development among countries were also insignificant. The Industrial Revolution (1780) was followed by a rapid growth in productivity, export and GDP per capita in almost all industrialised countries, although the growth varied significantly among the countries. The Era of Modern Economic growth started in 1789, when economic growth of countries became both an important indicator of the economic development intensity and the key factor of ever growing differences in standard of living among countries.

Maddison (1982) studied economic growth of 16 industrialised countries for the period 1870-1979. The results of his research indicate a great disparity in productivity growth and GDP per capita between the countries, the proportions of which are best explained by the following data:

Table 1:

TABLE 1—TOTAL GROWTH FROM 1870 TO 1979^a
 PRODUCTIVITY, GDP PER CAPITA, AND EXPORTS
 SIXTEEN INDUSTRIALIZED COUNTRIES^b

	Real GDP per Work-Hour	Real GDP per Capita	Volume of Exports
Australia	398	221	—
United Kingdom	585	310	930
Switzerland	830	471	4,400
Belgium	887	439	6,250
Netherlands	910	429	8,040
Canada	1,050	766	9,860
United States	1,080	693	9,240
Denmark	1,098	684	6,750
Italy	1,225	503	6,210
Austria	1,270	643	4,740
Germany	1,510	824	3,730
Norway	1,560	873	7,740
France	1,590	694	4,140
Finland	1,710	1,016	6,240
Sweden	2,060	1,083	5,070
Japan	2,480	1,661	293,060

Source: Maddison A.(1982): *Phases of Capitalist Development*, New York: Oxford University Press, p.8

The slowest growth in productivity, measured by real GDP per hour of work and real GDP per capita had Australia (real GDP per hour of work grew by about 400%, while the growth of real GDP per capita was about 200%). The calculated adequate growth rate for Japan, the country with the fastest productivity growth and GDP per capita, was 2480%, and 1661%, which confirms the enormous disproportion in flow of productivity growth rates and GDP per capita among countries. The United Kingdom had the lowest export growth rate, which equalled 930%, while export growth rate for Japan was no less than 293.060%. Extreme disproportion in productivity growth rate and income per capita among countries exists even today. While some countries, like India,

China and "Asian tigers" have had relatively high growth rates during the past decades, other countries, so called developing countries are distinguished by low, even negative growth rates. Most European countries and the USA have lower growth rates than the emerging economies, but they still remain on the top of economic development. There is a question which factors are responsible for the differences in development of countries and their growth rates? Are the differences increasing or diminishing and why? Have the factors that define them changed over time? The theories of economic growth have a task to provide answers to the above questions by examining the conditions and factors of economic growth.

3. The Harrod–Domar model

Defining the factors of economic growth and their relative importance is the fundamental part of each economic growth model. One of the greatest contributions to the theory of economic growth is the model created by Harrod (1939) and Domar (1946). The model represents i) fixed saving share in income, as well as ii) fixed marginal capital coefficient. The growth of GDP depends on i) saving rate (s) ii) marginal capital coefficient (v) iii) the depreciation rate (d) and iv) population growth rate (n) that can be presented by the following equation:

Economic growth rate per capita: $g_y = s/v - d - n$ (1)

According to the formula (1) saving rate has a positive effect on economic growth, while the increase in other variables in the model negatively influences the growth of GDP per capita. Since the model assumption is that saving equals investment, the implications for the economic policy are clear: Economic policy has a task to encourage

saving that will result in investment growth. The investment increases aggregate demand thereby encouraging the growth of production, which again results in increased saving, etc.

According to Harrod-Domar Model the key factor of economic growth is investment. On the other hand, a great number of empirical studies point out the lack of causal relation between investment and short-run economic growth. One of the most frequently quoted examples of the Harrod-Domar Model failure is the example of Zambia (Dragutinovic et al., 2012, p.54). After achieving independence in 1964, Zambia had a great rate of investment and vast amount of foreign aid. However, the investment did not generate the expected economic growth and the development of Zambia remained far below its potential level. The experience of foreign socialistic countries also supports the statement that high investment rates do not necessarily lead to economic growth. After having achieved high annual growth rates (10% on average, according to the official estimates) Soviet economy diminished to barely 2%. Such tendency appeared despite high investment rates (Cerovic, 2012, p.32). However, certain studies, especially of a newer date, found out that investment can be a significant economic growth factor if certain conditions are fulfilled. . *E. Borensztein. J. De Gregorio i J-W Lee (1998)* point out that investment has a positive influence on productivity if a country has adequate quantity of human capital. *N. Harmes i R. Lensink (2003)* indicated that as a result of foreign direct investment, economic growth is preconditioned by the degree of financial system development in a country. Therefore, the point is here primarily in foreign direct investment that, if certain prerequisites have been satisfied, can lead up to improving technology, productivity growth and consequently economic growth of a country. The Harrod-Domar Model implies a linear cause-and-effect relationship between investment and short-run growth that does not depend on the prerequisites. However, such

relationship has not been empirically proven. By analysing the effects of foreign direct investment on economic growth *M. Carkovic i R. Levine (2002)* concluded that FDI does not have a robust, independent influence on growth. Moreover, this model analyses only the short-run effects of investment on economic growth, while their long-run consequences have not been taken into consideration. Solow, whose model is considered to be amongst the most important contributions of the economic growth theory to the economic science in general, was also concerned with the factors of long-run growth.

4. The Solow growth model

The Solow Model represents another "revolutionary" theory of economic growth. The model explains a long-run, potential economic growth. The fact that Domar publicly rejected his own model in 1957 and accepted Solow's theory of growth that would become the dominant approach to economic growth during the following three decades, speaks volumes about the importance of this model (Dragutinovic et al.,2012, p.12).

The most significant contribution of the Solow Model is introducing the function of technology as a determinant of economic growth. Without technological progress, as Solow concluded, it would be possible to encourage economic growth by increasing investment, but only to a certain limit, i.e. balance level. So, the possibilities of economic growth are limited, and economic policy does not influence production growth in the long run. Similarly to the Harrod-Domar Model, the increase in saving rate influences the growth in investment and increase in capital equipment. As capital equipment increases, the rate of return on capital decreases, which finally leads to stagnation in economic growth. The original Solow Model that did not include technology as a factor of

growth could not explain sustainable growth of GDP per capita. This problem was overcome by introducing technology as exogenously defined growth factor. By introduction of technology into the analysis, sustainable growth of production per capita became possible and utterly determined by exogenous rate of technological change. In equilibrium there is assumption that steady-state growth rate of capital per worker and output per worker are zero.

In the Solow Model, production is determined by the following factors: i) production function ii) capital accumulation function iii) labour accumulation function and iv) technology function. If technology is Hicks neutral, production function can be shown by the following equation:

$$(2) Y = A K^{\alpha} L^{\beta} \quad \alpha + \beta = 1$$

where A – technology, K – capital, L – labour.

Cobb-Douglas production function implies that a model includes i) constant returns to scale (production function is linearly homogenous) regarding both production factors, but decreasing returns to scale regarding each production factor individually. ii) perfect elasticity of inputs substitution (production inputs are easily replaced).⁴²

By logarithmic differentiation of production function (2) the following production growth equation is made:

$$(2) y = \alpha k + \beta l + a, \quad \alpha + \beta = 1$$

⁴² The hypothesis that technology is exogenously determined and diminishing yield of some production factors is the main difference between the Solow Model and other models of endogenous growth that will be discussed later.

So, the growth rate of capital investment (K), growth rate of labour force (r) and technological progress (a) present the basic determinants of economic growth. Since the productivity of work and capital depends on technology, technological progress equals the sum of marginal productivities of the production factor, i.e. total factor productivity (TFP). Technological progress enables production growth without additional investment and may come as a result of different factors: an increase in qualification level of labour force, organisational changes, institutional improvements, climate conditions, etc.

As regards the relative importance of production growth factor, most theoreticians agree that technological progress, i.e. total factor productivity growth is the key source of economic growth. Solow (1957) estimated that the share of capital accumulation growth in the total production growth per capita in the USA for the period 1900-1949 was almost 12%, while the remaining 88% of growth was the result of TFP growth.

On the other hand, numerous empirical studies have confirmed that the main reason for economic growth is not productivity growth, but capital investment. One of the most famous studies that supports such result is the work of *Dougherty ja i W. Jorgensona (1996)*. According to their research, capital represents the most important economic growth factor in Canada and the USA for the period 1960-1989. They explain their result by proving that during the period 1960-1989 there was a relative drop in productivity, but the production per capita did not drop, as compared to the rest of the countries in the G7 group.

A debate was opened on whether investment or productivity growth is more important for economic growth, and it has remained open ever since. Over the past few decades this debate has been largely focused on high rates of economic growth of "Asian Tigers". Special emphasis was put

on the analysis of the determinants that affected high rates of economic growth in these countries and their sustainability, as well. The discussion on sustainability of a high, long-run growth rate was to a great extent initiated by the findings of *Kim and Lau (1994)*. According to their results, high rates of economic growth in East Asian countries are dominantly the result of the increased capital investment, and not productivity growth. Moreover, they claim that productivity growth in these countries was very low, not excluding even the possibility of zero growth. If their claims are correct, according to the Solow Model on fast growing economies of East Asia, a decrease in growth rate will inevitably follow due to diminishing return on capital investment. These results provided impetus for numerous research studies on the nature of economic growth (extensive vs. intensive) of Asian countries. One of the most significant results that came out of it was International Monetary Fund (IMF) report (1997). According to the report, the growth rate of TPF in four Asian countries (Singapore, Malaysia, Indonesia and Thailand) was many times greater than TPF growth in the USA, which implies a relatively high productivity growth in Asian countries. The fall of TFP was recorded only in the Philippines. On the other hand, a great number of economists supported the results achieved by *Kim and Lau (1994)*. In desire to point out the wrong policy of achieving a high rate of saving and investment instead of improving productivity, in his essay *The Myth of Asia's Miracle* (1994) Paul Krugman compared "The Asian Miracle" to the increasing growth of the Soviet Union countries, which proved unsustainable to maintain in the long-run. Who was (is) right?

