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EDITORIAL

Today we are handing to our readers the third issue of our academic quarterly in 2017, which in terms of volume is very extensive, and in terms of content is extremely interesting and has an interdisciplinary character. It contains as many as twelve original articles in the fields of social sciences and humanities, especially in economics, history, political sciences and international relations, as well as two reviews. The articles are the result of research carried out by individual authors under various research projects. Economists and political scientists, specialists and experts on international relations, as well as students, doctoral students, teachers and journalists should find this issue interesting. We also recommend it to politicians and decision makers at home and abroad as it contains a number of original scholarly papers devoted to current economic, financial, social, political and international problems with which the European Union, including Poland, and the whole world is struggling today. It shows how quickly the international order and its determinants change. It also reveals the complexity and unusual dynamics of the modern world and the problems that politicians do not cope with, and which are often the result of their ignorance and previous mistakes, hasty and ill-considered decisions. One of the greatest ailments of the modern world and of the European Union is, unfortunately, the lack of wise political elites. We therefore hope that, just like all the previously published volumes of “Myśl Ekonomiczna i Polityczna” [‘Economic and Political Thought’], also this one will be of interest to a wide circle of readers and will be welcomed by both scholars and politicians. I hope they will have time to study it.

The presented issue of the quarterly, according to the previous practice and rules adopted by the editorial office, consists of two parts: the first one which is devoted to broadly understood economic issues, and the second pertaining to political issues and the international situation in Europe and in the world. Just like every year, this issue (always the third) is printed in English in order to increase the circle of our readers in Poland and abroad.

In the first part we are publishing six articles. It opens with Andrzej Kozina's article entitled 'Selected theories of the firm as a base for negotiation description' in which the author carries out a careful analysis of several theories of the firm and points out their usefulness in describing negotiation processes that take place in a given company. The author critically analyses the following theories: of inter-organisational relationships, transactional costs, stakeholders, contract and agency. The presentation of each of them comprises two components: its synthetic characteristics and determining its place in conducting negotiation processes in a company. In the summing up section of the paper the conclusions from the considerations are presented as well as the directions of further studies are indicated.

The aim of the considerations in the next article entitled 'Spectral analysis and the application of filters in the examination of business cycles' by Krzysztof Beck is to present the general idea of spectral analysis and details of design of the Hodrick-Prescott, Baxter-King and Christiano-Fitzgerald filters. The second part of this article presents the results of empirical studies on the example of Poland and Greece and shows the difference in the results obtained when different filters are used.

The next, third article in this part, entitled 'How charismatic leader drives strategic results: Case of Górnik Zabrze football club', authored by Dariusz Pietyszuk and Bartłomiej Bańkowski, shows on the basis of the leadership theory that companies managed by a charismatic leader, personally responsible for strategy development, have higher volatility of results than companies with a planned, formal process of strategy formulation. According to the authors, it is connected with the fact that strong leaders may have clear and well-defined visions, but may also be wrong and the execution of their vision may lead to a significant failure.

The subsequent, fourth article by Waldemar Florczak, entitled 'Outlays on legal aid in Poland. Could we get more out of it?' contains interesting reflections on free legal and civic counselling in Poland. The author shows here the current state of affairs, the legal principles and costs and prospects of free legal and civic counselling in our country.

Then there is the fifth, analytical text 'Tax policies in Poland, Slovakia, and Bulgaria: sitting on a ticking bomb or catching up with the West', written by Spasimir Domaradzki. The author analyses and compares tax policies of Poland, Slovakia and Bulgaria, pointing to their shortcomings and defining them as ticking bombs. The research presented in this article leads to the conclusion that, in essence, the discussion of whether a tax system is linear or not is secondary because all the examined tax systems are in fact 'flattened'

in practice. Secondly, the author stresses that the pursuit of direct foreign investment must not be blind and uncritical, since the experiences of these three countries show distinct and, most importantly, not only positive effects. As Poland and Slovakia are approaching the challenges of a ‘medium-growth trap’, Bulgaria still needs to ‘catch up’ with the West. Thus, the former two countries should reconsider the weaknesses of their taxation systems, whereas Bulgaria should reassess its approach towards foreign direct investments and change the direction of its economic policy.

The last article in this part by Krzysztof Falkowski entitled ‘Economic aspects of institutional transformation in post-Soviet countries – current state and consequences for their development and competitiveness’ is also the first of four further articles that have been prepared for printing by a team of researchers led by Tomasz Stępniewski from the John Paul II Catholic University of Lublin and are actually devoted to socio-political and economic problems of post-Soviet countries.

The second part, concerning political science, contains six original scholarly texts, resulting from research conducted by their authors. It opens with Konrad Świder’s article entitled ‘Emancipation of the nomenclature as a catalyst for the breakup of the Soviet Union’. In this article the author shows and analyses the causes of the breakup of the Soviet Union in 1991, which he divides into ideological, political, social, economic, nomenclature or nationality reasons. According to the author, the emancipation of the nomenclature was one of the manifestations of the multi-faceted modernisation of the USSR and its collision with the communist doctrine as an ideology.

Further in this part of the presented quarterly there is Aleksandra Kuczyńska-Zonik’s article entitled ‘Integration of Russian speakers in the Baltic states’. As the title shows the aim of the article is to compare integration policies of Estonia, Latvia and Lithuania as well as adaptation models of Russian speakers in these countries after they regained independence in 1991. The author shows that the Baltic states have used different integration models depending on their historical, political and social determinants. She argues that the effectiveness of this integration has depended both on the national strategy and on the openness of ethnic groups to adaptation in the new environment.

In turn, Tomasz Stępniewski in the article ‘Ukraine’s position in the European Union’s Neighbourhood Policy’ discusses Ukraine’s position in both the European Neighbourhood Policy and the Eastern Partnership project based on this policy. In conclusion of his considerations, the author states that Ukraine’s integration with the European Union means for this country the

need to make a civilization choice and stresses that it is Ukraine which is the biggest challenge among all countries located in the eastern borders of the European Union. Due to its geopolitical and geoeconomic position Ukraine is a key state only for the European Union but also for Russia.

Further in this part there is an interesting text written by Jarosław Jura and Kaja Kałużyńska entitled ‘Still more about history than about the present – picture of Russia, Germany and Ukraine in the Polish media in the second half of 2013’. The results of the cluster analysis showed that these three countries were presented mainly negatively by the Polish media. In addition, a surprisingly big number of articles, – the authors stress – in which Germany, Russia and Ukraine were described, also included historical references, especially those relating to the Second World War.

The last but one text in this part of the quarterly by Józef M. Fiszer, entitled ‘European Union and China in the twenty-first century – problems, opportunities and threats’ is devoted to relations between the European Union and the PRC today and in the following years of the twenty-first century. The author writes here that the European Union and China have the status of strategic partners in mutual relations and seek to develop cooperation in all areas, but they have different positions on and attitudes to many important matters.

The last articles in this part of the quarterly is Tomasz G. Grosse’s text ‘Geopolitical strategy of a smaller state: the case study of Poland’s presence in the EU’. The paper analyses strategic choices made by a smaller state that does not have the status of a great power and enters into the structure of European integration. The purpose of this analysis is to try to show (on the example of Poland) how selected theories present the role of small states and their basic strategic geopolitical choices.

The presented issue of “Myśl Ekonomiczna i Polityczna” [‘Economic and Political Thought’] closes with two extensive reviews of the latest, published in 2017, scholarly books devoted to the ethnic identity of the population living in contemporary Belgium and the European Union and its crises.

We wish all our readers interesting reading and we encourage everyone to cooperate with our editorial board and Lazarski University, one of the best universities in Poland.

prof. zw. dr hab. Józef M. Fiszer

A R T I C L E S A N D S T U D I E S

Andrzej Kozina*

SELECTED THEORIES OF THE FIRM AS A BASE FOR NEGOTIATION DESCRIPTION

INTRODUCTION

The aim of the article is to present the synthetic characteristics of those of firm theories (economic ones and management concepts related to them) which are most important for the description of negotiation processes in a company, as well as to show for what purposes these theories can be used in the area under consideration. Undertaking the above-mentioned objectives is justified by the need, on the one hand, to create theoretical foundations of the precise and comprehensive identification and analysis of negotiation processes in the enterprise and, on the other hand, to provide the necessary conditions for the efficient execution of these processes, i.e. their planning, conducting and summing up. The article is of a theoretical nature and is based on a comparative analysis of the literature on the subject.

First, the concept of negotiation in general and in relation to the enterprise should be presented. It is most frequently interpreted as: a decision-making process, methods of conflict management and achieving agreement, partners' interdependence, and processes of communication, exchange, and value creation¹. From a managerial point of view, the first of these interpreta-

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¹ Lewicki, R.J., Saunders, D.M., Barry, B., Minton, J.W. 2005. *Zasady negocjacji. Kompendium wiedzy dla trenerów i menedżerów. [Negotiation principles. A compendium of knowledge for trainers and managers.]* Poznań: Dom Wydawniczy Rebis, pp. 17–33; Rządca, R. 2003. *Negocjacje w interesach. [Negotiations in business.]* Warszawa: Państwowe Wydawnictwo Ekonomiczne, pp. 23–47; Kozina, A. 2012. *Planowanie negocjacji w przedsiębiorstwie. [Negotiation planning in an enterprise.]* Kraków: Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie, pp. 21–24.

tions is the most important. In the problem analysis phase the parties implement this process independently of each other, from the point of view of their goals. Then they mutually agree on two pairs of sets: alternative solutions and evaluation criteria, predetermined for each of the parties individually. The negotiation process in general and broad terms consists of the following three sub-processes (phases), together with their objectives, and relevant stages within them².

