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## DECISION MAKING IN CENTRAL AFRICA - THE PUBLIC HEALTH SYSTEM IN LIGHT OF THE CHANGING ECONOMY

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**Abstract:** *This paper aims to characterize the considerations of decision makers in Central African states regarding investment in the health sector. The findings rely on data collected in the research, "intercultural economic diplomacy and cross-cultural encounters in Central Africa after the discovery of natural resources- the case of Equatorial Guinea," which is still in process. The health system in Central Africa is very complex and challenging, and there are extensive activities of international factors. In recent decades many Central African states have undergone significant economic changes as a result of the discovery of natural resources or other economic developments, but despite the awareness of decision-makers to health issues, the average investment as a percentage of GDP is one of the world's lowest. The findings demonstrate that although health system is among the first to benefit from the fruits of an economic change, local decision makers seems to invest in impressive medical institutions, sometimes at the expense of increasing public investment in health per se. The paper argues that if decision-makers cease to view the investment in the public health system as an opportunity for political and image gains, they will probably neglect their tendency to establish impressive medical institutions or to implement projects that are well publicized but will invest in state budgets devoted to health.*

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**Keywords:** Central Africa, decision making, public health system.

### Introduction

In Central African countries health issues are at the top of the agenda. The awareness of the public to the level of health and medical services is increasing, but at the same time, the relatively low professional capacity of the medical system, combined with poor old infrastructures

and complex environmental conditions, leads to a situation in which the public health systems are having difficulties in meeting the growing needs of the population. The public health system is very complex and challenging, and there are extensive activities of international factors, headed by the World Health Organization, to assist local governments in meeting their goals (WHO, 2019).

In recent decades many Central African states have undergone significant economic changes as a result of the discovery of natural resources or other economic developments, but the average regional investment in health is still one of the world's lowest (World Bank, 2019). The goal of the international activity in the region is to address urgent health issues, while also raising the awareness of decision-makers so that more resources and attention will be allocated to the health sector. According to the WHO regional office for Africa (2019), African leaders face complex health and environmental challenges that are almost non-existent in other parts of the world. At the same time, they are exposed to pressures from elements within their country who claim that the level of service to the citizen is insufficient, and to international criticism claiming that investment of resources in the public health system is too low, and the priorities are wrong. As a result, decision-makers in Central African countries are subject to ongoing pressures and are expected to show improvement in the performance of the public health system and the level of services provided to the population. This situation leads to the existence of significant but specific projects in various regions aimed at addressing urgent health issues, alongside the establishment of impressive medical institutions designed, among other things, to respond to claims raised by international actors.

Alongside the image considerations, there is also a wide range of considerations for the leaders to improve the standard of living in their country in general and in the health sector in particular. This paper will try to characterize the considerations that guide decision-makers in Central African countries regarding investment in the public health system, from purely professional to internal politics, international image, and personal considerations. The findings rely on data collected in research, "intercultural economic diplomacy and cross-cultural encounters in Central Africa after the discovery of natural resources- the case of Equatorial Guinea," which is still in process. In order to understand the unique context and circumstances of the region, the paper begins with a brief survey of the historical and economic background of Central Africa.



### **Central Africa**

The region of central Africa includes eleven countries, nine according to the UN definition (UN Statistic Department, 2019), and together with Rwanda and Burundi comprise the ECCAS- Economic Community of Central African States (African Union, 2019). Geographically, this area includes the countries adjacent to the drainage basins of the Congo and the Chari rivers, which are a source of livelihood for the inhabitants since early history (Austen & Headrick, 1983).

The countries of the region have a lot in common, including the life in a hot and humid climate, the vast areas covered by the rain forests, alongside with historical, economic, culture, linguistic and ethnic characteristics (Ross, et al., 2013). In most countries of the region, the governance system is a presidential republic (CIA, 2019), which means that the president is the supreme authority and the decisions are usually made by him or by his immediate surroundings. According to Hermann (2006), Strong leaders do not need to be in a consensus, and institutional limitations is not a primary factor for them. Central African leaders enjoy almost unlimited freedom to make decisions, and this is reflected in the power and influence they have in their hands. According to Ciot (2014), to understand a leader, it is essential to get to know him well, and by idiosyncrasy analysis take into consideration elements like leadership style, emotions, cognitive situation, impressions, and intelligence, in weighing the environmental conditions in which it operates and the pressure exerted on him by the various parties. In Central African countries, it is also essential to understand his ethnic and tribal affiliation. Since Central African leaders are strong, dominant, and widely empowered, it is critical to understand the considerations that guide them, in order to understand their decision-making processes.

### **Health in central Africa**

According to the African regional health report (2019), Africa in general, and Central Africa in particular, are complex and challenging both in terms of medical issues and in terms of the public health systems. For example, 60% of the world's HIV/AIDS population is in Africa, more than 90% of malaria cases that occur worldwide are in Africa, recurrent Ebola outbreaks, various tropical diseases, and more. The report notes an improvement in recent years in various areas, among them a decline in child mortality and success in eradicating the polio virus. However, the population in the region is still at high risk of life-threatening communicable diseases. Non-communicable diseases, such as hypertension, heart disease, and diabetes, are on the rise. Injuries

remain among the leading causes of death in the Region. Basic sanitation needs remain unmet for many, for example, only 58% of people living in sub-Saharan Africa have access to safe water supplies. The report stresses that Africa can move forward on recent progress only by strengthening its fragile public health systems. The various governments of the region are aware of health problems and its implications for improving the standard of living and responding to public needs. In some countries, future planning for the public health system is being carried out. For example, the national plan for economy and development “Horizon 2020” in Equatorial Guinea (Ministerio de Planificacion, 2007), in which following the oil and gas discoveries has carried out a comprehensive economic and social planning for the coming years. Nevertheless, there is a fundamental gap between planning and implementation, and the actual implementation of the ideal vision is still far away in Equatorial Guinea as in other countries in the region (World Bank, 2019).

### **Traditional medicine**

The health issues in Central Africa involves both modern and traditional methods of medicine, which is an inseparable part of the local culture. When the average African citizen needs medical attention, he usually sees two possibilities - one is to look for the best general medical service he can afford, and the other is to turn to traditional medicine.

According to Mavhungu (2012), traditional medicine in Central Africa has ancient roots in the local culture. Unfortunately, some African cultural traditions cannot be empirically proven and are considered counter to globalization, science, and technology. Therefore, people who deal with it are perceived as underdeveloped, although their unique culture and values must be understood. The same is true for traditional medicine, which is highly regarded and feared by the locals and can be perceived as archaic, outdated, and ineffective in the eyes of foreigners.

Traditional medicine can be divided into two main modes of treatment- traditional medical treatment and spiritual care. The medical treatment includes the use of local herbs, various potions, and relies on traditional medicines and knowledge passed from generation to generation. The basis of spiritual therapy is the perception that the source of the illness or pain is witchcraft caused by the spirit of the enemy. Douglas (1967) was among the first to describe the significance of sorcery and witchcraft in Central Africa, and it is an integral part of life in this region. According to the local perception, people can influence the environment because it is influenced by human actions,

especially by witchcraft and sorcerers, who have direct spiritual contact. According to this view, the problems of the local people stem from the fact that they cannot control the actions of other people. According to Igwe (2004), sorcery is a dominant belief that affects the mindset and perception of many Africans, both educated and uneducated. In order to advance and join the developed world, Africans must leave the irrational belief in sorcery and magic, and this is especially true as far as health is concerned.

### **The economy in central Africa**

The history of Central Africa starts at the beginning of humanity, and at the same time also began the economic development of the region. In the 15th century, the demand for raw materials led to the creation of commercial ties between the region and the non-African world, especially the Islamic Middle East and the Christian Atlantic.

These relations led to a series of economic processes, leading eventually to the creation of foreign colonies of European countries in Africa, first were the Portuguese settlers in Sao Tome, and others followed. The colonists needed labor force, and they first started using local people, and later on brought workers from neighboring regions, leading eventually to the Atlantic slave trade, a critical process which had a profound impact on the Central African region. As the European presence increased, there was a need for more effective governance and bureaucracy systems. The process culminated in the Berlin conference in the years 1884-1885, when the continent was divided between the colonial European countries in a way that each can fully govern the areas under its responsibility (Birmingham & Martin, 1983).

Over the years, the primary source of income for the Central African region was the natural resources, and many regions relied on only one natural resource. In each period, it was a different natural resource - coal, salt, minerals, diamonds, gold, timber, etc., to crude oil and gas, which are the main export products nowadays. The reliance on export revenues of only one product exposed the local economies to significant risks, as a result of fluctuations in exchange rates or changes in market preferences and reduced demand (Ross, et al., 2013).

The slow economic development of poor countries, including in Central Africa, has troubled many economists and theorists over the years. Various social and economic theories, such as the dependency theory in the 1950s and 1960s, the world system theory 1970s and 1980s, and the analysis of globalization in the 1990s tried to explain processes that influenced the slow



development (Amin, 2014). As far as Central African countries are concerned, it seems that a relatively simple argument proposed by Gunder Frank (1993) can explain this situation. Development and under-development are two sides of the same coin, whereas the developed world enriches itself by keeping other regions less developed. Less developed countries are becoming a target market for final products, and remain as suppliers of raw materials to the developed countries.

At the individual level, the economy of the Central African region is traditional, mainly based on fishing and agriculture, and is mostly cooperative. Families are helping one another, and children are taking part in the work efforts. In African society, children are perceived as an economic asset and social security to their extended families (Idang, 2015).

Almost all central African countries were under colonial rule until they gained independence during the 1960s- the only exception in Angola, who gained its independence from Portugal in 1975. In the years since the countries became independent, most economies have stabilized, and most have undergone significant economic changes as a result of the discovery of natural resources in their territory, mostly oil or gas, among other economic developments. The prominent example is Equatorial Guinea, where GDP per capita rose from about \$ 700 in the early 1990s to \$ 37,400 in 2017 (CIA, 2019). According to the World Banks' chief economist for Africa, the region's economic development is slower than expected. Policymakers should, among other things, focus on investment that fosters human capital, and boost productivity (World Bank, 2019). Currently, African countries in general, and in particular Central African countries, are characterized by a relatively high level of corruption (Transparency International, 2019), unequal distribution of income, low local production and high reliance on imported products.

### **Methodology**

The data and findings that were in use during the work on this paper were collected in the framework of a doctoral research "intercultural economic diplomacy and cross-cultural encounters in Central Africa after the discovery of natural resources- the case of Equatorial Guinea," which is still in process. The research attempts to understand, via the local point of view, the history of the region and the changes it has undergone since the discovery of natural resources and the economic change that followed, to define the cultural and business characteristics of the region, and to develop useful recommendations for foreigners seeking to operate in Central Africa. The main

goal of the research is to develop an intercultural economic diplomacy model for Equatorial Guinea, with recommendations based on the country's unique characteristics. This model will also be suitable for other Central African countries with similar characteristics. The main research question is what components might comprise a model of intercultural economic diplomacy for Central Africa. The research was carried out in the qualitative approach, which means that the findings arrive not by utilizing statistical or other means of quantification (Strauss & Corbin, 1990). The qualitative research collects its data from the natural system and allows the understanding of personal experience, actions, and motifs, rather than examining existing theories (Hays & Wood, 2011). The qualitative approach attaches importance to the meaning of things in the eyes of the participants, and in this work refers to the subjective point of view of the African people. The data was collected in the natural system, in Equatorial Guinea, through in-depth interviews and document analysis. Twelve in-depth interviews were conducted with senior ministers and officials in the past and present Equatorial Guinea, and with senior UN officials and business people operating in Central Africa. The interviewees selected to participate in the research are those who have served in key positions during relevant periods, before and after the discovery of oil and gas, or those who can contribute to the research because of their current role or unique experience. The interviewees were chosen based on a personal acquaintance or appropriate recommendations of reliable local people with suitable backgrounds.

The research approach is a case study, which assumes that it is possible to investigate a specific case and learn about the entire group (Yin, 2012; Yosifon, 2016). This research investigates the case of Equatorial Guinea, but the conclusions are relevant to most Central African countries.

The qualitative research consisted of three stages. The first stage aims to describe historical, economic and diplomatic processes, the second stage aims to examine the intercultural economic relations of Equatorial Guinea with the international community, and the third stage aims to develop a working model for Central Africa. The research tools were, in all stages, semi-structured in-depth interviews and document analysis.

## **Findings**

The findings from the research focus on three main themes. The changes that occurred in the country as a result of the economic change, the modern economic-cultural environment, and

the country's economic and intercultural relations with the international community. The findings help to understand how locals interpret reality and allow us to describe how decision-makers perceive the public health system and the range of considerations that guide them.

Before describing the findings and the impact of the economic change on the priorities of decision-makers, it is essential to address the issue of corruption in the Central African region. Some of the leaders and their immediate surroundings are accused of corruption and embezzlement of public funds. The international community is very keen on this issue, and it is a matter of dispute with many African governments. Most of the interviewees are aware of the problem of corruption, but in this context, they claimed unfair treatment and hypocrisy from the international community toward Africa. In this research, an attempt was made to bring the local interpretation of historical and economic events and relate to the facts in a practical and non-critical manner.

According to the interviewee's responses in regard of the changes that have taken place in the country as a result of the economic change, it seems that leaders want to improve the standard of living of the citizens, and that treatment of the health system is a high priority. The issue of health is alarming to the public, and the higher the standard of living, the greater the demand for advanced medical services. In the eyes of the average citizen, health services are the medical services provided to the population, but according to decision maker's view, as well as the international community, under this definition, there is a much broader spectrum of services and infrastructures, including water, electricity, urban planning and more. In the eyes of the decision makers, the economic change must be exploited to increase the attractiveness of the state, and raising the issue of health to the top of the priorities is significant, especially for the younger generations. Health achievements are seen and felt in their daily lives and are reflected in the attitude of the international community. The establishment of impressive health institutions in the country is also intended to meet the internal political needs of the leadership. In various Central African countries, modern hospitals are being established, even if they do not meet the exact needs of the population. At the symbolic level, the goal of demonstrating leadership commitment through investments in the health sector is achieved. In this context, some of the interviewees noted that there is an additional gap in the leadership's understanding of the situation in the public health sector- In their simplistic view, countries with advanced public health system must have advanced medical institutions and modern hospitals. Therefore, there is a tendency among Central African

leaders to promote such projects, considering that this is the best way to narrow gaps compared to developed countries.

According to the interviewee's responses regarding changes in the country's economic and cultural environment, it can be seen that in various African countries, after an economic change, a process of strategic planning began, with the involvement and support of international organizations, including strategic planning for the public health system. For example, the process that began after the discovery of oil and gas in Equatorial Guinea ended in 2007 with the publication of Horizon 2020, the national plan for economic development. The results of the process were, among others, coordinated health campaigns, such as the fight against malaria, the training of professional personnel, and more (WHO, 2017). At the same time, with the improvement in the economic situation, the demand for overseas health services is rising among wealthy Africans, from complicated medical problems to periodic examinations. Despite the economic improvement and the increased demand for general medical services, there is still a high demand for traditional medicine. The social structure in Central Africa, which is based on the division into ethnic groups, tribes, families, villages, and more, was kept after the economic change. In this mode, traditional healers, whether using local herbal remedies or witchcraft and sorcery dealing with the spiritual aspects of therapy, are still relevant and present in daily life. The belief in traditional medicine is extensive in the region, among all levels of the population, educated and non-educated, and is an integral part of the leaders' considerations. The new economic environment in Central Africa is a magnet for business entities that identify the considerable commercial potential that has not yet been realized. The newly developed economies attract business factors that try to influence decision-makers to act in their favor, either directly or indirectly. Business factors that work closely to decision makers are pushing, out of their business interest, to the investment in impressive projects, at the expense of channeling state health budgets to more urgent needs. In some cases, business factors can be found behind a decision to establish a modern medical facility due to their direct business interest in the project. The most significant advantage of the business factors is their ability to execute complicated projects, in a relatively short time, without having to deal with the internal bureaucracy and regulation existing among state entities and international organizations. Business companies can adopt a flexible model of construction and operation, that meets the immediate needs of the state, such as building and operating a hospital, including staffing a professional workforce, installation of advanced medical

equipment, and ongoing supply of medicines and materials. For the African leaders, this is the fastest and most available solution that helps them establish an advanced medical facility, even without local relevant capacities and professional workforce. One of the problems with the new impressive medical facilities is the accessibility of the services to the general public. Since there are relatively few such medical facilities, with a limited number of hospital beds, they are unable to provide the needed services to the general public. The combination of the local African mentality and the social structure leads to a situation in which the option of receiving medical treatment in those facilities is open only for those who can afford it, or for those who receive financial support from the government. Hence, those medical services are not available to the majority of the population.

According to interviewees responses regarding the intercultural economic relations with the international community, a complex picture emerges. Factors within the international community are involved and professionally accompany public health systems in various countries (WHO, 2017). For Africans, this work, especially that of the World Health Organization, is necessary and welcome. However, in African eyes, it is recommended to conduct this dialogue in terms of cooperation, not just in terms of aid. According to the local perception, the international community is working mainly to prevent the spread of epidemics and assist disaster-stricken areas, while there is also room for more work and advanced medical services in affluent areas and to the ongoing treatment of the population. One of the considerations of a leader's decision to invest in impressive health projects, whether the establishment of a modern hospital or an ambitious health project, is the desire to demonstrate to the international community his commitment to promoting the health sector. Also, there is an expectation among Africans that the work of international actors, especially in the health sector, will be more in partnership with them and less by external intervention.

### **Discussion and conclusions**

The economic changes that have occurred in many Central African countries in recent decades have led to a change in the economic understanding and behavior of decision-makers, and an improvement in the standards of living of the citizens. As a result, there has been an improvement in the level of medical services provided to the public, and there has been an increase in the expectations for better health services. The public health system in various Central African



countries presents a complex challenge to decision-makers. The health issues at hand are among the most complicated in the world and put the population under a vast range of risks that often require urgent attention. Beyond that, African leaders' attitude to the health sector is under constant public scrutiny, as well as under the supervision and criticism of the international community. In the Central African health sector, there is a high level of involvement of international organizations, which leads campaigns on urgent medical issues and at the same time, promote awareness among local decision-makers. The pressure exerted on the leaders of the international community does have an impact, but its results are not always optimal. While the average Central African public investment in health is among the world's lowest, leaders choose to hold an impressive project, among other things, in order to serve image interests and internal political needs. Such projects, as modern and well-equipped hospitals, are sometimes set up at the initiative of business entities that can influence decision-makers. The businesspeople are near the decision-makers and are working to promote projects in which they have an interest, even if things do not accord with the interests of the state.

Through such projects, leaders try to demonstrate their commitment to investment in the public health system, and at the same time to send a similar message to the international community. Even though many of the local leaders have considerable power and influence in their countries, the importance of internal politics, as well as world public opinion in their considerations, are central. In the priorities of the leaders, the fact that it is possible to prevent morbidity by treating infrastructure, for example increasing the amount of fresh water and preventing pollution, is essential, but the complexity of doing it compared with the establishment of an impressive new hospital ultimately defeats the scales.

Another issue is the partial understanding of some African leaders regarding the correct way to promote the public health system. According to African decision-makers view, sometimes an advanced medical facility in their country can be considered as a significant investment in the public health system, while in practice it is only a relatively small investment that does not affect the total budget devoted to health. At the same time, poor infrastructures that might lead to increased morbidity are not adequately treated. In the view of the leaders, the establishment of a modern hospital means reducing gaps compared to more developed countries, whereas in practice, given the current situation in Africa, the priorities should be different.

In summary, the main conclusions emerging from the study are that in order to influence public health decision-making, it is essential to understand the economic, social and cultural changes that have taken place in the region in recent decades. Because of the centrality of the leaders, it is crucial to understand their considerations. Considerations of internal politics and international image play an important role in decision-making processes, and external pressures strongly influence the attitude toward public health systems in Central Africa. In addition to these considerations, the pressure exerted by business entities is a hindrance to decision-making processes in the Central African region. Increased cooperation with international organizations has definite potential for public health systems, and preference should be given to working with these organizations rather than working with independent business entities. In the framework of international cooperation, the Africans expect to be seen as valuable partners, not only as those in need of assistance. Therefore, it is essential to conduct the dialogue in terms of cooperation and not only in terms of aid. It is recommended to strengthen cooperation and understanding with the African leaders in order to increase their trust in the international system. These measures may prevent a situation in which improving the international image will come at the expense of improving services to the population.