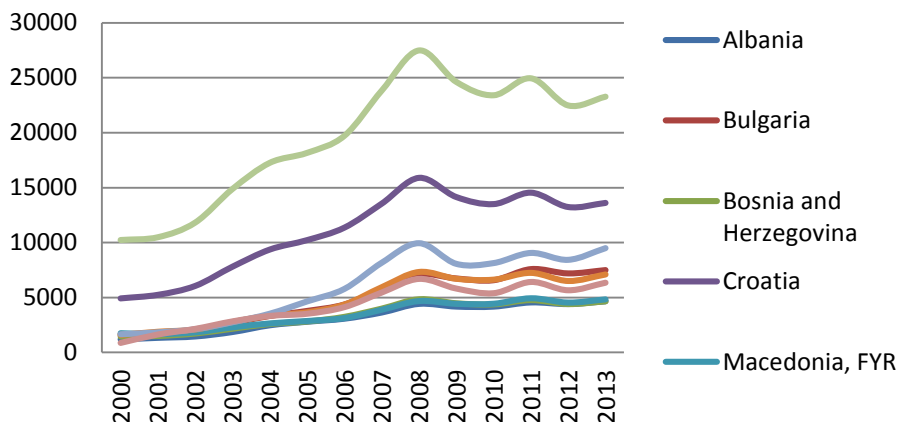
The East Asian countries that belong to the group of the Asian Tigers (South Korea, Hong-Kong, Singapore and Taiwan) had the highest growth during the 1970s and 1980s, when their average economic growth rate was 9.13% and 7.78% respectively. The Asian crisis (1997) and the Great Financial Crisis (2008) caused enormous damage to the

countries of the entire region and consequently caused negative growth rates. However, it seems that the crises were not the only factor that hindered growth. In the period following the year 2010, when all the countries officially came out of the crisis and recorded extremely high growth (above 6%), a new deceleration ensued, where the average growth for the period 2011-2013 was significantly lower and did not exceed 3.34%.

If the findings provided by *Kim and Lau (1994)* are correct, the growing trajectory of Asian countries could be explained by the Solow Model. Asian countries followed the policy of encouraging domestic saving, which resulted in high capital investment. As a consequence, there is a fast growth of capital equipment per worker and high economic growth per capita. With further capital investment, the rate of return on capital investment decreases. That causes a decrease in economic growth, as the countries are getting nearer to their balance level. The growing trajectory of Asian countries represents a possible confirmation of the hypothesis on conditional convergence envisaged by the Solow Model.⁴³

⁴³ *The Conditional Convergence Hypothesis* states that each economy converges towards its balance state, where the convergence speed is in inverse proportion to the distance from the balance level, under the assumption that technology level, saving rate and population growth are given.

Figure 1: Average GDP per capita growth rate in Asian countries



Source: World Bank

In the graph we can see imposing GDP growth rates of Asian countries from the beginning of 1960s to the middle of 1990s in the last century. Substantial positive trend of economic growth in this period went slow two times: 1) as a consequence of oil crisis 1973, which causes a significant slowdown of economic growth in the first half of 1980s 2) as a result of strong negative effect that Asian financial crisis 1997 had on Asian economies. Nevertheless, if we take exception to the impact of external shocks (Oil crisis 1973) and negative consequences of Asian crisis 1997, we can say that the positive trend of economic growth in this period was far above average. At the beginning of 21. century economic growth rates are positive, but stable (with the exception of Korea, which had a fall in growth rate) i.e. there was no acceleration of the economic growth, which was a characteristic of selected Asian countries before Asian crisis 1997. Stable and moderate economic growth of Asian countries at the beginning of the first decade of the 2000s might be an

evidence that Asian countries are getting closer to their steady-state growth, as Solow model predicts.

The Solow Model is one of the most important growth models, both in theoretical and empirical context. The most frequently used argument to prove its superiority is the consistency of its envisaging with empirical data. The hypothesis on conditional convergence represents the most important implication of the Solow Model that has been proven by empirical studies. In the article "A contribution to the empirics of economic growth" issued in 1990, a group of researchers - Mankiw, Romer and Weil, empirically proved that an extended Solow Model⁴⁴ can be used to explain 80% of income variations among countries. That was a very important contribution to defending the Solow Model. As already explained in this chapter, the dramatic growth of East Asian countries, followed by its considerable deceleration, can also be the empirical proof of the conditional convergence theory.

What is most frequently mentioned as the flaw in this model is the assumption that technology is an exogenous variable. It means that, if productivity is the dominant growth factor, as presented by Solow (1951) the main part of growth remains unexplained. The attempt to examine growth factors, presented in the Solow Model by exogenously determined technology, caused a new, endogenous growth theory to be created.

⁴⁴ In the *Extended Solow Model*, human capital appears as a separate production factor, along with labor, capital and technology.

5. Endogenous growth theory

Endogenous theories of growth belong to the recent theories dealing with economic growth. They were the result of an attempt to explain the important factor that the Solow Method premised as exogenously determined - the technology factor.

Many authors (*Lucas 1987, Romer 1994, etc.*) conducted research into endogenous growth, and their work significantly contributed to development of the endogenous theory of growth. However, endogenous theory of growth cannot be considered a unique theory. It is rather a set of several separate theories. Although there are differences in model assumptions, the factors analysed, the understanding of economic policy and its efficiency, etc, all the models share two common characteristics: i) lack of diminishing returns on capital ii) endogenously determined technology. Since the theories belonging to this group share not only several common elements, but also a high diversification, an extensive elaboration would be needed to present each of them in detail, which exceeds the limits of this chapter. Therefore, only some elements of endogenous growth theory will be analysed: imperfect competition, human capital and openness of the economy.

5.1 *Imperfect competition*

Technology is the way to transform production factors into the end product in the process of production. Technological change can be the result, not only of the changes within the production in a narrow sense (the changes in production plants), but also the changes in its organisation, management, employee structure, business environment, etc. If we accept the assumption that a theory is endogenously determined, which means that its development and modifications are

influenced by companies, the question is - why do companies change their technology? And the answer is – they want to make profits!

In perfect competition, competitive forces lead towards a zero economic profits of a company in the long run. On the other hand, the theories of endogenous growth analyse the imperfect competitive structure on the market, which happens as the result of innovation conducted by a company in order to make profits. So, making profits is the main reason why companies facilitate innovation, i.e. create new ideas.

However, when some innovation appears on the market, the competitors have the opportunity to copy the changes and the innovator company loses its monopoly position. If all the processes develop very quickly (in modern economies, with extensive technical knowledge and fast information flow, the time needed to copy an idea is getting ever shorter) the possibility of an innovator to make profits is short-termed and that may discourage companies to invest in innovation. This is why it is necessary to make it possible for the innovator company to gain the benefits during a limited period of time. That was enabled by introducing the patent protection.

Although the appearance of a monopoly on the market, due to patent protection inevitably leads towards pure loss and "generating" new ideas below socially optimal limit, one has to bear in mind that profits are the most efficient growth generator. The lack of profit possibilities would reduce to its minimum (maybe even a zero) both innovation and the benefits that come out of it.

Paul Romer formalised the interdependence between growth and ideas (innovation). According to his formalisation, the ideas are characterised by lack of competitiveness in consumption. Since the ideas are non-

competitive goods, they are defined by growing return and they are exclusively the characteristic of imperfect competition. Therefore innovation, which actually represents technological changes, is analysed in the context of imperfect competition in endogenous theories of growth.

Nonetheless, we must bear in mind that the main precondition for innovation as the result of a target-oriented business activity is i) competitive market structure and ii) private property. That is why patent protection has to be only temporary. If it was not temporary, the monopoly position would be protected permanently and that would have a counter-productive effect on further development of innovation.

Searching for profits is the main generator of innovative activity. A company that innovates can also earn profits by selling permits and licences for using the innovation. Thus, not only the innovator companies benefit from innovation, but the other companies that have embraced new technology can benefit as well. *J.W Baumol (2002)* claims that such events are crucial for explaining economic growth in capitalist countries.

5.2 Human capital

Although it takes an important place in the theories of endogenous growth, human capital also appears in the neoclassical growth theory as a factor of growth. The neoclassical theory relies heavily on the Solow Model, but along with labour force (L), human capital (H) is introduced as a production determinant. So, according to the neoclassical theory (*Mankiw, Romer & Weil , 1990*) human capital represents a separate production factor, along with capital, labour and exogenously determined technology.

As regards endogenous growth theories, one of the most familiar among them, which explicitly introduces human capital into the production

function, is the theory of the Nobel Prize winner, Robert Lucas (1988). Instead of technology (A), human capital is introduced (h), so the production function can be presented by the following equation:

$$(3) Y = K^{\alpha} (hL)^{1-\alpha}$$

$$(4) h = 1 - u$$

Therefore, the Lucas Model recognises the following factors as those that influence the production i) capital (K), ii) labour (L) iii) human capital (h). The rate of human capital (h) grows when more time is spent on accumulation of knowledge and skills (1-u).⁴⁵

This model recognises human capital (h) as the factor of growth, instead of exogenously determined technology (A). The increase in human capital enables productivity growth that influences production growth. Lucas claims that it is possible to use economic policy to influence a long-run productivity growth, by encouraging people to invest their time into improving their skills and knowledge.

Explicit introduction of human capital into the production function (as a separate production factor), is a controversial issue. While *Mankiw et.al (1990)* consider human capital a separate production determinant with statistically important influence, *Benhabib i Spiegel (1994)* are of opinion that human capital influences labour productivity and capital growth, i.e. TPF, with only indirect influence on production growth (by increasing TPF). According to their findings, human capital is not

⁴⁵ According to the model premise, people spend their time on work and skill and knowledge acquisition. Symbol u is used for the time spent on work, and symbol $1-u$ is used for skill and knowledge acquisition.

statistically significant enough to be considered a separate production factor.

There are many studies that point out the importance of human capital for productivity growth, particularly in the context of a possibility to develop new technology in developed countries and its dissemination into developing countries. *Supryo De (2014)* examined the importance of intangible capital for economic growth in, so called "new economies", i.e. the countries where production of services is increasingly taking a more important position than industry. According to his research, the increase in human and intangible capital does not bring about diminishing return, as in the case of physical capital. Thus, investing into intangible and human capital can induce continuous long-run productivity and production growth. It is important to notice that human capital is created as a result of human effort, so its level is entirely endogenously determined. In his work, *Engelbrecht (1997)* emphasised the importance of human capital development for the possibility of transferring new knowledge and technology among OECD countries. This process encourages a faster productivity growth in developing countries, helping them to overcome the productivity differences between them and more developed countries. On the other hand, *Wolff (2000)* studied the influence of formal education on productivity in OECD countries and concluded that it is not statistically relevant. He added that a certain level of human capital is necessary to enable adaptation to new technologies. If such level of education has been achieved, a further growth of formal education is not statistically relevant for productivity. In some cases, education coefficient can even be negative, but still statistically insignificant. *Miller i Upadhyay (2000)* obtained similar results. They indicated that human capital can have a positive influence on TFP in the countries with average income, but its influence on productivity in low or high income countries is negative.