1. Planning the negotiations – the goal is to ensure the necessary conditions for conducting them, which in turn makes it possible to develop their operational plan:
 - pre-negotiation identification and analysis,
 - determination of the negotiation scope and strategies,
 - operational planning of negotiations.
2. Conducting negotiations – the aim is to lead to the settlement of negotiations according to the adopted plan:
 - start of negotiations (the preliminary stage),
 - proper negotiations (the middle stage),
 - closing negotiations (the final stage).
3. Summary of negotiations – aims at the formal confirmation of their arrangements in the form of an agreement and at the evaluation of the course of the negotiation:
 - substantive activities related to the conclusion of the agreement,
 - analytical and evaluation activities related to the negotiation process.

Each of these stages encompasses a number of constituent activities, for example, the determination of the negotiation scope and strategies consists of the following actions:

- 1) estimation of the bargaining power of negotiating parties,
- 2) definition of the problems and objectives of the negotiations,
- 3) formulation of various solutions to the problems,
- 4) choice of a negotiation strategy,
- 5) specification of the strategy – selection of auxiliary negotiation tools.

In turn, the identification of the relationships between negotiations includes the following activities:

- 1) initial identification of the relationship of a given negotiated situation with others,
- 2) determination of the type of these relationships,
- 3) their detailed characterisation,

² Kozina, A., *op. cit.*, pp. 70–71.

-
- 4) assessment of the relevance (significance) of the occurring relationships,
 - 5) establishment and implementation of appropriate changes in the description of the negotiated situation.

Negotiations in the enterprise stem from its essence as a special kind of organisation. They cover both those in which the company is the environment of negotiations and the ones in which it is a party. Negotiations can be conducted between internal stakeholders, e.g. employers and employees, owners and managers, etc., and by company representatives with external entities such as suppliers, buyers, contractors. They are one of the instruments used in the management process to achieve company goals to which they are strictly subordinated serving the realisation of all kinds of undertakings, processes and tasks. The principal of every negotiation in the company is the manager at the appropriate level or an employee delegated by him/her (responsible also for carrying them out), both from a given functional, process or project team (in intra-organisational negotiations), and from a negotiating team (a task force, virtual one) representing the company (in inter-organisational negotiations).

Due to the evolutionary character and mutual penetration of the theories of the firm, in further considerations, looking for an answer to the question ‘what is an enterprise’, I will take into account the newest and comprehensive approaches, so-called mature alternative theories integrating earlier (basic) theories as a kind of ‘Lego bricks’³ and reflecting the complexity of modern enterprises and the conditions in which they operate.

Among the mature alternative theories from the point of view of negotiations in the company as their reference, the most important are those that have been integrated within new institutional economics, especially theories of transaction costs, contracts and agencies. In addition, in order to fulfil the objectives of the article I will also take into account the stakeholder theory, created on the basis of strategic management and providing a convenient platform for the integration of company theories⁴, as well as the theory of inter-organisational relationships, essential for the analysis of negotiations of company representatives with entities in its environment. These theories will be discussed in the next sections of the article, and the presentation of each of them will include, firstly, its synthetic characteristics, and secondly, its place

³ Gruszecki, T. 2002. *Współczesne teorie przedsiębiorstwa*. [Modern theories of the enterprise.] Warszawa: Wydawnictwo Naukowe PWN, p. 192.

⁴ Gorynia, M., Jankowska, B., Owczarzak, R. 2005. Zarządzanie strategiczne jako próba syntez teorii przedsiębiorstwa. [Strategic management as an attempt to synthesise the firm theory.] *Ekonomista*, no. 5.

and role in the implementation of negotiation processes in the company. In order to determine the order of presentation of the theories under consideration, the criterion of ‘proximity of the relationship’ with the area of their application was applied, i.e., the theory of interorganisational relations will be discussed first as a general basis for the identification of external negotiating partners, while the theory of the agency, allowing identification of the main participants and relations between them, will be discussed as the last one.

1. THEORY OF INTER-ORGANISATIONAL RELATIONS

This theory deals with problems of interaction between the company and entities in its surroundings from a wider perspective than in the traditional analysis of the organization’s relations with its surroundings. Interorganisational relationships include relatively durable transactions, flows of resources and information and other contacts that arise between organisations and between the enterprise and its environment⁵. The relationships under consideration have a more structured and durable form than those based solely on market relationships, as a result of which apart from competing companies do not engage in any other interactions. Interorganisational relationships can be described using such characteristics as: frequency of contacts, benefits from cooperation, degree of formalisation of relationships, indirect and direct influence of other organisations and convergence of goals⁶. In order to identify possible forms of the relationship under consideration, first their determinants, for example, legal regulations, formal contracts and voluntary activities are determined⁷. Two approaches with different perspectives provide a theoretical basis for these relationships⁸.

1. *Exchange* – relationships arise when companies see mutual benefits in it, allowing them to achieve their goals to a greater extent than when acting more autonomously. There is a high degree of cooperation and a focus on problem solving.

⁵ Oliver, C. 1990. Determinants of Interorganizational Relationships: Integration and Future Directions. *Academy of Management Review*, vol. 15, no. 2.

⁶ Schmidt, S.M., Kochan, T.A. 1977. Interorganizational Relationships: Patterns and Motivations. *Administrative Science Quarterly*, vol. 22.

⁷ Hall, R.H., Clark, J.P., Giordano, P.C., Johnson, P.V., van Roekel, M. 1977. Patterns of Interorganizational Relationships. *Administrative Science Quarterly*, vol. 22.

⁸ Schmidt, S.M., Kochan, T.A., *op. cit.*

2. *Dominance* – motivation for interaction is asymmetrical, i.e. one company strives for it and the other does not. The relationship arises only when the first firm is strong enough to force the other to start the interaction. There is a high level of conflict and an attitude of mutual bargaining to achieve only one's own benefits.

There are many types (forms) of the discussed relationships, e.g. B.R. Barringer and J.S. Harrison conducted their comparative analysis on the basis of theoretical paradigms arising from the following concepts (placed on the 'economic-behavioural' continuum): transaction costs, dependency on resources, strategic choices, stakeholders, learning and the institutional ones. As a result, such forms of relationships as joint ventures, networks and consortia (close ties) and alliances, trade agreements and joint management (looser links) were defined⁹. In another approach, the following forms of cooperation and concentration of the company with entities in the environment were distinguished¹⁰:

- 1) contract-free – exchanges of mutually-adjusted benefits according to commercial rules, mutually agreeable market behaviour (in competitive situations),
- 2) contract – buy-sell, co-operation (production cooperation), others (e.g. a cartel), a consortium, lease, leasing and joint ventures (including companies),
- 3) coordination – a voluntary association, a chamber of commerce, a syndicate, a guild,
- 4) loose concentration – a concern, a holding,
- 5) tight concentration – a multi-plant enterprise,

A variety of contemporary forms of business cooperation and integration, such as mergers and acquisitions, strategic alliances, corporations and holdings, networks and clusters, and their dynamics and interpenetration greatly hampers their typology.

The theory under consideration is thus a more convenient platform for analysing the external conditions of a company's negotiations with its surroundings than the traditional approach in the field of strategic analysis. These forms of cooperation and integration are the basis for distinguishing various types of external negotiations and, consequently, for determining their

⁹ Barringer, B.R., Harrison, J.S., 2000. Walking a Tightrope: Creating Value through Interorganizational Relationships. *Journal of Management*, vol. 26, no. 3.

¹⁰ Lichtarski, J. ed. 2001. *Podstawy nauki o przedsiębiorstwie*. [Fundamentals of science about the company.] Wrocław: Wydawnictwo Akademii Ekonomicznej we Wrocławiu, p. 347.

objectives and scope. Considering negotiations as one of three stages in the process of shaping cooperative relations, P.S. Ring and A.H. Van de Ven aptly grasped the role of negotiations from the point of view of inter-organisational relations. The other stages are taking on mutual commitments and their fulfilment. All three stages are repeated cyclically, and they are bound by the fourth stage: the assessment of the effectiveness of the cooperation. As part of this process, the parties formulate common expectations about their motives for cooperation, the scope of possible investment in cooperation, and the perceived factors of uncertainty in the implementation of the joint undertaking. Emphasis is placed on formal bargaining processes and the identification of appropriate behaviour when choosing and approaching a potential partner. The importance of mutual persuasion and arguing about the possible conditions and procedures of potential cooperation is also underlined. Formal negotiations are assisted through socio-psychological processes of explanations and decisions (informal contacts), which prompt independent partners to negotiate with each other. Repeated activities of both types are often necessary to provide partners with the possibility to estimate uncertainty related to the project being undertaken, to determine the nature of their roles (functions), to assess the degree of trust in the other party, to establish their rights and obligations in the transaction under consideration and to evaluate its effectiveness from the point of view of the interests of all its partners¹¹.

2. THEORY OF TRANSACTION COSTS

Another of the theories under consideration, created by R.H. Coase¹², challenges the assumption of neoclassical economics that only market exchange (through prices) ensures optimum resource allocation¹³. In response to the question ‘why do companies exist at all, since the market-based allocation mechanism through prices is so great (why are market transactions replaced by decisions made under a centralised coordination mechanism)?’ R.H. Coase stated that the sense of existence of a company, separated from the market, takes place where transaction costs in the company are lower than the cost of coordination by market exchange¹⁴. So coordination in the company is

¹¹ Ring, P.S., Van de Ven, A.H. 1994. Developmental Processes of Cooperative Interorganizational Relationships. *Academy of Management Review*, vol. 19, no. 1.

¹² Coase, R.H. 1937. The Nature of the Firm. *Economica*, vol. 4.

¹³ Leksykon zarządzania. [Management lexicon.] 2004. Warszawa: Difin, p. 234.