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## ABOUT THE REGENERATION OF THE EUROPEAN TYPE OF CIVILIZATION

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**Abstract:** *Europe is an omnipresent topic of public debate, but the discussion runs wrong due to two main errors: 1. Today, Europe and the European Union would mean one and the same thing, called “European project”. This misconception relies on error 2. The scientific reconstruction of European history that has led to this state of affairs would be cum grano salis consensual. - The intention of the following text is to give some hints to falsify these presuppositions. The key argument is the disclosure of the “half empiricism” which is the congenital defect of occidental philosophy and science, mainly interested in liberating cognition from troubling influences and subjective feelings. With reference to the New Phenomenology founded by Hermann Schmitz (2009, 2011), the plan to regenerate Europe will have to begin with telling, suggestive impressions of the pre-reflexive corporeal experience, paradoxically telling more than one can say. It is a sensitivity for specific situations which have made the European type of civilization. The text explains that learning an unknown European language on the base of encorporation (Einleibung) during the “European semester” will help to regenerate this European sensitivity. To be successful, the new programme will be independent from the main antagonists: globalist interests, associated political forces and anti-European ideologies. In the focus of renewal are the smaller European countries, their languages and their contribution to the European style of civilization, hidden by the “big five” Germany, UK, France, Spain and Italy. In the phenomenologically informed perspective of the new MONTAIGNE student exchange programme, language acquisition will be understood as world acquisition. The “European semester” will be entirely dedicated to it.*

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**Keywords:** European project, New Phenomenology, European semester, MONTAIGNE programme.

### **Europe and the European Union**

The institutional weakness of the present EU is undeniable. Several authors recently have presented their ideas, from Germany for instance Klaus Weber / Henning Ottmann and Frank



Decker (Weber and Ottmann, 2018, pp. 59-76). In a very summarized way their propositions for a renewed EU are: Smaller, less centralized, more competences to the national parliaments

Other experts, nevertheless, are asking: Is it enough to reform the EU, knowing that the finality of the European integration is still uncertain? (Sloterdijk 1994, 2004). To scientific research, it is a puzzling phenomenon that in the world of economic and political power “Europe” seems to belong to the global players, but in opposition to the other members of that “ivy league” Europeans don’t share a conviction about their common affective roots (Sloterdijk, 2006, pp. 365-374). The functionalist layer of EU and the national traditions (history, geography, religion, science, law, politics, economy, culture) don’t have met to fuse into a common ideology. This dilemma provokes political voluntarism, - a popular tradition in France, now reborn with the project of Emmanuel Macron. With his programmatic speech “Refonder l’Europe”, (Macron, 2017 ) the French President gives a brilliant example of melting EU and Europe in the “European project”. He insists in the European identity quoting various historical, philosophical and cultural achievements and the voices of outstanding artists: With this rhetoric impetus Macron passes over to the political reality of today pleading for a “souveraineté européenne”. Meanwhile in this fusion some representatives of EU elites see an encouraging new beginning, an attentive analyst mainly recognizes a confusion that is meant to instrumentalize Europe for political strategy; the satirist would even criticize a “Disney-Europe” with a wonderful collection of artistic and intellectual highlights as if these would enable EU to be a strong global player (Müller-Pelzer, 2018).

Macron’s eloquence is in line with other intents to launch a top-down identity feasible to give an imagined *demos* and with it to compensate the lacking legitimacy of EU politics. In analytical terms there are three types of argumentation:

1. The *Identity discourse*: “Europe and the European Union are one and the fusion of both is the ‘European project’”. *Critique*: To identify Europe with the EU is the launch of an unfriendly take-over on Europe. Europe and EU must neatly be distinguished:

- The EU is an institution created by several Nation-States. It consists of a great number of organizations. The European Union is a functional construct.
- Europe is no institution; it is no functional construct; it is no organization. Europe was first identified with Christianity, then with the attitude to interpret life in dialogue with historical references of the Greco-Roman past, then with cultural resources (Arts, Science, Law,

army, secular and ecclesiastical authorities etc.). The resulting cultural system, despite its profound internal differences, refers to the common origin of the self-containing critical spirit.

- The EU has declared its will to protect European values as democracy, rule of law, tolerance, freedom, equality, and Human rights. But the claim to be the inheritor of European values is exaggerated: The EU is not their author and incapable to guarantee profound affective ties from which value attitudes emerge. The feeling and consciousness of common values relies on uncountable diffuse but characteristic experiences in common implanting situations, not on discourse.

- When Europe is challenged, a similar type of questions as those of ancient Greek polis arises: “What kind of European do I want to be? What kind of living together as Europeans do we want to pursue? What kind of Europe do we want to create?” The European type of civilization demands the public scrutiny and refuses the delegation of the European *raison d’être* to functional elites and post-democratic governance.

2. The *Democracy discourse*: “The EU is a democratically legitimated political entity.” *Critique*: The democratic legitimation of EU institutions is much lower than that of national democracies, suffering themselves under a loss of democratic recognition.

- The EU construct mainly is the result of the two Maastricht and following treaties, signed by democratically elected representatives of the respective nation-states. But the democratic legitimacy of the government, e.g. in Germany, is weak because the nomination of candidates for the national Parliament by the political parties and the mixed electoral system show a considerable lack of transparency (Herbert von Arnim, 2009). Additionally, the lack of transparency of the nomination of candidates for the EU Parliament elections is notable, only surpassed by the obscure nomination of candidates for the EU top jobs.

- The separation of powers is not realized in the EU construction: The European Commission and the European Council may constitute a part of the new multi-level governance, but there is no hope for the emergence of a new democratic legitimation. Above all, the European Supreme Court claims for its decisions the “competence-competence” concerning the European treaties and, thus, is modeling the EU without a sufficient democratic legitimation (Grimm, 2016).

- The EU is not just the continuation of the Europeans Communities but, since the Lisbon Agenda of 2000, a global player with worldwide strategic interests. This profound transformation, in fact a refoundation hidden to the citizens, contributes to a complementary weakening of democratic legitimation through national elections: National competences are increasingly transferred to EU so that the national state is losing more and more the role of the citizens' interlocutor. The moralizing EU value discourse can't compensate this deficit.

3. The *Cosmopolitist discourse*: "The governments of EU members are right in construing a transnational political union of Europe to overcome internal discordance, breaching nationalism, and to focus on a universal democratic governance." *Critique*: The European nations should not be made the scapegoat for the crimes of 20<sup>th</sup> century's military and economic elites.

- To push a political European identity to prevent classical war is inadequate. The commercial and economic cooperation is so strong that in Europe nowadays war is fairly excluded. On the contrary, the suppression of national structures, instead of resolving pressing problems, has created new ones: The decrease of political and cultural autonomy has created the impression of heteronomy and provoked a fallback to obsolete nationalist resentments. There are serious voices that maintain: The greatest danger for peace and public wealth comes from the ECB monetary politics (Streeck, 2015, p. 41).

- Following G. Bouchard, (Bouchard, 2016, pp.40-43) it is misleading to blame the European nations for the horrors of the first half of 20<sup>th</sup> century: One should better focus the responsibility of the European elites eager for power and depreciating the peoples.

- Under these conditions one shouldn't ignore that until now all functionalist top-down procedures to introduce a common identity have failed (Bouchard, 2016, p.33). A bottom-up procedure, then, is needed. Bouchard pleads to begin with asking the European nations in which way they have established lasting affective ties with Europe; one should add: to discover the underlying normative programmes that make the difference with other types of civilization.

Coming back to the central question of inquiring the shared conviction about the common affective roots, the above examination shows that the current proposals don't have contributed to a better understanding. One necessary condition seems to keep away a specific political purpose like finding arguments for strengthening the legitimation of EU institutions. For a better understanding how collective affective evidences and convictions grow as well as how they

degenerate, a specific approach is needed which allows to seize those pre-reflexive phenomena the normal scientific disciplines are not able to get in touch with (Gehler, 2018).

A phenomenological approach to Europe pretending to overcome the “half empiricism” needs explanation because the occidental philosophical tradition has been hostile to pre-reflexive phenomena.

### **Europe – a philosophical subject**

The European type of civilization refers to the emergence of an, as far as that, unknown human attitude toward reality in ancient Greece. Only with the practical and political consequences of this occidental type of civilization, Europe could become a subject for historians. It is not superfluous to mention the decisive naval battle of Salamis in 480 BC: The clash of the Greek type of civilization with the oriental type has also become crucial for the self-perception of Europeans.

In the perspective of cultural morphology, high cultures require a special discipline of the elites to form and stabilize civilization (Schmitz, 1997, p. 23).

a. Near Eastern High Cultures (Egypt, Babylonia, Persia): discipline is guaranteed by the divine authority of princes and priests.

b. Far Eastern Cultures (China, Japan): discipline is guaranteed by the power of convention, rules and rites of decency.

c. European High Culture (Greece): discipline is based, very differently, on the discipline to oblige the individual to form its own judgment and, on this base, to submit propositions about individual and common life, grounded on arguments that are exposed to the critique of the others. It is the model of the self-containing critical spirit through discussion. The result is a philosophical style of self-examination: “Know thyself” (inscription of the Apollo temple in Delphi) plus the exhortation to the individual: “Be careful” (Σωφρόνῃ) when searching the appropriate, human proportion, i.e. neither to overestimate nor to humble himself. Neither to be dominated by others nor to dominate others, is the political lesson attributed yet to Herodotus.

The European type of civilization is the result of transferring the occidental type to countries to the north of the Mediterranean Sea, inheriting this rejection of the oriental domination by despots and priest castes. This equally applies to the Christian and the Islamic absolutism to dominate society. Being European, then, is anchored in a philosophical attitude toward reality, the discipline of self-containing critical spirit, even if for some centuries it seemed to have been fallen

into a crevasse (Michael Mitterauer). This spirit contributes to detect that Europe has inherited, too, a lot of philosophical failures from Greek philosophy.

The main failure is the destruction of suggestive impressions and the reduction of perception to a half empiricism. In a simplified manner, the following table will illustrate this crucial failure.

Table 1

<b>Evidences in occidental tradition</b>	
<b>Invisible = diffuse</b>	<b>Visible = full determined figures</b>
<b>Feeling = deception, ignorance</b>	<b>Seeing = knowledge</b>
<b>Corporal = transitory</b>	<b>Intellectual = stable</b>
<b>Sensations = fallacious</b>	<b>Rational judgment = true</b>
<b>Pre-reflexive = uncontrollable</b>	<b>Reflexive = controllable, repeatable</b>
<b>Minor value</b>	<b>Superior value</b>

*Evidences in occidental tradition [own chart, W.M.-P.]*

This table reflects the post Democritian-Platonic reductionism depreciating the former way of perceiving the world through telling impressions (*vielsagende Eindrücke*) (Schmitz, 1995, pp. 19-118). The feeling and felt body, the corporeal communication, the feelings as powerful atmospheres are lacking or distorted into a psychic reality. H. Schmitz has split the process in three phases: (Schmitz, 1995, p.16).

1. *Psychologism*: The Homeric heroes are victims of various impulses and stirrings (of supposed divine origin); the person who says “I” is weak. With Democritus and Plato, the “I”



becomes the master of these impulses and stirrings: The *psyche* turns to be an inner world (soul) opposed to the outer world of bodies. Additionally, the construct of a rational part of the soul is meant to explain the struggle with “irrational” impulses.

2. *Reductionism*: The dynamics of reality, the telling impressions, are reduced to a kinetics of atoms or abstract substances with qualities and relations. The hierarchy of abstract categories reflects the canonic significance of the distant, cognitive approach to reality in occidental thinking.

3. *Introjectionism*: What cannot be seized following this method, remaining inappropriate for abstraction, counting and statistical use, will be disposed in the inner world. The holistic experience is smashed. But in reverse order, the reconstruction of telling experiences from a cognitive base will be impossible because of the supposition that the world stuff consists completely of countable elements.

Today, against these failures the neo-phenomenological approach opposes the sensing of affecting experiences in the *epistemological* perspective, i.e. that the surrounding world has something to say to me, be it by corporeal resonance, be it by deep atmospheric movements or overwhelming experiences. In an *ontological* perspective, affective reality is “always there” before focusing a special subject. Paraphrasing Hermann Schmitz, this feeling of one’s own movements and the contacts with others and the surrounding world follows not the model of registration and deciphering of data. The main instance of orientation in the world is the feeling and felt body (Germ. *der Leib*, Fren. *la chair*, Span. *la carne*). So, the communication and interaction is *corporeal*, (Schmitz, 2011) to the baby in a total way, to the youngster in a “rocking and rolling” way and to the adult in a mixed way, swinging between the personal emancipation from the “jail” of corporeal dependence and the personal regression, obliging the emancipated subject to come down from a high level of autonomy to affective states of pain, sorrow, shame, anger, passion etc.

“[...] the feeling body becomes manifest in holistic corporeal stirrings such as vigor and languidness, in one’s being corporeally gripped by emotions and room-filling atmospheres, and equally in one’s corporeal orientation in the world in contexts of perception, action and spatial navigation.”(Müllan and Slaby, 2011, p. 244)

The negation of this pre-cognitive orientation of humans in the world has blocked occidental philosophy to consider a pre-reflexive unity of subject and object without distinction. Destroying this unity and only accepting the distanced cognitive approach to reality has been mainly responsible for the limitations of occidental philosophy in comparison with Eastern

wisdom. It is the affectivity by which something arises in our field of perception as a carrier of meaning or value. Feelings are ways of taking part in the world, they are opening the world even before cognitive operations become virulent. But on the other hand, the reference to the world is always linked with a self-reference. In corporeal sensations, the world opens under a specific perspective where something manifests itself as significant ("It does concern me.") or as indifferent ("It does not concern me."). Affectivity is the decisive note that makes that "something matters" in personal and common situations (Salby, 2010, p.3). The key point, then, is that the individual is moving in a pre-reflexive area, or better: *belongs* to a pre-dimensional space (Smitz, 2005, p. 283) which is also constitutive for the common situations, i.e. the surrounding world the individual is living in with others (Müllan and Slaby, 2011, p. 245). Especially feelings are the motor of personal life, making objectives attractive or mobilizing against repulsive or revolting states of affairs. The fading-out of this part of human experience makes that Europeans of today are living in a half reality and, with it, in an abstract Europe cut from affective implication.

### **Situations versus constellations**

Being-corporeally-in-the-world is being-situated in a specific context and implies a subjective perspective: We don't speak about a brain being somewhere in the universe, but of a feeling and felt body embedded in situations. "Situation" is a *terminus technicus* of H. Schmitz' social philosophy; it means the characteristic, but internally diffuse and suggestive impressions detached from the background of everyday life: the expressive atmosphere of a room (e.g. a church, a Japanese garden, a holy grove, the German type of *Gemütlichkeit*), then all types of *lieux de la mémoire nationale et européenne*, the first impression of an unknown person or city, but also the more enduring character of an interlocutor or the spirit of a social milieu or a people.<sup>1</sup>

For the current scientific positivism these phenomena are perhaps interesting, but subjective and insignificant. What counts are objective data feasible to be formatted and

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<sup>1</sup> In opposition to more distant civilizations, there is no reason to suppose that the socially and historically settled and practiced "grammar" of feelings could include unfamiliar "blanks" with the consequence that the corporeal communication would break down. Hermann Schmitz (2010): "Entfremdung und Urfremdheit", in : Idem (2010) : *Jenseits des Naturalismus*, Freiburg / München: Karl Alber, pp. 333-348 ; Hilge Landweer (1995): "Verständigung über Gefühle", in: Michael Großheim (Hg.) (1995): *Leib und Gefühl. Beiträge zur Anthropologie*, Berlin: Akademie, pp. 71-86.

statistically treated. This realism (*Sachlichkeit*) rules the world of objectivity, but the world of subjectivity and affectivity, the significativity of objects, persons and situations pales.

Reduced to constellations, impressions become a façade without connection with the affective origin. The economic globalization together with high-tech applications (digitalization, artificial intelligence) is invading areas that seemed reserved to privacy and being secure from algorithms (Illouz, 2018). Obviously, Europe as an implanting affective reference and the European Union as a global player are two different worlds, run by different logics. Penetrating common life with the ideology of growthism (Daly, 2015) and global competitiveness, the self-interpretation of Europeans and their reciprocal relations suffer from alienation. The ERASMUS students exchange programme is contaminated with this constellationism.

The acronym of the *European community action scheme for the mobility of university students* shows that the student mobility is considered as one of the drivers for European technological and economic leadership. To embed these objectives in a wider conception, Jacques Delors had launched the idea to establish the ERASMUS-programme. His intention was to combine professional and personal development with social and environmental responsibility. For Delors, Europe should become “[...] un espace de paix active, un cadre pour un développement durable, et enfin un espace de valeurs vécues dans la diversité de nos cultures et de nos traditions. » (Delors, 2004, p.462) Meanwhile, the political climate has changed; the actual speeches of EU politicians resemble more and more to a caricature of Delors’ initial intentions (Merkel, 2017). Today, the ERASMUS programme has become a catalyst of “human capital individualism” (Münch, 2008) without any reference to the affective reality of the European type of civilization. The telling impressions, the original stuff of unfiltered intercultural experience, is channeled in the interest of smooth transcultural adaptation for future employment.

For this reason, the purpose of the present paper is to present a reasonable alternative for mature European elites, called the MONTAIGNE programme.<sup>2</sup> It will take advantage from acquiring an unknown European language on the ground of encorporation (*Einleibung*).<sup>3</sup> This plan has to overcome two main obstacles: to get an access, at the age of about 20 years and more, to the infantile learning method reputed to run only till the age of about 13 to 15 years; and second, to present good arguments to propose for election exclusively the lesser spoken languages.

- *Recognition*: To learn a lesser spoken European language of a country not belonging to the politically dominant “big five” is an act of recognition of worth concerning the contribution to the regeneration of the European type of civilization. This decision is enriched with an incomparable mass of atmospheres calling for a powerful and lasting corporeal resonance in the addressees and an intense corporeal communication (Honneth, 2018).

- *Change of perspective*: The unconventional method of blended learning (a new format built from elements of infantile method and adult method) means to enact the structure of personal existence described by New Phenomenology, i.e. to practice the mentioned changes from higher levels of personal emancipation to lower levels absorbing experience from personal regression. This change of perspective can be considered to make the individual composure more flexible and, thus, to discover step by step the own style of being instead of applying general concepts of desensitization like resilience (Slaby, 2016, pp.273-298). This, besides, comes near to the “self-essaying” advocated by the historical MONTAIGNE.

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<sup>2</sup> The denomination ERASMUS programme stems from the acronym *European community action scheme for the mobility of university students*. Since the 1980s mobility had become a central educational objective for exporting countries. The decision to allude to the Dutch humanist has been taken for marketing reasons: At that time, the play with the name of the emblematic humanist had been considered useful. Today, not just for marketing, but for historical reasons, there are two motives to prefer the name of MONTAIGNE. The first is the fact that the intellectual departure of modern Europe in 16<sup>th</sup> century finds the most appropriate expression with a jurist-writer-philosopher as Michel de MONTAIGNE (1533-1592). He had overcome the reassuring limits of the Christian humanism of ERASMUS of Rotterdam and had experienced the turbulences of a world, having lost the traditional orientation in metaphysical, political, scientific and anthropologic respect. The second reason is that in his *Essais*, MONTAIGNE writes in French, a vernacular language, and not in Latin he perfectly dominates. Thus, MONTAIGNE witnesses that being European is inevitably linked with the acquisition and practice of a living language (or more). So, he represents two principles which make the European of today, i.e. the self-containing critical spirit of the European type of civilization, and the implantation in pre-reflexive situations (*Lebenswelt*) nurtured by a national language and ancient European traditions. In this respect, the MONTAIGNE programme fits better for a student exchange programme.

<sup>3</sup> I.e. to sense the feeling and felt body (Leib), to rediscover the corporeal communication (*leibliche Kommunikation*), and especially the antagonist encorporation as well as the encorporation in solidarity (*antagonistische und solidarische Einleibung*).