5.3 Openness of the economy

Openness of the economy is an important growth factor, especially when small and developing countries are considered. Competitive pressure that comes from abroad is particularly important, since it significantly contributes to improving business efficiency on the domestic market. When there is a lack of foreign competition in a country, which is frequently combined with a high level of support granted to certain companies by the government, the appearance of monopoly is almost an inevitable outcome. Moreover, such monopolies are frequently supported by the government and that additionally impedes the creation of competitive environment. Giant state monopolies and economic closeness are the characteristics of former socialist countries that were on a significantly lower level of development with relatively low rates of economic growth, which finally resulted in the collapse of economic systems in these countries.

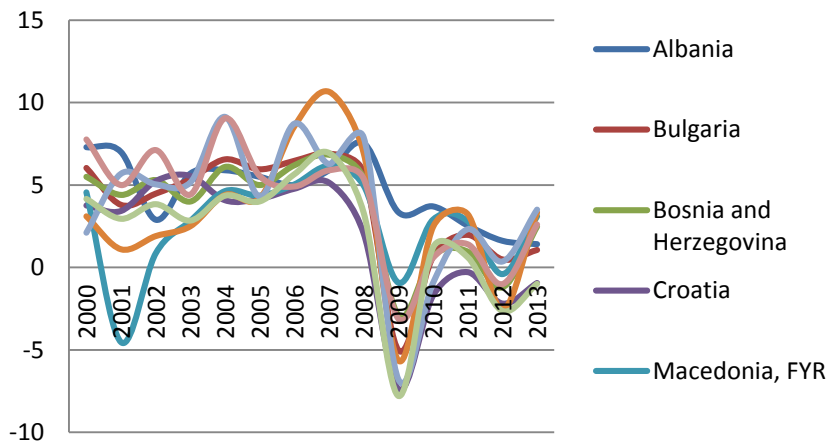
Along with competition encouragement, economic openness plays an important role in supporting foreign direct investment (FDI). FDI brings about increased competitiveness, lower expenditures, market expansion, but also gaining benefits through technological innovation. The prerequisite for applying the results of a foreign company innovative activity is the availability of a certain level of human capital in the country. Therefore, the adequate level of education is one of the key premises for gaining benefit from economic openness and FDI influence. The connection between growth and openness can thus be observed indirectly, through its influence on productivity – openness of the economy enables FDI influence. Provided there is an adequate level of available human capital, FDI enables dissemination of new technologies. Technological upgrading has a positive effect on productivity, whose growth represents one of the important factors of economic growth.

According to *Miller i Upadhyay (2000)*, economic openness (measured by export-to-GDP ratio) has a statistically relevant influence on economic growth, regardless the income level of the country.

6. Factors of economic growth in western balkan countries

In this section there will be presented the empirical data of the GDP per capita and GDP per capita growth rates in West-Balkan countries from 2000-2013 by using descriptive statistics. Also there will be analyzed two factors of economic growth, human capital and openness, in the same period. As an indicator of human capital it is used a Education Index, whereas the openness is measured by Exports of goods and services(% of GDP).

Figure 2: GDP growth (annual %), selected countries, 2000-2013



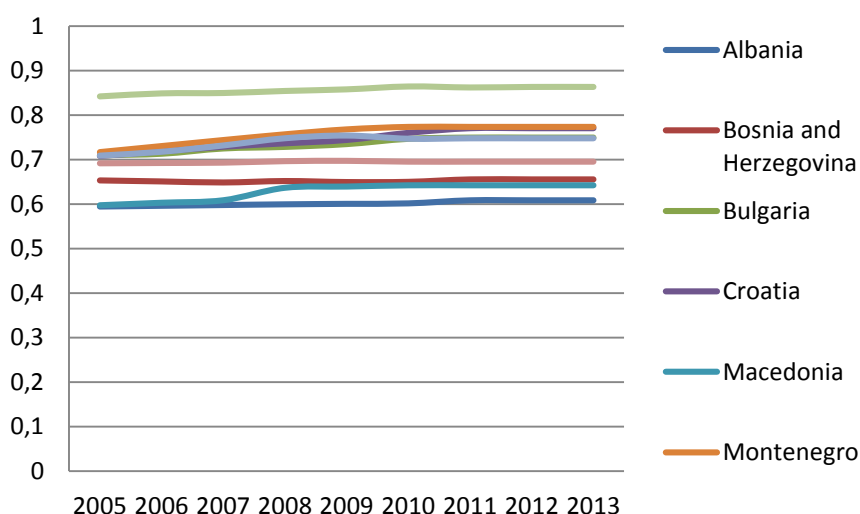
Source: World Bank: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

According to empirical data eight of nine analyzed countries has the level of GDP per capita between 5000 and 15 000 current US\$ in 2013.

Slovenia is the exception in this group with the substantially higher GDP per capita at the level of almost 25 000 current US\$. At the second place is Croatia with the GDP per capita about 15 000 current US\$. Other countries in the group have relatively similar GDP per capita at the level between 5000-10 000 current US\$.

Interestingly, the two countries with the highest GDP per capita in 2013, Slovenia and Croatia, are the countries with the lowest GDP per capita growth rate in the same year which is depicted in the graph below.

Figure 3: Education index, International Human Development Indicators, selected countries, 2000-2013



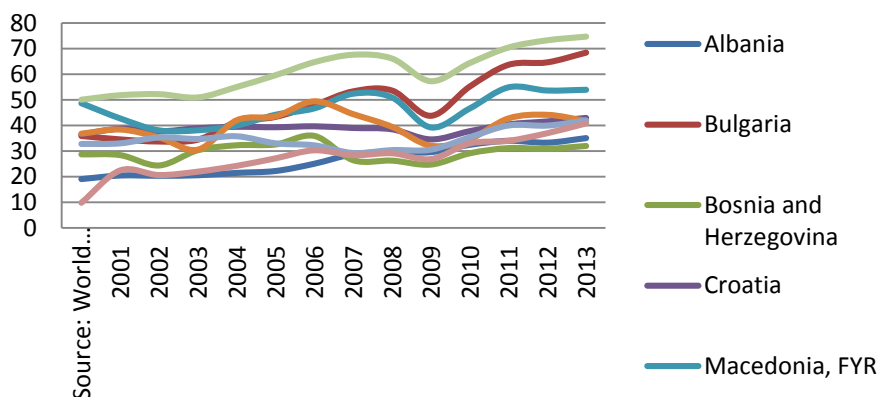
Source: World Bank: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

The GDP growth rates for West-Balkans countries were positive and relatively stable between 2000-2008. The exception is Macedonia, the only country that had negative growth rate in 2001. However, World Economic Crisis in 2008 had a substantial negative impact on the West-Balkan economies. All countries had negative growth rate in 2009, following by recovery of the growth in the following two years. Slovenia

and Croatia suffered the most from the negative influence of the Economic Crisis with the highest negative growth rates in 2009. After the short-run recovery of the growth, the growth rates were around zero or negative in 2012 for all countries with the exception of Albania.

The level of human capital measured by Education Index calculated using Mean Years of Schooling and Expected Years of Schooling. The level of Education Index West-Balkan slightly increased in the period from 2005 to 2013 in the all countries. The highest value of the Education Index has Slovenia, which is the only country with the Education Index close to the value of 0,9. Notably, almost all highly developed countries have the value of the index higher than 0,8.⁴⁶

Figure 4: Exports of goods and services (% of GDP), selected countries 2000-2013



Source: World Bank: <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>

⁴⁶ See: Human development report 2014: <http://hdr.undp.org/en/content/education-index>

The Exports of goods and services substantially differ between countries in the region from about 30% of GDP (Bosnia and Herzegovina) to 75% of GDP (Slovenia). The exports moderately decreased in 2009 due to the impact of the Economic Crisis. In the following two years Slovenia, Bulgaria and Macedonia had significant positive increase of growth. In 2012 and 2013 export of all countries stayed at the stable level. The only exception was Bulgaria with significant growth of export.

7. Conclusion

The Industrial Revolution at the end of 18. century caused a significant economic growth in all Industrialized countries. Although in all of the countries the economic growth turned imposing, after a long period of stagnation in pre-capitalistic societies, it was extremely unequal between countries. In this period there were great disparities in productivity, exports and GDP per capita growth between countries. The main task of all theories of growth is to explain what are the main factors of economic growth and what causes the differences in economic growth between countries. The economic growth and development has always aroused attention of economists. However, the first "revolutionary" theory of growth was created by Harrod-Domar (1939, 1946). They came to the conclusion that capital investments are the essential factor of economic growth. This model failed to explain the courses of fall down of the economies with high investments rates e.g. Soviet Union and therefore remained without empirical validation. Solow model (1956) is considered to be the most important model in the Theory of economic growth. It introduced the technology as an exogenous factor of economic growth. Solow claims that sustainable economic growth is exclusively determined by exogenous technical change. The great advantage of this model is its prediction of the Conditional convergence, which was

empirically tested by Mankiw, Romer, Wail (1990). Their empirical findings supported the predictions of the augmented Solow model. The economic growth of the selected Asian countries might be an another empirical evidence of the model. Nonetheless, the presumption of the exogenous nature of technological chance was the main disadvantage of the Solow model. The need for explanation how technological progress can be achieved contributed to the development of the new theories - Endogenous theories of growth. These theories analysed many other factors of growth: human capital, openness of the economy, innovation activities, technological spillover etc. Though these theories have many differences they all assume that technology is endogenously determined i.e. technology is the result of the innovation process of the firms. Therefore, human capital figured as a significant factor of growth in many of the endogenous model. Furthermore, its positive impact on the economic growth is proved by numerous empirical studies (Supriyo (2014), Engelbrecht(1997), Wolff(2000), Miller, Upadhyay (2000)). The positive impact of openness on economic growth is also empirically validated (Miller, Upadhyay (2000)).