¹⁴ Coase, R.H., *op. cit.*

cheaper and more effective. The category of transaction costs (difficult to isolate and estimate) can be broadly defined as ‘the costs of coordination of the activities of the enterprise in the market environment resulting from the need to negotiate with suppliers and buyers, to monitor and execute contracts and to collect market information, the costs of reserve creation, of losses resulting from failed transactions and wasted opportunities¹⁵. The contract approach (discussed below) introduces a new element to R.H. Coase’s theory: a hypothesis that the dominant tendency in behaviour of contract partners is opportunistic behaviour, inducing participants to minimise their contribution, which leads to uncertainty in the execution of contracts. Reduction of this uncertainty requires monitoring and entails costs (a conflict of interest).

As for the significance of the theory of transaction costs in the area under consideration, it should be noted that expenditures related to the conduct of negotiations by the company and concluding contracts with its customers, co-operators, suppliers, etc. are one of the components of transaction costs. They are high especially in the case of strategic negotiations such as mergers, taking over or restructuring. In turn, the implementation of negotiation processes itself can be treated as one of the sources of transaction costs. In addition, these costs are an important premise for the company in making a make-or-buy decisions, and consequently in conducting negotiations in cooperation and integration projects and restructuring programmes, such as mergers, strategic alliances, outsourcing, etc.¹⁶. Transaction costs are also an important premise of the identification and analysis of the positions of external negotiating partners in the framework of the stakeholder analysis, determining the bargaining power of parties and initial assessment of the effectiveness of negotiations¹⁷.

3. THEORY OF STAKEHOLDERS

The theory under discussion is based on the assumption that values are a necessary and immanent element of economic activity¹⁸. The company has relationships with many stakeholders who influence its decisions and are at

¹⁵ Leksykon zarządzania. [Management lexicon.], op. cit., p. 234.

¹⁶ Leksykon zarządzania. [Management lexicon.], op. cit., p. 234.

¹⁷ Cramton, P.C. 1991. Dynamic Bargaining with Transaction Costs. *Management Science*, vol. 37, no. 10.

¹⁸ Freeman, R.E., Wicks A.C., Parmar, B. 2004. Stakeholder Theory and the Corporate Objective Revisited. *Organization Science*, vol. 15, no. 3.

the same time influenced by these decisions¹⁹. The interests of all groups having authority have a significant value – none of them can dominate the others²⁰. This theory focuses on making managerial decisions, explains the nature of the company's relations with stakeholders, both in terms of processes and effects of the activities for the parties of this relationship²¹. Stakeholder theory includes three trends²²:

- 1) a descriptive one – characterising and explaining the characteristics and behaviour of the company and its stakeholders,
- 2) an instrumental one – identifying the relationships between stakeholder management and the achievement of the company's economic goals, and
- 3) a normative one – used to interpret the firm's goals and functions taking into consideration their moral and philosophical implications for management (the issue of corporate social responsibility).

As far as the very concept of company stakeholders is concerned, the following interpretation can be considered the most appropriate: 'groups or persons putting forward demands addressed to it, ... both those who provide the company with resources and those that depend on its resources, running the risk and affecting the level of this risk, being in forced or voluntary relationship with the company, etc. ... The different interest groups have different ability to influence the company, hence they can pose a serious threat for it or be of no significance. Therefore, in newer definitions of interest groups, not only lodging of claims to the company, but also the possibility of their execution is stressed'²³.

Stakeholders are usually divided into two groups:

- 1) internal ones (in the company), which include: owners (dominant shareholders or stockholders), supervisory board, managers and employees;
- 2) external ones (in the environment), including: suppliers and subcontractors, investors and partners in other forms of cooperation, customers, competitors, financial institutions (banks, insurance companies, creditors), trade unions, state and local government authorities, educational institutions, social groups and pressure groups, etc.

¹⁹ Freeman, R.E. 1984. *Strategic Management: A Stakeholder Approach*. Boston: Pitman.

²⁰ Donaldson, T., Preston, L.E. 1995. The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review*, vol. 20, no. 1.

²¹ Jones, T.M., Wicks, A.C. 1999. Convergent Stakeholder Theory. *Academy of Management Review*, vol. 24, no. 2.

²² Donaldson, T., Preston L. E., *op. cit.*

²³ Leksykon zarządzania. [Management lexicon.], *op. cit.*, pp. 151–152.

The analysis of stakeholders (partners, shareholders, supporters) based on the theory under consideration is one of the methods of study of the general environment in strategic analysis seeking to identify and assess key partners of the firm. Its purpose is to identify and analyse (evaluate) the type and scope (forces) of influence of various types of interest groups on the development of the company's strategy of operations and, more broadly, its organisation and operation. It aims to get to know these groups and to define the character of relations existing between them and the firm and to identify instruments or decisions by means of which they affect and intend to affect the organisation. It can be useful in defining the goals of the organisation with respect to itself and its individual partners, and in generating and evaluating its strategic options²⁴.

The discussed concept and the contract theory provide a useful methodical tool for the description and analysis of negotiations in the company. It allows you to create detailed characteristics of interest groups as parties of negotiations and contracts. On the other hand, the stakeholder analysis enables deeper identification and evaluation of potential negotiating parties in the company, as it facilitates the identification of their interests, objectives and their bargaining position in relation to the company. This is of particular importance in multilateral negotiations for the description of their complexity and for choosing strategies for conducting them, especially when formulating coalitions. 'The negotiating parties may seem obvious and sometimes this is the case. Nevertheless, it is often the case, especially in the case of nominally bilateral negotiations, that other inconspicuous players are already involved. Sometimes other parties join the negotiation unexpectedly and make its course unpredictable. Sometimes engaging other parties in our negotiations can bring us benefits. It is important to calmly identify the active and potential parties to the negotiations and then to consider whether the involvement of other parties would bring us any benefits'²⁵. The identification of stakeholders is also essential from the point of view of the effectiveness of the implementation of the agreement. If they are not taken into account to

²⁴ Lisiński, M. 2004. *Metody planowania strategicznego*. [Strategic planning methods.] Warszawa: Państwowe Wydawnictwo Ekonomiczne, p. 80–88; Obój, K. 2007. *Strategia organizacji. W poszukiwaniu trwalej przewagi konkurencyjnej*. [Organization strategy. Looking for a lasting competitive advantage.] Warszawa: Państwowe Wydawnictwo Ekonomiczne, p. 217, ff.

²⁵ Watkins, M. 2005. *Sztuka negocjacji w biznesie. Innowacyjne podejście prowadzące do przełomu*. [Breakthrough Business Negotiation: A Toolbox for Managers.] Gliwice: Wydawnictwo Helion, p. 24.

a sufficient extent and adequately early, this will lead to a waste of time in the implementation process. It is a serious mistake to omit apparently irrelevant and indeed significant interest groups, for instance, not to take into account a trade union with few members in the wage bargaining. Such a union can then effectively impede the implementation of the agreement entered into by the management of the company as an employer with representatives of another trade union associating the majority of employees, of seemingly decisive importance for representing the interests of employees. Another example might be the exclusion of a supplier of components that offers higher prices than other contractors but for better quality parts from the group of potential negotiating partners. After some time, the resulting savings can be illusory as there will be losses due to increased repair costs following complaints about defective products. On the other hand, it is also inappropriate to treat as negotiating partners those interest groups that should not be taken into account. It causes a significant waste of time and other means as well as the loss of better opportunities (potential benefits). It should be emphasised that when applying the stakeholder analysis, not only with regard to the negotiation processes, and especially their planning, but also with respect to its original purpose, it is necessary to take into account the following indications stemming from the current conditions of the firm operation:

- the characteristics of stakeholders, especially as potential negotiating partners, should be very precise, taking into account all their features, even seemingly less useful or relevant;
- both current stakeholders as well as potential and even hypothetical or desirable ones should be considered and their behaviour predicted;
- the analysis should cover all current and potential links between them, in particular for the purposes of multilateral negotiations and formation of coalitions;
- the analysis should be dynamic – information about stakeholders (their characteristics, preferences, groups, etc.) should be reviewed and updated on an ongoing basis;
- the analysis should take into account (in a similar way) also the given company as a current or potential stakeholder of other entities, in particular in terms of achieving its own objectives and the way it is perceived by partners – this is the so-called ‘dual’ analysis problem;
- all information on stakeholders and the results of their analyses should be collected, processed and disseminated in co-operation of all units of the company, in the form of a specific database of its partners.

4. CONTRACT THEORY

Creating this theory, A.A. Alchian and H. Demsetz responded negatively to the question of the sense of the existence of the company in the following form: can the market not replace it in the organisation of teamwork?²⁶. This is possible only in it, as a special ‘economic device’, i.e. a ‘bundle of contracts which the organiser concludes to gain control over various resources the firm is composed of²⁷. The company is treated as a set (network) of contracts, not only between entities laying claims to its resources but also all stakeholders entering into relationships with it. As a result, the company’s goal is the result of various, often mutually conflicting objectives of stakeholders. It is only a legal entity within which the balance between the conflicting interests of individuals is achieved through appropriate contractual relationships. An explicit (formal, written) contract or an implicit (default, unwritten) one is a mutual commitment²⁸. According to H.A. Simon’s principle of limited rationality and/or the need to minimise costs, there are so-called incomplete contracts²⁹ and the problem of ‘trapping’ by an unfavourable contract, the terms of which cannot be changed³⁰. The contract approach is a development of the transaction cost theory but focuses on the particular type of relationship between contract parties in an enterprise.

The discussed theory is (along with the theory of stakeholders) a universal platform for analysing the context of negotiations in the company. It allows you to consider the financial conditions and factors affecting the behaviour of all entities related to the company – owners, executives, employees and entities from the environment³¹. It provides a convenient methodological framework for analysing negotiations within the company as it shows their vital role as a means of entering into potential contracts between its stakeholders, in various possible bilateral or multilateral agreements, in

²⁶ Alchian, A.A., Demsetz, H. 1986. Production, Information Costs, and Economic Organization. In: Puttermann, L. ed. *The Economic Nature of the Firm. A Reader*. Cambridge: Cambridge University Press.