- *Survival of high level languages*: Following the analysis of Jürgen Trabant (2014) concerning the future of European languages in the standardized world of global English, the MONTAIGNE programme may represent one of the last chances for the lesser spoken European languages to survive as high level languages. This type of language means to serve all cultural purposes including Art and Science, contrasting with vernacular languages used only for domestic purpose.

***The European semester - from language acquisition to a European feeling of life (Lebensgefühl)***

The political misuse of European values for tactical purpose has transformed the history of blood, sweat and tears to dead letter. In fact, the vitality of European values relies on embedding, emotionally grounded situations enabling the individual to say: “I want to be free. This is not right. I cannot act against my convictions. I will get to the bottom of this. I cannot be corrupted by advantages. This contradicts my European attitude.”

My thesis is the following: Recent research has shocked the rule of “windows” for infantile language learning method in affective terms. Performative approaches to language learning, according to the affective implication a privileged role, have contributed to good results with young adults, under the condition to abandon the conventional school teaching type (Crutchfield and Schewe, 2017). In the phenomenological perspective, the successful integration of the pre-reflexive resonant experience into language learning relies on encorporation (*Einleibung* following H. Schmitz), the basic corporeal communication and interaction with the surrounding world. In this respect language learning is closer to slip into a *Lebensgefühl* (Großheim, Kluck and Nörenberg, 2014) than to reach the highest degree of language proficiency, i.e. linguistic and pragmatic competencies, defined in the Common European Framework of Reference for Languages (CEFRL). The Council of Europe sees this as the main part of the project "Language Learning for European Citizenship". The CEFRL is a useful facilitator of student mobility worldwide, but it consecrates and accelerates with it the international run for the best professional chances. It promotes the model of “human resource individualism” (Münch, 2008), the pointed contemporary form of social autism.



This new European exchange programme will not include English, German, French, Spanish and Italian (as target languages!) because they are learned extensively and intensively in secondary and adult education. In the MONTAIGNE programme, the invitation to learn an *unknown* language starting from scratch avoids interferences from earlier learning experiences. The idea is to have a “blind date” with Europe, just roughly filtered by five groups of available European languages.<sup>4</sup> In this way, the lesser learned languages will come to their right and will place their rich and unknown wisdom at all Europeans. The “European semester” will be open to all university courses and faculties. It will be dedicated completely and in diversified ways to language acquisition conceived as the acquisition of a facet of European *Lebensgefühl*. There will be no other study courses.<sup>5</sup>

Language acquisition will be one decisive key for entering an unknown cultural, affective and linguistic common situation, challenging the corporeal resonance as well as the room for manoeuvre of personal emancipation from overwhelming feelings (Germ. *Ergriffenheit*). The pre-reflexive corporeal space will be activated by performative methods, knowing that pre-reflexive experience is the interface of individual and collective feelings with verbal expression. Jürgen Trabant’s metaphor of a “brother language” (and one could add, in analogy, “sister language”) is appropriate to highlight the affective character of beginning to move in another language; nevertheless, in the phenomenologically trained perspective, Trabant’s expression will even gain a more specific sense.

Following the insights of Hermann Schmitz (2012, pp. 207-277) speaking is, firstly, not using language as an instrument for a practical or theoretical purpose. Imitating the cries of animals, shouting in a working, marching or struggling context contributes to incorporation in common situations. This is the *inclusive* function called “corporeal intelligence” (Schmitz, 2012, pp. 213). To cultivate and extend this competence is meant to create a background the learner is able to sense and to adapt to spontaneously: More or less expressivity in gesture and mimic, ways

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<sup>4</sup> Group 1: Russian, Ukrainian, Bulgarian, Greek, Armenian, Georgian, Group 2: Macedonian, Serbian, Croatian, Slovenian, Czech, Slovak, Polish; Albanian, Montenegrin and Bosnian-Herzegovinian would be excluded for practical reasons ; Group 3: Finnish, Estonian, Latvian, Lithuanian, Hungarian ; Group 4: Icelandic, Scottish, Gaelic, Irish, Norwegian, Swedish, Danish, Dutch ; Group 5: Portuguese, Galician, Basque, Catalan, Romanian.

<sup>5</sup> A detailed curriculum with a preparative European module is yet available. See Werner Müller-Pelzer (2019): Europa regenerieren. Über das Entstehen kollektiver Atmosphären (forthcoming).

of laughing, giggling or keeping silent, way of looking to each-other, proxemics, ways of group behavior, etc.

On the other hand, the specific human capacity consists of speaking in sentences (not necessarily in the grammatical sense), understood as taking some relevant facts out of characteristic, but internally diffuse situations, binding them together to constellations and taking a partial distance toward an obsessing affectivity. This is the *explanatory* function called “hermeneutic intelligence”, trying to make explicit (to singularize) states of affairs, programmatic parts and problems of the respective situation. The exclamation of surprise “Gosh!”, e.g., refers to well-known situations and will be transferred to other contexts, be it right or wrong. “Es gab einen Mordskrach!” characterizes a huge standoff between persons, but with it a specific atmospheric conflict in the perspective of an observer. “Impossible n’est pas français.” may be uttered in different situations and with different affective connotations.

The learning method designed for the MONTAIGNE programme plays with these two facets of speaking another language. Meanwhile the conventional learning method for adults depends on the – erroneous – presupposition of language as a system (Schmitz, 2012, pp. 213) and employs the “analytical intelligence” to apply grammatical etc. rules, the present method focusses the affectivity of common situations, be it in an inclusive or an explanatory way. As a tribute to the adult learners which are familiar with the conventional method from previous language learning experiences, the MONTAIGNE method, nevertheless, considers also a rule-based perspective; otherwise one would provoke intellectual dissatisfaction among students. Additionally, the analytical approach facilitates transfer, accelerates the learning processes and gives more autonomy to the learner.

Playing with the change between the including and the explanatory perspective, the students will develop the mentioned sensitivity for atmospheres when dealing with persons (individuals, families, communities etc.) and places (cities, public monuments, religious buildings etc.) of the country of election, embedded in affectively grounded situations. One of the best entries to these feelings are personal memories of individuals, affectively tinted, explaining fears and hopes, sorrow and pride. The sensitivity for telling, i.e. affective and suggestive impressions, will be the competence to grasp not only the propositional content but above all its implicit significativity when listening to the collective narrations and individual stories of well-chosen interlocutors. Equipped with a general knowledge of the historical background of the respective

country, the students are invited to pay attention not so much to official memory<sup>6</sup> (*kollektives Gedächtnis*), but to the different perspectives of subjective memories (*Erinnerungen*). These stories invite the sensitive listener to incorporate himself into the affecting personal and common situations. They call for a resonant partner, not a judge.

The yield which may be expected from storytelling can even be illustrated with more depth thanks to the phenomenological differentiation between looking and listening (Hermann Schmitz has proposed Schmitz, 2010, pp. 128-131). Looking is the antenna of antagonistic incorporation facilitating to take a position or to change it. Looking allows to focus on targets and, with it, limits the field of activities. Looking, finally, allows to let one's gaze wander: A background of additional affective references is integrated and contributes to let emerge feelings without a definite source.

Listening is lacking all these possibilities. It is unable to wander around; it must be picked up, e.g. by music. The hearer can't develop a defensive attitude so that the sounds become obtrusive: They can't easily be distanced like optic stimuli. But on the other hand, this profile implies specific strengths. First, the dramatic character of narration stems from the tailback of impressions around the corporeal pole of narrowness leading to swelling (Schmitz, 2010, p. 130). Schmitz calls this the historic depth of listening. Second, the obtrusiveness<sup>7</sup> strengthens the perception of corporeal bridging qualities, i.e. suggestions of movements and synesthetic characters: The rhythm and melody of voices may have a suggestive force of attraction, but also an equal repulsive power. Narrations are a privileged channel to generate collective atmospheres, finding their source in the common European type of civilization, an implanting common situation (Schmitz, 2014, pp. 137-147).

## Outlook

To participate in existing implanting European situations and to create new implanting European situations is the objective of the MONTAIGNE programme. The European type of civilization, nevertheless, is not an unchangeable content but a programme to conduct one's life in

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<sup>6</sup> The official memory reflects the – controversial – political discourses to legitimize a certain collective self-image. This is one reason why the intents to write a common history for, e.g., Germany and France have met a more than reserved reception. This is not an appropriate level to promote a better understanding between peoples.

<sup>7</sup> Here, Schmitz refers to his theory of „half things“. Hermann Schmitz (<sup>2</sup>1995): *Der unerschöpfliche Gegenstand. Grundzüge der Philosophie*, Bonn: Bouvier, pp. 216-219; Tonino Griffero (2017): *Quasi-Things. The Paradigm of Atmospheres*. Translated from Italian by Sarah De Sanctis. New York: Excelsior Editions.

a responsible way. In this perspective, dealing with feelings as atmospheres occurs under changing conditions and may change itself the interpretation of the philosophic programme. Being aware of the tension between the two poles of discourse (*Diskursabhängigkeit der Gefühle*) (Landweer, 1995, p. 84) and encorporation (*Einleibung* as affective evidence) will be the challenge of each generation.

The strong affective tie with the country and language of election may even be completed by another type of implanting European situations: The students having run the programme in one country will sense a spontaneous *complicité* with other students having made the parallel *parcours* in another European country. With this result, a first step toward the regeneration of the European type of civilization will have been made.

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## CURRENT CHALLENGES TO THE EU INTEGRATION POLICY

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**Abstract:** *The article explores the conceptual and applied aspects of the EU integration policy in the system of strategic risks in the functioning of a supranational organization. The political, economic, security, energy, social and climate factors under analysis have been perceived as asymmetric in the European space because the European countries with diverse economic and political potential are unable to simultaneously engage in several advanced forms of integration as leading Member States. The emergence of new leaders, new risks for supranational governance, new approaches to defining the common foreign and security policy, in particular in the context of threats to regional peace and stability, have been identified as the key challenges. While the political, social and cultural dimensions of the European integration were considered more important than economic and security stability but the large-scale protests of the European community related to widespread disturbances of public safety and clashes with police, as well as the EU internal contradictions caused by the migration crisis have demonstrated that the EU Member States adopt different approaches to the solution of political, economic and social challenges of the integration policy. Based on the English-language news collection in 'Media Cloud' that includes 1630 international and national media resources, the transformation of the main narratives in 2014-2019 about the changing media attention to the challenges facing EU integration policy has been investigated. The pan-European and international context related to Brexit, the EU economic relations, the EU energy security, the regional instability, terrorist attacks in the European countries, cybersecurity and climate change are identified as important topics for media discussions.*

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**Keywords:** political and economic challenges; security challenges; social challenges; media narratives; EU.

### Introduction

Numerous political, economic and security challenges in the European region, the disturbance of social stability in Europe caused by the migration crisis, the Eurosceptic political

criticism of the necessity to improve the level of social protection of the European Communities, the rejection of European standards by refugees and increased crime have led to a transformation of the conceptual and practical principles of integration policy, as well as a revision of the activity priorities of the EU supranational institutions. The EU position, based on the need for regular monitoring of the current situation in Europe; deepening discussions on the contemporary political, economic and security development of the Union; harmonizing the European economic and security policy; strengthening the political responsibility of Member States for creating mechanisms to overcome social inequalities and assisting vulnerable society groups; coordinating the European actors' cooperation for the development of common approaches to addressing urgent problems, could be seen as an attempt to reform the European integration policy during 2014-2019.

The paper is structured as follows: Introduction; Section 1 discusses the conceptual background providing empirical foundations on the challenges to the EU; Section 2 draws the political and economic components of challenges to the European integration; Section 3 deals with the security aspects of the European integration policy; Section 4 indicates the empirical results of analysing media perceptions of the current challenges to the EU integration policy and Conclusions.

### **Methodology**

The paper uses a descriptive and interpretative approach that is based on the review of previous research, documentary and institutional analysis, as well as interpretation of data prepared within the study. Among the special methods, the statistical method for collecting data on challenges to the EU integration policy in media space has been applied, as well as the content analysis for media monitoring over 2014-2019 regarding the formation of narratives about the issues and their impact on the public perception of the EU activity in the political, economic and security areas.

To study the media attention on the issues of the EU activity over the last five years, the digital platform 'Media Cloud' (2019) has been used to provide access to the raw data of examining challenges. Utilizing the platform, main themes published by specific sources have been examined; the dominant narratives on the challenges facing EU integration policy have been explored; the organizations and political leaders mentioned in media have been identified. These insights to

understanding mainstream news allowed to find out the regional distribution of media mentions on the challenges to the EU integration policy over 2014-2019.

### **Overview of previous research**

Studying the issues of challenges transformation for the European integration policy requires the investigation of the political, economic and security components of current European integration processes by revealing the degree of trust to the supranational institutions in the context of increasing Euroscepticism, clarifying the influence of external and internal factors on the European identity and political consciousness, avoiding the contradictions in the perception of the EU's common foreign, economic and security strategies. The experience of the EU political activity has shown the aspiration of the supranational institutions to solve such problems as preserving the unity of regional space and the trust of national communities to the EU supranational institutions, improving the standards of the European identity, shaping the Europeanness ideas in the migration community, understanding the common European foreign and security policy in the broader context, supporting joint positions and approaches to the renewal of the European agenda for involving the interregional and international actors.

In general, researchers highlight several contemporary challenges to the EU after the European Parliamentary election 2019: the expected economic recession that could damage the eurozone and amount to a serious threat to the European integration process; the break of liberal democracy and the growing support for populist appeals, especially in the face of increasing challenges to the viability of the social model in Europe; the growing divide among the EU's liberal and illiberal governments; the structural challenge includes Brexit that is profoundly reshaping the EU (Palacio, 2019); the climate change, the ageing populations and the digital revolution that are the next challenges for deepening European regional cooperation and finding political and economic mutual understanding among the EU Member States (Valášek, 2019); the populism, the trade disagreement, the migration and the budget deficits continue to impact on Brexit negotiations, the trade dispute among the EU and the United States, as well as the growth of right-wing populist movements in Europe (Riegert, 2019).

It must be noted that the main priorities of the European Commission over 2014-2019 that could be used to solve the above issues included boosting investment and creating jobs; developing digital single market and unlocking online opportunities; making the EU more secure, affordable

and sustainable through an energy and climate union; transforming the internal market; combining stability with fairness and democratic accountability within the economic and monetary union; balancing trade policy without sacrificing Europe's standards; stepping up cooperation on security and justice in the EU and preserving the rule of law; improving the European agenda on migration; strengthening the global role of Europe and making the EU more transparent and democratically accountable (European Commission, 2014a).

The potential future of the Union, depending on the choice made by Europe, according to the EU Commission, may evolve in several directions – delivering the positive reform agenda, re-centring on the single market, allowing the willing Member States to do more in specific areas, focusing on selected urgent policy areas but doing much more together across all policy areas (European Commission, 2017c).

In addition, Ursula von der Leyen, newly elected European Commission president, also calls for addressing environmental and climate issues, providing socio-economic guarantees for Europeans and reforming the migration system as priorities for her future work (European Commission, 2019a). Among the short-term challenge to the European integration policy, the United Kingdom's withdrawal from the EU has been left. While among the long-term challenges, we can note solving the fallout of a trade conflict between the United States and China, boosting the EU digital competitiveness in economy, enhancing the European defence capabilities in the face of political volatility in the USA, as well as delivering on the EU pledge as the world's leader in efforts to fight climate change (Grajewski, 2019). The New Strategic Agenda 2019-2024 adopted by the European Council notes that over the next five years, the EU can strengthen its role in this changing environment and develop the existing political, economic and social model of the EU through protecting citizens and freedoms, developing a strong and vibrant economic base, building a climate-neutral, green, fair and social Europe, promoting European interests and values on the global stage (European Council, 2019).

### **Political and economic challenges to the EU integration policy**

The development of the EU is based on the observance of the principles of social justice that involves the interaction of the supranational institutions and representatives of civil society, the fulfilment of the basic needs of all citizens of the European community, participation in the political and economic integration and strengthening European identity. At the same time, the

common historical heritage and the existence of successful nation-states should only contribute to the European integration and the improvement of the pan-European model of development of the united community.

However, despite the achievements in the integration policy, the EU is facing the contemporary challenges of intra-European and international character. Among the intra-European matters, we can note the political, economic and social issues that arise in the southern and the eastern Member States, the public protests in the EU Member States, the referendums in the UK on leaving the EU and in Spain on Catalonia's independence, the increase of populist scepticism about the prospects not only for the development of European integration but also for its existence as a whole. Among the international matters, the economic stagnation of the EU, the unresolved migration problem, the US-China trade confrontation and the threat of climate change can be highlighted.

An expert analysis of the EU's internal development, the complexity of negotiations with the UK on the Brexit agreement, the response of the European countries to the refugee crisis and the socio-environmental issues in the several European countries showed that it is necessary at the EU level to focus on solving the process of ensuring equal social opportunities and involving all citizens to the pan-European society. Besides, we could underline respect for the principles of gender equality, non-discrimination on all grounds, the implementation of access to education, the business support, the improvement of political and social dialogue, as well as the maintenance of the economic development balance for all Member States. Researchers (Vanhercke, Sabato, Bouget, 2017) note that, despite progress, the socio-economic governance in the EU still does not provide a balanced solution to macroeconomic, fiscal and social problems because the existing asymmetric economic growth of the EU Member States requires the considerable effort to political, economic and social rapprochement of the European political actors.

The migration pressure, associated with the EU discussions on the responsibility for sheltering migrants and providing them with social guarantees, remains the strategic challenge for the European community. The situation, caused by the uncontrolled influx of refugees, has put Europe ahead of the need to take action for overcoming the migration crisis generated by the escalation of hostilities in Syria and northern Iraq, instability in other countries in the Middle East, Central Asia, North and Central Africa. In particular, the European Commission promoted the establishment of a Trust Fund for Africa to stem the flow of refugees from North Africa and the

Middle East and provide financial assistance to Turkey for resolving the issue with Syrian refugees. Besides, France and Germany have established a separate special fund to address the refugee issues (Goodwin, Raines, 2017; European Commission, 2019b).

However, we observe the contradictory attitudes of some EU Member States to the political activities of the supranational institutions in setting quotas for receiving migrants because these actions lead to a limitation of social standards through funding assistance to refugees, intensifying anti-migrant sentiments, deepening political and cultural adaptation of the migrants. Such a situation is used by the nationalist parties or the right-wing movements and associations in Europe for deepening discussions on the appropriateness of the EU existence or European governance system.

At the same time, the economic forecasts from the European Commission also provide a positive assessment of the economic situation improvement through the arrival of migrants to the EU: in the middle-term, an additional effect is expected from an increase in labour supply, provided the implementation of the appropriate policy to facilitate migrants' access to the labour markets. Although increasing discordances are expected between the European countries regarding the allocation of refugee admission quotas and the costs of overcoming the migrant crisis (Fitsova, Solodko, 2016).

The inconsistency of the EU Member States' positions on the agricultural and environmental policy, due to the need to take the climate change into account, also affects the integration policy processes. The debate on developing a green economy, inching closer to net-zero carbon emissions, decreasing crop and livestock production (European Environment Agency, 2019; Rankin, 2019) has led to diverging views on common economic benefits because in the future less developed economies in Europe's southern and Mediterranean regions, as well as in Central Europe will have to abandon the agricultural production in full or in part and refurbish the industrial facilities for improving resilience to extreme events like drought, heatwaves and floods, as well as reducing environmental pollution.

Thus, there are the contradictions in the vision of a common European future by the stronger and weaker economies of the EU countries that contribute to the aggravation of the pan-European political and economic issues. In the long-term, a large part of the world economic growth will come from non-EU countries, therefore, the social stability of Europeans will depend on trade and investment, a strong internal market and an open international economic system



(European Commission, 2017b). These issues are also a need to be combined with the improvement of social standards, the UK's withdrawal from the EU, the general economic recession, the migration issues and disagreements on the EU climate policy. Within the political and economic challenges to the European integration process, the destructive potential of illegal migration also needs to be taken into account which could be used for internally destabilizing some European countries by creating new tension zones, spreading phobias and increasing anti-immigrant and radical sentiments.

