

The Economies of the Balkan and Eastern Europe Countries in the Changed World

The Economies of the Balkan and Eastern Europe Countries in the Changed World

Edited by

Anastasios G. Karasavvoglou

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P U B L I S H I N G

The Economies of the Balkan and Eastern Europe Countries in the Changed World,
Edited by Anastasios G. Karasavvoglou

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INTRODUCTORY NOTE

The fundamental economic and political changes that took place in the central, southeastern and eastern European countries at the end of the 80s shaped new data in Europe and in the world that were marked by positive aspirations regarding the development prospective of their economies and their integration in the global financial environment.

In the last two decades that have gone by, the countries, some more than others, have adopted open market policies, privatized previously government run businesses and supported the development of the private sector of the economy, made the work relations more flexible, intensified the economic relations with the rest of the world, put into place plans to attract foreign investments and in general they have implemented measures to boost the competitiveness of their economies emphasizing an extrovert orientation. In the meantime, they sought new alliances and cooperations in Europe as well as in the rest of the world and they have moved towards their integration in international economic-political organizations with absolute priority their full accession in the European Union.

The results were not streamlined, nor were they of the same intensity and magnitude nor were their effects of the same importance for the countries of the region. Thus, despite the expansion rate of the economies, the increase of the volume of the foreign trade, the progress of investments and infrastructures and the restructure of production, the course of the economies of the central and eastern European countries were hampered by significant problems in the area of competitiveness, high unemployment rates, unbearable loan burden and expansion of the percentage of poor people and the social exclusion of a part of the population.

After two decades one can claim that these countries have moved on to a new level with different characteristics and challenges compared to the ones they confronted in the initial phase of their transition from the old to the new status.

The initial adaptation period gave its place to a deep crisis. During the global economic crisis of 2007 the developing Europe initially showed significant resilience, but later on the exporting performance of the economies faced deceleration, the influx of funds were cut down and the countries became more vulnerable. Moreover, it seems that the accession of the ten new countries in the European Union is now the most defining stabilization factor of their economies and simultaneously constitutes the landmark for their transition to the market economy, given that the increased access to western markets can lead to a rapid development of exports and improved access to foreign investment funds.

In any case, the basic issues which are emerged in a financial policy level are:

- The acceleration of the growth rate of the economies
- The attraction of funds for the finance of investment plans
- The improvement of competitiveness and the increase of exports in Europe and the rest of the world
- The development and modernization of the infrastructures
- The effective participation of the countries in the European economy

In conjunction with the grave importance economic matters, arise certain sobering thoughts regarding the effects of implemented economic policies in a social level. Therefore, the social cohesion, the disintegration of the social fabric, the expanded unemployment and the disorganization of work relations and the social security system ought to be considered as the point of reference of the politics, and their treatment should accompany the applied measures in the financial level.

The second international conference ‘The Economies of Balkan and Eastern Europe Countries in the Changed world’, EBEEC 2010, that was held in May, in Kavala, Hellas, under the auspices of the Accountancy Department of Kavala Institute of Technology, aimed at approaching relative thoughts. The presentations that were performed refer to matters related to macroeconomic issues, such as the economic relations of the countries in the region with the European Union or the importance of the FDI in the development, and also to the factors which have an effect on the economic developments in the countries, for instance business practices and their role in the development process.

The papers of this Volume are classified in the following units:

1. European Union and economical developments in Balkan and Eastern Europe countries
2. Regional development
3. FDI, enterprise finance and banking
4. Rural developments in specific countries
5. Supreme Audit Institution and IFRS
6. Labor market, enterprises and entrepreneurship

In the first subject unit, Kekenovski and Cvetkoska mention the role of globalization during the formulation of the Integration policy in the European Union and highlight important factors which can shape a successful Public policy of the European Union. Fessel features significant parameters of the integration of trade relations of the Balkan countries in the E.U. putting emphasis on the free trade agreements among the immersed countries. Malkidis describes and elaborates on the role of the Stability pact in South Eastern Europe, taking into consideration the latest social, economical and political changes which took part in this region. Trifonova focuses on the significance of the exchange rate policy with regard to the Bulgarian economy. Pochaleev and Todorova evaluate the repercussions of the common agricultural policy on the agricultural sector of the Bulgarian economy.