In the empirical part of the chapter, using descriptive statistics, deals with the economic growth and its factors in Western Balkan countries. The conclusion that all the countries in the Western Balkan region have similar GDP per capita in 2013 (from 5000 to 10 000 current US\$), with the exception of Slovenia (23 289 current US\$) and Croatia (13 607 current US\$) that have substantially higher level of this indicator. All countries had positive growth rate in the period 2000- 2009 (with the exception of Macedonia in 2001) and strong negative growth in 2009 as a consequence of World economic crisis. It is interesting that Slovenia and Croatia, the countries with the highest GDP per capita in 2013, are only countries with negative growth rates in 2013. When it comes to human capital, measured by Educational Index, it is relatively similar in

all countries (from 0,6 to 0,8), although only Slovenia has Educational Index near 0,9, which is considered to be a high level of the Index from the International perspective. Openness of the countries, measured by Exports of goods and services (% of GDP) substantially differs among countries. Slovenia and Bulgaria are the countries with the highest Exports (% of GDP), whereas Bosnia and Herzegovina has the lowest value of this indicator.

To conclude, economic growth is the main goal of every economy. Depends on which resources available country chooses the appropriate model. Also, which model will be used depends on the level of economic development of the country.

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THE PRINCIPLES OF GOOD GOVERNANCE AND NORMATIVE ELEMENTS AS A CONDITION OF REFORM OF PUBLIC ADMINISTRATION IN THE EU ROAD OF BOSNIA AND HERZEGOVINA

PhD Zoran Kalinić⁴⁷, MA Ljiljana Aulić⁴⁸

Abstract

Bosnia and Herzegovina is the only country in the Western Balkan having the status of potential candidate to the European path. The authors point out the normative power of the European Union presses institutions and political leadership, to change the dynamics of the relationship. The chapter approaches to the analysis of public administration reform, coordination mechanisms needed to make the reform successful and effectiveness of institutions. The chapter discusses how and to what extent Bosnia and Herzegovina is ready to apply the principles of good governance in public administration reform, which is one of the conditions for progress on the European path. Bearing in mind the process of democratic consolidation that has occurred as the second phase of transition, the chapter discusses whether and how far Bosnia and Herzegovina meet the Copenhagen criteria that will help in choosing the method of applying the principles of good governance stemming from SIGMA. It involves a different approach to external factors, then the role and influence of local actors and their interrelation in the policy-making process. The authors emphasize the need for a different approach with regard to the influence of the past in the present, when it comes to public administration. The second part discusses the approach to domestic policy towards the reform of public administration, which is affected by various domestic actors, then social and economic conditions that

⁴⁷ Zoran Kalinić, PhD. is a professor at Free university of Banja Luka

⁴⁸ MA Ljiljana Aulić is a assistant at Free university of Banja Luka

shape national interests and determine the extent of consensus. So, the goal is to draw attention to the reform of Bosnia and Herzegovina coming from the top down and the responsibility of political leadership on the European path. In conclusion, it is given the need for responsible institutions, the ability to implement the upcoming reform of the public administration but also the ability for securing the funds necessary for good governance in public administration.

Key words: *capacity-building, institution-building, legal and administrative framework of the European Union, public administration reform, transition and good governance*

1. Introduction

The reform of public administration plays a key role in enhancing competitiveness in Europe and encouraging investment for growth and employment. For the European Union itself, the modernization of public administration is one of the five priorities outlined in the document, "The Europe 2020". The Council issued, in 2014, recommendations that are specific to each Member State individually, which should improve the quality of their public administrations. It underlines the rationalization of public administration and improve the management of human resources, as well as administrative capacity, including the management of EU funds.

European Union policy is focused on strengthening national institutions and relies mostly on intergovernmental channel. Entering the countries of Central and Eastern Europe input legitimacy gets priority, especially when it comes to the Western Balkans, which have a long-term perspective of membership. Previous experience of Member States indicate that the reform of public administration is a long process, which lasts until the establishment of social values haven't come up and

institutions appropriate to the highest standards of democratic societies that guarantee the general social progress, legal and economic security of citizens. For this reason, intensified pressure on political criteria, and the rule of law, fundamental human rights and freedoms, fight against corruption and crime, and the freedom movement of citizens and their safety. For all the above, the construction and strengthening of institutions is a key factor in the reform process, and without reform there is no enabling environment for investment in the real economy, jobs and economic development.

The subject of research in which we deal with in this chapter is the definition of good governance, without it the public administration reform in Bosnia and Herzegovina is not possible. The initial assumption of the author's previous experience states of the communist system, whose administrative core after accession to the EU, did not meet the criteria of good governance. The reason for this is the poor coordination, inefficiency of state structures, the presence of corruption and lack of transparency. In order to answer the question what the problems are, hampering the progress of the reform of public administration in BiH, then the solution offered by the European Union, we analysed Progress Reports and The Public Administration Reform Strategy. However, the answer to the research question that the authors offer in the work, is, and how to launch the reform of public administration where coordination mechanism and functioning institutions will be a trigger by Bosnia and Herzegovina towards candidate status.

Finally, based on the analysis of good governance as a basic measure of stability and performance of the company, which provides a framework for public administration reform, we make a conclusion that no clear demonstration of political will and commitment, defined reform plan, action plan, then the financial framework of political and administrative

mechanisms of and mechanisms for monitoring implementation, with the support of external factors, is not possible.

2. The principles of good governance and normative elements

For the purposes of this chapter a few definitions have been taken out that would indicate that the notion of the research subject can be viewed from several aspects. That is the main reason at the beginning we define management as institutionalized coordination, which refers to the binding decisions and their implementation (Mayntz and Scharpf 1995; Scharpf 1997). Then, management implies a normative dimension as it relates to the coordination of an institution that has the objective of providing a collective wealth, and does not serve the individual interest (Ladwig et al. 2007). Management, which serves as a measure aimed at the management structure and processes, including the principles of: efficiency, effectiveness, transparency, accountability, financial management, the fight against corruption, and respect for human rights, democracy and the rule of law. (Hill, 2006; Conzelmann, 2003; Fuster 1998). The term “good governance“ refers to the way public institutions conduct public affairs and manage public resources, including decision-making and their implementation (Zeitel-Bank, 2013). Thus, the functional state and administrative capacities are the key levers of good governance. The Improving of governance has become a major foreign policy goal of most international organizations, where it uses intergovernmental cooperation for its promotion. In our chapter, external actors - the EU seeks: a change of target preference of the Government of Bosnia and Herzegovina using a strategy of manipulation of financial calculations or offers new standards through a process of social and economic development - Agreement for growth and employment, in

accordance with the new approach from 2013, which base is economic governance and public administration.

The concept of good governance is shaped by international institutions like the World Bank, OECD and UNDP, during the 90s, after the fall of communism in countries with weak governments, the weak judicial system, large losses in the public sector, expensive and unreliable administrative capacity, or countries that have left a centralized system. Therefore, the starting point is moving from 'building capacity (...) through institutional reform at all levels of government and acts in order to stimulate the private sector and non-governmental organizations (World Bank, 1989, p.15), and later capacity building in the public sector, strengthening accountability with focus on financial management, improving the legal framework and enhancing transparency. In addition to the World Bank, the OECD has made a significant contribution to the development of the international debate on good governance and as an addition of efficient government, introduced the term “ democratic governance“. Later the UNDP in its recommendations defined governance as the economic, environmental, political and administrative authority in order to manage at all levels (UNDP, 1997,p. 2), while the European Commission uses a structured political dialogue and policy of conditionality to promote good governance, which is realized through the Copenhagen criteria and criteria from Madrid.

The founding treaties of the European Union defines the legal principles that the European Court of Justice develops and defines through the practice work, and the general principles of law that should be obliged and respected by all institutions and agencies of the EU and the Member States when applying EU law. Through the practice of the European Court of Justice, then the national administrative judiciary, as well as

regular contacts and cooperation between Member States in the field of Public Administration (European Public Administration Network, EUPAN), this principle is further extended to the administration of the Member States. Together with the principles that are characteristic of a democratic system, these general principles make the features of the European administrative space (EAP). EAP is an evolutionary process of a gradually growing convergence between national systems of administrative and management practices of the Member States. It is, certainly because of administrative culture and tradition of a country or its administrative law, difficult to talk about the existence of a common space of administration. Therefore, the existence of clear criteria for candidate countries in terms of transposition and implementation of the *acquis communautaire*, in sectoral policies in which there are problems in meeting them, as a result of the shortage there is inadequate horizontal administrative capacity of the state-control system and the absence of specific sector institutions for the implementation of *acquis*. The European Union has recognized the problem of functioning of the administration which does not have jurisdiction, and the task is providing the support to Member States and candidate countries entrusted the program SIGMA (Support for Improvement in Governance and Management) which functions within the Organisation for Economic Cooperation and Development (OECD). Activities of the SIGMA are divided into six areas:

- the reform of public institutions,
- establishing the management of policies,
- expenditure management, public service management,
- supervision and
- provision of information.

In these activities, it seeks to facilitate cooperation among governments, providing logistical support to the creation of networks, which aims to

provide practical inputs to improve political governance and management. The SIGMA uses different mechanisms of support such as:

- advice on reforms, design and implementation of strategies and strategic development plans;
- analysis and assessment of legal frameworks,
- methodologies,
- systems and institutions;
- comments;
- preparation of studies,
- manuals and other reference materials;
- methodological,
- technical and strategic input for the work of the European Commission;
- training;
- support networks of policy makers and practice.

Domains of the program of the public administration reform are focused on determining whether the necessary reforms are adopted and implemented, then the extent they have been adopted to European principles of administration, and the findings of a report on the performance of public administration reform are declarative and public.

3. The public administration reform as a key pillar in the enlargement process

The Stabilisation and Association Process remains the framework for the European course of the Western Balkan countries all the way to their future accession. The priorities identified for Bosnia and Herzegovina relate to its capacity to meet the criteria defined by the Copenhagen European Council of 1993 and the conditions set out in the Stabilisation

and Association process and notably, and particularly the conditions defined by the Council in its Conclusions of 29 April, 1997 and 21 and 22 June 1999, then the final declaration of the Zagreb Summit of 24 November 2000 and the Thessaloniki Agenda 2003. The Council shall decide on the principles, priorities and conditions to be contained in the partnerships, where implementation will be ensured through the mechanisms in the framework of the Stabilisation and Association process, ie on the basis of the annual Progress Report.