### **Security challenges to the EU integration policy**

The renewal of the European Security Strategy has resulted from both internal processes of deepening the EU political and economic integration and external factors, including strengthening the EU's role as an international actor, maintaining a balance of cooperation with NATO, changing the social environment following the terrorist attacks in Denmark, France, Germany, Greece, Italy, Spain and Belgium, as well as the migration crisis in Europe caused by hostilities in Africa and the Middle East region as a whole. The general and targeted challenges to the EU integration policy can be identified in security. The common challenges relate to creating conditions for the full development of the EU and ensuring the security of the territory and the citizens of the community, while the targeted challenges include overcoming terrorist threats, combating cybercrime, protecting critical infrastructure against cyberattacks, resolving active or frozen conflicts and the EU energy security issues.

Recognizing the need to reform the common European security and defence policy, the European Commission adopted a renewed European Agenda on Security 2015-2020 for more effective cooperation among the EU Member States on particularly vulnerable challenges to the European citizens that are a transnational and require the action coordination by all EU Member States (European Commission, 2015d).

According to the tasks to address threats, the strategic plans have developed for engaging political, economic, diplomatic and military tools aimed at the formation of common security policy pillars, counter-terrorism, the EU participation in peacekeeping operations, including the Crisis Response Program, the modification of the Euro-Atlantic cooperation and NATO's role in the structure of European security, the possibilities of creating the European defence forces. It should be noted that the transformation of the European security policy is also conditioned on the

change of the EU's territorial borders, the appearance of the Middle East instability area, the dangerous conflicts in the post-Soviet space, therefore, the security strategy emphasizes both the need for an allied partnership with the US and the strengthening of the European security and defence system (European Commission, 2015c).

The cooperation of the EU Member States is based on such European security priorities as overcoming the threat of the terrorist acts in Europe that requires a reinforced EU response to terrorism and foreign terrorist mercenaries because the European citizens join the terrorist groups in conflict zones, shaping potential threats for European internal security on return; identifying and overcoming cross-border organized crime, including human and arms trafficking, drug smuggling, financial, economic and environmental crime; tackling cybercrime at the European level and identifying cyber threats to the security of the EU and its Member States beyond integration formation; improving the security of the dissemination, transmission and exchange of data on the Internet and the creating a single EU digital market to enhance digital competitiveness with the USA and Japan; intensifying the EU's global and regional influence on international issues (European Commission, 2015c).

The approach of the European Commission and the Member States aimed at addressing security concerns in Europe is based on counteracting radicalization through the creation of the Radicalisation Awareness Network in the EU; updating framework decisions on combating terrorism in order to provide a more coherent legal foundation that will enhance cooperation with the third countries on the prevention of terrorist threats; reducing the funding of criminal groups through the cooperation of national financial intelligence units affiliated to Europol; strengthening the dialogue with major IT corporations to combat terrorist propaganda on the Internet; introducing mechanisms for combating cybercrime and criminal investigations on the Internet (European Commission, 2015a; Immenkamp, Sgueo, Voronova, Dobрева, 2019).

The updated EU common security and defence strategy addresses such cybersecurity challenges and threats as combating information and cyber threats, tackling cyberterrorism and cybercrime which require finding an acceptable solution among the EU supranational institutions and the Member States regarding the need to improve the European cybersecurity program. Experts stress that there will be stronger the EU interaction with the UN Security Council on counteracting cyber threats; deepening partnerships with the USA, Japan, China, Canada and India in cyber defence; transforming the EU cybersecurity regulatory framework by adopting

conventions, directives, recommendations and resolutions on European cybersecurity and privacy of e-communications; identifying and evaluating information and cyber threats for critical life infrastructure of the European community as a whole and national communities in particular. The European Security Strategy also contains provisions on the need to overcome digital asymmetry among the EU countries, to prevent conflicts in the European region with the use of information weapons, to safeguard fundamental human rights and freedoms in the information space, to counteract destructive information influences on the moral values of the European communities (European Commission, 2015a).

The cross-border nature of the threats is forcing the EU countries to work closely at the pan-European level that is necessary not only to effectively prepare for counteracting cyberattacks but also to respond to them promptly. To support the EU Member States concerning the development of national cybersecurity policy, the European Union Agency for Cybersecurity (ENISA, 2019) has developed a special workshop that provides a brief analysis of the current state of cybersecurity strategies of the EU Member States and other countries, the common features and differences in national strategies, as well as the recommendations for implementation of a cybersecurity strategy in EU countries.

The security challenges also include active or frozen conflicts, in particular in the post-Soviet space, that prompt the EU to revise existing security strategy, formulate an updated common security policy and transform the Eastern Partnership policy. At present, the program of counteracting misinformation and anti-European propaganda is being actively implemented in Europe to unite efforts for overcoming Russian information pressure not only in the East of Europe but in every European country. In addition, the program has been launched in the EU to combat 'hate speech' on the Internet, and major IT companies, including Facebook, Twitter, YouTube and Microsoft, have signed a new code of conduct that obliges them to prevent the spread of hate speech, track the appearance of such words on social media and remove it within 24 hours.

The challenges to the EU integration policy in energy security linked to the need for a stable functioning of the European energy market, to support the security of energy supply to the EU, to integrate energy networks, to encourage the Member States to implement energy efficiency and energy savings policy, and to develop new and renewable sources of energy. The Treaty of Lisbon (European Union, 2007) provides for mandatory collective responsibility if an EU Member State has been the victim of aggression that requires other countries to provide it with assistance

and support by all possible means. Although this provision applies to the military sphere, we cannot exclude that such obligations may spread to EU energy security. It should be added that the correlation between the common energy policy and the common foreign policy of the EU has also been reflected in the strategy 'Energy 2020' (European Commission, 2011) that for the first time referred to ensuring uninterrupted access to energy products and services at an affordable price for all consumers. Thus, the need for conducting external and internal negotiations was identified between consumers, suppliers and transmitters of energy resources to Europe.

Following another aggravation of bilateral relations between Ukraine and the Russian Federation in early 2014, the EU has developed the European energy security strategy and outlined the areas of energy interests among which we could distinguish the formation of European foreign energy policy and the review of intergovernmental energy agreements of the EU countries with other states for preventing suppliers' pressure; diversification of supplying countries and routes through enhanced cooperation with Norway and Saudi Arabia, as well as finding new partners in the Caspian region; the enhancement of internal energy production in the EU when achieving the right state of energy efficiency; the creation of missing infrastructure links to respond quickly to energy supply disruptions and to increase the level of critical infrastructure protection (European Commission, 2014b). These provisions were the basis for building the EU Energy Union's strategy (European Commission, 2015b) to reduce the energy import dependency and to overcome the existing energy monopoly by other countries. Current EU energy security challenges include the diversification of energy supplies, the renewal of nuclear energy with the use of modern technologies to ensure the safety of nuclear power plants, the development of alternative and renewable energy sources to reduce oil and gas consumption, the reduction of carbon emissions, as well as the implementation of energy saving technologies to reduce the energy intensity of the EU economy.

## **Results**

Based on a study of global and regional political, economic and security trends, as well as the priorities of the EU supranational institutions, key challenges have been identified including Brexit, Terrorism in EU, Crisis of liberal democracy / Populism in EU, Economic crisis in EU, Cybersecurity and EU, War in Ukraine, European energy security and Russia, Immigrants and refugees in EU, Climate Change and EU. The selected topics were analyzed by means of the global

English language news collection, shaped in 'Media Cloud' and included 1630 international and national media resources, that allowed to qualitatively and quantitatively explore of news about the researched issues, as well as to comprehend major information trends on the EU integration policy from January 2014 to September 2019.

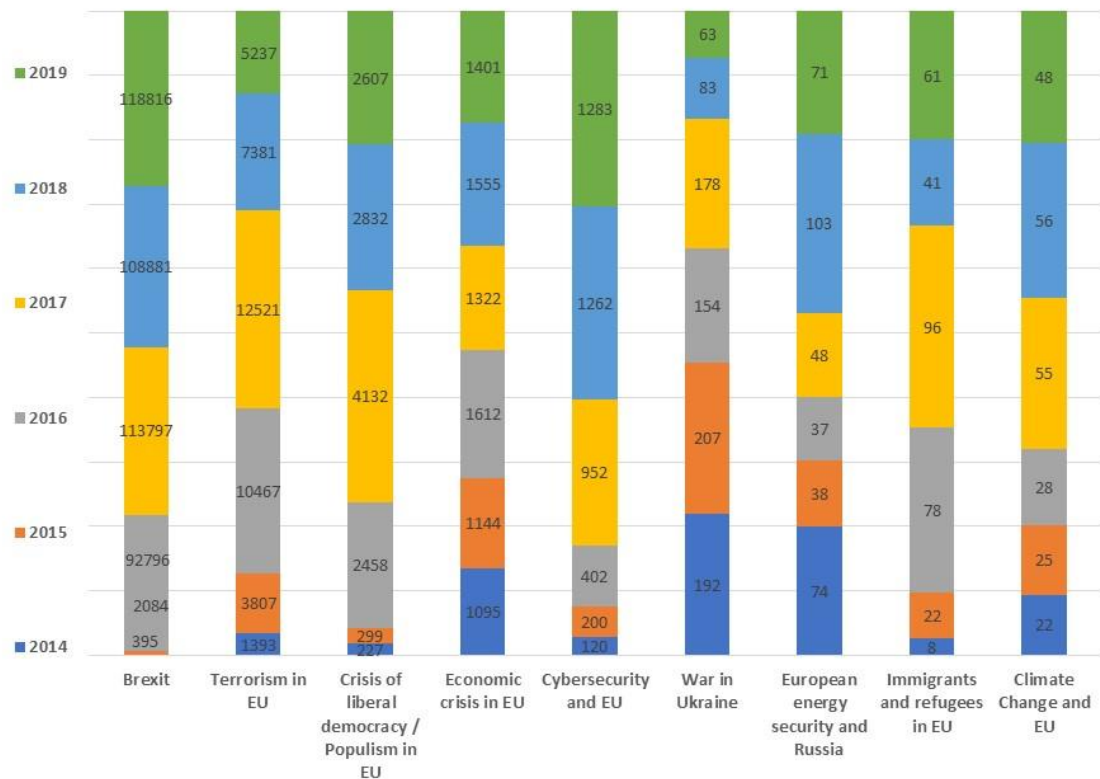
The media monitoring and evaluation of the foreign policy processes enabled to identify the political, economic and security trends in the EU integration policy, to observe the political attitudes of international actors and to determine the peculiarities of public opinion and the level of audience awareness about the EU regional and foreign policy activity. The interaction of international actors on current events and processes led to the filling of the information space with relevant thematic content, so comparing such indicators as time periods, news content, regional distribution of messages and dominant narratives made it possible to find out the degree of ideas dissemination, the involvement of political leaders and organizations, as well as main trends of media space with possibility to influence public awareness on researched issues.

The study of news over 2014-2019 has allowed concluding that media attention on the challenges to the EU integration policy has shifted (Figure 1), as a result, the messages could be divided into two groups:

- the first group includes the contemporary discussions that have not only the pan-European but also the international context. In particular, this applies to the following challenges listed in descending order: Brexit (total 436769 messages), Terrorism in EU (total 40806 messages), Crisis of liberal democracy / Populism in EU (total 12555 messages), Economic crisis in EU (total 8129 messages) and Cybersecurity and EU (total 4219 messages);

- the second group includes the situational discussions that can be considered as deriving from the aforecited challenges; moreover, such discussions could be used by political actors to 'stir up' interest or distract the audience attention. In particular, this applies to the following challenges listed in descending order: War in Ukraine (total 877 messages), European energy security and Russia (total 371 messages), Immigrants and refugees in EU (total 306 messages), as well as Climate Change and EU (total 234 messages).

Figure 1. Total attention to the selected topics over January 2014-September 2019



Source: compiled by authors according to online platform 'Media Cloud'.

Thus, the first group challenges can direct influence on the EU integration policy processes, while the second group challenges have an indirect impact on the European integration processes and can be considered as the tangents to the first group.

The news content on examining challenges to the EU integration policy over 2014-2019 consisted of the official events held at the regional and international levels with the participation, initiative or support of the EU, as well as the expert materials prepared for the media aimed at shaping public attitudes towards the political, economic, security and social processes taking place in the EU. Notably, the news coverage on the official events was predominantly informative, while the experts' evaluations contained their reflections on the events that took place and were not always objective. Thus, there is a tendency to increase the number of experts commenting on events but such reflections are not always professional and, therefore, can destructively or constructively influence the peculiarities of public opinion formation.

Within the first group of the contemporary discussions, the following subject lines can be distinguished:

- Close attention of the Global English Language Media to Brexit connected with the huge number of news about the EU break-up and the unresolved issue of the terms of the UK's exit from the EU. The media also reported on the financial and social consequences of Brexit for the UK citizens and other EU countries, the internal political crisis in the country due to the lack of a united position, as well as the prospects of British-American relations.

- The issue of 'Terrorism in the EU' was considered in the context of security instability in the Middle East, the terrorist attacks in European countries, the negative attitudes of the European community towards Muslims, the extension of NATO's funding for security, and a lack of unity in Europe regarding updating the common security policy. Some news also concerned the determination of Arab-EU leaders to fight terrorism, cultural and religious intolerance.

- 'Crisis of liberal democracy / Populism in EU' connected with such news lines as 'Europe's credibility is at stake', 'Labour cannot ride the Brexit wave to socialism', 'it must fight the nationalist right', 'refugees' drama goes on' and elections in the EU.

- 'Economic crisis in EU' concerned the countries' positions on reforming the euro area, promoting the greater economic development of Spain and Greece, negotiating US-EU trade agreement, cooperating within the G7 and G20, continuing US-China trade war and giving EU financial assistance to non-EU partner countries.

- 'Cybersecurity and EU' connected with such news lines as 'New Cybersecurity Rules in EU', 'EU lays out path to digital single market', 'China-EU Cooperation on Combatting Cybercrime', 'EU prepares for 'dark scenario' of cyberattacks', 'new data pact between the EU and USA', 'fighting fake news on Facebook', 'bolster cybersecurity', 'protect data privacy' and 'fight with Huawei in Europe'.

Within the second group of the situational discussions, the following subject lines can be distinguished:

- The media rhetoric on 'War in Ukraine' was reduced to comparing armed confrontation in Ukraine with other conflict zones in Europe and the world, talking about Minsk agreements on the truce in Eastern Ukraine, strengthening Russian influence on the Balkans, extending European blacklists of Russian diplomats and defining impact of the USA on the European regional policy and Germany and France's position in this context.



- Concerning 'European energy security and Russia', media attention focused on EU/USA sanctions, gas transit to Europe through Ukraine and Europe's dependence on this process, gas security and supplies of energy resources from the USA and Asian countries, gas talks between Kyiv and Moscow. Other media messages were connected with such topics as attempts to construct additional Russian pipelines bypassing Ukraine (especially North Stream-2 and South Stream); abusing market position by Gazprom; energy interconnection among Russia and Greece, Turkey, Serbia; joining forces of the European countries for sharing energy resources to overcome security risks; using energy resources as a 'weapon' of hybrid warfare and defining the European space as US-Russia battleground.

- Discussions on 'Immigrants and Refugees in EU' is related to such news as 'Europe must be truly social', the position of European states to restricting the reception of migrants within their territory (Hungary's anti-migrant referendum), 'the cultural poison of Europe's immigration policies' and unwillingness by the EU citizens to adopt non-European cultural traditions. Besides, some media emphasized that the political elite of European states sometimes resort to 'using refugee's tragedy for political gain', as well as how these processes affect the European integration.

- Regarding climate change and the EU's role, the media actively covered issues of global warming impact, climate talks, the annual Conference of the Parties to the United Nations Framework Convention on Climate Change, Paris Agreement on Climate Change, impact of climate change on disease risk in Europe, using community for fighting climate change. The other news about 'Climate Change and EU' in the following years included the protection of human rights in climate change, the safety of the regional environment in Europe, the agriculture and food security policy, the carbon colonialism and climate corruption, the European farmers, the emissions, the floods and the climate refugee debate.

Thus, the dominant narratives that shaped the interpretations of the challenges to the EU integration policy from a certain viewpoint, subsequently, generated in public opinion a set of concepts, ideas, symbols or schemes regarding the political, economic and security trends in the EU or the whole region. It should be emphasized that through using the Internet such ideas on the interpretation of the European integration policy can be spread, as well as commented on an infinite number of times, leading to the huge information stream, when the target audience may lose touch with reality, live in a virtual world and make decisions (especially during referendums or elections) focusing on misconceptions about the EU regional and international activity.

Within the first group of the contemporary discussions (Brexit, Terrorism in EU, Crisis of liberal democracy / Populism in EU, Economic crisis in EU, Cybersecurity and EU), we could highlight such blocks of dominant narratives as the political block that focuses on ‘politics and government’, ‘elections’ and ‘US politics and government’; the economic block that focuses on ‘economic conditions and trends’, ‘finances’, ‘credit’; the international block that focuses on ‘international relations’ and ‘international trade and world market’; the legal block that focuses on ‘law and legislation’, ‘freedom and human rights’, ‘legislatures and parliaments’; the technical block that focuses on ‘computers and the internet’, ‘telephones and telecommunications’. Notably, the narrative ‘terrorism’ simultaneously combines political, economic, international, legal and technical blocks (Tab. 1).

Table 1: Narratives on the first group of the contemporary discussions, January 2014-September 2019

Challenges	Dominant Narratives, % of total messages	
Brexit	international trade and world market	14
	economic conditions and trends	18
	elections	20
	finances	25
	politics and government	75
Terrorism in EU	US politics and government	27
	international relations	41
	terrorism	41
	politics and government	79
Crisis of liberal democracy / Populism in EU	US politics and government	24
	legislatures and parliaments	25
	freedom and human rights	25

Challenges	Dominant Narratives, % of total messages	
	economic conditions and trends	25
	elections	30
	politics and government	89
Economic crisis in EU	elections	17
	credit	17
	international relations	26
	finances	36
	economic conditions and trends	52
Cybersecurity and EU	telephones and telecommunications	19
	US politics and government	20
	international relations	23
	finances	25
	law and legislation	33
	politics and government	48
	computers and the internet	54

Source: compiled by authors according to online platform 'Media Cloud'.

Within the second group of the situational discussions (War in Ukraine, European energy security and Russia, Immigrants and refugees in EU, Climate Change and EU), the dominant narratives were narrowly thematic that allowed to purposefully shape the public perception of issues related to the EU internal and external activity (Tab. 2). The studied discussions also were socially sensitive for the European community and, therefore, required the targeted explanations or interpretations. At the same time, only such blocks of narratives as the political (politics and government, US politics and government) and international (international relations, international

trade and world market, US international relations) and partly economic (economic conditions and trends) have been identified in almost all examining challenges of the second group.

Table 2: Narratives on the second group of the situational discussions, January 2014-September 2019

Challenges	Dominant Narratives, % of total messages	
War in Ukraine	armament, defence and military forces	32
	US international relations	35
	US politics and government	41
	international relations	61
	politics and government	89
European energy security and Russia	gas (fuel)	49
	international trade and world market	54
	oil (petroleum) and gasoline	65
	politics and government	65
	energy and power	69
Immigrants and refugees in EU	international relations	20
	elections	23
	travel and vacations	24
	economic conditions and trends	25
	US politics and government	25
	religion and churches	33
	immigration and refugees	48
	politics and government	77
	food	20

Challenges	Dominant Narratives, % of total messages	
Climate Change and EU	economic conditions and trends	25
	weather	26
	global warming	31
	environment	32
	politics and government	42

Source: compiled by authors according to online platform ‘Media Cloud’.

Political leaders who were the most average mentioned in the context of examining challenges in 2014 were Barack Obama (13% messages), Angela Merkel (13%), David Cameron (18%), John Kerry (10%), Nigel Farage (23%) and Vladimir Putin (30%); in 2015 – Angela Merkel (18%), Barack Obama (16%), David Cameron (28%), John Kerry (9%), Francois Hollande (14%), Jean-Claude Juncker (11%) and Vladimir Putin (21%); in 2016 – Angela Merkel (14%), Barack Obama (10%), Boris Johnson (9%), David Cameron (19%), Donald Trump (19%), Hillary Clinton (13%), Nigel Farage (11%), Theresa May (10%) and Vladimir Putin (22%); in 2017 – Angela Merkel (9%), Barack Obama (6%), Boris Johnson (5%), Donald Trump (11%), Emmanuel Macron (7%), Jean-Claude Juncker (5%), Jeremy Corbyn (6%), Marine Le Pen (10%), Petro Poroshenko (10%), Theresa May (9%) and Vladimir Putin (11%); in 2018 – Angela Merkel (11%), Boris Johnson (11%), Donald Trump (17%), Emmanuel Macron (11%), Federica Mogherini (10%), Theresa May (13%) and Vladimir Putin (21%); in 2019 – Angela Merkel (10%), Boris Johnson (14%), Donald Trump (18%), Emmanuel Macron (13%), Jean-Claude Juncker (5%), Mike Pompeo (6%), Theresa May (13%), Vladimir Putin (27%) and Volodymyr Zelenskiy (15%).