²⁷ Gruszecki, T., *op. cit.*, pp. 216–217.

²⁸ Mesjasz, C. 1999. Mechanizmy nadzoru nad przedsiębiorstwem. [Mechanisms of company supervision.] *Przegląd Organizacji*, no. 7–8.

²⁹ Hart, O., Moore, J. 1999. Foundations of Incomplete Contracts. *Review of Economic Studies*, vol. 66.

³⁰ Schmitz, P.W. 2001. The Hold-up Problem and Incomplete Contracts: A Survey of Recent Topics in Contract Theory. *Bulletin of Economic Research*, vol. 53, no. 1.

³¹ Mesjasz, C., *op. cit.*

the context of conflicts of their interests³². These interests and relations between the parties determine the aims and scope of the negotiations under consideration. There is thus a ‘map’ of these negotiations, both within the company and in its relations with the surrounding. In addition, the contract theory offers a different from traditional and more useful approach to the negotiation environment, i.e. the distinction between two types:

- 1) contractual – covering all entities that may have direct contractual (explicit or implicit) relations with the company,
- 2) contextual – bringing together all conditions that determine the behaviour of the enterprise without entering into contractual relationships with it.

Furthermore, the discussed theory is important in the phase of concluding the contract between the negotiating parties, constituting a reference point in defining formal arrangements, in particular to limit the potential incompleteness of the contract. To understand the essence of specific relationships between stakeholders as contract parties it is necessary to consider them on the ground of another theory.

5. AGENCY THEORY

This theory, as a development of the transaction cost theory and the contract approach, focuses on a particular type of interaction between contract parties that occurs within the company³³. This is the agency (representation) relationship that arises when one entity – the agent – receives a commission from another agent – the principal. He/she is also given decision-making powers necessary to carry out this action. Thus, decision making and its control are separated. The parties are guided by their own interests, so that their goals are not fully convergent³⁴. The purpose of the discussed theory is to create the characteristics of both actors and their behaviour, taking into account such categories as the agency relationship itself, as well as conflicts of interest and information asymmetry between them, their attitudes to risk,

³² Cross, J.G. 2002. Economic Perspective. In: Kremenyuk V.A. (ed.), *International Negotiation. Analysis, Approaches, Issues. A Publication of the Process of International Negotiations (PIN) Project*. San Francisco-Oxford: Jossey-Bass Publishers.

³³ Ross, S.A. 1973. The Economic Theory of Agency. The Principals Problem. *American Economic Review*, vol. 63, no. 2; Jensen, M.C., Meckling, W.H. 1976. Theory of the Firm: Managerial Behavior, Agency Costs, and Capital Structure. *Journal of Financial Economics*, vol. 3.

³⁴ Mesjasz, C., *op. cit.*

agency costs (monitoring, responsibility and residual loss), and the form of contract concluded between them – based on the result or the behaviour³⁵. Most frequently two most important arrangements of relations of this type are distinguished in the company: the owner – the manager (the essence of corporate supervision), because it is ‘a theory dealing with the problem of balance between the interests of capital donors and the interests of capital managers’³⁶ and the manager – employees (the sense of labour relations). Asymmetric relationships: principal-agent exist also in the market in the form of forced cooperation³⁷. The application of this theory is very broad: it can cover relationships between such different partners as creditors and debtors, the insurer and the insured, the tenant and the lessee, the manager and employees, etc.³⁸.

Indicating the place and role of the agency theory in the analysis of negotiations in the company, it should be noted, first, that out of numerous models and theories of the firm this one is most commonly used in the area under consideration³⁹. Negotiations can of course occur in any kind of relationship between the company’s stakeholders. Due to the fact that the agency theory is the most important among the considered theories of the firm in terms of its usefulness for the purpose of describing negotiations in the enterprise, more space should be devoted to it. Below I present a proposal of the identification of the negotiations in question with the use of the basic categories of the agency theory that are listed above⁴⁰.

1. The principal – a person or a group entrusting the representation of their interests in negotiations to another person or group. Generally speaking, the principal is the company, acting through its employees as agents who become principals. Thus, in the given negotiations the principal is an agent in the environment of the company as a whole. In practice, it is a manager of the appropriate level of the command hierarchy (supervisor) responsible for overseeing the negotiation of a given type, for specific

³⁵ Eisenhardt, K.M. 1989. Agency Theory: An Assessment and Review. *Academy of Management Review*, vol. 14, no. 1.

³⁶ Leksykon zarządzania. [Management lexicon.], *op. cit.*, p. 586.

³⁷ Gruszecki, T., *op. cit.*, pp. 219–220.

³⁸ Lichtarski, J. ed., *op. cit.*, pp. 32–33.

³⁹ Watkins, M., *op. cit.*, pp. 173–177; Bazerman, M.H., Neale, M.A. 1997. *Negocjujące racjonalnie*. [Negotiating Rationally.] Olsztyn: Libra, pp. 142–148; Lax, D.A., Sebenius, J.K. 1991. Negotiating through an Agent. *The Journal of Conflict Resolution*, vol. 35, no. 3; Rubin, J., Sander, F. 1988. When Should We Use Agents? Direct Versus Representative Negotiations. *Negotiation Journal*, no. 7.

⁴⁰ Kozina, A., *op. cit.*, pp. 83–85.

tasks, in a specific field, in the implementation of a specific process or project, etc. The principal is also the head of the negotiating team in relation to its members, the company's representatives in negotiations.

2. The agent (the representative) – a person or a group whose duty is to represent the interests of the principal in relation to the external negotiator in order to pursue the interests of the company. As a rule, no one is able to act as a perfect representative of another person or organisation. In general, all the employees of the company involved in the negotiations are agents. The agent in a given negotiating situation may be the principal in another. Principal-agent relationships are commonplace in the company, due to the multitude of negotiation cases. In practice, the agent is an employee (subordinate) in the executive position, or a group or team of employees (virtual, responsible for a task, a process, etc.) responsible for carrying out negotiations of a given type, in a specific field, project, etc. Several types of agents can be differentiated:

- an internal, formal one – the employee of the company for whom conducting negotiations is either part of the scope of tasks, responsibilities and powers, or takes place under the authority granted to him for the current task (project, process, etc.), he/she may also be the head of the negotiating team;
- an internal, informal one – a leader of a group of interests, chosen to perform this role by members of the group and endowed with their trust (or a self-appointed one);
- an external (formal) one, i.e. an independent expert, adviser, agent, intermediary, etc., hired to represent the interests of the company.

In addition, he/she may be a member of the negotiating team in relation to the head of the team.

3. Agency (representation) relationship. Forms of this relationship – depending on the type of the agent – are as follows:
 - transfer (delegation) and realisation of entitlements (permanent or temporary);
 - obtaining the ‘electoral mandate’ of an interest group;
 - engaging and granting a power of attorney.

The essence of the considered relationship (for all the above mentioned cases and both functions) is to define and assign tasks, plan, supervise, coordinate, assist, monitor the agent's actions by the principal. In return, the commissioned tasks are performed and reports are delivered according to instructions and throughout the process. The reasons for the formation of this relationship, i.e. the reasons for engaging the company's

representatives in the implementation of negotiation processes, are mainly the division of work and authority in the company. This is the primary reason, especially in the case of the involvement of internal agents, because it is difficult for a large group to represent different interests. In addition, the substantive competence of the company's representatives, i.e. their knowledge potential, abilities, skills, personal qualities and experience, is essential for negotiation of a given type. What is also important is the expectation of better effects, or at least lower transaction costs, than if the negotiations were conducted by the principal himself, despite a noticeable level of risk. In some negotiating cases the willingness to distance oneself, reduce the risk or not destroy the relationship with the other party may be also important. This is especially the case when external agents are engaged.

4. Conflict of interest – divergent interests in the company result from the fact that in practice it is not a monolith, i.e. it is not unanimous in its key interests and decisions. In each organisation apart from common goals integrating workers, specific aims of both individual workers and their diverse groups are often revealed. In such a situation it can be extremely difficult to arrive at a consensus or even a compromise acceptable to all. This puts agents in a difficult situation, because they may not be sure which objectives to pursue. What is expected from them can be unclear, ambiguous, or even inconsistent or contradictory. In turn, the conflict of interests within the agency relationship as such, i.e. between the principal and the representative, results simply from the fact that both of these entities may also pursue their own interests, not just the specific objectives of the negotiation or task, project, etc. for the realisation of which they are responsible, and even more so – the general intentions of the company as a whole. It is a problem for principals to prevent agents from advancing their own interests first. Systems of incentives are used in the form of a specific repertoire of stimuli, reconciling the interests of the enterprise and managers as principals with the interests of employees fulfilling the role of agents. Systems of this kind are usually assisted by the tools of supervision, control (monitoring) and communication.
5. Information asymmetry – in a classic situation, the agent is better informed than the principal due to his/her direct involvement in the negotiated situation. The opposite situation may happen if the representative has not been provided with the appropriate data. Not only the aims and activities of the two entities concerned, pursuing their own interests, but also organisational malfunctions may be the source of an inadequate

level of satisfaction of information needs within the considered agency relationship. It may be caused in particular by the inefficient information system, inadequate selection of people performing both roles, lack or limitation of competences, improper division of authority and responsibilities causing conflicts of competence, etc.