In the second subject unit, Bejko, Combi and Qiqi examine the issues of the regional development in Albania and make recommendations for the regional development strategies in Albania for the confrontation of the difficulties. Mantatzis underlines important aspects of regional disparities in Greece, while Rova and Zyberi make reference to the especially interesting issue of the effects that the Greek economic crisis has on the economic development of Albania, taking into consideration the close economic relations of the two countries in addition to the existence of around one million Albanian immigrants in the Greek economy. Nikolaidis, Batzios, Mandilas, Nikolaidis and Polychronidou place emphasis on the significance of the manufacturing sector for the development of the Eastern Macedonia and Thrace region, and define those factors which are considerable for the effectiveness of the manufacturing sector in the regional development.

In the next subject unit, Maditinis, Kousenidis and Chatzoudes present the role of the Greek economy in the Balkans with specific reference to the importance, as well as to the effects of the Greek FDI. Makogon, Orekhova, Ryabchyn analyze the framework for the attraction of

investments in the area of Black Sea emphasising the Synergetic approach, while Voutsas describes the significance of the International Financial Institutions in the Transition countries. What is more, Polychronidou, Kazanidis, Eleftheriadou and Valsamidis evaluate the webpages of Greek banks, concerning e-banking in Greece and Bulgaria.

In chapter four the two papers are developed on the basis of rural development; the first one is written by Belletti and Leksinaj rates that the micro credit system reinforces the sustainable development dynamic in Albania and the second one, which is written by Bitsani and Kavoura, looks into the contribution of rural tour methodology in the tourism development.

Chapter five presents two special issues in the sector of Financial Economic and Accounting. Bonic and Mladenovic examine the role of Reporting of supreme audit institution (SAI) in the Fiscal stabilization and in the stimulated investment and Baboukardos focuses on IFRS disclosure requirements for goodwill and goes through the Greek listed companies.

The labor market issues are discussed in the next unit. Pignatti makes reference to the position of women in the Ukrainian labor market and specifies the factors that lead to the discrimination against women. Karabchuk analyses the magnitude together with the importance of standard and non standard employment in Russia; Boga-Karteri, Stalidis and Papanicolas study the organisational practices in relation to communication and in the end, Roman and Ignatescu make a comparative analysis on the impact of financial crisis of SMEs in central and Eastern European countries.

We believe that the authors of this Volume contribute substantially to further investigation relatively to the past, the present but mainly to the future of the economies of the countries in the region, and promote major issues for scientific research.

Thus, we leave these papers to the academic community of economic and social sciences, the researchers and the policy makers with the hope that they can collect grave information, draw useful conclusions and form political proposals which will contribute to the amelioration of the economic and social conditions in a special region of our planet.

Finally, I would like to thank the authors for their participation at the conference EBEEC 2010 and their assent to publish their papers in this collective Volume. I am greatly indebted to Dr. Persefoni Polychronidou, adjoined assistant professor of Kavala Institute of Technology, as she undertook to accomplish all the necessary procedures from the conference until the publication of this Volume. During this effort she was supported by PhD Candidate Dimitrios Chatzoudes, Dr. Theodosios Theodosiou, Dr. Ioannis Kazanidis, M.A. Christi Christodoulidou and Dr. Eftichia Vraimaki. This volume substantially composes the result of these people's hard work.

Kavala, July 2010
Professor Anastasios G. Karasavvoglou

PART ONE:

**THE EUROPEAN UNION AND ECONOMIC
DEVELOPMENTS IN THE BALKAN
AND EASTERN EUROPEAN COUNTRIES**

GLOBALIZATION AND POLICY-MAKING IN THE EUROPEAN UNION

LJUBOMIR KEKENOVSKI
AND VIOLETA CVETKOSKA

Abstract

This paper sets out the foundations of how globalization, and more generally techno-economic forces, can be integrated into public policy and EU policy making. It seeks to contrast a perspective on globalization and EU policy-making in which techno-economic forces have a primacy with rival perspectives which stress the primacy of institutions and ideas. The prominence of globalization is based on the impression that many aspects of political, economical, social and cultural life have shifted from the national level towards the international and global levels. The anatomy of globalization can be thought of in terms of interconnectedness between all levels of societies and the extent, intensity and speed of interconnectedness mark out globalization from other forms of international connection. It is also pointed out the relationship between globalization and European integration. In this paper significant place is given to globalization and public policy. The strong perspective on globalization stresses its techno-economic roots and the reduction in state autonomy and the techno-economic context has a clear primacy in public policy. Public policy analysis reveals a number of perspectives which contrast with techno-economic. Two of the most important are: a perspective which stresses the primacy of institutions in which institutions have an independent impact on policy outcomes; and the primacy of ideas in which ideas, ideologies and belief systems have independent impact. Nevertheless, the techno-economic perspectives enable the globalization hypothesis to be spelt out clearly, while the other two enable critical analysis of hypothesis. This paper focuses on the relationship between globalization and EU policy-making through the lenses of three competitive approaches while recognizing the important division between supernationalism and intergovernmentalism that cuts through all of them.