Using the frequency of mentions of the political leader in the news, we can distinguish the international political leaders who have been mentioned in the context of almost all examining challenges to the EU integration policy and the regional (European) leaders who have been mentioned only in the narrow research topics. Thus, within the first group (Brexit, Terrorism in EU, Crisis of liberal democracy / Populism in EU, Economic crisis in EU, Cybersecurity and EU), the main political leaders most frequently mentioned were Angela Merkel, the Chancellor of

Germany; Barack Obama, the 44th President of the United States; Boris Johnson, the Prime Minister of the United Kingdom since 2019; David Cameron, the Prime Minister of the United Kingdom from 2010 to 2016; Donald Trump, the 45th President of the United States; Emmanuel Macron, the President of the Fifth Republic of France; Jean-Claude Juncker, the President of the European Commission from 2014 to 2019; and Theresa May, the Prime Minister of the United Kingdom from 2016 to 2019.

Within the second group (War in Ukraine, European energy security and Russia, Immigrants and refugees in EU, Climate Change and EU), the most frequently mentioned political leaders were Angela Merkel, the Chancellor of Germany; Barack Obama, the 44th President of the United States; Donald Trump, the 45th President of the United States; David Cameron, the Prime Minister of the United Kingdom from 2010 to 2016; Donald Trump, the 45th President of the United States; Emmanuel Macron, the President of the Fifth Republic of France; John Kerry, the 68th United States Secretary of State; Jean-Claude Juncker, the President of the European Commission from 2014 to 2019; Nigel Farage, the Leader of the Brexit Party; Petro Poroshenko, the 5th President of Ukraine, and Vladimir Putin, the President of the Russian Federation.

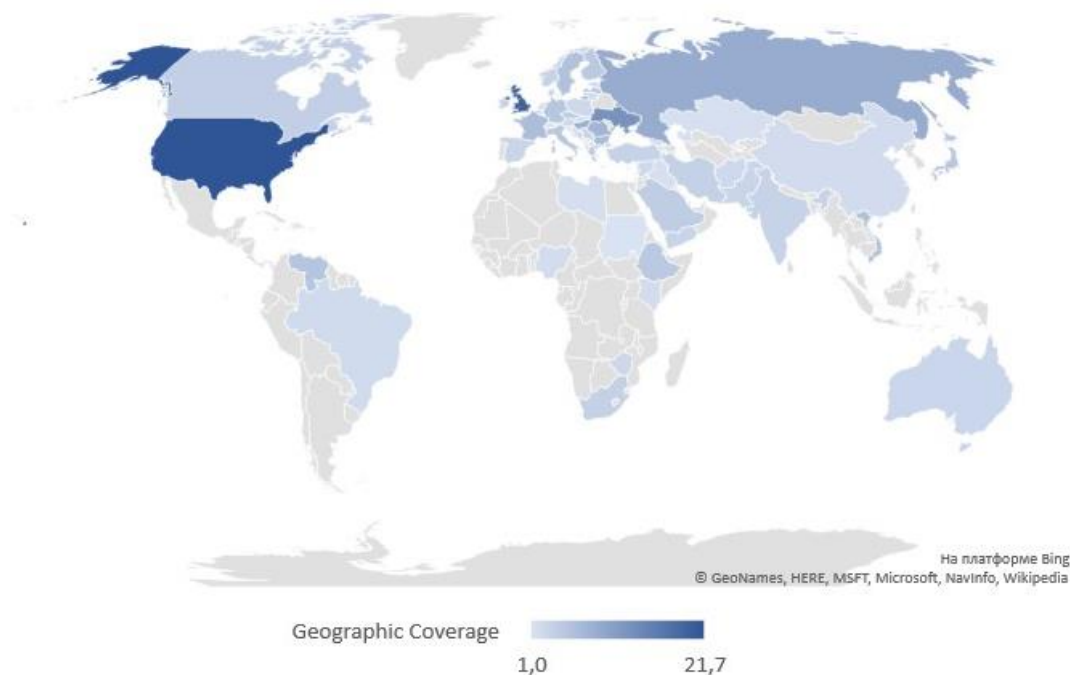
During the coverage of the challenges to the EU integration policy, media referred to directly EU and its supranational institutions (the European Council, the European Commission, the European Parliament) and also the activities of several international institutions – the United Nations, the International Monetary Fund, NATO and OSCE. In addition, the mention of the White House, the Congress, the Senate (the USA) and the Kremlin (the Russian Federation) can be distinguished among the government institutions of other states. Reuters, New York Times, Associated Press, BBC and Agence France-Presse were among the media that have become the main platform for spreading thematic issues.

The trends of the regional distribution of mentions on the challenges to the EU integration policy over 2014-2019 (Pic. 2) have shown that:

- at the political and economic level: not only the leading states of the world, the EU's partners but also the countries trying to develop relations with the EU Member States are mentioned in the covering of the issues related to the EU activity; the discussions about the UK's withdrawal from the EU and its political and economic implications for different countries received wide international coverage; there is a tendency on the social instability in the Member States, leading to street protests of dissatisfied people, which can be used to 'stoke up' negative

attitudes towards the authorities and create conditions for dissatisfaction with their activities; public attention have been attracted to discuss the environmental issues at the pan-European and international levels; there is a tendency to focus on addressing migration issues at the EU level and the distribution of migrants among the Member States, although some European countries (Austria, Bulgaria, Greece, Italy, Hungary) issue particular demands on such a process; the rise of populist sentiments in Europe led to increased doubts on the effectiveness of the EU supranational institutions and the need to further expand the integration process; also, the slowdown in the growth of the EU economy could aggravate the political and social issues in the future.

Figure 2. Geographic coverage of mentions on the challenges to the EU integration policy over 2014-2019; %



Source: compiled by authors according to online platform 'Media Cloud'.

- at the security level: there is a situational involvement of states in the discussion of security issues, that is, a direct correlation between acts of terrorism committed in a country or the level of a terrorist threat and countries discussed in this context in the information space; the general public may have misconceptions about the states and the security level (a person has heard



or read about it), although essentially such a threat may not exist or its occurrence is low; the countries that have been attacked by terrorists should pay more attention to the internal and external audiences, as well as allocate more financial and political resources to overcome the prejudice regarding staying safely in the country; such measures should also be implemented by countries with active armed conflicts; public attention to security issues is also linked to countries that have had territorial problems in recent years; there is a change of involved countries in addressing energy security in consequence of the transformation of the EU's energy diversification policy through increased interaction with energy suppliers, the construction of additional pipelines and attempts of solutions the energy transit through Ukraine.

### **Conclusions**

Summarizing the analysis of the current challenges to the EU integration policy, we can note that the essential characteristics of the organization's activities are the formation of a constructive dialogue on the matters of joint interaction at the European level, the EU's desire to solve political, economic and security issues through deepening the European dialogue and aligning the vectors of the common development strategy since the dynamics of attitudes towards the European integration depend on the international and political situation, in particular at the EU borders, and on internal factors – economic stability, social protection, migration settlement, etc.

In prospect, the Member States and the supranational institutions will have to update common political, economic and security cooperation programs aimed at solving European countries' development issues considering their economic potential and effectiveness of the European actors' activity. The EU position will be based on the need to regularly monitor the current situation in Europe, to deepen discussions on the development of the EU economic, security and defence policy for maintaining the competitiveness of all Member States. At the same time, the fight against terrorism, cyberattacks, as well as counteracting external information influences will remain urgent challenges for the EU integration processes.

The EU initiatives to tackle regional issues related to the UK's exit from the EU, terrorism, assistance to third countries in counter-terrorism operations, combating cybercrime and destructive propaganda, as well as economic and social instability within the EU, will become the strategic interests of the European community since solution of these issues will strengthen the international and regional leadership and demonstrate the political potential of the EU.

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## COMPARATIVE ECONOMIC DEVELOPMENT MODELS POLAND AND THE REPUBLIC OF KOREA

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**Abstract:** *Poland and South Korea are widely recognised as successful examples of economic transformation. As a result of transformation, poor and economically underdeveloped states have managed to maintain extraordinary economic growth for a long time, significantly improving their citizens' quality of life and joining the group of highly developed economies. The changes in both states were implemented on the basis of consistent references to two different paradigms of political economy: interventionist and liberal. This article presents theoretical models of growth, trying to match them with the practical dimension of the economic policy of the two states. The aim of the comparison is to define and present these models and their empirical verification. The period of the study in the case of South Korea comprises mainly the developments after 1961, and in the case of Poland, the reforms after 1989. The article consists of five sections dealing, respectively, with: theoretical aspects of development; justification of the comparison and the choices made by the states; transformation in South Korea; transformation in Poland; and finally, the summary.*

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**Keywords:** Economic development models, growth, economic policy, economic transformation, Poland, South Korea.

### **Theoretical aspects of economic development and growth**

The aim of this article is to compare the economic development models of two economic transformations that are widely recognised as successful. They constitute the two cases frequently referred to not only in the scientific literature, but also in real reform programmes designed for the so-called *economies in transition*. The comparative research approach will allow for a more comprehensive presentation of the course of the changes and will also allow attention to be paid to elements that may otherwise remain hidden. The aim of the study is also to define what the

developmental models adopted by Poland and South Korea were based on (Cypher and Dietz, 1997).

Since the formation by Xenophon of the term *oikonomics*, the ambition of the majority of economics scholars has been not only to familiarise themselves with its phenomena and laws, but also to formulate principles that might become a universal model for achieving prosperity. By creating principles, formulating recommendations and guidelines, some of them abandoned the positivist narration of scientific research and transformed economics into a more normative science.<sup>8</sup> More or less theoretical, idealistic or materialistic, utopian or scientific visions of development laws were created. Some of them have been very strictly verified and evaluated by history. The empirically verifiable cases seem to be more valuable. Representatives of this principles-focussed approach are represented in nearly all eras— Xenophobe, Aristotle, Saint Thomas, J.B. Colbert, T. Mun, A. Smith, D. Ricardo, J.S. Mill, K. Marx, L. V. Mises, J.M. Keynes, J. V. Hayek, J. Williamson, J. Stiglitz and many others.

The starting point for this study will be the question regarding the definition of the development model, understood as a set of economic assumptions based on a coherent economic paradigm. These models do not involve just economics, that is, their area of influence goes far beyond the boundaries of economics. Their implementation has brought specific results: higher than average economic growth, an increase in standard of living, changes in the structure of national income production, profound social and even cultural transformations.

Navigating the theoretical forms of growth should begin with a direct reference to the theory of development, which assumes that less developed countries differ from developed countries. They are different and should be treated differently. Thanks to this statement by Robert Gilpin, one may set the hypothesis that while neoclassical (neoliberal) principles work well in highly developed economies, specific conditions in developing countries make them inapplicable (Gilpin, 2001, p 307).

What is more, countries that have undergone industrialisation processes earlier, using the ‘Advantage of competition’s backwardness’, were able to exploit production and purchase factors more effectively, which gave them a significant advantage and experience. Currently, developing

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<sup>8</sup> Such an approach is found in the works of most of the representatives of the classical school in economics, including A. Smith, D. Ricardo, R. Maltus, J.B.Say, J. S. Mill. The aim of their dissertations is not only to present the laws of economics, but to formulate the principles of economic policy for governments.

countries operate in the international environment with very strong competition and have no chance to catch up with the developed countries without state intervention (Gerschenkron, 1962). Raul Prebisch,<sup>9</sup> UNCTAD and Economic Commission for Latin America expert, argued that in such conditions, developing countries should build economic structures behind the high wall of customs protection (Gilpin, 2001, p 308).

Gunnar Myrdal also drew attention to the impossibility of self-reliant escape from the closed economic circle of poverty. He explains that poor countries have low levels of savings, which translate into low capital expenditure. This means that their enterprises do not have the resources necessary for development and cannot compete, thus remaining out of the international market— which pushes the country into poverty and even lower savings rate (Myrdal, 1957). Only state institutions— not market mechanisms— allow poor countries to break free from this circle. This theory was also presented as the ‘Big Push’ strategy by Paul Rosenstein-Rodan (1943). Robert Wade used the term ‘governed market’ to illustrate economic mechanisms based on the theory of development in developed countries (Wade, 2003).

The essence of the model based on the theory of development boils down to the recognition that the market mechanisms themselves, in conditions of economic underdevelopment, will not ensure effective allocation of production factors. Only state intervention in the form of industrial policies, including trade policies, will allow elimination of economic dysfunctions and generate positive incentives within the economy (Wziętek-Kubiak, 1996, pp. 106, 107). This is the interventionist model. Its essence is the recognition of the necessity of state participation in the economy and in the international market—recognition of the legitimacy of protecting national markets. It aims at mitigating the effects of liberalisation for low-competitive domestic production, reducing the distorting impact of the international environment and giving time to adapt production branches to the global level. In contrast to the liberal approach which allows shock therapy, protectionist policy is of a long-term nature (Wziętek-Kubiak, 1996, p. 108).

Liberalism, in turn, embodies the belief of the classical school in the concept of the invisible hand of the market, the private initiative of the Austrian school or the positive effect of

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<sup>9</sup> See A. Wróbel (2005) *Paula Prebischa wizja gospodarki światowej i jego rola w rozwoju teorii wymiany międzynarodowej* (Paul Prebisch's vision of the global economy and its role in the development of international exchange theory). In: R. Kuźniar (eds.) *Porządek międzynarodowy u progu XXI wieku. Wizje, koncepcje, paradygmaty* (International order at the beginning of the 21st century—Visions, concepts, paradigms), Uniwersytet Warszawski, Warszawa.



Schumpeter's creative destruction.<sup>10</sup> It is based on the neoclassical price theory, standard macroeconomics and the concept of *homo oeconomicus* (Piątek and Szarzec, 2008). In the international dimension, it is in the nature of liberalism to pursue trade policies based on the promotion of exports, and not the anti-import or autarkic policies.

It should be remembered that the creators of the Washington consensus —the symbol of neoliberalism —considered their programme to be fully universal, that is, one that was effective in any place and time. The degree of development of a state, its social capital or cultural circle to which it belonged were not considered of significance. Apologists of neoliberalism recommended, sometimes even enforced, the application of its principles at every opportunity. Changes in Korea, on the other hand, were of deterministic nature as existing conditions were taken into account—current needs and real opportunities (Gołota, 2016). Liberalism allows evolutionary, natural changes in the institutions of the capitalist market and includes opposition to the 'constructivist' reforms introduced by a state, which distort natural economic processes. In the methodological dimension, the liberal paradigm tries to explain the economic reality with the aid of abstract models popularised by Paul Samuelson in his work *Foundations of Economic Analysis* (Samuelson, 1983). This methodological shift from descriptive research to a very formal one has undermined interest in the theory of development. In times of growing interest in mathematical and formal methods, it could not be presented in the form of abstract modelling (Krugman, 1995).

It is also useful at this stage to refer briefly to the postulates regarding the method of introducing changes: that is, the theory of shock therapy (usually associated with neoliberalism) and gradualist therapy (associated with systematic state activity in the economy). The first one assumes that the broadest possible, comprehensive reform effort must be undertaken within the shortest possible time as the political mandate for its implementation, may quickly dwindle as a result of social unrest. It should be noted that partial reforms in socialist countries did not bring any results, so it may be that only 'shock' solutions show results. An example is price liberalisation in Poland, which without any institutional, legal, or regulatory changes would not make sense.

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<sup>10</sup> Ben Slay (1993) The Dilemmas of Economic Liberalism in Poland, *Europe-Asia Studies*, No.2, p. 238. Joseph Schumpeter observed that the emergence of new, innovative enterprises is usually accompanied by the collapse of older and more traditional ones. This process sustains economic development and is a positive phenomenon (creative destruction). An example can be Xerox (photocopiers) or Polaroid (cameras) which, after the technological revolution in their industry, stopped developing and were consumed by competition.

Therefore, the change should be radical, carried out at once, and at the beginning of the transformation (Jarmołowicz and Piątek, 2016). The second method assumes the changes are amortised over time.

It is in this case that the policy of creating industry ‘from scratch’—which, in the conditions of global competition, would not have a chance of success—is important. This issue was first noticed in the 19<sup>th</sup> century in the theory of trade by John Stuart Mill (1959, p. 749), who allowed the possibility of protection in the cases of, as he called it, the ‘infant industry’. He thus opposed the achievements of the classical school in the area of international exchange. He recognised that the entry barrier for new players in the market, in the conditions of the liberal economic order, dominated by huge players, would be impossible to overcome.<sup>11</sup>

The recognition of the role of trade in the transformation process is crucial. In fact, as since David Ricardo’s theory of comparative advantage, international trade has been perceived as an instrument of economic development (Ricardo, 2004). Although the naive belief in equal distribution of benefits in the course of trade exchange was abandoned (Gołota, 2016), trade is still widely recognised as an instrument conducive to economic development. The best example of that is the universality of the WTO system and the universality of free trade agreements (currently 445 RTA – *Regional Trade Agreements* –notifications have been sent to WTO).<sup>12</sup> The same refers to the international flow of investments, which is widely recognised as having a positive impact on economic development (Weidenbaum, 1969). The trade-based approach will therefore be a litmus test in determining the relevant theory—neoliberalism or interventionism.

The interest in the mechanisms of achieving growth led to the formation of (political) development economics as a separate branch of economics. Researchers in this area are also classified on the basis of two basic issues: the impact of external factors on economic development and the role of the state in the economy (O’Brien, M. Williams, 2013, p. 223). Walt Rostow (1960), in his book *The Stages of Economic Growth*, indicates that each society, regardless of the environment, undergoes the same stages of development. Thus, following the solutions provided by developed economies will allow faster development (modernisation theory). Yet, researchers such as Theotonito Dos Santos (1970), Andre Frank (1967) and Samir Amin (1976) argue that

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<sup>11</sup> For example, it seems impossible to create a Polish car in the current conditions of global competition without state support.

<sup>12</sup> [https://www.wto.org/english/tratop\\_e/region\\_e/regfac\\_e.htm](https://www.wto.org/english/tratop_e/region_e/regfac_e.htm) [accessed 28.11.2017].

development differences have arisen as a result of external factors: mutual influence and often economic exploitation. In their opinion, development disparities would not have appeared without the global capitalist system. Thus, they emphasise the dominance of external factors.

The theories about economic growth discussed here have certain overlapping features and others that are exclusive to each. The purpose of Table 1 is to enable partial categorization.

*Table 1: Selected opposing approaches in development economics. Own study.*

Indicator	Approach 1	Approach 2
Time	Shock therapy	Gradualism
Internal/external factors' influence	Modernisation theory (repeatable internal evolution,)	Interdependence theory (the influence of the environment, the ability to shape)
Conditions (level of development, culture etc.)	Structural approach (do not have impact)	Deterministic approach (have impact)
States' role in economy	Liberalism	Interventionism
Approach to trade	Free trade	Protectionism (including infant industry)

In relation to the structuralism/determinism division, the case of Korea was also of interest to Daron Acemoglu and James Robinson. They wondered why, despite the geographical, cultural and religious similarities, following the division in 1953, there occurred huge disparities in development. The two scholars recognise the interdependence of economic and political institutions as the key factor (Acemoglu, 2008). The publication of Joseph Stiglitz and Brad

Greenwald (2015) sheds some light on Korea's development —the differences in the standard of living between countries are no longer determined by the differences in capital accumulation, but in technology and knowledge. On the one hand, they invoke examples of state policy in the field of trade and industry that can help create a learning society developing new technologies. On the other hand, they mention those which may delay the process of 'learning' (e.g., badly created system of intellectual property protection). They criticise state policies, especially those related to the neoliberal doctrine, proving that certain kinds of policies make it difficult for countries to acquire knowledge.