On 30 January 2006 the Council adopted the second European Partnership with Bosnia and Herzegovina, and on 17 July 2007 established an Instrument for Pre-Accession Assistance (IPA), which renews the framework for financial assistance to pre-accession countries. Bosnia and Herzegovina is expected to develop a plan including a timetable and specific measures to match the priorities of the European Partnership. On the list of key priorities is implementation of Public Administration Reform Strategy in 2006, to ensure the financing of the ministries and institutions at the state level, and to provide technical conditions in terms of premises and staff. It further states that it is necessary to strengthen administrative capacity in preparation for implementing obligations under the Stabilisation and Association Agreement (SAA) and the Interim Agreement on Trade between BiH and the EU. Make steps to achieve more functional and sustainable institutional structures and better respect for human rights and fundamental freedoms, including agreeing and adopting amendments to the Constitution of Bosnia and Herzegovina, if necessary. (EC / 2008/211). Under the criteria as politically priority is also a need for a structured and institutionalized coordination between the state and entity establishment of functional mechanisms for coordination between the state and the entities in the political, legislative and technical level. In the part relating to public administration seeks to: improving resources in the

Office of the Coordinator for Public Administration, improving recruitment procedures based on objective and quality criteria, ensuring transparency and qualified civil servants, then the harmonization of the civil service in order to build responsible and efficient civil service, and to complete the merger of the State and Entity Ombudsmen.

Regarding the analysis of the Progress Report on Bosnia and Herzegovina, which is used to measure the progress in meeting the priorities and specific conditions in the framework of the Stabilisation and Association Agreement, there is a review recognizing the political conditionality and normative aspects that have not made progress in reforming public administration.

Table 1: Qualitative analysis report on progress in the period of 2008 -2014

Year	Bosnia and Herzegovina Progress report	Priority
2008	Overall, there has been some progress in the area of public administration .	<ul style="list-style-type: none"> • public administration reform should be accelerated ; • the complex and cumbersome institutional structure hinders efficiency; • efforts towards an efficient, professional, stable, accountable and transparent civil service at all levels of government

2009	Overall, there has been some progress in the area of public administration in terms of coordination and capacity .	<ul style="list-style-type: none"> ● intensify reform efforts; ● the complex and cumbersome institutional structure hinders efficiency; ● efforts towards an efficient, professional, stable, accountable and transparent civil service at all levels of government.
2010	Overall ,, little progress has been achieved in the field of public administration reform.	<ul style="list-style-type: none"> ● efforts to develop a professional, accountable, transparent and efficient civil service based on merit and competence at all levels of government; ● The complex and cumbersome institutional structure continues to undermine efficiency.
2011	Overall, in the field of public administration has been limited progress.	<ul style="list-style-type: none"> ● Continue implementation of the Reform Strategy; ● coordinating structures at Entity and cantonal levels remain insufficient; ● public administration reform process lacks the necessary political support; ● Permanent fragmentation and politicization of the civil service remains a problem; ● Further attention should be paid to establishing a professional, accountable, transparent and efficient civil service based on merit and competence.

<p>2012</p>	<p>Overall, in the field of public administration reform has been little progress.</p>	<ul style="list-style-type: none"> ● Action Plan 1 of the Public Administration Reform Strategy, which provides a framework for reform in the next five years; ● Coordinating structures at the level of entities and cantons are still not sufficient; ● Decreasing budgetary resources made it difficult for the functioning of the Ombudsman; ● fragmentation and politicization continues to impede the creation of a professional, accountable, transparent and efficient civil service based on merit and competence.
<p>2013</p>	<p>On the whole, there has been very little progress in the reform of public administration.</p>	<ul style="list-style-type: none"> ● lacks of the necessary political support; ● The issue of financial sustainability of public administration at all levels; ● Permanent fragmentation and politicization of the civil service system is still cause for concern; ● All levels of government need to devote extra attention to the development of a professional, accountable, transparent and efficient civil service based on merit and competence; ● SAIs should re-establish cooperation.

2014	Overall, there has been very limited progress in the reform of public administration and improving of its capacity in terms of meeting the requirements of European integration.	<ul style="list-style-type: none"> • Serious concerns continue to cause non-functionality of the public administration, as well as lack of cooperation between different levels. • It is necessary to create a new Public Administration Reform Strategy after 2014 • Reforms needed for the management of public finances should be conducted in a more comprehensive way.
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4. Public Administration Reform Strategy of Bosnia and Herzegovina

One of the most important tasks is the approach to administrative reform and its reorganizing according the European principles. The reform strategy of public administration differs from country to country. The first group is called *institutionally legalistic strategies*, which main characteristic is that decisions that control a state from the top, and decide on the type, scope and content of the reforms, are brought up by makers in parliament and in the government. The second group of *strategies is experimental and projective* developing an experimental model of reform and it is applied experimentally in some areas (provinces, departments). The third group, *compensatory participatory* strategy, is focused on decentralization, expansion of the public sector, increasing citizen participation. And the fourth group *strategy of administrative reform* is an organizational structures of ministries and administrative bodies, increased coordination between the authorities, thus avoiding overlap and parallelism, enhanced flexibility in order to adapt the rapid changes in the political environment, changing market or

society. There is a noticeable revival of the concept of management control by objective or managing by results. (Lilic, 2013).

Administrative reform can only contain certain elements or all the elements of the mentioned strategies. What is common to all the strategies is that the administrative reform must be a value-oriented and must enjoy strong support from the political authorities. The answer to the question of which model of administrative reform correspond to the conditions of post-communist transition countries of the system is to change the state structure, then raise the level of professional and management skills, elaborate system of education and strategy development management. So, the process of public administration reform should be approached from the standpoint of "administration as a complex system of social control" (Lilic, 2013, p.343).

Sustainable reform efforts in the field of public administration are essential to strengthen the economy and democratic governance, with the aim of creating a favourable environment for the growth of investment and the number of jobs. Under the concept of public administration in the case of Bosnia and Herzegovina, we mean a system of administrative organs at all levels of government. The complex organization of state authority in Bosnia and Herzegovina is in close connection with the internal reorganization of state organization that started by the Washington Agreement, and ended by the Dayton Peace Agreement. From a unitary Bosnia and Herzegovina there has been a transformation of the state administration, which is asymmetrical in the question to the entities that make it up. Thus, the Republic of Srpska is arranged on the unitary level, and the Federation of Bosnia and Herzegovina on the complex level (10 cantons).

Public Administration Reform Strategy represents a universal document which gives strategic framework for reform, while concrete actions,

measures and deadlines, as well as the institutions responsible for their implementation referred to in the Action plan. The key reform institutions are the Agency for Civil Service and the Office of the Coordinator for Public administration. The Action Plan consists of six areas: Policy-making and coordination capacity, public finance, human resources management, administrative procedure, information technologies and institutional processes. Implementation of the process is conducted by the parliament, the government, the Ministry of the Civil Administration, and other institutions. The reform requires strong coordination at the horizontal level, with strict observance of the constitutional division of responsibilities, and vertical level.

The most important element of the implementation and deployment of the process is a training and development in the field of the public administration, which introduces the new system of education and training in the public administration, where it introduces managerial administrative culture. The Public administration reform should be implemented by the end of 2014, but, according the analysis of the Progress Reports of BiH can be seen, that has not been done, and, as it was given that in 2015, it is expected the implementation of the new strategy. The primary objective of the reform is to:

- develop and to train a professional,
- politically impartial,
- nationally balanced,
- ethical,
- stable and active public service, which has the confidence of the citizens.

Only such management can be a driver of continuous socio-economic development, to get the process of European integration. Significant support to reform processes in BiH is provided by foreign donors, foreign governments and international institutions (EU / EC, USA / USAID,

Sweden / SIDA, Germany / GIZ, Norway, the World Bank, UNDP, UNICEF and others) financing a large number of reform projects where the 125 reform projects have been allocated 111 million euros.

Models of administration that are currently prevalent in developed countries, the state and state power is being transformed into an organization with a social function of providing public services to citizens and of carrying out public services, ie towards the transformation from the state into public administration.

5. Conclusion

Designing public administration reform, starting from the above analysis, it is necessary to approach from the standpoint of the administration as a complex system, in order to catch up with the world of contemporary and modern public administration. The first step in resolving the issue is determining the true situation in the government of Bosnia and Hercegovina. The future of the public administration according to the principles of good governance is directed towards the marketing standards and benchmarks, in order to come to more flexible forms of organization and management. According the indicators by which we measure efficiency of administration in the public sector will be intensified philosophy of the process of management.

Public administration in Bosnia and Herzegovina will surely remain under pressure and influence of institutions of high politics, or centres of political power, but with a slight weakening of the politicization of the state structures. The application of good governance, should increase the responsibility of work and decision making of public managers and increase the visibility of their work.

The future of modern public administration in Bosnia and Herzegovina is conditioned by the signals that will come from the European Union, as well as financial management, human resources management, performance management, change, risk management, conflicts. And the final result of the progress of the reform of public administration depends on the ratio of external factors, internal politics and socio-economic situation.

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OUTSOURCING AS AN ELEMENT OF MANAGEMENT OF LOCAL GOVERNMENT IN POLAND. BENEFITS, WEAKNESSES AND CHALLENGES OF DEVELOPMENT

Mariusz Wiktor Sienkiewicz⁴⁹

Abstract

The aim of this chapter is to analyse the level of development of the method and the outsourcing process in the local government in Poland, as part of the New Public Management. The goal is an indication of good examples of tasks that local governments implement using outsourcing. This chapter is an attempt to answer the following research questions: What is outsourcing and how much does the implementation of the NPM model in local government administration influence? What are the specific characteristics of municipal outsourcing in comparison with business realities? In what areas does municipal outsourcing in Poland function? What are the benefits, weaknesses and challenges of development of municipal outsourcing in Poland? The hypothesis is based on a premise that local government in Poland rarely implements the method of outsourcing public tasks. However, there are a number of legal instruments through which many public tasks can be executed by entities outside the public sector.

Keywords: *Outsourcing, local government, public services, New Public Management*

⁴⁹ Mariusz Wiktor Sienkiewicz, PhD, Maria Curie-Skłodowska University, Faculty of Political Science, Department of Local Government and Politics, e-mail: m.sienkiewicz@rozwojlokalny.pl, tel. +48602433676

1. Introduction

J. Korczak and A. Miruć (2012, pp. 153-160) rightly argue that the functioning of public administration today is determined by two main processes which occur simultaneously, but are of varying intensity. On the one hand, it is the increasing intervention of the State and central administration in economic and social processes. On the other hand, it is the development of privatization processes of individual sectors of economy, particularly related to the provision of services to citizens in the framework of public functions performed by the administration.

In the system of public service provision we can also see the process of decentralization of public services by the central administration, which reserves the right to enact legal frameworks and control their observance. Therefore, we are face the process of the transfer of public service provision to local government or the private sector. An example might be the category of telecommunications services, until recently controlled and rationed by the State. Secondly, we also deal with a model of competition in the provisioning of public services between public administration and the private sector, for example in the case of local public transport. Thirdly, certain categories of public services are still monopolized by the State as a whole.