Introduction

“A day will come when all the nations of this continent, without losing their distinct qualities or their glorious individuality, will fuse together in a higher unity and from the European brotherhood. A day will come when the only battlefield will be the marketplace for competing ideas. A day will come when bullets and bombs will be replaced by votes”

—Victor Hugo, 1849

Victor Hugo spoke those prophetic words in 1849, but it took more than a century for these utopian predictions to start coming true. During that time, two world wars and countless other conflicts on European soil caused millions of deaths and there were times when all hopes seemed lost.

In 1945, just after the Second World War, Winston Churchill described Europe as “rubble heap, a charnel house, a breeding ground for pestilence and hate”. A year later, on 19 September 1946, in his famous Zurich speech, he proposed as a remedy:

“to recreate the European Family... and to provide it with a structure under which it can dwell in peace, in safety and in freedom... a kind of United States of Europe”.

Half a century later, realizing and exceeding Churchill’s vision, the western part of the “European Family” had become an island of peace and prosperity in a world ravaged by hatred, conflicts, civil wars and misery. The successful formula that European nations had invented to overcome their depression was the integration to the formerly antagonistic nation-states into a union of peacefully interacting and competing nations. The multinational integration formula involves the gradual creation of imperceptible albeit innumerable links between the nations taking part in the process. Those links consist of common laws and common policies, which govern the Member States’ economic activities and influence the day-to-day lives and occupations of their citizens.

This paper presents globalization and regional integration as two of the most salient international trends of our time. Their relationship, however, is not straightforward: on the one hand, a world of regional blocs appears to contradict a single globalization world, while on the other hand regions can be perceived as manifestations of globalization and building blocks of global integration. In an ‘outside-in’ view of this relationship globalization

is the primary driving force. In this view regionalization might represent a stronger defense against globalization than the nation state or add to the existing global trends. Conversely in an ‘inside-out’ view, regional trends and policies to promote regionalization are important causes of globalization (Bartle, 2005).

The European Union (EU) is the most developed instance of regional integration and since the 1990s its relationship with globalization has increasingly become the subject of interest. A commonly held view is that globalization is the key variable which has driven European integration. Many political elites and policy-makers hold this ‘outside-in’ view.

Chris Patten, a former European Commissioner, wrote that it is

“more widely accepted than ever that in the modern world [European] nations need to pool their sovereignty if only in response to the process of globalization”.

—Patten, 2002

What distinguishes the EU from other examples of regional integration is that it has a highly developed and institutionalized system of policy-making which involves legislation over a wide range of sectors.

This paper is organized in 6 sections together with the introductory one. Globalization and European integration are presented in section 2. Globalization and public policy are described in section 3. Enlargement of European Union is overviewed in section 4, while *nota bene* is given in section 5. Bibliography is presented in the final section.

Globalization and European integration

The prominence of globalization is based on the impression that many aspects of political, economic, social and cultural life have shifted from the national level towards the international and global levels. Studies of globalization are often introduced with an impression such as ‘political processes, events and activities nowadays appear increasingly to have a global or international dimension’ (McGrew, 1992, p. 2) and ‘the world is rapidly being moulded into a shared social space by economic and technological forces and... developments on the region of the world can have profound consequences for the life chances of individuals or communities on the other side of a globe’ (Held et al., 1999, p. 1). Technological change and the internationalization of trade, production and

finance are prominent aspects of contemporary globalization (McGrew, 1992, pp. 24-25).

There is no consensus on the nature and the extent of globalization. Although there is a wide range of perspectives and subtleties, broadly two key schools of thought can be identified and termed 'strong' and 'weak' globalization (Jones, 2000) whose protagonists can respectively be labeled 'hyperglobalists' and 'sceptics' (Held et. al., 1999). Key aspects of globalization in contention are the extent of globalization, the importance of technology and markets and the role and autonomy of the state and policy-makers (Bartle, 2005).