The dissertation of Jagdish Bhagwati and Arvind Panagariya (2013), using examples of transformation in India, promotes the importance of the liberalisation processes for economic development (including reference to the neoliberal model) and calls for further reforms, presenting solutions adopted in India as a model for other countries.<sup>13</sup>

Dani Rodrik (2015), recognizing that economic models treat economics as a science, warns against their uncritical referencing and use. He explains that models explain only a fraction of reality, and their proper selection depends on the circumstances. Therefore, they represent the deterministic attitude.

Bearing in mind the historical and contemporary debate on development theories, it is worth asking a few questions: Why have Poland and South Korea been selected and compared? In view of the differences between them, is such a comparison justified? Have any of the models shown more effective applications?

### **Poland and South Korea—justification for the comparison**

Examples of economic transformation of Poland and South Korea are very symptomatic of the theoretical developmental models on which they were based. Although both models are based on similar values and economic assumptions (free market, private ownership), there is an essential difference between them —the role of the state in the allocation of production factors. The transformation processes carried out are, therefore, representative for the economic paradigms on which they were founded.

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<sup>13</sup>On the socio-economic reforms in India, see: J. Zajączkowski, J. Schöttli, M. Thapa (2016) *India in the Contemporary World: Polity, Economy and International Relations*, New Delhi.

In the case of Poland, there was a liberal model (market-capitalism), whose program document is the Washington Consensus. The (neo)liberal economic doctrine stems from the principles of classical economics, the views of neoclassical economists and the assumptions of the Chicago school of monetarism presented by John Williamson (1990) in the form of the famous 10 points. This is a structural approach, referring predominantly to the theory of modernisation and shock therapy.

In the case of Korea, reference should be made to the *theory of development state*,<sup>14</sup> identified with the term *state capitalism* (Johnson, 1982), in which the central role of the state in the development processes (interventionism) is assumed. In the case of Asian countries, the terms ‘South Consensus’ or the ‘East Asian model’ are also used. This approach is based on the deterministic attitude. The best known economic interpretations of Asian models examined with the application of the *developmental state* concept include those by Alice Amsden (1989) and Robert Wade (1990).

First, one should note the basic differences between Poland and South Korea. While the subject of analysis in Korea constitutes the ‘idea’ of development taking place in post-war conditions, in the case of Poland, there is a systemic transformation involving a historical departure from the model of a centrally planned socialist economy to capitalist free market solutions. Second, the development of both countries happened during different historical periods. While the Korean economy was developing in the conditions of the Cold War and economic disintegration, Poland shaped its development in the conditions of dynamic globalisation, unprecedented economic liberalisation and advanced integration processes. The period of Korean prosperity coincides with historical events that have had an impact on the economy, such as the normalisation of relations with Japan or American economic aid.

Third, it should be remembered that the Korean transformation has been taking place since 1961; meanwhile, Poland has been building its prosperity based on new ideas since 1989 only. So, Korea is almost 30 years ahead of Poland. This is particularly important from the point of view of high-tech solutions being implemented by Korean industry, which development has happened in the last period of the Korean transformation and is practically contemporary to us. In the case of

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<sup>14</sup> In this system development is based not only on market forces, but there is also considerable state involvement in the economy.

Poland, this phase has not yet been reached. In Poland, over time, the doctrinal neoliberal approach was abandoned in favour of the adaptation policy, which reflected a more pragmatic character. In Korea, the study observes changes over a longer period of time (gradualism). For Poland, the study focuses on explaining the transformation itself (shock therapy). The economic processes that followed were a derivative of it, and politicians did not have much influence.

Fourth, both countries are very different culturally, which has a fundamental impact on social relations, the concept of the individual, as well as the role of the state in the economy. European liberalism, utilitarianism and formal egalitarianism should be contrasted against Asian hierarchy and collectivist values. For Europeans, the behaviour of Koreans during the 1997 crisis —giving their private gold to the central bank to save the national currency —is not understandable.<sup>15</sup> The occurrence of such a phenomenon in the Western cultural scenario seems almost impossible.

Fifth, the changes in Korea were carried out under the conditions of the autocratic political system created by General Park. Meanwhile, the Polish economy was being reformed in the period of full democratisation. This is of key importance for politicians (constantly striving for public support) making economic decisions.

The question that arises is whether it is even possible to compare such vastly divergent countries. To answer it the common elements in the development of the two countries need to be identified: Firstly, they have both grown from situations of widespread poverty to highly developed economies. Both started with initial capital (experience, technology, lack of accumulated capital), had a similar production structure (primarily agricultural), and had a similar population potential. Both Poland and Korea experienced periods of partitions/occupation and wars in various historical periods.

Secondly, bearing in mind the above reservations, we may formulate the hypothesis that the examples of these two countries are not only characteristic of two developmental visions, but allow their empirical verification, and analysis of their merits and weaknesses. Eliminating the variables that distort the study will allow for obtaining a clear picture and for drawing conclusions.

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<sup>15</sup>See *Koreans give up their gold to help their country*, BBC News 14 January 1998, [Online] Available from: <http://news.bbc.co.uk/2/hi/world/analysis/47496.stm> [accessed 28.11.2017].

### **Economic Transformation of the Republic of Korea**

The great economic transformation of the 1960s took place as a direct result of the conditions of a quite well-developed agricultural sector (i.e. after the first phase of the economic revolution) and can be understood in the context of Korea's own history. As Kenneth Kang and Vijaya Ramachandran argue, presenting the development of Korea as a great post-war phenomenon of the 1960s and 1970s is an incomplete approach, because the development would not have taken place if not for the conditions created by investments in the agricultural sector dating back to the time of Japanese colonisation (1910–1940). According to the plans of imperial Japan, Korea was to remain an integral part of the empire. Shortages in the agri-food market (resulting, for instance, in the unrest among residents in Japanese cities in 1918) convinced the Japanese of the need to make necessary investments in the agricultural sector in its overseas territories.

The Rice Production Development Program in Korea included construction of irrigation systems, increasing the areas of rice cultivation and introduction of fertilisers. The areas of cultivation covered by irrigation increased 16 times and agricultural production in 1928–1937 increased by 40%. Investment in agriculture was accompanied by the construction of transport infrastructure and the entire programme was considered successful (Kang and. Ramachandran, 1999). Thus, the foundation of an efficient, agronomic production system was created.

However, after the civil war in the early 1960s, South Korea belonged to the group of the poorest countries in the world, where the gross income per capita was USD 80 (Clifford, 1998, p.9). The most important production sector was agriculture. This country, destroyed by military actions of World War II and the devastating civil war, was at times entirely dependent on international humanitarian aid. Then in 1961, the military coup d'état by General Park Chung-hee (1917–1979) took place. The new leader of Korea was characterised by unusual pragmatism. He did not hesitate to rebuild diplomatic relations with the hated enemy—Japan—in order to raise capital after reducing US aid during the Kennedy presidency.

Japan willingly responded to Park's gesture by awarding large loans (USD 800 million) and transferring some of its production activity to Korea (Kightley, 2013, p. 81). It was also ready to send Korean soldiers during the Vietnam War in order to gain new contracts and markets. South Vietnam was initially the largest recipient of Korean heavy industry products. Thanks to the



involvement in French Indo-China, Koreans also gained wider access to the American market, from which they effectively benefited.

The Korean model fits into the wider context of economic changes known as the East Asian model. The transformation process shows many similarities with the experience of Japan and Taiwan. The common features of this model include: high investment ratio, low share of the public sector, supporting export, creating conditions for strong competition in the labour market (minimised role of pro-employee institutions), state intervention in selected areas (active and invasive economic policy) (Kuznets, 1988, p. 17). The size of the state sector is not directly related to economic growth, but is indirectly linked with governmental expenditure and investment. Korean economic development was based on increasing industrial production designated for export and improving the financial situation of farmers (Chung-yum, 2011, p. 187). It all began in the early 1960s with simple, imported assembly lines. Initially, Korean industrial products and processes were imitations of their Japanese equivalents.

The pro-export policy was adopted in the mid-1960s as the main economic strategy and consistently implemented over the next decades. It was characterised by a number of factors: protectionism, anti-import policy, subsidising exporters and state aid (creation of investment areas for enterprises to undertake export activities).

The export policy allowed businesses to obtain foreign currencies, while the competition on the international market led to continuous work on improving quality. Import was allowed, but only if it aided further export. Export production enabled economies of scale, which would have been impossible in the case of production solely for the internal market, as well as development of technology and the ability to compete in the international market (Keesing, 1967). Initially, this policy caused many inconveniences. Car prices in Korea rose so high that they were double those that prevailed abroad (Lee, 2011). Today, Korea holds the fifth place in the world in car production.

The promotion of Korean products abroad took on the form of a systematic process, which included full state support—trade missions, service, contacts. The foreign exchange policy aimed at increasing exporters' income and was thus also an export-oriented instrument (Kuznets, 1988, p. 30). Increasing revenues through exports allowed for well imports and increased the credit-investment capacity, which in turn, contributed to the increase in production (Kuznets, 1985, pp. 62-32).

However, the development of Korea would not be possible without FDI.<sup>16</sup> The Korean government's approach to creating an investment space available for foreign companies was extremely selective. Investments in sectors manufacturing mass products for the internal market were blocked. Only those investors were accepted who allowed for acquisition of technologies, processes and management culture. The desired legal form of the foreign investor's presence in Korea was a joint venture, which meant that in each case, a Korean partner who could not only participate in the management, but would eventually take over control of the technology, was involved.

The economic transformation caused the share of agriculture in the Korean GNP to fall from 37.5% to 3.5% (Mahlich and Pascha, 2012), p. 65). Park Chung Hee introduced an economic policy in opposition to the free market: numerous subsidies, planning, strong administrative interventionism in the production process, market protection and nationalisation of banks. Out of the three Asian tigers—Japan, Taiwan and Korea—the third one is considered the economy with the most extensive interventionism (Kuznets, 1988, p. 32). According to Peter Evans (1985, pp. 85-86), the efficient administrative apparatus could be more important than even raw materials or capital.

The financial sector was the key to making an effective impact on the market. The nationalised banking sector became the basic tool for controlling private entities involved in Korean industrial development (Kightley, 2013). Special investment financing instruments were established, such as the National Investment Fund in 1973 and institutions supporting export such as the Korea Trade Promotion Corporation (1962), public-private associations—Korea International Trade Association (1969), Export Information Centre and the Export Idea Bank. The state also controlled Chaebols— huge trans-sectoral enterprises managed mainly by their founding families— by providing them access to attractive financial instruments.<sup>17</sup>

The 1993 World Bank Report was planned as a study of the theory of development, but became instead the weapon of neoliberal orthodoxy, according to which the central role of the free

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<sup>16</sup> FDI – foreign direct investment.

<sup>17</sup> Chaebols are regarded almost a symbol of the Korean economic system. In the past, they were derived from small, private enterprises. Thanks to the government's policy (loans, subsidies, economic planning), they have gained even greater significance in the Korean economy. They have now taken the form of large conglomerates. Chaebols constitute a closed production structure, avoiding external subcontracting. Within the framework of the consolidation of the production branches, they have departed from wide production and specialized in specific industries. The biggest chaebols (the superchaebols) are Hyundai, LG Group and Samsung.

market was the basis for development. The critics of the report accused it of excessive simplification and erroneous separation of market mechanisms from the institutions referred to in the report (Gilpin, 2001, p. 325).

The causes of economic development should be budgetary discipline, low increase in wages<sup>18</sup> large expenditure on education, opening up to foreign technologies and exchange of goods. In line with this neoclassical economics theory, Korea developed not because of state intervention in the economy, but despite it (Kightley, 2013, p. 13). According to D. Hundt, however, the neoclassical paradigm does not have either the conceptual apparatus, nor an appropriate research approach, for analysing the large-scale participation of the state, and the nation as a community, in creating the economic reality (Hundt, 2009, p. 23).

According to Peter B. Evans (1995) and Dani Rodric (1994), Korea is an example of the most advanced and most ambitious economic planning in the capitalist system. They have appreciated the role of administration, planning, limiting the free market rules, and strong state intervention. The state becomes the initiator, sets directions for development, and also has all the instruments of resource allocation.

From the theoretical point of view, a fully free market (lack of coordination) can lead to a trap, which prevents an economy from moving beyond a certain development threshold. The neoclassical assumption, with its focus on macroeconomic stability, high savings rate, technological progress, and development of human capital, may not be sufficient without proper coordination. In economies with a low development level, entrepreneurs face many obstacles such as low rate of capital accumulation, and a market limited from the quantitative and qualitative point of view. Their investment decisions are burdened with higher risk, which means that they try to avoid long-term investments and those involving more capital.

The Koreans treated the Ricardian assumptions of comparative advantage as dynamic variables that could be shaped by conscious economic policy.<sup>19</sup> Thus, the country with agrarian monoculture, whose production capacity did not go beyond the sale of basic agricultural products, has become one of the largest producers of modern, highly processed products from *the high-tech sector*.

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<sup>18</sup>Low income also means low consumption as well as the opportunity to accumulate capital and increase savings.

<sup>19</sup> M. Kightley, *op. cit.*, p. 10.

Korean versatility in economic planning is apparent in many areas: taxes, monetary policy, trade, investment management, agriculture, industry, labour market, free market and shaping prices, energy.<sup>20</sup> Interventionism in Korea was implemented as part of 5-year plans, and from 1980, in the medium-term fiscal plans' perspective. Planning, budgeting and evaluation were conducted by the EBP (Economic Planning Board) established in 1963, whose chairman was the serving deputy prime minister. The Council indicated the priority sectors which, in its opinion, showed the greatest development opportunities. The president monitored activities within the framework of the largest projects (Shinohara, Yanagihara and Suk Kim, 1983). The support of the Korean state to selected sectors included mainly preferential lending, subsidies, tax reliefs or protection against foreign competition. The national brands were actively and consistently promoted (Kędzierski, 2013, p.3). However, it is not planning that is considered to be the strongest feature of state interference, but extremely efficient implementation, which distinguishes Korea from other countries (Mason, 1980, pp. 66-69).

The state, preparing the economy for development, also created appropriate legal and formal conditions. During the period 1967–1969, a number of legislative solutions addressing particular branches of industry were prepared. They regulated the rules of using state aid and applying for preferential financing instruments and indicated strategic products for which special support would be available (the list included semiconductors and computers). In 1973, Park announced the beginning of the next stage of transformation: construction of heavy and chemical industries. The following industries could count on receiving special privileges: shipbuilding, steel, chemical (built from scratch), machine (car), electronics and metal. The implementation of the plan was supervised by the Council. During period 1977–1979, 80% of all industrial investments were concentrated in the indicated areas. In the 1980s, the Korean government reduced the scale of interventionism due to excess investment, the scale of the Korean economy; growing inflationary pressure and increased debt levels, the Korean industry's proven ability to compete on the global market, as well as the rise to power of economists educated in the US and related to the new president, Chun Doo Hwan (Kędzierski, 2013).

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<sup>20</sup>Study issued by the federation of the largest Korean enterprises. Koo Cha-kyung (1987) *Korea's Economic Policies*. Seoul: The Federation of Korean Industries .

The driving force of Korean development—high production capacities and economies of scale—were supported by the development of modern technologies, which helped Korea to significantly increase the added value produced in its economy. The whole process was obviously moderated and supported by the government.<sup>21</sup> The share of the IT industry in Korean exports increased during 1989–2010 from USD 7 billion to USD 126 billion (Kędzierski, 2013, p. 9).

Without any doubt, there would be no Korean ‘miracle’ without a phenomenal, long-term commitment to the idea of supporting development systems for public education. The most important element of building the economy was a conscious education policy, the aim of which was to educate qualified staff capable of taking on challenges related to development. The simultaneous complementarity and completeness of the education system has made it possible to create an offer for laboratory scientists, engineers, and skilled workers.

A number of initiatives have been taken to cultivate a motivated, committed, and strong new employee class. The initiatives were aimed at increasing their ‘quality’ and motivation, hence it was deemed necessary to create appropriate conditions for citizens. The starting point was the housing construction programme for the newly created city class, strongly supported by government investments. Investments also maintained high standards of municipal and health services, as well as education.

The belief in the Korean economic ‘miracle’ was shaken only by the great Asian crisis of 1997. Of course, its causes should also be sought in external conditions. The most significant internal, structural weaknesses that contributed to the crisis were the underdeveloped financial system, the rigid labour market and the high level of debt that had been incurred by enterprises (Park and Rhee, 1998). Problems occurred due to microeconomic weaknesses and macroeconomic management instability. The crisis exit plan imposed by the IMF included: financial liberalisation, restructuring of enterprises, privatisation, and a more flexible labour market. Interestingly, the effect of this policy was the reduction of GDP by 6.9% in 1998. Even the bastion of neoliberalism, the IMF, allowed the Korean government to use Keynesian instruments, including the reconstruction of complex mechanisms of supervision over the financial market (Yong-Chool Ha and Wang Hwi Lee, 2007, p. 897). Structural changes, however, have been introduced, which

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<sup>21</sup> E.g. Computer Networks Promotion Program (1985) National Information Basics Program (1987), Cyber Korea (1999-2002).

permanently reduced the government's influence on the banking system and the enterprises sector. State intervention was limited to market mechanisms. The manifestation of liberalisation was also the opening to international competition, which was symbolised by the signing of free trade zone agreements. Post-crisis reforms have brought the Korean economy from the East Asian to the Anglo-American model, although it has preserved its specificity, especially in the area of the structure of enterprises (Yong-Chool Ha and Wang Hwi Lee, 2007, pp. 913-914).

According to the IMF data for 2016, Korean GDP at constant prices amounted to USD 1.411 trillion (for comparison, Poland GDP amounted to USD 469 billion), PPP GDP (according to the purchasing power parity) of Korea amounted to USD 1.933 trillion (whereas that of Poland, to USD 1.051 trillion). Calculated per capita, PPP GDP of Korea amounted to USD 37.730 (whereas that of Poland, to USD 27,690). The turnover balance was closed with the surplus of USD 98 billion, which is as much as 7% of GDP (in Poland, 0.95 billion and 0.2% of GDP, respectively). In 2016, investments in Korea amounted to as much as 29% of GDP (whereas in Poland the figure was 19.6% of GDP) and the savings rate was 36% of GDP (whereas in Poland it was 19.6%).<sup>22</sup> Economic growth has not brought with it high economic diversification of Korean society (Chenery, 1974).

The strength of the Korean economy can be proved by the fact that the two richest, largest and most innovative markets in the world have decided to launch economic integration. In March 2012, the free trade agreement between the USA and Korea (the KORUS FTA) entered into force (Choi, 2015). The European Union also decided to create a free trade zone with Korea. The manifestation of the strong presence and power of the Korean economy in Europe is reflected in the fact that half of the Korean cars sold in Europe are produced in the Czech Republic and Slovakia (Kang, 2017).

### **Economic transformation in Poland**

At the end of the 1980s, it was obvious to everyone that it was no longer possible to maintain the communist system. The Polish People's Republic needed a systemic transformation—not an easy task. As the eminent economist Janos Kornai (1992, p. 360) wrote: '...the key to explaining the classical communist system is the political structure. Its starting point

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<sup>22</sup>According to WEO IMF, data for 2016.

is the indivisible power of the ruling party, the mutual penetration of the party and the state, as well as the prohibition of activity of any forces that are not fully consistent with the party's policy or even contradictory to it'. In the communist era, everything was political, and the state was a highly hierarchical structure controlled by the party organisation. As late as in 1985, the state sector included 81.7% of national production and 71.5% of total employment (in the Soviet Union, as much as 96% of production came from state-owned enterprises) (Lipton, Sachs and Summers, 1990, p. 300).

Apart from Hungary, Poland was one country attempting to implement some liberalisation measures in trade with the West before the transformation. In Poland, since 1972, more market-oriented mechanisms of goods valuation were introduced, which constituted a deviation from the policy of centrally determined prices. There were also limited attempts to restrict the state's monopoly in international trade, which was embodied by foreign trade centres (e.g. Universal, Pewex, Baltona). The first bill on economic activity was introduced in Poland in December 1988 (the Wilczek Bill) and it legalised private business activity and was based on the free-market principle 'what is not prohibited is allowed'.