The above mentioned authors also stress the functioning of an essential model of public services provision connected with undertaking various forms of cooperation with other entities, among others with non-governmental organizations.

The development of public administration in recent decades has been determined by the implementation of innovative forms of governance,

connected in particular with modelling it on the methods and techniques of management, effectively proven and developed in the business. Outsourcing is a basic example of the transfer of business and market operating philosophy to public administration (*Outsourcing of Public Services* 2014, p. 1).

Outsourcing in business involves commissioning an external body to carry out specific, repetitive tasks of the organization on the basis of a contract. Outsourcing is supposed to bring two main benefits to the company: 1) to reduce costs, assuming that the external contractor will perform certain tasks more cheaply; 2) to increase the quality of outsourced services, because the supplier has special knowledge, skills, and technology. An additional benefit for business is that outsourcing allows it to focus more of its resources on the areas and tasks strategic for the development of the organization (*Outsourcing of Public Services*, 2014, p. 1; Zimniewicz, 2003, p. 56-61).

Outsourcing, especially in its capital variation, is often qualified as a method of restructuring which diminishes the number of structures, reduces employment, reduces the number of organizational units, or decreases the number of management levels (Kozłowski & Matejun, 2004. p. 103).

It is also worth mentioning here the issue of the so-called insourcing. It is a process of transferring the realisation of business processes that are strategic for the company, but do not belong to its main competence, to a specialized, internal division within the organization itself (Kornet, 2011, p. 27).

The origins of municipal outsourcing are associated with the development of modern public administration in the twentieth century.

However, certain manifestations of this phenomenon were visible much earlier. For example, in France in the early nineteenth century, it was decided to choose contractors and managers of railway lines and water supply networks under competitive tendering. During the colonial era the British commissioned private companies (such as the East India Company) to manage extensive territories (*Outsourcing of Public Services*, 2014, p. 4). But the biggest development of this form of governance happened in the 80's and 90's of the twentieth century, when the concept of New Public Management (NPM) developed. Earlier, public service contracts were introduced in the USA in the 70's of the twentieth century. It is also worthwhile to emphasize the events in public management which took place in Britain in the early eighties of the twentieth century. One of the consequences of the reform of the public administration during the reign of Prime Minister M. Thatcher was the introduction of compulsory outsourcing of certain public services at the local level and in the health service (compulsory competitive tendering CCT). In the process of municipal outsourcing development we should also emphasize the role of the OECD, which formulated guidelines for best practice in the field of service contracting. The activity of the European Union in this area is also not without significance. In general, the EU sanctioned the use of outsourcing in the framework of public service market liberalization policy, conducted in the nineties of the twentieth century (*Outsourcing of Public Services*, 2014, p. 5).

The granting of legal personality, its own organization, finance, municipal property to local self-government in Poland in the early 90's of the twentieth century turned it into an economic entity. We should share Z. Gawlik's view (Gawlik, 2010, pp. 15-18) that the transition from centrally planned economy to market economy necessitated the ordering of ownership of the state property, the annihilation of the state

monopoly in economy by restoring communal property and construction of a strong private property sector, among others by the privatization of state assets.

The municipal outsourcing development in Poland is combined with process of legal and organizational transformation in the performance of public duties and the functioning of specific models of public service management. In the literature, most commonly two basic models of public service management are distinguished, i.e. the market model and the self-government (executive) model. According to A. Czarnecka, in the market model the municipality itself plays a decisive role in the municipal economy management, which after the analysis of its own tasks, under existing law, groups them into relevant industries and, after the selection of specific tasks, announces tenders for their implementation on the basis of a public procurement procedure. In turn, the self-government (executive) model lies in the fact that the municipality performs the task on its own, using its own staff, or organizational units (Czarnecka, 2011, pp. 140-157).

From the point of view of the functioning of municipal outsourcing, the market model is of vital importance. According to Wojciechowski, (Wojciechowski, 1997, pp. 97-99; Trojanek, 2014, pp. 85-92) the market model is characterized by granting the status of the type of a market institution to the municipality, which operates according to the market rules. In this model, public tasks are carried out by purchasing services from private entities, by concluding a civil contract. An advantage of this model is the creation of conditions for the development of competitiveness in the area.

In turn, M. Dylewski points to a model of external outsourcing as the basis for local government outsourcing activities (Dylewski, 2013, pp.

13-16). The external outsourcing model involves outsourcing the provision of public services to other entities by agreement. Municipal service providers may be either natural persons, legal persons or organizational units without legal personality.

We should assume that today, due to the relatively diverse nature of tasks carried out by the municipal government and other factors, such as range of services, the size of the local government, or its financial resources, mostly mixed models are part of the municipal service management processes. Frequently, in the case of certain categories of municipal services, the law does not allow, for example, to realise a given public task by the public finance sector. This is the case with municipal landfill management. The Act of 12 December 2012 on waste says that municipal landfill cannot be managed by a public finance sector entity.

2. Methodology

It is possible to achieve chapter objective by applying descriptive methods based on a review of literature and various types of documents and analyses regarding both the outsourcing issues and activities of local government, which implements its tasks on the basis of outsourcing methods. The use of system analysis in the present chapter is also worth mentioning. It was performed through the analysis of systemic conditions associated with the operation of the legal system of outsourcing, which underlies the action of the local government in Poland.

The present study analysed legal acts in terms of procedures enabling self-government units to commission public tasks. The analysis included the identification and categorization of public tasks and the

functions of local government which are contracted with non-state entities.

In addition, both qualitative and quantitative methods were used in the study. In this research on the application of outsourcing in local government in Poland a preliminary questionnaire survey was prepared and carried out. The survey was conducted among a random sample of local governments of large cities. The study pertained, among others, to the assessment by the local governments of benefits and weaknesses arising from the outsourcing of public services and other activities of local government. In the next stage, it is planned to publish the research results relating to the analysis of the percentage of public tasks outsourced to private operators.

3. The essence of municipal outsourcing

Generally, in Poland, like in other Western Countries, there is also a growing national trend is the privatization or Public-Private Partnerships to provide municipal services to save taxpayers money and improve services.

At the level of public management, outsourcing is partly connected with the phenomenon of privatization of public services, which generally involves the transfer of ownership of a particular part of public assets (*Outsourcing of Public Services*, 2014, p. 2). However, it applies only to certain manifestations of privatization and cannot be directly identified with it. The main difference lies in the fact that outsourcing of public services is associated with the opening of a public tasks to competition on the market. Additionally, we can point to the fact that outsourcing refers to wider analyses and varieties of privatization of public services. Namely, it is a typical example of so-called functional

privatization because it leads to the inclusion of private entities in the provision of services to citizens. In addition, outsourcing is also a manifestation of legal privatization, because the process is accomplished by means of a civil law contract concluded by a public entity acting as an ordering party with a private entity selected through a competitive procedure (*Outsourcing of Public Services*, 2014, p. 3).

The essence of municipal outsourcing (Korczak & Miruć, 2012, pp. 153-160) is the separation from the organizational structure of the local government unit of a part of tasks performed by this unit and transferring them to be carried out by independent entities outside public administration. The authors argue that outsourcing is sometimes perceived as a negative factor determining the credibility of the municipal sector, especially in the eyes of the recipients of the provided services, that is the local community. One of important features of municipal outsourcing is the fact that administration is the organizer of and an entity financing the provision of services. It is also responsible for the control and supervision of the service provider, but not for the production of services (*Outsourcing of Public Services*, 2014, p. 3).

From the point of view of the administration science, municipal outsourcing is a kind of a strategy of self-government units (Korczak & Miruć, 2012, pp. 153-160), and more precisely speaking, it is a strategy for satisfying collective needs of the local community. In the doctrine it is assumed that due to the fact that the primary objective of the local government unit is the organization of local or regional utilities, municipal outsourcing should be regarded as a method to implement the strategy.

The essence of municipal outsourcing, therefore, boils down to the fact that the basis of the strategy and specific outsourcing decisions in

commercial companies are the economic criteria, while in public administration offices specific conditions should be taken into account, such as the public nature of the services, inalienable responsibility, legally conditioned scope of tasks and social sensitivity of certain public services (Wołodecka-Hyjek, 2013, p. 197).

4. Municipal outsourcing as an element of the concept of NPM

The basic need for fundamental reforms in public administration appeared in the late seventies of the twentieth century, when as a result of the increase in oil prices the first phase of the global economic crisis took place. This had a negative impact on the condition of public finances. At that time the transformations in the functioning of public administration began, whose aim was the creation of new income and rationalization of expenditure. The necessity of the functioning of the public sector based on the limited resources (mainly financial) and meeting of the growing public expectations towards public administration contributed to changes in administrative ideology consisting in departing from administration towards new public management (Podgórnjak-Krzykacz, 2010, p. 83).

The development of effective management in the public sector was taking place at the end of the twentieth century simultaneously with the formulation and implementation of the concept of New Public Management (NPM). In the literature, many definitions of NPM have been formulated and there is also no single definition of this issue. According to one definition (Peters, 1996, pp.3-13; Wołodecka-Hyjek, 2013, pp. 189-190), NPM is a form of public management, the basics of which are derived from the economic theory and experiences of management in the private sector. This form refers to the reform of public administration in accordance with the mechanisms and

instruments typical of private sector organizations. The main aim of NPM is the practical use of solutions which have worked in business in terms of, among others, improving the functioning of the organization, optimizing economic indicators and ensuring high customer satisfaction.

Currently, we can observe an increase of interest of public administration in the management based on the principles of business. According to some studies (Wodecka-Hyjek 2013, pp. 189-190) on the scope of the use of modern methods of management in public administration and other non-profit organizations, the idea of TQM was used by 40% of respondents, benchmarking by 33%, outsourcing by 25% and reengineering only by 12%.

Following Lucyna Rajca (Rajca, 2009, pp. 72-75), we can indicate the main elements of new public management:

- the introduction of professional (executive) management in the public sector,
- clearly defined standards and measures of activity,
- greater emphasis on performance control,
- focus on disaggregation of public sector units (split into smaller organization units, grouped by type of services)
- introduction of competition in the public sector,
- customer orientation
- emphasis on applying in the public sector of management methods and techniques used in the private sector,
- emphasis on greater discipline and efficiency in the use of resources
- the use of management and strategic planning
- depoliticisation of management by separating public policy from operational management.