In the notion of strong globalization, global interconnectedness is both extensive and intensive. We have witnessed the dawn of the borderless global age in which technology and markets are the main driving forces (Held et. al., 1999, pp. 3-5). Financial markets, trade and production are distributed across the world and becoming evenly spread (Jones, 2000, pp. 13-16). A process of 'denationalization' is also at the heart of the hyperglobalist challenge and being replaced by markets and regional and global forms of governance. Markets are much more dominant: 'where states were once the masters over markets, now it is the markets which, on many crucial issues are the masters over the governments of states' (Strange, 1996, p. 4), and the rise of the multinational corporation (MNC) has changed the nature of international relations (Stopford and Strange, 1991). As the state retreats and markets become more dominant, governments are compelled to implement market-friendly policies such as liberalizing the economy and developing policies which are congenial to MNCs (Ohmae, 1990, pp. 11-13). Details for strong globalization can be found in (Jones, 2000; Held et. al, 1999; Strange, 1996; Stopford and Strange, 1991; Ohmae, 1990).

The 'sceptics' and the proponents of 'weak' globalization take issue with the extent of globalization depicted by hyperglobalists, the decline of the state and its monocausal nature. The skeptics recognize increasing internationalization but the processes are uneven and not historically unprecedented (Held et al., 1999, pp. 5; Jones, 2000, pp. 16). For weak globalization see (Jones, 2000; Held et al., 1999; Hirst and Thompson, 1996; McGrew, 1992).

A combination of the hyperglobalist conviction that globalization is one of the most important forces shaping the modern world with a

skeptical view which perceives ‘global stratification’ and new forms of division seems more plausible (Held et al., 1999, pp. 7-9).

Globalization and European integration appear *prima facie* to be different or even contradictory processes and debates have often been conducted as if they occupy separate spheres (Wallace, 2000). They appear to symbolize economic integration over very different geographical areas, a process limited to Western Europe which can even be a barrier to globalization, the other extending across the whole world. In Europe in the 1980s the stress was on completing the ‘internal’ market by eliminating internal barriers to trade which appeared to herald a closed ‘fortress Europe’ (Harrop, 1992; Tsoukalis, 1997, pp. 237).

The development of a single market and globalization since the 1980s indicate that the two phenomena are inextricably linked: they are complementary and possibly different manifestations of the same process. The single market of the 1990s, for example, represents a more open and globalised Europe than the fortress Europe imagined in the 1980s (Bartle, 2005).

The complementary nature of globalization and European integration is often noted: there are ‘strong interconnections between regionalism and globalization that cover a variety of issues and draw similar motivational forces’ (Bartle, 2005; Dent, 1997, p. 12) and ‘ragionalisation can create the necessary kinds of economic, social and physical infrastructures which facilitate and complement the deepening of globalization’ (Bartle, 2005; Held et al., 1999, p. 16). Cross-border connections are seen as a key aspect of globalization and their management is more intensive in Europe than at other global levels (Bartle, 2005; Wallace, 2000).

Addressing the relationship between globalization and European integration, Ross (1998) refutes the unilateral view and its predominantly strong notion of globalization. He argues that globalization as currently conceived – a global interconnected economy, high financial and trade flows – is very different from the external factors that influenced Europe prior to the 1990s.

A bidirectional view of globalization and European integration can be consistent with techno-economic perspectives on public policy: policy is a response to and reinforces technical and economic processes. However, emphasis on the policy sources of globalization is more likely to correlate

with perspectives which stress the internal sources of policy change, such as those which give primacy to European institutions or ideas held by key actors. Bartle (2005) pointed out that in order to understand whether the relationship between globalization and European integration can be understood in terms of the primacy of techno-economic forces, of institutions or of ideas, various theories and approaches of European integration policy-making and how globalization figures in them need to be examined.

In 1972, Donald Puchala likened theorists of EU integration to blind men touching an elephant, each one feeling a different part of the elephant and purporting to describe a very different animal. Today, theories of the EU are even more diverse. Excellent introduction to European integration theories can be found in Rosamond's (2000), and in the essays in Wiener and Diez (2004).

Globalization and public policy

The idea that technological and economic factors such as globalization can influence politics and public policy is related to well established debates on technology and politics (Street, 1992) as well as to debates on the socio-economic context and public policy (John, 1998). The strong perspective on globalization stresses its techno-economic roots and the reduction in state autonomy and the techno-economic context has a clear primacy in public policy. The weak perspective takes a more complex view of the sources of globalization, particularly the policy sources and the autonomy of policy-makers. While the weak perspective is not necessarily incompatible with the primacy of techno-economic forces in public policy, other perspectives which stress the importance of endogenous political processes appear more appropriate (Bartle, 2005).

Public policy analysis reveals a number of perspectives which contrast with the techno-economic. Two of the most important are: a perspective which stresses the primacy of institutions in which institutions have an independent impact on policy outcomes; and the primacy of ideas in which ideas, ideologies and belief systems have an independent impact. There are of course other perspectives, some of which overlap with these two, and there are many variants and subtleties in each perspective (John, 1998).