6. Attitude to risk is associated with the improper performance of duties, which poses a threat to the achievement of the objectives of the company. Consequently, there is uncertainty as to the outcome of the negotiations. The risk is higher in the case of informal representatives, although they may have a greater 'benefit of the doubt' in the group, and external agents, because it is difficult to control them as they are 'out of reach' of the formal organisation ordering them to carry out a specific task. This latter type of risk can be potentially limited by appropriate clauses in the contract specifying the scope of the task, the mandate and responsibility, the reservation of the right to terminate the contract and possible penalties for non-compliance, that is failure to perform the task, failure to meet the deadlines, failure to comply with standards of quality, security or technological standards, etc. In the model approach, the principal is neutral to risk, but in the company, escaping responsibility he/she can avoid risk. The agent is hypothetically neutral to risk, or often avoids it because is motivated by job security and income stability. Both considered entities may be more willing to risk in order to pursue their own interests, especially when gratification is attractive. This happens especially when control mechanisms are ineffective, both in the case of the given negotiation and in the company as a whole. In order to limit the risk, appropriate rules, regulations, procedures and instructions binding the agent are used. On the one hand, they limit or structuralise risk; on the other hand, they can be used by agents to achieve their particular objectives, especially as a means of minimising their own risk or even 'evading responsibility'. Formal organisational solutions can introduce sanctions for improper performance of tasks.
7. Costs of representation – these are mainly costs of monitoring borne by the company but in internal regulations responsibility, or at least a part of it, can be assigned to a particular principal with the possible application of sanctions for inappropriate fulfilment of duties, for example, mismanagement, abuse, incurring losses. Secondly, there are bonding expenditures that are treated the same way as before, but with respect to the agent. Third, there is a residual loss. This kind of cost is borne by the principal, or *de facto* the organisation as a whole. Besides

the specificity of agency relationships, organisational malfunctions listed above may also be a source of cost under consideration. Agency costs can be reduced by designing and implementation of organisational solutions limiting risk (as above) and elimination of the mentioned mistakes: improvement of systems and potential of human resources. It is also necessary to keep current accounts and to analyse these costs, especially when hiring external agents.

8. Form of the contract – most often explicit contracts (formal) are used, with the exception of representatives-leaders, having real authority. In the case of internal agents, contracts result directly from formalised employment relationships, i.e. internal regulations. This role is fulfilled by contracts of employment, managerial contracts or freelancer agreements, which also apply to external agents. Stimuli should be used depending on the situation (both solutions are useful) depending on their predicted effectiveness, for example, it is not possible to use incentives that perfectly reconcile the interests of both parties, i.e., according to the rule: the agent will benefit when the company benefits. Contracts can be based on:
 - the result – it is applicable when the ability to ‘programme’ the agent’s actions is limited, they are related to the result that is predictable, easy to estimate, the duration of the contract is shorter and there is a potential or real conflict of interest between the two entities; contracts of this kind do not require extensive information systems, as a rule they are used for one-time or occasional orders, theoretically favouring the interests of the principal, with their standard reluctance to risk;
 - the behaviour – they are used when it is possible to ‘programme’ the agent’s actions, it is difficult to determine the link between the outcome of the negotiation and his/her actions, the result is uncertain or difficult to evaluate, the duration of the contract is longer and there is no potential (real) conflict of objectives between both entities; contracts of this type require the development of information systems, as a rule they apply to routine repetitive negotiations, favour the interests of agents with their stereotypical indifference to risk

The presented concept of the description of negotiations in the company using the basic categories of the agency theory allows us to understand the interdependence between the firm’s various stakeholders who are negotiating parties, considering it as the relationships of agency. The application of the discussed theory enables us to make a precise and comprehensive description of this type of relationship in negotiations and facilitates the identification,

analysis and solution of arising problems, especially the issue of granting authority in negotiations to agents⁴¹ and controlling their operation, in particular in terms of minimising risk and reducing information asymmetry.

CONCLUSION

In conclusion, it should be stated that the analysis of negotiation in the company from the point of view of the theory of the firm allows us to grasp the essential features and premises of such negotiations. The most important benefits of applying the above-mentioned theories to characterise the negotiations under consideration are as follows:

1. On the basis of the theory of inter-organisational relations it is possible to identify the external determinants of negotiations in the company and to indicate the forms of its integration and cooperation, constituting an object of negotiations with entities in the environment which are the partners of these negotiations.
2. The application of the transaction cost theory allows us to choose potential negotiating partners, decide whether to enter into the negotiation, estimate the bargaining power of the parties and facilitate the assessment of the negotiation effectiveness.
3. The stakeholder theory and analysis provide the basis for identifying those groups and entities with which the firm should negotiate (especially multilaterally and within the coalition) and the nature of relations with them, and in particular for estimating their impact paying special attention to the need to meet their demands through negotiations.
4. On the basis of the contract theory it is possible to establish the form of the contract between negotiating parties, to facilitate the specification of its individual provisions, as well as to limit potential risk connected with its implementation.
5. The agency theory explains thoroughly and comprehensively the specificity of the given negotiation, accurately defines the status and position of the partners and the nature of the relationship between them, taking into account its key characteristics.

⁴¹ Fisher, R., Davis, W. 1999. Authority of an Agent. When is less better? In: Mnookin, R.H., Susskind, L.E. eds. with Foster. P.C. *Negotiating on Behalf of Others. Advice to Lawyers, Business Executives, Sports Agents, Diplomats, Politicians and Everybody Else.* Thousand Oaks, CA: Sage Publications.

In order to fully explain the essence of negotiations in the company it is advisable to apply an integrated approach to their description and analysis, that is to combine the categories used in the theories presented in this paper, with strictly managerial concepts such as delegation of authority, management through goals and results, information management and information system design, effective motivation models, especially remuneration, employee talent and competence management, etc.

In order to specify the determinants of negotiations in the company, one should take into account, on the one hand, their external conditions, especially those described by the theory of inter-organisational relations, on the other hand, their internal determinants, including the problems of cooperation and coordination, and organisational conflicts. This will allow you to obtain a complete and comprehensive description of the specific negotiation cases in the company.

As can be easily seen, the above statements contain both the conclusions from the above considerations and the direction of further research in the area of negotiations in the company, i.e. oriented towards the concretisation of their characteristics and conditions. This will be possible through operationalisation in the form of adequate parameters and determinants. In addition, comparative research is planned, the effects of which will be used to specify these features and to create a catalogue of utility solutions and case studies illustrating the impact of the theories discussed in the article on the analysis and implementation of negotiation processes in the enterprise.

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SELECTED THEORIES OF THE FIRM AS A BASE FOR NEGOTIATION DESCRIPTION

Summary

The article is of a theoretical nature and is based on a comparative analysis of the literature on the subject. Its aim is to present the synthetic characteristics of those of firm theories (economic ones and management concepts related to them) which are most important for the description of negotiation processes in a company, as well as to show for what purposes these theories can be used in the area under consideration. Undertaking the above-mentioned objectives is justified by the need, on the one hand, to create theoretical foundations of the precise and comprehensive identification and analysis of negotiation processes in the enterprise and, on the other hand, to provide the necessary conditions for the efficient execution of these processes, i.e. their planning, conducting and summing up. In the subsequent part of the paper the following theories are characterised: of inter-organisational relationships, transactional costs, stakeholders, contract and agency. The presentation of each of them comprises two components: its synthetic characteristics and determining its place and role in conducting negotiation processes in a company. In the summing up section of the paper the conclusions from the considerations are presented as well as the directions of further studies are indicated.

WYBRANE TEORIE PRZEDSIĘBIORSTWA JAKO PODSTAWA OPISU NEGOCJACJI

Streszczenie

Artykuł ma charakter teoretyczny i jest oparty na analizie porównawczej literatury przedmiotu. Jego celem jest przedstawienie syntetycznej charakterystyki tych spośród teorii przedsiębiorstwa (ekonomicznych oraz związanych z nimi koncepcji z nauk o zarządzaniu), które mają najważniejsze znaczenie dla opisu procesów negocjacyjnych realizowanych w firmie, a także wskazanie zasadniczych kierunków wykorzystania tych teorii w rozważanym obszarze. Podjęcie realizacji wskazanych wyżej celów jest uzasadnione koniecznością stworzenia podstaw teoretycznych zarówno precyzyjnej i wszechstronnej iden-

tyfikacji oraz analizy procesów negocacyjnych występujących w przedsiębiorstwie, jak i zapewnienia niezbędnych warunków do sprawnej realizacji tych procesów, tj. ich planowania, prowadzenia i podsumowania. W kolejnych częściach artykułu scharakteryzowano kolejno następujące teorie: relacji międzyorganizacyjnych, kosztów transakcyjnych, interesariuszy, kontraktową i agencji. Prezentacja każdej z nich obejmuje dwa elementy: jej syntetyczną charakterystykę oraz określenie jej miejsca i roli w realizacji procesów negocacyjnych w firmie. W podsumowaniu artykułu przedstawiono wnioski z rozważań oraz wskazano kierunki dalszych badań.

ВЫБРАННЫЕ ТЕОРИИ ПРЕДПРИНИМАТЕЛЬСТВА КАК ОСНОВА ОПИСАНИЯ ПЕРЕГОВОРНОГО ПРОЦЕССА

Резюме

Статья имеет теоретический характер и основана на сравнительном анализе предметной литературы. Её целью является представление синтетической характеристики тех теорий предпринимательства (экономических и связанных с ними концепций из области теорий управления), которые являются особенно важными при описании переговорных процессов, имеющих место в компании, а также указание основных направлений в рассматриваемой области. Переход к реализации упомянутых выше целей обусловлен необходимостью создания теоретических основ как точной и всесторонней идентификации и анализа переговорных процессов, выступающих в предпринимательстве, так и обеспечения необходимых условий чёткой реализации этих процессов, в частности, таких, как планирование, проведение и подведение итогов. Следующая часть статьи содержит характеристику последовательно представленных теорий: межорганизационных отношений, трансакционных издержек, заинтересованных сторон, контрактной теории и агентства. Презентация каждой из них охватывает два элемента: её синтетическую характеристику, а также определение её места и роли в реализации переговорных процессов в компании. В заключительной части статьи представлены выводы на основе рассуждений и указаны направления дальнейших действий.