#### The Beginning of Economic Reform

The first comprehensive reform proposal was presented in Poland in 1988.<sup>23</sup> Leszek Balcerowicz is considered the key figure behind economic change in Poland. The goal of the group he created was a complete break with market socialism and the introduction of the market economy. Its main belief was that reform must be radical and immediate. In May 1989, Balcerowicz conceived of a short reform programme that aimed at privatisation, trade liberalisation, exchangeability of the currency, and an open economy. The Balcerowicz Program has become a symbol of radical, comprehensive reform and a model for change in other countries undergoing transformation, including Russia, Czechoslovakia, Romania and Bulgaria. The presentation of doctrinal inspirations, the content of the programme and the plan of its implementation are not difficult to understand. The plan consisted of 11 bills passed on 27 December 1989 and signed by President Jaruzelski on 31 January 1990.

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<sup>23</sup> See M. Dąbrowski, S. Kawalec, J. Lewandowski, J. Szomurk, J. Beksiak, R. Bugaj (1989) *Propozycje przekształcenia polskiej gospodarki* (Proposals for transforming Polish economy). Warszawa: PTE.



The transformation plan came from neoliberal circles centred around the International Monetary Fund. The conceptual and theoretical background for the shock therapy constitute the neoliberal economic programme expressed in ten points in the Washington Consensus, the achievements of the Chicago Monetary School and new classical economics (Lavigne, 1999, p. 237). Shock therapy means making as many changes as possible in the shortest period of time. The task of preparing the financial stabilisation reform was entrusted to Jeffrey Sachs and David Lipton. It can be seen that the idea for Polish transformation came from outside Poland.<sup>24</sup>

The construction of capitalism in the former COMECON countries was perceived as a process involving four key stages: the first included the release of prices from state control, which was to be the foundation of the market's self-regulation. The natural consequence of this was marketisation of the prices, which meant their rapid increase. Second was the reduction of inflation using all possible means. Third was the creation of a professional mechanism for managing enterprises, which was not possible under the conditions of state ownership. Hence, privatisation, carried out on a large scale, became necessary. Finally, anticipating the deep social transformations, social security mechanisms had to be created (Aslund, 2010, p. 51).

#### The Balcerowicz Program

The Balcerowicz Program focused on macroeconomic stabilisation, radical deregulation and integration with the global economy. Convertibility of the Zloty and privatisation were started (Slay, 1993, p. 237). As early as in January 1990, prices were liberalised, the economy was opened to international trade, state-owned corporations and conglomerates were broken up, thanks to which independent enterprises emerged; and as it seems, the most important legal regulation of the freedom of economic activity was established (Aslund, 2010, p. 114). Monetary policy was tightened: the money supply was reduced and interest rates were adjusted. Banks were given independence in determining interest rates on loans and deposits. By limiting expenditures, subsidies and public support, high fiscal discipline was sought. Urban squares swarmed with merchants, traders and small businesses. From then on, without the need for administrative approval, everyone could offer products anywhere at any price.

Liberalisation in Poland was designed to bring economic freedom, allowing ordinary people to trade and to set prices. It caused the transition from a shortage of goods and services

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<sup>24</sup> See Interview with S. Ciosek in TVP (Polish National TV) on 25.02.2016.

situation to one where money became a scarce good. This led to the transition from the producer's economy to the consumer's economy. The market was opened for foreign commodities. In 1990, the new average *ad valorem* duty for industrial products was reduced to 12% (Marer, 1991).

The free market also entails legal and administrative regimes unknown to the communist countries. Transformation took place without transparent regulations. New civil law solutions had to be created as there was no comprehensive, modern commercial code, nor any regulations regarding the financial and capital market. It was necessary to pass basic economic regulations as well as adopt efficient mechanisms regulating debt issues. A free market economy cannot be introduced where the integrity of the full scope of private property rights is not guaranteed.

The release of prices from control had many consequences: it led to the elimination of price subsidies and created conditions for balancing the budget. It was also necessary to limit direct subsidies to state-owned enterprises (in 1990, subsidies for such enterprises still exceeded 7% of GDP).<sup>25</sup> Hyperinflation turned out to be a big problem, whose eradication became a priority.<sup>26</sup> It was necessary to introduce fiscal discipline and a new tax policy. The next step was the tightening of the monetary policy regime. An important element constituted the determination of a single exchange rate and the creation of mechanisms that could ensure the independence of the central bank. Changes had to be brought to ensure the minister of finance was always the deputy prime minister. The remnant of communism was the high share of state expenditure in the GDP—around 50%. The standard rate of central redistribution is estimated at approximately 15–25% of GDP.<sup>27</sup> The share of state budget expenditure in GDP in 2017 amounted to 19.6%. compared to 19.8% in 2016 (Cieślak-Wróblewska, 2017).

In the course of the transformation, money gained real value. The authors of the reform programme set three main tasks for the monetary policy: strengthening of the central bank, subjecting money emission to strict discipline, and transitioning from administrative to market tools. Loose policies were replaced by rigorous measures.

In January 1990, Poland introduced the convertibility of its currency on the current account of its balance of payments. Determining the exchange rate of the Zloty against the dollar was

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<sup>25</sup> European Bank for Reconstruction and Development, *Transition Report 1997*, London 1997.

<sup>26</sup> The symbol of the fight against inflation was the tax on excessive wage increases, the *popiwek*.

<sup>27</sup> For comparison: the Czech Republic 12%, USA 13%, Great Britain 13%, Italy 27%, South Korea 25%, France 30%, OECD average – 23,6%. [Online] Available from: <https://data.oecd.org/gga/central-government-spending.htm#indicator-chart> [accessed 01.10.2018].

considered a transitional solution, and in May 1991, a devaluation was necessary. Later, the ‘creeping devaluation’ system was adopted, trying to keep the exchange rate within the limits modified, as needed. Interestingly, this policy was widely approved and Poland managed to achieve financial stability while avoiding an overvalued exchange rate. This solution is considered an example of successful departure from a fixed exchange rate (Fisher and Sahay, 2000).

Privatisation following the ending of a communist system, as happened in Poland and its neighbours, is unprecedented in history. Over one decade, more than 150,000 large and small enterprises, hundreds of thousands of small businesses and real properties were privatised in transition countries (Djankov and Murrell, 2002). The communist economy with an almost non-existent private sector managed to create a mechanism based on market regulations that restored private ownership and initiative in manufacturing processes. The main goal of privatisation was to achieve a clear separation between the state and business enterprises. It was not only of economic, but also of political character. Most important, however, was the creation of conditions for the emergence of a market economy based on private ownership.

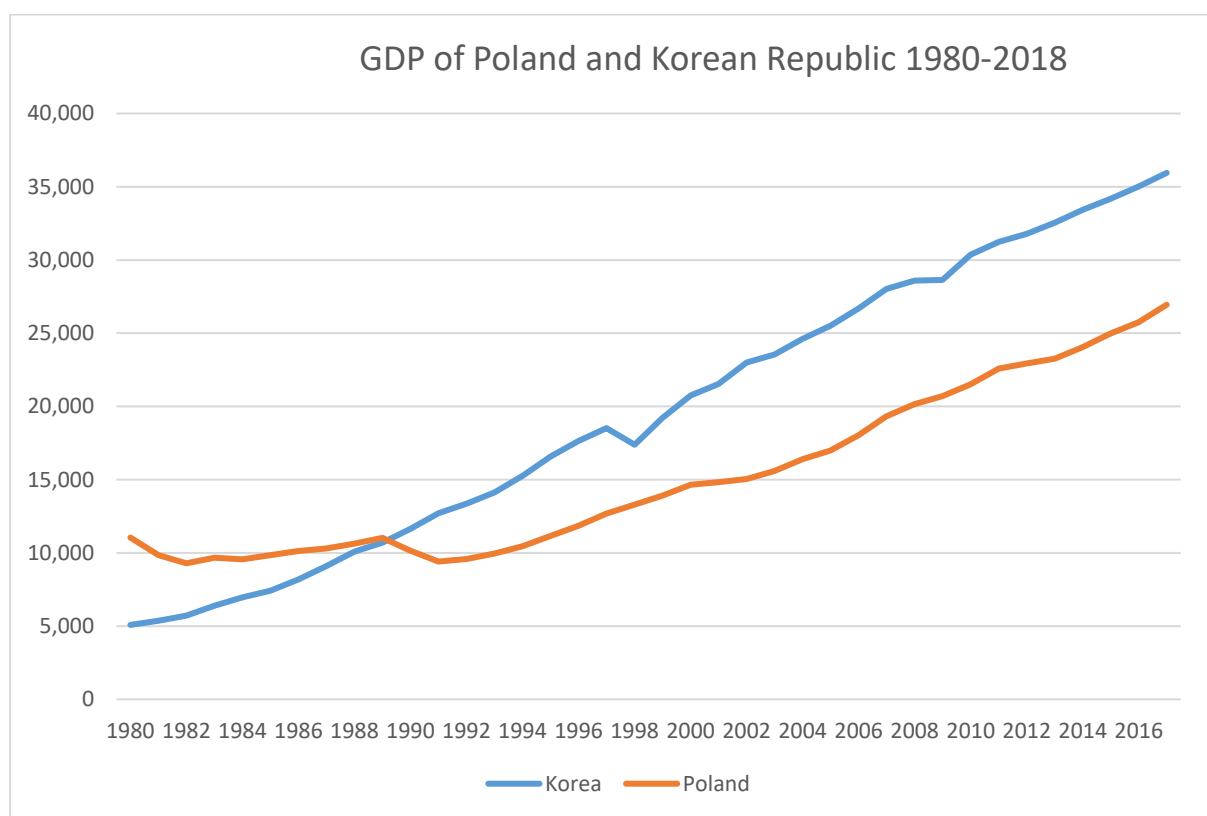
There were several models for the privatisation process: the original public offer (sale of shares to investors and their introduction to trading on stock exchange), direct sales or investment offer (sale to an investor, usually foreign), coupon privatisation (mass privatisation with the emission of public vouchers distributed practically among the whole society), transfer of the enterprise to its management and staff (enfranchisement of employees in relation to the company’s assets, the simplest form in terms of administration), bankruptcy and liquidation (effecting bankruptcy, liquidation and sale of assets under market conditions) (Aslund, 2010, pp. 195-205).

Advisors of Balcerowicz argued for the fastest possible privatisation based on the commercialisation of enterprises and the distribution of their property to a wide range of recipients: private, institutional, and even social groups (Lipton, Sachs and Summers, 1990, p. 333). Privatisation based on an investment offer is time-consuming, not very transparent and requires the existence of a properly functioning administration. In Poland, practically all forms of privatisation were applied. Liquidation by bankruptcy has become the main method of privatising medium-sized enterprises.

The issue of privatisation is highly controversial. Despite all allegations, it cannot be denied that a lasting transformation of Polish economy took place due to privatisation. The relationship between the privatisation process and production is clear—technology is transferred, real corporate

governance and professional, effective production management are introduced, the drastic impact of politics on the economy is reduced. In terms of the political dimension, the market economy and democratic mechanisms are established. The scale and pace of privatisation in Poland were the outcome of the overall conviction that the resulting social and other costs and losses would be lower than if the status quo were to be maintained or if the process of change were to be extended over a longer period (Lipton, Sachs and Summers, 1990, p. 297).

*Table 2: Poland's and Korean Republic's GDP per capita 1980-2017 measured in PPP.  
Own study. Source: WEO IMF.*



The issue of transformation, goals and methods of implementation is also extremely controversial (Prowse, 1992). The first disappointments came in the early 1990s. The criticism of reforms was based on the Washington Consensus, especially after the results they brought in Central and Eastern Europe (Stiglitz, 2002). There were also claims that despite recognition of the transformation's imperfections, it is difficult to conclude that another transformation model would be more effective (Slay, 1993, p. 252).

## Summary

The Korean model of economic development, a derivative of the deterministic approach, contains the Asian vision of socio-economic reality that involves collective values and hierarchy. The whole Korean development plan was part of a long-term, coherent strategy with clearly defined goals. The basis for the chosen development model was the strong and active role of the state, which translated into greater interventionism.

The example of Polish transformation constitutes the result of the application of Washington Consensus assumptions: classical economics with the dominating role of the independent, resourceful, and egoistic individual—*homo oeconomicus*, monetarism with the key issue of quantitative theory of money and inflation as well as broadly understood neoliberalism with its admiration for the extremely free market. Poland has become a testing ground for a vision that was doctrinal in its assumptions. Major achievements and results of both countries are presented in Table 3.

*Table 3 Selected macroeconomic indicators for Poland and South Korea in 2017. \* data for 2016 \*\* data for 2015. Source: WEO IMF. Own study.*

Indicator	Poland	Korea
<b>Population</b>	38 million	51 million
<b>GDP in USD</b> (official exchange rate)	524 b.	1 538 b.
<b>PGDP per capita, PPP in USD<sup>28</sup></b>	26,889	35,918
<b>Investments in % GDPB</b>	19,95%	31%
<b>Savings in % GDP</b>	20%	36%

<sup>28</sup>PPP index (*purchasing power parity*) is an indicator taking into account the purchasing power of money. According to the official exchange rate, Poland's GDP in 2017 was USD 540 billion and according to PPP it equals USD 1.08 trillion. It means that our economy, despite the fact that it produces at the value of USD 540 billion, under our specific conditions, can acquire goods and services as if it had the value of USD 1.08 trillion. This situation can be easily explained by way of example: we can buy more for USD 100 inside Poland than in the United States.

<b>Current account balance in % GDP</b>	+5,1%	+0,04%
<b>Goods and services export in USD*</b>	251 b.	586 b.
<b>Number of patent applications submitted (2015)**</b>	4815	213 694

Summarising the whole research and taking into account the results obtained, the author would like to present the final comparative analysis using table 3 below:

*Table3. Own study.*

	<b>South Korea</b>	<b>Poland</b>
<b>Programme references</b>	Southern Consensus	Washington Consensus
<b>Approach to economic development rules</b>	Deterministic	Universal (structural)
<b>Form of capitalism</b>	State capitalism	Market capitalism
<b>Introduction of reforms</b>	Gradualism	Shock therapy
<b>Trade exchange</b>	Protectionist practices	Free trade
<b>Economic policy</b>	Industrial policy	Lack of industrial policy
<b>Market model</b>	Interventionist model	Liberal model
<b>Banking sector</b>	Dominance of state ownership	Dominance of private ownership
<b>Foreign investments</b>	FDI selectively approved by the government	Lack of restrictions regarding FDI

<b>Planning state economy</b>	Planning and Focus on strategic branches	Lack of planning
<b>Role of domestic capital</b>	Concentration of domestic capital—including traditional family businesses (chaebols)	Lack of mechanisms for concentration of domestic capital

Despite the differences, the Korean and Polish models of development are characterised by essential common elements. These include: the sanctioning of private property as the basis of the socio-economic order, the free market as an instrument for the allocation of goods and resources, the dominance of the private sector and low participation of the public sector in the economy as well as a labour market favourable to the employer.

Answering the questions asked in the introduction, it would be advisable, while maintaining the adopted assumptions, to recognise that models of transformation are characteristic for the adopted theoretical paradigms—liberal and interventionist. It must be remembered, however, that they have changed over time. When it comes to the question which model is more effective, the answer is more difficult. Due to the differences in the longevity of the changes, the assessment of development levels today would be unfair. So for instance, it would be more appropriate to compare Poland in 2016 with Korea in 1988 (see Table 2). In view of these difficulties, the more interesting should be the history of the IDEA for economic development which actually created ‘from scratch’ not only general prosperity and the modern state, but also gave life to innovative giants such as Hyundai, LG and Samsung. These most recognisable Korean brands are starting to shape both the future of Korea and the entire global market.

Certainly, this is an interesting lesson for any country which, after achieving its first economic successes, begins to dream about climbing innovation charts, abandoning low-income production structures and increasing its share in the added value of global production chains. Going to final conclusion. There is no doctrine or any universal theory that can answer for all questions and replace thinking, educated people. Both transformations can give good material to study and learn.



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## FEATURES OF TAX POLICY IN UKRAINE IN THE CONTEXT OF EUROPEAN INTEGRATION

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**Abstract:** *The tax problem is one of the most complex and controversial in the world. The global practice of preserving the national economy shows that taxes are a major source of income to the budget and, therefore, funding for social and other national programs. The issue of Ukraine's integration with the EU is very relevant and strategic today, in the context of which it is equally important to harmonise tax policy in Ukraine in line with EU norms. The main purpose of this article is to identify the features of tax policy making in Ukraine at the present stage and to adapt it to the process of European integration. The methodology of comparative analysis of the domestic tax system and its legal base in the countries of the European Union, as well as statistics on the tax base and its dynamics, was applied as the main approach. According to the results of the analysis, the main problems of functioning of tax systems of Ukraine and the EU countries have been identified, and the directions of their solution are suggested. Of further interest is such a line of research as a careful comparison of legislative support for tax policy in Ukraine and EU countries in the context of the implementation of the relevant norms in the domestic legislative framework.*

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**Keywords:** taxes, tax policy, tax revenues, European Union, European integration, tax reform, fiscal reserves.

### Introduction

Taxes are not only the main source of replenishment of state revenues, but also one of the main levers of the state's influence on the market economy (Zatsarinnyi et al., 2017). Therefore,

creating an effective tax system is one of the most important problems of any country (Safonova et al., 2016). Effective tax policy organisation is the key to sustainable economic development in the country. In the context of Ukraine's strategic course for integration with the EU, one of the topical issues is the harmonisation of tax policy in Ukraine and its unification with EU norms. This process is a difficult task as tax policies of Ukraine and EU countries are based on different principles. It is extremely interesting for Ukraine to experience tax reform in the EU countries, which will allow choosing its own tax strategy taking into account the positive and negative consequences of tax policy making (Sokolovskaya and Koshchuk, 2012; Mishchenko and Mishchenko, 2015).

It should be borne in mind that tax policy standardisation is preferred in EU countries. At the legal level, it is the duty of EU countries to comply with common rules and regulations in the field of taxation (Dubovik and Kovalchuk, 2016). National tax law should not contravene EU tax law (Demidenko, 2007). However, a single unified tax system in the European Union is not created because of the difficulty of reconciling a common tax policy with the national interests of each country. Each country's tax policy is based on national priorities, which gives individuality to the tax system in each country (Gorobei and Tsymbalenko, 2018). As a result, the national tax systems of the countries at the present stage are directed according to the vectors of pan-European integration (Budget of Ukraine, 2019).

Such domestic scientists as E.N. Bogatyryova, L.A. Vasyutinskaya, T.I. Veliksar, K.D. Gorobey, T.N. Korneva, A.N. Kotsyrubenko, V.V. Popova, Y.Yu. Tsymbalenko were engaged in the study of this issue G.V. Dmitrenko, O.O. Kovalyova, O.V. Mrinskaya, O.M. Salnik, V.M. Slepets, K. Yashchenko researched exactly the taxation system in the context of European integration processes and the situation in Ukraine. This issue is relevant among experts from the CIS countries, in particular: R.Sh. Abakarova, S.A. Volkogon, I.A. Lukyanova, S.O. Naumchik, M.A. Slatvinskaya, E.S. Filipovich. This issue is actively covered by foreign scientists: A. Alesina, F. Bury, H. Wiener, G. Griben, S. Lorets, J. Tabelini and others.

Almost all authors agree that taxes play a crucial role in regulating the economy and implementing macroeconomic policies, accounting for up to 90% of the revenue part of the state budget (Share of taxes in GDP of the European Union and Ukraine, 2016). Despite the considerable amount of research on the subject and the various tax policy improvements developed at both national and intergovernmental levels, the issue still needs to be developed with effective



strategies and remains unresolved. In Ukraine, this problem is relevant to the issue of its incorporation into the declared European integration development strategy.

### **Materials and Methods**

The methodological basis of the study was analytical and statistical methods of analysis. General and special methods have been used. The main provisions of the legislative framework at the international, national level and in the EU are examined. The methodology used made it possible to outline the main directions of optimisation of the tax system and its implementation to EU tax principles. The methods used allowed us to obtain reliable and valid conclusions and results. Comparative analysis was used as one of the main methods of analysis, which made it possible to compare the domestic tax system with the legal basis for regulating the object of study in the countries of the European Union. It also compares statistics on the tax base and its dynamics. The descriptive method allowed presenting the results of the study in a logical sequence.