Therefore, the following sections focus on the relationship between globalization and EU policy-making through the lenses of these three perspectives.

The primacy of techno-economic forces

Within this perspective policy change is understood primarily as an expression of the technological and economic context. In times of rapid techno-economic change, policy outputs are expected to respond likewise after a lag for legislation. In an extreme version of this perspective labeled 'autonomous technology' the dominance of technological logic is manifested in the illumination of difference, as everything, including the state, is brought under its influence (Street, 1992, p. 24). In a weaker version 'technology sets the conditions for the operation of the political system, including the political agenda, even if it does not determine the policy output' (Street, 1992, p. 30). The techno-economic perspective is also related to socio-economic and rational choice approaches to public policy (John, 1998). In socio-economic approaches, institutions, group dynamics and ideas are expressions of socio-economic forces and external context such as economic structures are the primary determinants of policy preferences. While socio-economic approaches also include class-based analysis of politics and policy, a techno-economic approach is more individualist and draws from rational choice. Preferences of actors are based on their judgment of their self-interest in response to changing material context (Bartle, 2005; John, 1998).

The primacy of techno-economic context in public policy has enjoyed a revival in the era of globalization. One variant of socio-economic approaches notes, for example, that when capital is mobile 'differentiation and political choice are not possible' and 'as a result, the market reigns' (John, 1998, p. 104). Policy and politics are clearly subordinate to globalization and there are strong impulses towards adopting policies of liberalization. Governments are advised, to 'concentrate on essentials', 'enforce competition', 'give up national champions', 'liberalize in stages' and 'watch the competition' (Stopford and Strange, 1991, p. 218-223). The result is a move to the 'competition state' in which state policies shift towards the promotion of competitiveness and marketization (Cerny, 1997). The 'paradigm shift' from Keynesian to neo-liberal policies adopted in most European countries (Wright, 1995, p. 337) can be explained in these terms (Bartle, 2005).

This perspective is clearly linked with strong globalization, though the policy sources of globalization can also be important, as in weak globalization. Whether the initial source of policy changes or not, techno-economic forces become dominant and globalization and liberalization are reciprocal and elements of a single mutually reinforcing process (Bartle, 2005). As the process gathers momentum, a 'ratchet effect' ensues in which, 'in a process of competitive deregulation and creeping liberalization', the state gives away more and more powers which it finds difficult to recover (Bartle, 2005; Cerny, 1997, p. 273).

In European integration, despite the bitter rivalry between intergovernmentalism and neo-functionalism, the primacy of techno-economic forces, particularly globalization, can be perceived in both theories. Neither theory necessarily excludes the possibility of political choice (Verdier and Breen, 2001), but both theories are founded on an 'interest group' model in which national or transnational actors' preferences formed from contexts are at the roof of step changes in European integration and policy (Parsons, 2000, p. 46). However, the techno-economic processes and how they impinge on actors, the role of national and supranational institutions and the way in which preferences are transmitted into EU policy vary considerably (Bartle, 2005).

Techno-economic forces and state centrism: liberal intergovernmentalism

In these perspective techno-economic forces, resulting from globalization, economic interdependence and sectoral contexts, have primacy and are transmitted into EU policy through national and intergovernmental political and institutional processes. If external forces are strong, national policy preferences are expected to converge and intergovernmental agreements for common EU policies can be easily achieved. Conversely, if external forces are weak and national sectoral contexts are divergent, European-level agreements are more difficult to achieve. At the EU level intergovernmental bargaining is the dominant mode of decision-making and EU institutions, law and procedures are subordinate and their impact is secondary. In liberal intergovernmentalism, which is close to this perspective, European integration is likely to increase when global forces impact on domestic interests leading to a convergence of policy preferences and a logic for European states to agree common policy responses (Moravcsik, 1993; 1998). Moravcsik (1993; 1998) pointed out that there are three key stages in liberal

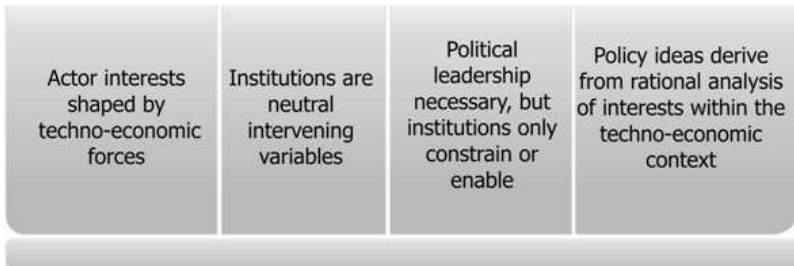
intergovernmentalism. In the first stage, the demand for policy outcomes, national preferences are established from domestic interests which are shaped within socio-economic environments, including globalization and national and international sectoral context. In the second stage, policies are agreed in intergovernmental negotiations and can be understood from the strategic behavior of states within the inter-state system of the EU, relative state powers, the intercity of domestic preferences and the linkage of issues (Moravcsik, 1993, pp. 496-507). The third stage is a process of 'institutional choice' in which the pooling and delegation of sovereignty to supranational institutions take place (Bartle, 2005; Moravcsik, 1998, pp. 67-77).