Krzysztof Beck*

SPECTRAL ANALYSIS AND THE APPLICATION OF FILTERS IN THE EXAMINATION OF BUSINESS CYCLES

INTRODUCTION

The spectral analysis enables us to divide a given time series into components characterised by a different frequency of fluctuations. Therefore, it is possible to use it for the extraction of the cyclical component from macroeconomic data. The most popular method of analysing components with a specific frequency is the use of the Hodrick-Prescott, Baxter-King and Christiano-Fitzgerald filters. Each of these filters differs in structure and has its own advantages and disadvantages.

The subject of this paper is the presentation of the general idea of the spectral analysis and the details of the construction of Hodrick-Prescott, Baxter-King and Christiano-Fitzgerald filters. Then all the three filters will be applied to real GDP time series of Poland and Greece. First, to compare their effects, and then to determine the conditions under which the filter works the most effectively.

The first part of the paper presents the spectral analysis and the construction details of the Hodrick-Prescott, Baxter-King and Christiano-Fitzgerald filters. The second part presents the results of empirical studies on the example of Poland and Greece, on the basis of which the difference in the results obtained with the use of different filters is shown.

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1. SPECTRAL ANALYSIS

This section will first present the general idea of the spectral analysis, followed by three most popular filters operating in the frequency domain: of Hodrick-Prescott (HP), Baxter-King (BK) and Christiano-Fitzgerald (CF). The first point was primarily prepared on the basis of works of Hodrick and Prescott¹, King and Rebelo², Baxter and King³ and Christiano and Fitzgerald⁴.

1.1. The idea of Spectral analysis

In the spectral analysis it is assumed that a given time series consists of components that periodically oscillate at different frequencies⁵. In this case, one can think of a time series as consisting of a sum of periodic functions. For this purpose, the sine and cosine functions shown in panel a) of Figure 1 are used. These functions are periodic, which means that $\sin(t) = \sin(t + 2\pi h)$, for $h = 1, 2, \dots$, and therefore, they regularly repeat their form. By giving these functions appropriate coefficients it is possible to change the amplitude of their fluctuations as shown in panel b). In addition, adding a factor to the function argument changes the periodicity of the function – the greater its value, the more frequently the periodic repetitions occur. The idea of the period change is shown in panel c). It is also worth adding that the sine and cosine functions are characterised by the same period and amplitude, but they differ from each other by the phase shift, which makes them pass through the same cycle elements at different moments. Finally, summing the sine and cosine functions with different coefficients and periodicities, it is possible to model cyclical fluctuations with very different periodicity, variability and amplitude, as shown in panel d). When combining the sine

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- ¹ Hodrick, R.R., Prescott, E. 1997. Postwar U.S. Business Cycles: An Empirical Investigation. *Journal of Money, Credit, and Banking*, vol. 29, no. 1, pp. 1–16.
 - ² King, R., Rebelo, S. 1993. Low Frequency Filtering and Real business Cycles. *Journal of Economic Dynamics and Control*, no. 17, North-Holland, pp. 207–231.
 - ³ Baxter, M., King, R. 1999. Measuring Business cycles: Approximate Band-Pass Filters for Economic Time Series. *The Review of Economics and Statistics*, vol. 81, no. 4, pp. 575–593.
 - ⁴ Christiano, L., Fitzgerald, T. 1998. The Business Cycle: It's Still a Puzzle. *Federal Reserve Bank of Chicago Economic Perspectives*, vol. 22, no. 4, pp. 56–83; Christiano, L., Fitzgerald, T. 2003. The Band Pass filter. *International Economic Review*, vol. 44, no. 2, 435–465.
 - ⁵ More on the topic of spectral analysis can be found in Hamilton, J. 1994. *Time Series Analysis*. Princeton, New Jersey: Princeton University Press.

and cosine functions with different periodicity their weights in the resulting function depend on the absolute value of their parameters.

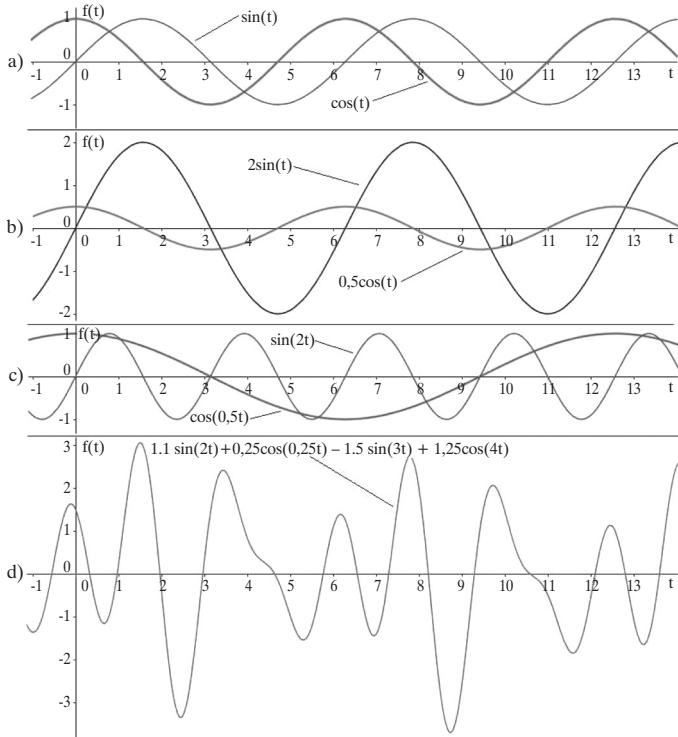
When we consider the functions in the following form:

$$\sin(t\omega) \text{ oraz } \cos(t\omega), t = 1, 2, \dots \quad (1)$$

the oscillation period is expressed in units of time, and frequency ω determines after how many units of time there will be a full period – after what amount of time the increase by 2π will occur. Assuming there are two points in time t_1 and t_2 in the same phase of the cycle, we can write: $t_2\omega - t_1\omega = 2\pi$, and after dividing both sides of the equation by frequency ω we get: $t_2 - t_1 = 2\pi/\omega$. Thus, in the case of the function $\sin(t\omega)$ and $\cos(t\omega)$ the period of oscillation in time units is $2\pi/\omega$, and therefore the parameter ω is referred to as the frequency of oscillation.

Figure 1

Trigonometric functions



Source: own arrangement.

With the above information it is possible to present the basic idea of the spectral analysis. Assuming that there is a time series y_t , $t = 1, 2, T$, where T is an even number, it is possible to decompose it into $T/2$ of possible periodic functions, each of which is characterised by a different frequency of fluctuations ω . Let $\omega_j = 2\pi j/T$, for $j = 1, 2, \dots, T/2$ and a_j and b_j for $j = 1, 2, \dots, T/2$ denote parameters of the cosine and sine functions. Then it is possible to write the time series y_t in the form⁶:

$$y_t = a_1 \cos(t\omega_1) + b_1 \sin(t\omega_1) + \dots + a_{T/2} \cos(t\omega_{T/2}) + b_{T/2} \sin(t\omega_{T/2}) \quad (2)$$

It is possible to find all the parameters of a_j and b_j for $j = 1, 2, \dots, T/2$ of this equation using OLS. When the $T \times T/2$ matrix of explanatory variables X , the vector $T \times 1$ of the explanatory variables Y and the vector $T \times 1$ of the regression coefficients are given by:

$$X = \begin{bmatrix} \cos(\omega_1) & \sin(\omega_1) & \dots & \cos(\omega_{T/2}) & \sin(\omega_{T/2}) \\ \cos(2\omega_1) & \sin(2\omega_1) & \dots & \cos(2\omega_{T/2}) & \sin(2\omega_{T/2}) \\ \vdots & \vdots & & \vdots & \vdots \\ \cos(T\omega_1) & \sin(T\omega_1) & \dots & \cos(T\omega_{T/2}) & \sin(T\omega_{T/2}) \end{bmatrix}, Y = \begin{bmatrix} y_1 \\ y_2 \\ \vdots \\ y_T \end{bmatrix}, \beta = \begin{bmatrix} a_1 \\ b_1 \\ \vdots \\ a_{T/2} \\ b_{T/2} \end{bmatrix}, \quad (3)$$

the regression equation is given by:

$$Y = X\beta + \varepsilon. \quad (4)$$

Due to the fact that the number of explanatory variables is T , the residual is 0, and then β can be calculated as $(X'X)^{-1}X'Y = X^{-1}Y$. Obviously, the calculation of the parameters is only possible in theory. It results from the fact that since the amount of all potential frequencies is infinite we would also need an infinite number of observations for the exact calculation, which is by no means possible. Because of this problem in the spectral analysis, equation (2) is transformed into the following integral:

$$y_t \int_0^\pi [a(\omega) \cos(\omega t) + b(\omega) \sin(\omega t)] d\omega, \quad (5)$$

where $a(\omega)$ and $b(\omega)$ are functions of ω . Every weakly stationary process can be expressed by an equation⁷ (5). This equation allows us to show the

⁶ Christiano, L., Fitzgerald, T. 1998, *op. cit.*

⁷ Koopmans, L. 1974. *The Spectral Analysis of Time Series*. New York: Academic Press.

time series y_t as the sum of the components oscillating between $2\pi/\omega$ for ω belonging to the range $[0, \pi]$.

1.2. Hodrick-Prescott filter

The filter constructed by Hodrick and Prescott⁸ (HP) methodologically corresponds to the Lucas's definition of the business cycle, which defines cyclical fluctuations as deviations from the trend⁹. Initially, the authors developed this filter in the time domain, therefore, in the considerations in this section the perspective of time is adopted. Because the HP filter is a high-pass filter, in the frequency domain is also described when discussing the Baxter-King band pass filter. The starting point is the assumption that the real GDP time series consists of two components:

$$Y_t = Y_{Ct} + Y_{Nt} \text{ dla } t = 1, 2, \dots, T, \quad (6)$$

where Y_{Ct} is the cyclical component of GDP in period t , and Y_{Nt} – the trend value in period t . This means that the filter ignores the seasonal component that has to be removed in a separate procedure.