The study also used statistical methods, methods of economic analysis, synthesis, analogy, system and classification. The method of synthesis solved the set research tasks through its application to primary sources on the subject. The application of the analytical method to the primary source data made it possible to make recommendations regarding the implementation of the national tax system to European legislation; identify the main areas of experience in tax policy reform and the conditions justifying the application of certain measures, the compliance of the international tax base with the specificities of national systems and EU tax law as a whole (Osipov et al., 2018; Tarasova et al., 2018). Methods of induction and deduction were used to analyse the content and structure of legislative texts, the characteristics of legal norms in the context of research topics. In the course of the analysis, a historical method was used to investigate the process of the EU tax system development.

### **Results and Discussion**

The Treaty on the Functioning of the European Union (TEU) does not distinguish tax policy as a separate line, but it is one of the most important components of both the internal and external policies of the European Union (European Union tax law, 2016). At the same time, it contains several sections on its regulation: the main tax provisions (Articles 110-113) and on the harmonisation of legislation on taxes, excise duties and other forms of indirect taxation; a section

on approximation of laws (Articles 114-118), which covers taxes that have an indirect impact on the creation of the internal market, with fiscal provisions that do not fall under the ordinary legislative procedure; other provisions concerning tax policy, free movement of persons, services and capital (Articles 45-66); provisions on improved cooperation (Articles 326-334) on tax matters (Consolidated version of the Treaty..., 2012). Although the European Union is largely based on political motives, it prefers economic functioning and coordination to its functioning and coordination.

Ensuring the declared freedoms in Article 3 of the Treaty on European Union requires considerable policy coordination, including taxation, and tax harmonisation, even if the TEU does not provide explicit taxation rights at European level. Tax coordination refers to the imposition of taxes when countries or groups of them build internal tax systems compatible with the objectives of the Union, as formulated in the TEU. Countries deliberately relinquished part of their autonomy in tax matters. Reconciliation is seen as a closer coordination that leads to almost identical or similar tax systems, tax bases and tax rates within the Union.

The main areas of tax integration in the EU are harmonisation of VAT and excise duties and the unification of company taxes. The purpose of transferring tax revenues to EU bodies has not been established. Member States' revenue from tax collection continues to flow to their national budgets, except for some of the VAT that is transferred to the Union's single budget. The EU does not create a single tax space that impedes the functioning of the single internal market. Legislation on all types of taxation (direct and indirect) is adopted by the EU Council unanimously, drawing up directives that specify the purpose and timing of work. The specific methods for their implementation lie within the competence of the national authorities responsible for adopting the relevant laws (Petersone et al., 2016).

Countries approaching EU accession should fully assimilate EU law and refrain from taking any measures contrary to EU law (Popova, 2009). This issue also applies to Ukraine, which has already legislated this task (Law of Ukraine "On the National Program...", 2004). The development of integration processes in Europe for accession to the European Union requires a common tax policy and an improved tax system, with a gradual transition to a common tax regime based on the following principles (Yakubenko et al.):

- national tax policies should not impede the free movement of products;
- the country's tax policy should not impede the free movement of labour;

- the country's tax policy should not be contrary to EU policy.

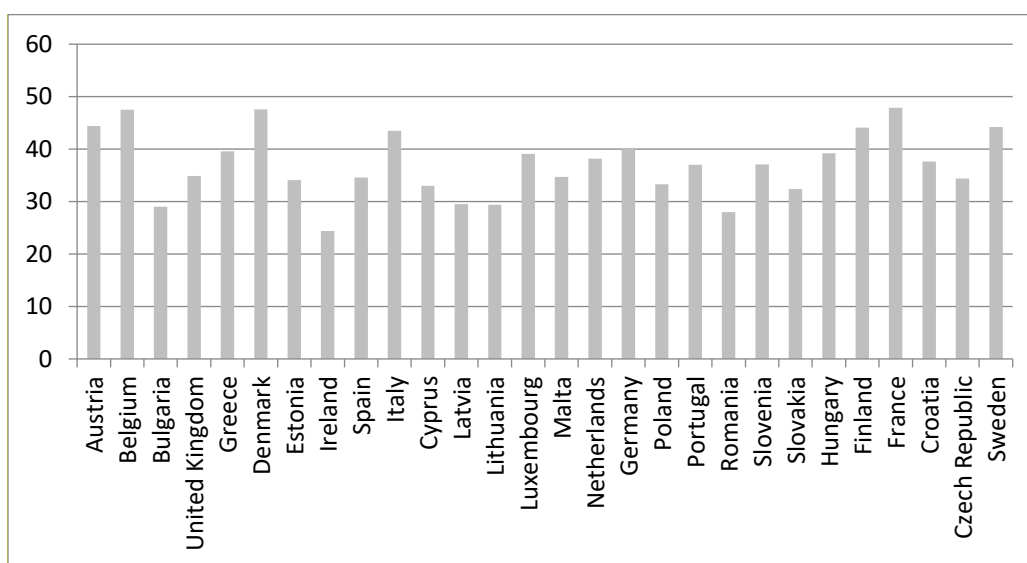
The EU's tax policy strategy is explained in the Commission communication “Tax policy in the European Union – Priorities for the years ahead”. The right to impose, remove or adjust taxes remains in the hands of the Member States. Each Member State is free to choose the tax system it deems most appropriate, provided it complies with EU rules. Each country's tax policy consists of a system of measures that take into account national priorities through measures to protect fiscal sovereignty. EU institutions and bodies, as well as the relevant structures of the participating countries, are the subjects of the development and implementation of EU tax policy. The two-tier system allows:

- to harmonise tax legislation in EU Member States;
- to remove barriers to the EU internal market;
- to ensure the fundamental freedoms declared by the EU Treaty: the movement of goods, persons, services and capital;
- to reform tax systems to improve efficiency and equity;
- to remove tax obstacles to cross-border economic activity;
- to prevent unfair tax competition from Member States' jurisdictions;
- to eliminate tax discrimination in the EU internal market;
- to avoid double taxation;
- to facilitate cooperation between tax administrations concerning provision of control;
- to fight against tax offences.

According to European Commission studies in 2018, the taxation system of the Member States of the European Union is characterised by stability (Fact Sheets on the European Union, 2019). The main strategic vectors are aimed at promoting investment and employment, reducing tax fraud, tax evasion, eliminating income inequality and ensuring social justice (Plaskova et al., 2017). The Commission's annual activity report presents the EU's achievements and tax issues that need to be addressed: fight against tax fraud and aggressive tax planning was a priority of policy in the past legislative period (2014-2019). Work is underway to reform the corporate tax mechanism to make EU corporate taxation fairer and better adapted to the current digital economy in the internal market, and developing a definitive VAT regime has become another policy priority.

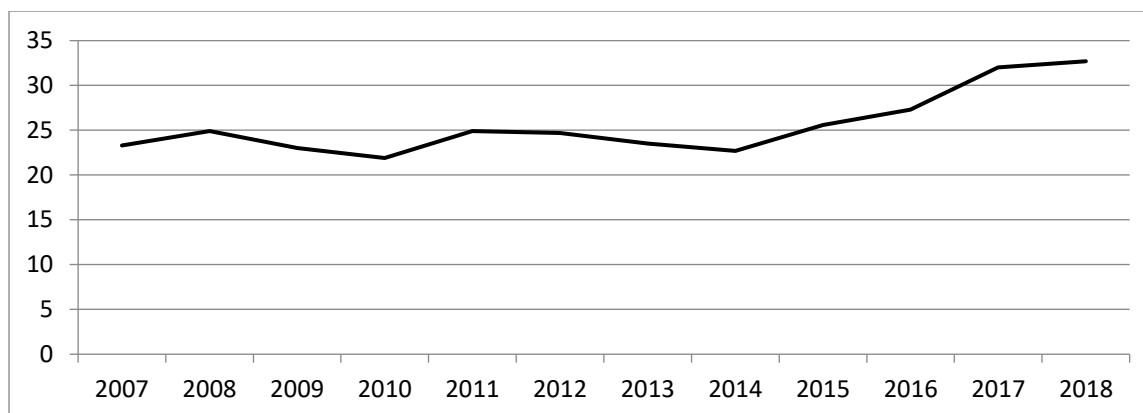
Enhanced tax policy coordination will ensure that Member States' tax policies support the broader goals of EU policy, as defined in the Europe 2020 Strategy for Sustainable and Comprehensive Growth and in the Single Market Act. Despite the high level of standardisation of this area, statistics, which differ significantly by country, also indicate the necessity of choosing a tax strategy among EU countries. The most commonly used relative indicator of the tax base characteristic is the indicator of the share of taxes in the country's GDP. At the beginning of 2018, the share of taxes in GDP in the EU countries averaged 40%, as in the previous year (Figure 1).

Figure 1: The share of taxes in GDP in the EU as of January 1, 2018



At the same time, there are variations in this indicator among EU countries. France, Denmark, and Belgium (over 47%) are the leaders in terms of share, the following countries are outsiders: Ireland (24.4%), Romania (28.0%), Bulgaria (29.0%), Lithuania (29.4%) and Latvia (29.5%). In Ukraine, the share of this indicator is almost at the level of the countries with its lowest level. Significant growth has taken place in recent years (2017 and 2018). In the whole 12 years, this figure increased by 40%. Figure 2 presents the dynamics of tax revenues to the state budget in% of GDP. For the period 2007-2015, the share of tax revenues in GDP is characterised by relative stability with slight fluctuations. After 2015, there is a trend towards an increase in the share, which until 2018 is somewhat stabilised. Overall, the growth for 2007-2018 was 9.4%.

Figure 2: The dynamics of tax revenues to the state budget of Ukraine in 2007-2018, % GDP



Direct taxation in the EU includes taxes levied on income, wealth and capital on both individuals and corporations. Personal income taxes (PIT) are not covered by EU provisions: this area is more in line with the case-law of the European Court of Justice. EU action on corporate income tax is more empowering, but it mainly concerns measures to regulate the single market. Indirect taxation consists of taxes other than income or property: VAT, excise duties, import and energy charges, environmental taxes. These types of taxes have been harmonised in the first place and more fully than direct taxes, as EU tax principles must ensure the smooth functioning of the single market.

Compared to Poland, which has almost the same level of tax revenue as a percentage of GDP, the structural distribution between direct and indirect taxes differs significantly. Thus, Poland prevails by 9% in terms of the share of indirect taxes, when in Poland direct taxes are 23%, while in Ukraine 40%. For other types of taxes (rent, customs duties, etc.), they are twice as high in Poland (13%) than in Ukraine (Poland – Income Tax, 2019). In 2019, a decision was made to exempt income tax for youth under 26, which is more than two million people (In Poland, youth under 26 will be exempted from paying..., 2019).

However, the tax revenues themselves make up the bulk of the revenue of the state budget of Ukraine – 62% (UAH 623 billion as of January 1, 2019 (the other 38% – customs revenues. At the same time, 22% of tax and customs payments go to local budgets; 38% – to customs, 40% – to the central budget. The structure of tax revenues is much higher than VAT (Table 1). By a considerable margin (three times), the second place is occupied by income tax, and the third place is practically at the same level – PIT.

Table 1: The structure of tax revenue as of January 1, 2019 (Official Website of the State Fiscal Service of Ukraine..., 2019)

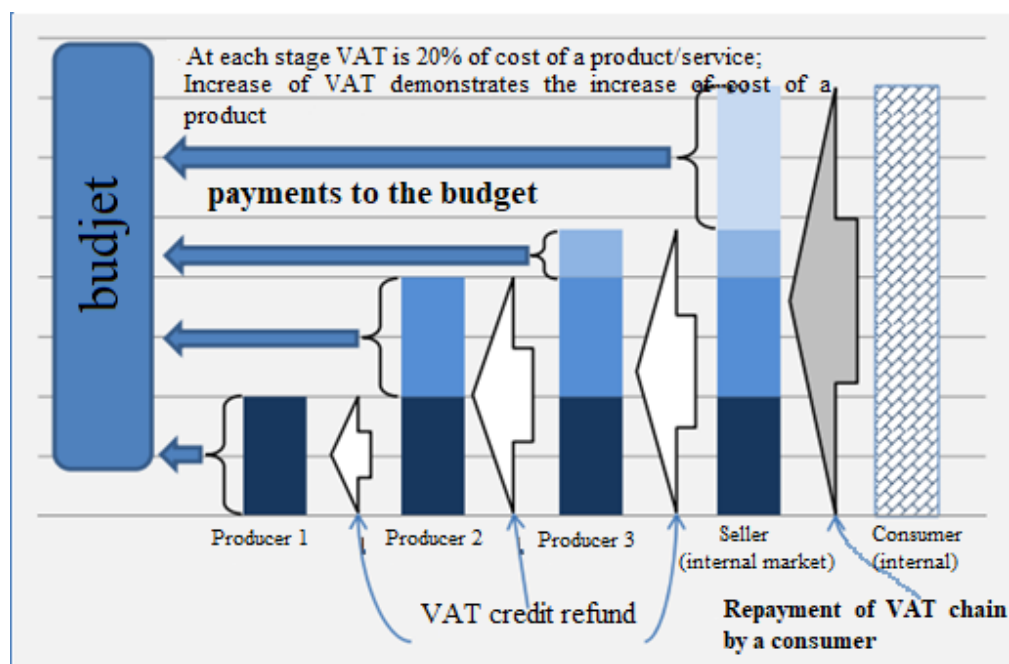
Tax	UAN billion	%
Import duty	27	3.62
Excise duty (importation)	46	6.17
VAT (importation)	295	39.54
Rent	39	5.23
Excise tax (domestic)	71	9.52
VAT (internal)	79	10.59
PIT	92	12.33
Income tax	97	13.00

In terms of VAT, the main charge is on the value of imported goods, i.e. the domestic market plays a significant role in the use of foreign producers. This model contradicts the policy of protection of the domestic producer declared in Ukraine, since the reduction of imports leads to a significant increase in the budget deficit due to the reduction of VAT. The current mechanism of VAT refunds leads to stimulation of export of raw materials abroad due to the guarantee of the exporter receiving a refund of 20% by the state (Tax Code of Ukraine..., 2010). This model causes the country's loss of its natural resources and a shift towards the raw nature of the economy. As a result, the payer is the end consumer who pays VAT in the structure of prices of goods, both domestic and foreign origin (Figure 3).

Up to UAH 130 billion is spent annually from the budget, and the total amount of VAT (minus compensation) is only up to UAH 80 billion. Insignificant amounts of corporate income tax indicate the inefficiency of its application, which has long raised the question of its replacement (turnover tax or capital tax). With regard to this type of taxation, it is advisable to make use of the

experience of the European Union countries. For comparison, the population generates a tax revenue of 22%, which is more than twice the proportion of the income tax. It takes into account that the income tax on the income of individuals also goes to the local budgets to a greater extent – UAH 123 billion. But if you take all the amounts of direct and indirect tax revenue from corporate payers, the total amount reaches 39%.

Figure 3: The scheme “VAT chain” (internal consumer) (Didenko, 2019)



Regarding local budgets, according to 2018 data, it can be stated that almost 70% of them are formed by the personal income tax, the same level amounted to a property tax and a single tax – 16% each. These data may indicate a high level of shadowing. Similarly, with regard to excise duties, the amounts of deductions for which clearly do not correspond to the potential of production and consumption of excisable goods. The problem of counterfeiting excise goods in million volumes has been acute for several years.

A similar situation is with respect to rent payments. Given the large volumes of natural resources and mineral resources in Ukraine, the available rents for production are very meagre (about UAH 40 billion annually). It turns out that the high-yielding gas industry pays taxes at the conventional FOP (6 and 5 %, respectively). It also contributes to the transformation of Ukraine



into a raw material appendage of other countries. The flagships of the formation of the revenue base are mining and processing industries, and such leading and potential payers as agriculture (only UAH 23 billion) and construction (only UAH 13 billion) are outsiders compared to them.

Thus, it can be stated that the model of rent, commodity, corruption economy and tax policy has been developed and continues to operate in Ukraine for decades. The taxation system is based on the internal market, the end consumer and the population. Therefore, it is clear the opposition to the bill “On Amendments to the Tax Code of Ukraine concerning the improvement of administrative taxes, elimination of technical and logical inconsistencies in the tax legislation” No. 1210, which provides for an increase in the rent for the extraction of ore (Draft Law on Amendments to the Tax Code..., 2019).

New government every time introduces a “new tax reform”, but sometimes it does not end or contradict previous innovations (Abramov et al., 2018). Frequent changes in the government resulted in the branching of the tax system, the lack of comprehensive reform of the tax system and the introduction of a systematic transformation of the fiscal model. Thus, changes in the VAT tax mechanism, optimisation of excise goods and rent payments, changes in corporate and individual income tax policies can be determined tax revenue growth reserves in Ukraine. The main areas of reform are a significant reduction in direct taxes (income tax and personal income tax) amid an increase in some types of indirect taxes (excise duties, import VAT) and other tax and non-tax levies (rents for natural resources, excise duties and excise duties) customs duties on commodities).

Foreign experience of transformational changes in socio-economic development shows that in almost all countries these changes were preceded by significant changes in the fiscal model. The Korean miracle or Polish transformation came about through some fiscal measures that allowed for revenue and investment to rebuild the economy. In a developed economy with a stable business environment, it is possible to increase the tax pressure on the corporate sector. In Ukraine, however, the transformation process has started on the contrary and continues its destructive effect on the business environment. Significant fiscal pressure does not only destroy monopoly-owned financial entities. They are kept in a favourable position by receipt of monopoly rent, through political lobbying of their interests in government and receiving significant funds from redistribution from the budget of tax revenues in the form of VAT refunds, development grants, innovations, etc., or through government procurement.

At the same time, it is impossible to interpret the EU tax system as fully effective and copy its provisions to the national system. After all, it has many disadvantages, ineffective provisions and unresolved issues. In particular, one of the pressing problems in the EU area today is the migration problem. In particular, the problem of a huge influx of migrants into a number of EU countries, including Member States. This problem is to some extent also caused by imperfect tax policy. The question today is whether the Treaty on the Functioning of the EU contains provisions to restrict or prohibit incoming flows of migrant and refugee workers. One of the measures in this area is to limit the factors that make these categories attractive, first of all, to deprive (or limit) their right to tax relief and certain types of social benefits.

It should be noted that, for example, the UK suffers from flows from EU countries (mainly from Romania and Bulgaria), because the UK social system is significantly different from the social assistance model in other Member States. So, in many EU countries, there is no equivalent to housing assistance and tax benefits for workers. In most European countries, Britons are not eligible for benefits until they make a certain contribution to the social security fund, while migrant workers from the EU in the UK have access to many benefits and tax benefits from the first day of their stay in the UK. As a result, many migrants (especially families with young children) travel to the UK through these differences in social legislation, get paid jobs for work and tax benefits (Net migration to UK rises to 333,000..., 2016; Bogatyreva et al., 2016). In this respect, it is also advisable to take on board the experience of other European countries in setting tax exemption limits within 3-5 years.

## **Conclusion**

Tax policy imperfection in the Eurozone is also evidenced by problems of regulation that are similar to international and national in some countries. The international competition for mobile factors of production – labour and capital – has led to the development of tax systems in many countries in the direction of shifting the tax burden from these factors of production to consumption and natural resources. This has led to the following trends in tax reform: the stabilisation of value-added tax rates in many European countries and the sufficiently high taxation of goods that have a negative impact on human health and the environment, as well as green tax reforms, during which there was an agreed multi-vector change in the rates of environmental taxes and contributions to social funds.

Ukraine's choice of a European integration path raises issues of harmonisation of Ukraine's tax policy with that of the EU member states. Holistic integration into the European development process in the context of a new round of globalization and changes in the field of international taxation lead to the need to ensure effective tax systems, both in the EU and in Ukraine. The need to overcome tax abuses and to ensure a level playing field in the international space is causing new transformational trends. Increasing the efficiency of tax systems in the EU and in Ukraine today depends on a number of recent trends in the globalised world that have implications for taxation: such as the digitalisation of the economy and the technological breakthrough, changing patterns of globalisation, exacerbating demographic and environmental problems.

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