Techno-economic forces and supranationalism: neo-functionalism

This perspective argues that the impetus for policy change can come from transnational business interests and European decision-making is characterized by supranationalism. Economic globalization is the crucial techno-economic process which has led to many large MNCs with substantial global and regional operations and to problems which transcend the nation state. Organized transnationally and sometimes globally, transnational interests prefer European level policy solutions and, in alliance with supranational institutions, are primary drivers of EU policy. Again the rationality assumption pervades this perspective, with the primacy of societal interests shaped in techno-economic contexts. Political and institutional processes are essentially reactive and secondary (Bartle, 2005).

Globalization, however, was not at the heart of neo-functionalism, the main supranational theory of integration. Rosamond (2000) pointed out that the main force is 'economic spillover', a geographically limited process in which economic and technical forces act between interconnected areas of the economy. Although many recent explanations of European integration stress EU political and institutional processes, they draw from the neo-functional tradition and emphasize global markets, business and communications, which militate towards supranational policies (Sandholtz and Zysman, 1989; Cowles, 1995; Sweet and Sandholtz, 1998). Figure 1, presents primacy of techno-economic forces.

Figure 1. Perspective on policy-making in the EU: Primacy of techno-economic forces



The primacy of institutions

“First the engine was key individuals with vision. Then the Commission became the motor for Europe, a common institution helped along by the Franco-German alliance, particularly in the 1980s, when Delors, special relation with European leaders brought in the Single Market and EMU. But since Maastricht the Community has run down hill. Nice was a caricature of what should have happened”

—Alain Lamassoure, 2000

The idea that institutions can have an independent impact on policy has undergone a revival since the 1980s under the guise of ‘new institutionalism’ (March and Olsen, 1989; Peters, 1999). New institutionalism moves beyond a limited functional view of institutions as:

“a neutral transmission belt for political actions that begin in society, transmit to the executive and legislature, and are applied by bureaucracies to return to society again in the form of policy outcomes”

—John, 1998

Institutions rather have ‘standard operating procedures’ which routinise the values of the political system (John, 1998, p. 41). Political and societal actors are constrained in their actions and are unable or unwilling to follow unconstrained self-interested preferences. Institutions do more than constrain, they define the norms of a political system and actors’ preferences are shaped by these norms instead of, or in addition to, rationally formed responses to social, economic and technological contexts (Bartle, 2005). Institutional theory, however, does not repudiate the context per se, but the primacy attached to it: ‘political democracy depends not only on economic and social conditions but also on the design of political institutions’

(March and Olsen, 1989, p. 17) and ‘causation can go in both directions’ (Peters, 1999, p. 15). Exogenous forces such as globalization and technical change therefore can provide stimuli for policy change but the actual response is shaped by institutional factors. Stronger versions of new institutionalism, namely the historical and sociological variants, ascribe a primacy to institutions in policy change and globalization becomes secondary. A weak concept of globalization is more appropriate: globalization is more than a monocausal techno-economic process and policy preferences and decisions have significant endogenous sources.

Understanding the EU means understanding the inter-institutional cooperation and competition that occurs as the EU’s institutions perform their three core functions:

1. providing political direction,
2. managing the Union, and
3. integrating interests.

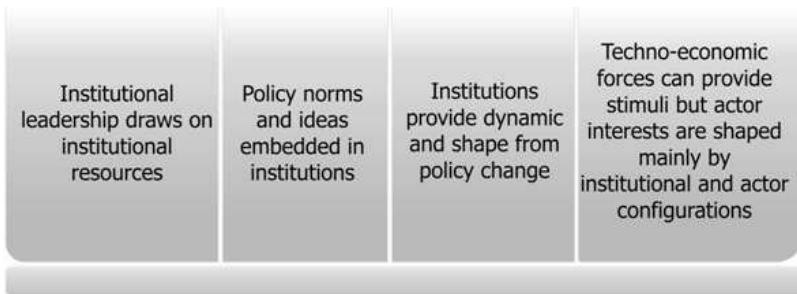
If institutions matter in determining politics in any political society, they may matter even more in the European Union than in other systems. Why? We can think of at least six reasons (Peterson and Shackleton, 2002).