One of the important objectives of NPM is to reduce the cost of public services and at the same time to improve the quality of their provision. Public administration can perform its functions, using private and non-governmental organizations. The aim is also managing of administrative actions and their monitoring by establishing objectives and control of the effects of their implementation (management by results) and the increase of innovation and flexibility of administrative actions through the transfer of responsibility for financial and human resources (Rajca, 2009, pp. 72-75). Generally, all the concepts of new public sector management are subordinated to the main objectives: 1) the reduction of the share of the public sector in the economy, and 2) improving the efficiency and effectiveness of its operation. This is consistent with the objectives of the use of municipal outsourcing. Therefore, it should be noted that municipal outsourcing is an important element of both the concept of NPM and generally is the effect of the process of modern public administration reform in recent decades.

5. Legal basis and areas of functioning of municipal outsourcing in Poland

After the change of the socio-economic system in 1989, local government in Poland became an entity of considerable autonomy, acting on the basis and within the existing legal order. This order was established in particular by the Constitution from 1997, which contains basic principles determining the functioning of the entire system of local government administration in Poland. It is worth noting that the principle of autonomy belongs to fundamental constitutional principles of local self-government in Poland, which are of practical importance for the realization of certain functions.

Autonomy is a constitutive element of decentralization. It means the absence of hierarchical subordination in relations with superior authorities. At the same time, as rightly observed by Jan Boc, this cannot be unlimited autonomy because it is always carried out within the framework of specific rules and the legal order (Boć, 2003, p. 186). Pursuant to article 16, paragraph 2 of the Constitution, "local governments participate in the exercise of public authority, local government performs a substantial part of public tasks, to which it is entitled, on its own behalf and on his own responsibility." The legislator in article 165, paragraph 2 also guarantees the judicial protection of autonomy of local self-government. We should share Jacek Wojnicki's view that this autonomy manifests itself first in the legal separation, which means that units of local government were granted legal personality, property rights and other property rights (Wojnicki, 2003, pp. 53-55). In the Local Government Act, the legislator guarantees the municipality the status of legal personality (art. 2, paragraph 2) and the judicial protection of its autonomy (art. 2, paragraph 3). Units of local government were also granted autonomy to perform statutorily specified tasks. In accordance with art. 2, paragraph 1 of the Local Government Act, the municipality performs public tasks on its own behalf and on its own responsibility. In order to effectively carry out public tasks, financial autonomy is guaranteed in article 167, paragraph 1, and 168 of the Constitution. It is also confirmed by the provision of article 51 paragraph 1 of the Local Government Act, which contains the guarantees for the autonomy of financial management conducted by the municipality, including in particular the autonomy in establishing the budget (Zieliński, 2004, p. 54; Rabska, 2003, pp. 94-96).

In accordance with article 6 paragraph 1 of the Act on municipal self government of March 8, 1990 (Journal of Laws of 2001, No. 142, item 1591), the municipality scope of activity comprises all public affairs of

local significance not reserved for others, and the municipality carries out public tasks on its own behalf and on its own responsibility (article 2 paragraph 1 of the Local Government Act). This means that the municipality as a unit of local government is sovereign in the execution of public duties in its area, and its powers in this regard can be limited only by laws.

The constitutional principle of local government autonomy in terms of, among others, the performance of its own tasks, regulated in detail by the aforementioned provisions of special acts, does not impose any organizational or legal form of the task realisation. Therefore, Polish law generally does not order local government units to perform their own tasks by means of subordinate organizational units. On the other hand, it also does not order to outsource these tasks to external bodies (Overview of Legal Regulations, 2014, p. 3).

The basic legal act that regulates the organizational and legal form of the tasks of the local government is the Act of 20 December 1996 on municipal economy (Journal of Laws of 2011 No. 45, item 236). Article 2 of the Act states that utility tasks can be carried out by local authorities, in particular in the form of a local government budgetary establishment or commercial companies. This means that municipalities, counties and provinces can perform their own tasks through subordinate organizational units with different legal forms.

However, apart from self government forms of municipal task implementation, the same act permitted other forms of municipal economy realisation. In accordance with article 3. paragraph 1 of the Act on municipal economy, local government units, by agreement, may commission the execution of tasks in the field of municipal economy to individuals, legal persons or organizational units without legal

personality, taking into account the provisions of the Act on Public Finance of 27 August 2009, under the Act of 19 December 2008 on the public-private partnership, provisions of the Act of 9 January 2009 on concessions for construction works or services, provisions of the Act of January 29, 2004 - Public Procurement Law, provisions of the Act of 24 April 2003 on public benefit and volunteering and the Act of 16 December 2010 on public transport or on general principles.

Thus, the Act on municipal economy, as a direct consequence of the constitutional principle of autonomy and the regulations contained in the Act on municipal self government, regulates basic forms of the performance of tasks by local government. In contrast, the direct possibilities of public task realisation in the form of municipal outsourcing were specified in detailed legislation.

The widest range of outsourcing of public services to non-state entities is included in the Act of 29 January 2004 - Public Procurement Law (Journal of Laws 2004 No. 19 item 177). Public contracts in Poland are correlated with EU procedures and are based on basic principles, such as, among others,: unlimited access to contracts, fair competition, equality in applying for public procurement, impartiality and objectivity.

Another important legal act, which is essential from the point of view of outsourcing of public duties to non-governmental organizations is the Act of 24 April 2003 on public benefit and volunteering (Journal of Laws 2003 No. 96 item 873). The Act was specifically designed to allow the participation of the third sector entities in the performance of public duties. The Act distinguishes two modes of engaging non-governmental actors in the execution of public tasks: 1) assignment of performance of public tasks including the granting of subsidies to

finance their implementation or, 2) supporting the implementation of tasks, including the granting of subsidies to subsidize their implementation. The procedure for contracting tasks is in both its forms uniform and is based on a competitive mechanism with characteristics similar to the public contract. The procedure is based on an open tender. After the settlement of the competition, an agreement is concluded, respectively, to support the implementation of a public task or to assign a public task implementation (Journal of Laws 2003 No. 96 item 873).

These two basic acts, namely the Public Procurement Law and the Act on Public Benefit govern the procedures and forms of commissioning of public tasks to non-state entities. In turn, there are certain categories of tasks that can be outsourced, and the legal basis for this is contained in the laws relating directly to these tasks. The Act of 7 September 1991 on the Education System should be noted first (Journal of Laws 1991 No. 95 item 425). The Act gives the local government, which is generally the entity responsible for running schools, the possibility to commission a non-state entity to run an educational institution. In accordance with article 5 paragraph 5g of this Act, a local government unit (municipality, district), which is a governing body of a school with no more than 70 students, on the basis of a resolution of the constitutive body of this unit (municipal council, district council) and upon approval of the Board of Education may commission, by agreement, a legal person who is not a local government unit or a natural person, to run such a school. It is not, therefore, an obligatory solution but due to demographic reasons and because of the crisis in public finances (including local government) this solution has gained popularity especially recently. In particular, it allows local government to avoid closing down of the school (Journal of Laws 1991 No. 95 item 425).

Another legal regulation is the Act of 5 March 2004 on social care (Journal of Laws 2004 No. 64 item 593). In accordance with article 25 of the Act, public authorities may delegate the task of social care, providing grants to finance or subsidize the realisation of a task commissioned to NGOs active in the field of social care. However, the regulations provide that contracting can cover service activities, for example, care services, specialist counselling, running social welfare institutions (Overview of Legal Regulations, 2014, p. 13).

Commissioning in the form of outsourcing of labour market is in turn regulated by the Act of 14 December 1994 on employment and prevention of unemployment (Journal of Laws 1995 No. 1 item 1). Commissioning of labour market service execution takes place after an open tender according to the principles and procedures specified in the Act on public benefit and volunteering or by purchasing these services according to the principles and procedures set out in the public procurement law. It should be added that the labour market tasks are the domain of district and provincial self government.

The formal basis for contracting a particular category of public tasks carried out by local government are also included in other acts. For instance, the Act of 27 August 1997 on vocational and social rehabilitation and employment of persons with disabilities (Journal of Laws 1997 No. 123 item 776) enables the delegation of organization of therapeutic workshops - workshops can be organized by foundations, associations or other entities. Next is the Act of 25 October 1991 on organizing and conducting cultural activities (Journal of Laws 1991 No. 114 item 493). This Act, in addition to possibilities of cooperation with entities outside the public sector, points to the possibility of entrusting the management of a cultural institution, e.g. a cultural centre, museum, library, theatre to a natural or legal person (and, therefore, also to a non-

governmental organization). The entity authorized to make the decision to entrust the management of a specific cultural institution is the organizer, that is the competent organs of the government or local government administration. The sphere of physical culture and sport is also important from the point of view of local government activities. The Act of 25 June 2010 on sports (Journal of Laws 2010 No. 127 item 857) provides the possibility of financial support for public tasks in this sphere performed by the so-called sports clubs, which are classified as non-governmental organizations.

Analysing the regulations underpinning outsourcing activities of local government in Poland, one more regulation should be mentioned. Namely, it is the Act of 19 December 2008 on the public-private partnership (Journal of Laws 2009 No. 19 item 100). In Polish literature devoted to PPP it is noted the public-private partnership is a "public project conducted by private and public entities, with their mutual institutional and capital engagement, and (more or less) solidary sharing of benefits and risks arising from it" (Overview of Legal Regulations, 2014, p. 19). It should be added that an entity to which the public sector may assign public functions can only be an entrepreneur. The participation of non-governmental organizations is therefore excluded.

The above mentioned regulations shows that the catalogue of public tasks and available procedures on the basis of which it is possible to outsource these tasks to entities from outside is quite extensive. Of course, we still cannot compare the outsourcing model that exists in Poland with the detailed American⁵⁰, or British solutions. But we can

⁵⁰ In the USA, in the State of Maryland public administration commissions most of its public tasks to external entities, for example: Administrative services; Business licensing and permitting; Child support services; Civil engineering; Community development; Corrections; Debt collection; Medicaid services;

see that both the scope of public tasks, as well as the possibility of public administration to outsource them increase year by year.

When analysing the material scope of functioning of municipal outsourcing in Poland, we must also point to its inner aspect. It concerns the commissioning of tasks in connection with the operation of the local administration office. As it is clear from the research and is confirmed by Wodecka-Hyjek (2013, pp. 196-197), municipal outsourcing in Poland generally covers three different areas. The first area comprises auxiliary functions such as: e.g. keeping facilities clean, security, etc.; the second is a specific area of outsourcing of IT functions, while the third area concerns the subcontracting of public service delivery to third parties.