The application of the Lucas definitions for the HP filter takes place by finding the solution to the following mathematical programming problem:

$$\min_{Y_{Nt}} \left\{ \sum_{t=1}^T (Y_t - Y_{Nt})^2 + \lambda \sum_{t=1}^T [(Y_{Nt+1} - Y_{Nt}) - (Y_{Nt} - Y_{Nt-1})]^2 \right\}. \quad (7)$$

Hodrick-Prescott filter takes the sum of the squares of the second differences of the time series as the criterion of smoothness. λ is a positive parameter penalising variance in the second differences. When $\lambda \rightarrow \infty$, the solution to the problem approaches the OLS estimation. $Y_{Ct} = Y_t - Y_{Nt}$ is a cyclical component and it is assumed that its expected value tends to zero with the prolongation of the time sample. Due to its design, the HP filter can be considered a generalisation of the exponential smoothing procedures formulated by Brown¹⁰. It is worth noting that trend elimination techniques

⁸ Hodrick, R., Prescott, E., *op. cit.*

⁹ Lucas, R. 1977. Understanding business cycle. In: Brunner, K., Meltzer, A. eds. *Stabilization of the domestic and international economy*. Amsterdam, North-Holland: Carnegie-Rochester conference Series on Public Policy, vol. 5, pp. 7–29.

¹⁰ Brown, R. 1962. *Smoothing, Forecasting and Prediction of Discrete Time Series*. New Jersey: Prentice-Hall.

very similar to the Hodrick-Prescott filter were previously used in actuarial and ballistic sciences¹¹.

Assuming that the cyclical components and the second differences of the series are independent with identical distributions with zero mean and variances amounting respectively to σ_c^2 and $\sigma_{\Delta^2 Y_t}^2$, the parameter penalising variance is given by: $\lambda = \sigma_c^2 / \sigma_{\Delta^2 Y_t}^2 \leftrightarrow \sqrt{\lambda} = \sigma_c / \sigma_{\Delta^2 Y_t}$. The variance penalising parameter is the only part of the filter that needs to be determined by the researcher. Hodrick and Prescott assumed that the moderate cyclical component had a variation of about 5% while the second difference of only (1/8)%. On this basis, they propose $\sqrt{\lambda} = 5/(1/8) = 40 \rightarrow \lambda = 1600$ as the optimal value of the penalising parameter for the quarterly data.

The value of the parameter $\lambda = 1600$ was developed for quarterly data and is a value that has gained widespread acceptance in both economic and econometric literature. However, the problem arises when it is necessary to specify the parameter for annual data. Then Hodrick and Prescott propose $\lambda = 100$, which was accepted in the study of Backus and Kehoe¹². Ravn and Uhlig¹³ argue that for a better comparison with the results for quarterly data, the value of λ should amount to 6.25, while Cooley and Ohanian¹⁴ and Correia, Neves, and Rebelo¹⁵ suggest that this figure is equal to 400. In turn, Baxter and King¹⁶ opt for a value of 10 for λ .

The cyclical component obtained with the HP filter can be also represented as a moving average¹⁷:

$$HP(L) = \frac{\lambda(1-L)^2(1-L^{-1})^2}{1 + \lambda(1-L)^2(1-L^{-1})^2}, \quad (8)$$

where L is the polynomial lag operator. In addition, when $T \rightarrow \infty$ the solution (7) can be found in the frequency domain. King and Rebelo showed that in

¹¹ Stigler, S. 1978. Mathematical statistics in the Early States. *Annals of Statistics*, vol. 6, pp. 239–265.

¹² Backus, D., Kehoe, P. 1992. International Evidence of the Historical Properties of Business Cycles. *American Economic Review*, vol. 82, no. 4, pp. 864–888.

¹³ Ravn, M., Uhlig, H. 2002. On adjusting the Hodrick-Prescott filter for the frequency of observations. *Review of Economics and Statistics*, vol. 84, no. 2, pp. 371–380.

¹⁴ Cooley, T., Ohanian, L. 1991. The Cyclical Behavior of Prices. *Journal of Monetary Economics*, vol. 28, no. 1, pp. 25–60.

¹⁵ Correia, I., Neves, J., Rebelo, S. 1992. Business cycle from 1850-1950: New Facts about Old Data. *European Economic Review*, vol. 36, pp. 459–467.

¹⁶ Baxter, M., King, R., *op. cit.*

¹⁷ King, R., Rebelo, S., *op. cit.*

such a situation the expression for the frequency response function ($\psi(\omega)$) can be expressed as:

$$\psi(\omega) = \frac{4\lambda[1 - \cos(\omega)]^2}{1 - 4\lambda[1 - \cos(\omega)]^2}. \quad (9)$$

The weight (γ_j) in the moving average for the HP filter can be determined by using the inverse Fourier transformation:

$$\gamma_j = \frac{1}{2\pi} \int_{-\pi}^{\pi} \frac{4\lambda[1 - \cos(\omega)]^2}{1 - 4\lambda[1 - \cos(\omega)]^2} e^{-i\omega j} d\omega. \quad (10)$$

The HP filter is a high-pass filter that passes only a component that is characterised by the frequency of fluctuation above limit value χ . The relationship between the cut-off frequency and the value of parameter λ can be determined using equation (9) and is given by¹⁸:

$$\chi = \frac{\pi}{\arcsin\left(\frac{1}{2}\lambda^{-\frac{1}{4}}\right)} \leftrightarrow \lambda = \left[2 \sin\left(\frac{\pi}{\chi}\right)\right]^{-4}. \quad (11)$$

The HP filter is a filter that passes this part of the fluctuation band that is above cut-off frequency χ . The details of the operation of high-pass filters are presented in section 1.3. However, at this stage one may notice that the HP filter treats the seasonal and cyclical components equally. This means that this filter, in order to obtain a cyclical component, should be applied only to data from which the seasonal component has been removed.

1.3. Baxter-King filter

The second most popular method of extracting the cyclical component and the trend from macroeconomic data is the Baxter and King¹⁹ (BK) filter. This filter (and the Christiano-Fitzgerald filter) is a methodological equivalent of Burns and Mitchell's business cycle definition, according to which these are fluctuations within a certain frequency band – over one year and less than ten or twelve years²⁰. The idea of the filter is based on a moving average. If the moving average is used for a series of real GDP, Y_t , then a new time series will be produced:

¹⁸ Kowal, P. 2005. *Optimal filtering*. Available at: <https://ideas.repec.org/s/wpa/wuwppr.html>.

¹⁹ Baxter, M., King, R., *op. cit.*

²⁰ Burns, A., Mitchell, W. 1946. *Measuring business cycles*. New York: NBER.

$$Y_t^* = \sum_{k=-K}^K a_k Y_{t-k}, \quad (12)$$

where k is the number of lags, a_k is the weight for the value of real GDP delayed by k periods. The moving average can also be expressed using a polynomial lag operator L :

$$a(L) = \sum_{k=-K}^K a_k L^k, \quad (13)$$

and then: $L^K y_k = y_{t-k}$. If the average is symmetric then: $a_k = a_{-k}$ for $k = 1, 2, \dots, K$. Baxter and King prove that when the moving average weights add up to zero:

$$\sum_{h=-K}^K a_h = 0, \quad (14)$$

then the moving average guarantees the stationarity of the series irrespective of whether the output series is characterised by a deterministic or stochastic trend.

If a series is stationary with an average of 0, then it can be expressed by the Cramer representation as follows:

$$Y_t = \int_{-\pi}^{\pi} \xi(\omega) d\omega. \quad (15)$$

Thus, the representation of a series is an integral of random periodic components, where:

$$EV\{\xi(\omega_1)[\xi(\omega_2)]\} = 0 \text{ dla } \omega_1 \neq \omega_2, \quad (16)$$

and ω is a specific frequency. The filtered series can be written down as:

$$Y_t^* = \int_{-\pi}^{\pi} \alpha(\omega) \xi(\omega) d\omega, \quad (17)$$

where:

$$\alpha(\omega) = \sum_{h=-K}^K a_h e^{-i\omega h} \quad (18)$$

is a frequency-response function of the linear filter, and on the basis of (16) it can be shown that the variance of the filtered series is given by the following formula:

$$VAR(Y_t^*) = \int_{-\pi}^{\pi} [\alpha(\omega)]^2 f_y(\omega) d\omega. \quad (19)$$

$[\alpha(\omega)]^2$ is a transfer (squared gain) function of the linear filter for frequency ω , while $f_y(\omega) = VAR[\zeta(\omega)]$ is the spectral density for series y of frequency ω . The response frequency function is zero for $\omega = 0$ (for frequency 0) only when the sum of the filter weights is zero:

$$\alpha(\omega) = \sum_{h=-K}^K a_h e^{-i\omega h} = 0 \leftrightarrow \sum_{k=-K}^K a_k = 0. \quad (20)$$

The BK filter is a band pass filter. Before describing its operation, it is worth analysing the case of a simpler low pass (LP) filter, this filter passes only a ‘slowly moving’ part of the data – below a specified frequency.