First, the EU’s institutions remain young. Second, the EU’s institutions matter because they are the vehicles used by the Union’s member governments to enforce the terms of the bargains they make with each other (see, Moravcsik, 1998). Moreover, as a third observation, the EU’s institutions do not simply manage. Fourth, the EU’s institutions fascinate because they are powerful yet mostly unloved by European citizens. Fifth, the EU’s institutions not only link Brussels to national EU capitals. They also link Europe to the wider world of international politics. Sixth and somewhat paradoxically, EU politics are largely a product of competition between its institutions – each of which has its own identity and interests – but the Union’s institutions are profoundly and inescapably interdependent.

In European integration, analysis focuses mainly on EU-level institutions rather than national institutions, though the two levels are sometimes integrated (Rosamond, 2000, pp. 113-22; Hooghe and Marks, 2001). Nugent (2002) gives a thorough catalogue of the EU institutions, while Dinan (2004) sets them into their historical context. Among the many studies of the Commission, Edwards and Spence (1997), and Page (1997) provide a valuable explanation and insights. For the Council and European

Council, see Hayes-Renshaw and Wallace (1997; 2005), and Westlake and Galloway (2005). Jacobs, Corbett, and Shackleton (2000), provide a comprehensive account of the European Parliament. The ECJ and the European legal system are covered by Dehousse (1998), and Mattli and Slaughter (1998). On the national dimension, see Maurer and Wessels (2003), Cowles, Caporaso, and Risse (2001), and Bulmer and Lequesne (2005). Figure 2, presents the primacy of institutions.

Figure 2. Perspective on policy-making in the EU: Primacy of institutions



The primacy of ideas

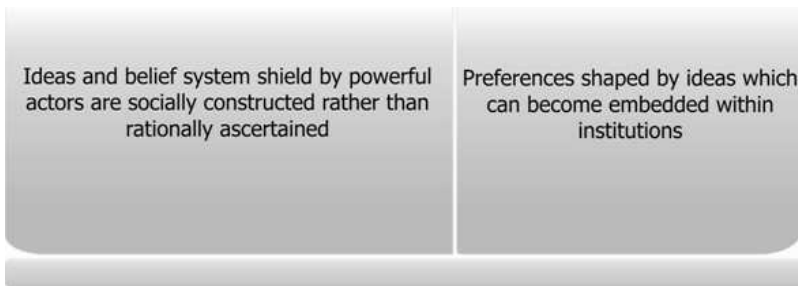
In a third perspective idea, belief systems and ideologies play a central role in policy change. Ideas, of course, are central in any perspective on politics and policy; they form the basis of policy and provide a framework in which decision-makers think and act (John, 1998, p. 144). In an idea's perspective, ideas are not simply 'out there' waiting to emerge from rational analysis of material reality or embedded within institutions but derive from, and are elements of, belief systems and ideologies held by actors. Ideas held by actors thus condition and interpret external forces. In this way ideas can have an independent impact 'by being the way in which people frame questions, give meaning to the world and propose solutions, ideas have a life of their own' (John, 1998, p. 157). Ideas have a primacy in 'social constructivist' perspectives on politics, which involve attempts to understand how ideas are formed from individuals' perceptions and relations with society (Bartle, 2005;).

In European integration, perspectives which stress the primacy of ideas have not been prominent but have increased since the late 1990s. Christiansen et al. (2001, p. 2) argue that:

“European integration has had a transformative impact on the European state system’ which has changed ‘agents’ identity and subsequently their interests and behavior have equally changed”

The ideas held by key actors in the Commission are important for EU policy-making and arise from a variety of sources, primarily the national and political backgrounds but also from the transnational community of actors in the Commission (Hooghe, 2001). The ideas held by key actors at national level which are not directly connected with domestic interest groups or with economic conditions can also be decisive in European integration (Parsons, 2000; 2003). Figure 3, presents the primacy of ideas.

Figure 3. Perspective on policy-making in the EU: Primacy of ideas



Enlargement of the European Union

In his historic declaration of May 1950, Robert Schuman, Minister for Foreign Affairs of France, stated that:

“Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity”

Enlargement was always an integral part of the integration process and policy-making in the EU (Wallace, 2000, p. 150). The EU enlargement policy has very particular characteristics. These characteristics affect both the policy process through which it is produced and the shape of substantive policy outcomes. Enlargement is a ‘composite policy’, that is, a broad policy framework that draws on policies in a broad range of issue areas. EU membership has grown from six to twenty seven nations, bringing the EU’s population to nearly half a billion. The successive

enlargements have strengthened democracy, made Europe more secure and increased its potential for trade and economic growth.