Municipal court support services; Municipal inspections; Parks and recreation; Permit processing; Property tax assessment; Public information; Defense; Finance, tax and revenue collection; HR services; Legal services; Library management; Mechanical, electrical, plumbing, and building code inspections; Purchasing; Recreation and Parks; Street and roadside maintenance; Traffic engineering and operations; Transportation; Wastewater and other utilities (Kleva; Vojvodich 2009).

Table 1: Outsourcing areas and forms of contracting of public services in local government units

	Outsourcing areas in local government units		
	The auxiliary functions	Implementation of IT solution in the Office	Public services
Forms of contracting of services (procedures)	- public procurement procedures - requests for proposals	- public procurement procedures - requests for proposals	- public procurement procedures - requests for proposals - competitive bids for the execution of a public task

Source: the author's own study, e.g. own research and of A. Wodecka-Hyjek (2013, pp. 196-197).

6. Benefits, weaknesses and developmental challenges of municipal outsourcing

The development of municipal outsourcing, which takes place with the development of modern management in public administration, in general brings many benefits to administrative entities, as well as to recipients of public services. It is important to analyze the underlying problems and economic, social, legal and organizational conditions in the process of implementation of outsourcing solutions. Wodecka-Hyjek (2013, p. 200) points out that the analysis should include among others:

- the identification of social expectations in terms of the possibility of transferring public tasks (social importance of the task);

- the determination of the proposed degree of the administrative unit's control over the implementation of task;
- the improvement of the expected functionality of the office to eliminate irregularities in the form of abuse resulting from the concentration "in one hand" of competences of the entity at the same time financing, implementing and controlling the task;
- the recognition of legal conditions of functioning of entities;
- taking into account the social assessment of the effects of outsourcing, which often has a qualitative character.

The implementation of properly planned outsourcing in local government can bring multiple benefits to interested parties. The results of the initial questionnaire survey show that the use of methods of public task outsourcing brings a number of benefits to municipal self governments. These benefits relate not only to the internal aspect of the functioning of the local government, but also have an external dimension and concern multifaceted determinants of local social and economic development. The surveyed local government units indicated the following among the most important benefits:

- Private companies cannot afford to do shoddy or inadequate work because the contracts are subject to periodic review and renewal forcing a strict level of quality;
- Contracts are competitively bid to maximize value of taxpayer;
- Access to proven and constantly evolving processes and technological innovations from the private sector;
- Performance guarantees and accountability;
- Lower capital investment and added flexibility of a fixed cost environment;
- Lower staffing costs;
- Enhanced ability to use current staff to address areas lacking in resources/staffing;

- In large or fast-growing cities, and changing demographics, it can be very difficult for governments to keep up with the demand for services;
- Allows public sector to focus on policy and constituents;
- Savings can be re-invested in public safety, education and economic development;
- The added incentives provided by outsourcing lead to competition that leads to lower costs and higher quality services.

The main goal of the implementation of the municipal outsourcing model was the achievement of these basic effects which it brings to business, that is the reduction of operating costs and improvement of the quality of services. In addition, in Polish conditions, also the arguments of political nature, related to the implementation of the principle of subsidiarity, were taken into account. This refers to the promotion of the private initiative first in the performance of public duties, and in the case of inefficiency of the private sector, independent operation of public administration (*Outsourcing of Public Services*, 2014, pp. 5-11). But the question remains whether the benefits indicated above will be achieved always and in all conditions and administrative systems.

The practice of local administration units, theoretical analyses (*Outsourcing of Public Services* 2014, pp. 5-11) and the research results indicate that in many cases we can see the drawbacks of using public service outsourcing. The conducted analyzes show the most important conclusions regarding the weaknesses of municipal outsourcing. First of all, the contracting of services does not deliver the expected benefits in the absence of competition on the given market in terms of the given category of services. Thus, if outsourcing is introduced in the sector so far dominated by the public administration, without developed competition, the main effect will be the substitution of a public

monopoly by a private one. Of course, it will not influence the cost reduction or service quality improvement. These risks are particularly important in the case of basic services, so-called public utility, associated with the current and continuous meeting of the needs of the local community. These include the supply of electricity, water or heat. Smaller risk in this regard will be seen in the case of, for example, construction, catering, and transportation services (The example of the French water supply sector shows that in municipalities where waterworks have been privatized, water prices are higher by approx. 20%) (Seidenstat, 1996, p. 473). Linked to this example is the fact and another threat that a private monopoly is often more harmful and more difficult to eliminate than a public monopoly because private business is not subject to control or verification by the election by the local community. It is believed that in the case of outsourcing of public services to private entities, even if there is competition, the public administration may bear additional costs connected with the so-called transaction services - the expenses incurred in the contracting process and related with unrealized contracts (procurement costs, external consultation). The failed contracts for the construction of roads and motorways in Poland can serve as an example. Then, there are the costs of monitoring of the contract implementation, of settling accounts with contractors, political costs, citizens' dissatisfaction (Wiśniewski, 1991, pp. 99-100).

In addition, the negative effects in the process of handing over specific public tasks to private entities are primarily felt by public administration itself. Reducing the scope of local government activity automatically results in the need to reduce employment in the Office. On the one hand, it can mean savings for the administration office. On the other hand, however, public authorities should take into account the

situation of citizens, including civil servants (Jorgensen & Bozeman, 2002, pp. 67-69).

Added to this is the problem of virtual lack of public supervision over the qualifications of employees of private contractors of public services. There is no social control or access to public information about the employment of personnel, the recruitment process, nepotism prevention, the conclusion of contracts by contractors with subcontractors.

Research on outsourcing functioning also indicates the risk of weakening of administrative capacity to perform its essential functions (*Outsourcing of Public Services*, 2014, pp. 5-11). For example, it was demonstrated that in local governments in Germany, the privatization of public tasks in combination with the commercialization of municipal enterprises significantly reduced the ability of elected authorities to manage local development. The result of this is generally the reduction of citizens' influence on public affairs. Besides, there is always the risk of addiction of the public authority to a selected service provider if these services are carried out on a large scale. It may also adversely affect the objective evaluation of the quality and effectiveness of the services by this local authority (*Outsourcing of Public Services*, 2014, pp. 5-11).

The above theses are confirmed by Kleva and Vojvodich (2009), who point to the risks and at the same time challenges related to the implementation of municipal outsourcing. The authors draw attention to the problems:

- Job loss for government employees
- Cost of managing contracts including quality check and audit of performance
- Potential for favouritism or bias in award of contracts

- Create open, competitive bidding
- Determine the scope of activities privatization will include and the problems that privatization is expected to solve
- Establish the measurements and parameters that will govern the privatization contract.

Taking into account the above benefits and risks resulting from the application of the model of outsourcing of public task provision, it should be noted that when public service contractors are non-governmental organizations, there is less risk of some of the above mentioned threats. Generally, this is due to the fact that goals of the third sector are often consistent with objectives of public administration, while the private sector is guided by the sole objective of the achievement of profit. In addition, in the process of outsourcing of public tasks to the NGO's, public administration gains additional professional knowledge in the given field.

However, in this area there are also certain risks and threats. Firstly, non-governmental organizations do not always act in a professional way or are in an inadequate condition or do not have the necessary resources. Secondly, we often see the dependence of NGOs on public authorities and the politicization of the management of the organization. Besides, many cases demonstrate the so called dehumanization process of non-governmental organizations whose actions sometimes resemble the functioning of business corporations, which of course implies the risk of developing common threats in connection with the performance of public duties by the private sector (*Outsourcing of Public Services*, 2014, pp. 5-11).

7. Conclusion

NPM-oriented reforms have contributed to the implementation of the principles of management in public administration and modern marketisation and outsourcing.

As Lucyna Rajca noted (Rajca, 2009, pp. 84-85), due to different traditions of local government, the NPM ideas are variously adopted in Europe. More features of this model have been used in northern than in southern European local government systems. The consequence of this is that in the future the unified model of NPM and the related outsourcing, will not be applicable to local government, as it imposes identical solutions regardless of the social, economic, political and legal conditions existing in different countries (Rajca, 2009, pp. 84-85).

Legal and organizational transformations in implementation of municipal services in Poland in the last twenty five years have shown that, just like the legal, social and economic determinants of municipal economy change, so the models of management of municipal services evolve. The trend to increase the number of municipal tasks commissioned to external entities is more and more visible. Thus, local governments more and more often use, for example, the outsourcing model of municipal service management, while resigning from the autonomous, or commercial model. Moreover, as M. Dylewski rightly emphasizes, this phenomenon is more and more visible in municipalities and small counties with limited material and financial resources. On the other hand, it has its positive sides (Dylewski, 2013, pp. 12-16).

It should be noted that the implementation of the outsourcing model in the commissioning of public tasks requires an appropriate, strategic

approach of local authorities to this issue. Before making a decision as to how to carry out its own tasks, local government should take into account many organizational, economic and social circumstances, in particular (Malujda, 2013, pp. 126-127):

- local market demand for the provision of certain services,
- the interest of external entities in taking up cooperation with local government units,
- costs of setting up its own unit including equipping it with fixed assets and employment of staff,
- potential savings for the local government unit in the case of entrusting the task to an external entity.

In addition, when performing the strategic assessment, the local authority should apply the instruments characteristic for the implementation of business ventures, i.e. take into account the risks associated with the transfer of its competences and the financial implications of this decision. The specificity of the transferred tasks requires the consideration of not only the economic rationale but also of social effects of the decisions, including the approval of a new formula of the service provision by the recipients and the assessment of the previous operation of the private entity (Malujda, 2013, pp. 126-127).

It must, therefore, be stated in conclusion that, despite the number of identified risks, generally the inclusion of the private sector in the system of providing public services enhances the competitiveness of local economy, encourages the creation of new entities and in perspective influences economic development in the quantitative and qualitative dimension.

The main issue in the management in local government, as L. Rajca rightly emphasises, is the proper formation of the ratio between various

models of management, including the implementation of public tasks (Rajca, 2009, pp. 84-85). Depending on the category of performed tasks, the municipal outsourcing model can produce better results than the stand-alone model. It should also be borne in mind that in Polish conditions, it is also possible to use the *insourcing model*. Thus, the role of public authorities is to conduct an appropriate analysis of the socio-economic conditions and to make a proper decision in this regard.

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