Is the EU membership a good or bad thing? The majority of citizens in all EU countries believe membership is a good thing for their country, see Figure 4 and Figure 5. The level of support varies across the Union and fluctuates over time. A 2007 Eurobarometer survey showed that the strongest supporters are still some of the oldest member states (Ireland and the Benelux countries).

Figure 4. Support for EU membership, as a percentage of persons surveyed, EU-27 (autumn 2007)

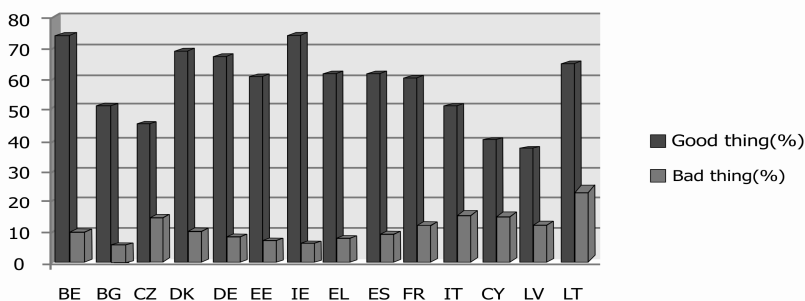
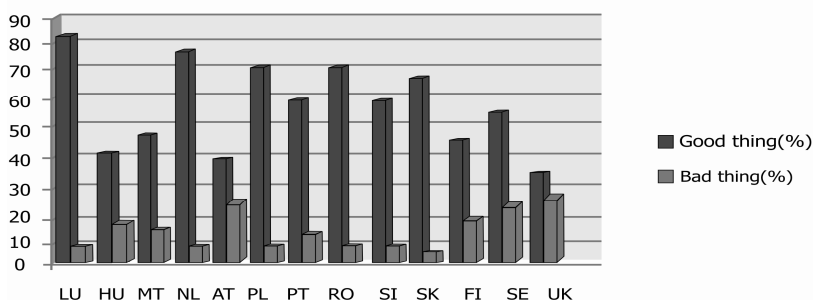


Figure 5. Support for EU membership, as a percentage of persons surveyed, EU-27 (autumn 2007)



Source: Eurobarometer.

Not all European countries are, or wish to be, EU members - but the Union is open to any European country that fulfils the democratic, political and economic criteria for membership.

Nota bene

“The EU is a unique experiment embedding the national in the European, and the European in the national”

—Laffan, 2000

Europe’s history mainly relates to the wars for the domination of some nations over the others and the battles of those others for their liberation from their oppressor or oppressors. Right after the Second World War, some inspired politicians, like Schuman, Adenauer, De Gasperi and Spaak, realized that the European nations, which had just ruined each other in a nonsensical war for the enlargement of their economic space, were in fact parts of a single geographic, economic and political entity, that could guarantee the prosperity of all in a single market. The famous declaration of Robert Schuman of the 9th May 1950, inspired by Jean Monnet, was clear as to the step by step approach to be followed by European integration. The realization of a customs union would fulfill the requirements for building a large common market and this would in turn establish the conditions and exert the pressures needed for the attainment of an economic and monetary union. This close economic integration would eventually necessitate a common foreign policy. Thus, political integration would follow the economic one.

Common policies, as all other public policies, are there to answer societal needs which arise in a defined community at a certain time. Therefore, not only the objectives that the member states set for each common policy, but also the means that they give to the common institutions to attain them and the measures that the latter adopt in order to implement them change in accordance with the economic, political and social needs that the states, which take part in the process, experience at a certain time.

Today it may be said with confidence that the experiment was largely successful. We agree with Diamandouros (2004) that multinational integration has established peace in Western Europe, has turned the former enemies into good partners, has secured the equality of all participating nations under common laws, and has ensured development opportunities and thus the relative prosperity of all. In short, the European Union has become an island of peace and prosperity in a world that is still suffering from skillfully cultivated ethnic, racial, religious and other differences, battles for the glory of warmongers, slaughters and displacements of populations for ethnic and/or economic reasons and finally, the exploitation

of the vast majority of mankind by an unscrupulous minority, equally distributed among various nations.

Not all European countries are, or wish to be, EU members - but the Union welcomes membership applications from any democratic European country.

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