The ideal symmetrical LP filter, which passes only frequencies from the range $\underbrace{\omega}_{\omega} \leq \omega \leq \overbrace{\omega}$, has a frequency response function $\beta(\omega) = 1$ for $|\omega| \leq \underbrace{\omega}$ and $\beta(\omega) = 0$ for $|\omega| > \underbrace{\omega}$ where $\underbrace{\omega}$ is the cut-off frequency. Symmetrical weights also imply that $\beta(\omega) = \beta(-\omega)$. The representation of the ideal low pass filter in the time domain is:

$$b(L) = \sum_{h=-\infty}^{\infty} b_h L^h, \quad (21)$$

where b_h denotes weights. These weights can be calculated using the inverse Fourier transformation for the following frequency function:

$$b_h = \frac{1}{2\pi} \int_{-\pi}^{\pi} \beta(\omega) e^{-i\omega h} d\omega. \quad (22)$$

Baxter and King²¹ proved that:

$$b_0 = \frac{\omega}{\pi} \wedge b_h = \frac{\sin(h\omega)}{h\pi} \text{ dla } h = 1, 2, \dots \quad (23)$$

This ideal low pass filter can only work when $h = \infty$. Therefore, Baxter and King propose approximation using a finite moving average $a(L) = \sum_{h=-K}^K a_h L^h$ for which the frequency-response function is given by $\alpha_K(\omega) = \sum_{h=-K}^K a_h e^{-i\omega h}$.

In order to choose the optimum approximation of the ideal filter, we need to choose the weights a_h to minimize the following expression:

²¹ Baxter, M., King, R., *op. cit.*

$$Q = \frac{1}{2\pi} \int_{-\pi}^{\pi} [\delta(\omega)]^2 d\omega, \quad (24)$$

where $\delta(\omega) = \beta(\omega) - \alpha_K(\omega)$ is a discrepancy resulting from the approximation for frequency ω . The optimal approximation of the ideal filter for K lags is achieved by simply truncating the ideal filter's weights b_h at lag K . Therefore, the optimum low pass filter gives $a_h = b_h$ for $h = 0, 1, 2, \dots, K$ and for $a_h = 0$. Weights b_h are given by (22).

In an analogous way, the ideal high pass filter (HPass) and its approximation can be constructed. This filter would only pass a 'fast-moving' part of the time series – above a specified frequency. The ideal HPass filter would be characterised by frequency-response function γ_h . We can obtain weights c_h for this filter in a similar way. In this way, a high-pass filter can be described in the frequency domain. Knowing the form of ideal and approximate high and low pass filters, and the resulting weights, it is possible to construct the Baxter-King (BK) band pass filter.

The ideal band pass filter only passes frequencies from the specified range: $\underline{\omega} \leq |\omega| \leq \overline{\omega}$, where $\underline{\omega}$ is the cut-off frequency of the LP filter, while $\overline{\omega}$ is the cu-toff frequency of the HPass filter. The frequency-response function for the BK filter is given by $\gamma(\omega) - \beta(\omega)$ and assumes a value of 1 for $\underline{\omega} \leq |\omega| \leq \overline{\omega}$ and 0 for all other frequencies. Weights of approximation to the ideal band pass filter – when tuned due to the number of lags and leads of the Baxter-King filter – are given by $c_h - b_h$. So the BK can be expressed as:

$$BK(L) = \sum_{h=-K}^{K} (c_h - b_h)L^h. \quad (25)$$

The BK filter requires the introduction of K lags and leads, which means that $2K$ observations are lost. Yet, with the increase in the number of lags and leads, the approximation (of the ideal filter) obtained with the BK filter is better. However, this is done at the expense of losing observations. Baxter and King experimented with different levels of K tuning and concluded that 12 is optimum for quarterly data, while 3 is for annual data. This is the same number of lags and leads that should be removed from the Hodrick-Prescott filter to avoid untypical results observed by Baxter and King at the beginning and end of the filtered series.

It is worth showing the relationship between periodicity and frequency. The relationship is described by p or $f = 2\pi/\omega$, where p or f denotes one

period – a quarter/year. p and f define cut-off frequencies (and corresponding periods) between those passed and retained by the filter. Therefore, the use of the BK filter requires the specification of the cut-off frequencies. The filter will stop a component belonging to a given frequency band as a cyclical component, or else – a component with a certain periodicity.

There is another element of the BK filter that deserves to be emphasised. As mentioned earlier, BK filter is characterised by weights that add up to zero, which guarantees stationarity of the obtained cyclical component. In addition, BK is a symmetric filter ($\beta(\omega) = \beta(-\omega)$), which in turn guarantees the removal of both linear and quadratic trend from the time series. The use of symmetrical weights has yet another advantage, namely the lack of the phase shift. For these reasons, the BK filter can be easily applied to a wide range of macroeconomic time series.

1.4. Christiano-Fitzgerald filter

Christiano and Fitzgerald²², just like Baxter and King, tried to find the optimal approximation of the ideal filter. The authors assumed that a given stochastic process y_t could be divided into two parts:

$$y_t = y_t^* + \tilde{y}_t, \quad (26)$$

where process y_t^* contains only this part of frequencies that fall within the range $\left\{(\underline{\omega}, \hat{\omega}) \cup (-\hat{\omega}, \overline{\omega})\right\} \in (-\pi, \pi)$, while \tilde{y}_t only the components out of that range, where $0 < \underline{\omega} \leq \hat{\omega} \leq \pi$.

For example, following Christiano and Fitzgerald²³, the cyclical GDP component is in the fluctuation band between 1.5 and 8 years. In the terminology of fluctuation frequencies for quarterly data, it can be written that it is a fraction ω within the range between $\underline{\omega} = 2\pi/32$ and $\hat{\omega} = 2\pi/6$.

Referring to equation (5), we look for the cyclical component of series y_t given by:

$$y_t^* = \int_{\underline{\omega}}^{\hat{\omega}} [a(\omega) \cos(t\omega) + b(\omega) \sin(t\omega)] d\omega. \quad (27)$$

²² Christiano, L., Fitzgerald, T. 2003, *op. cit.*

²³ Christiano, L., Fitzgerald, T. 1998, *op. cit.*

Searching for a part of the series located in the above-described frequency band, the authors suggest the use of the ideal filter given by²⁴:

$$\hat{y}_t^* = B(L), \quad (28)$$

where $B(L) = \sum_{j=-\infty}^{\infty} B_j L^j$, $L^t y_t \equiv y_{t-1}$. For this specification $B(e^{-i\omega}) = 1$, for $\omega \in (\underline{\omega}, \overline{\omega}) \cup (-\underline{\omega}, -\overline{\omega})$ and is equal to 0 for all others. In such a situation $\underline{\omega} > 0$ implies $B(1) = 0$. Once again there is a problem connected with the fact that the ideal filter requires an infinite number of observations and thus an approximation is needed.

Christiano and Fitzgerald focused their attention on finding an optimal approximation of a series that can be treated as realization a random walk process. This means that if a given macroeconomic series exhibits other properties, it is necessary to bring the series to exactly such a form (e.g. by removing a drift or a deterministic trend). Using \hat{y}_t^* as a symbol for the approximation of the ideal filter, we can write it as:

$$\hat{y}^* = P[y^* | y] \quad (29)$$

and then for each observation we can write: $\hat{y}_t^* = P[y_t^* | y]$ for $t = 1, \dots, T$. Therefore, for each t the solution can be written as:

$$\hat{y}_t^* = \sum_{j=-f}^p \hat{B}_j^{p,f} y_{t-j}, \quad (30)$$

where: $f = T - t$ and $p = t - 1$. In this case $\hat{B}_j^{p,f}$ solves the problem of minimizing mean square errors:

$$\hat{B}_j^{p,f}, j = -f, \dots, p \min_{j=-f, \dots, p} E[(y_t^* - \hat{y}_t^*)^2 | y]. \quad (31)$$

The above problem can be presented in the frequency domain as follows:

$$\hat{B}_j^{p,f}, j = -f, \dots, p \min_{j=-f, \dots, p} \int_{-\pi}^{\pi} |B(e^{i\omega h}) - \hat{B}_j^{p,f}(e^{-i\omega h})|^2 f_y(\omega) d\omega, \quad (32)$$

where $f_y(\omega)$ is the spectral density of y_t , while:

²⁴ Sargent, T. 1987. *Macroeconomic Theory*, 2nd ed. London: Academic Press.

$$\hat{B}_j^{p,f}(L) = \sum_{j=-f}^p \hat{B}_j^{p,f} L^j \wedge L^h y_t \equiv y_{t-h}. \quad (33)$$

When series y_t is a random walk, one can find \widehat{y}_t^* using a moving average of the observations:

$$\begin{aligned} \widehat{y}_t^* = & B_0 y_t + B_1 y_{t+1} + \cdots + B_{T-t-1} y_{T-1} + \hat{B}_{T-t-1} y_{t-1} + \\ & + B_1 y_{t-1} + \cdots + B_{t-2} y_2 + \hat{B}_{t-1} y_1 \end{aligned} \quad (34)$$

for $t = 3, 4, \dots, T-2$, where weights are given by:

$$B_0 = \frac{\widehat{\omega} - \underline{\omega}}{\pi} \wedge B_J = \frac{\sin(j\widehat{\omega}) - \sin(j\underline{\omega})}{\pi j} \text{ dla } j \geq 1. \quad (35)$$

and

$$\hat{B}_{T-t} = \frac{1}{2} B_0 - \sum_{j=1}^{T-t-1} B_j \wedge \hat{B}_{t-1} = \frac{1}{2} B_0 - \sum_{j=1}^{t-2} B_j. \quad (36)$$

If a given time series has the following representation:

$$y_t = y_{t-1} + \theta(L) \varepsilon_t \wedge E \varepsilon_t^2 = 1, \quad (37)$$

where $\theta(L)$ is the polynomial of degree q for lag operator L , then the spectral density function for y_t takes the form:

$$f_y(\omega) = \frac{g(\omega)}{(1 - e^{-i\omega})(1 - e^{i\omega})}, \quad (38)$$

where

$$g(\omega) = \theta(e^{-i\omega}) \theta(e^{i\omega}) = c_0 + c_1 (e^{-i\omega} + e^{i\omega}) + \cdots + c_q (e^{-i\omega q} + e^{i\omega q}). \quad (39)$$

The solution is given by²⁵:

$$\hat{B}^{p,f} = A^{-1} d, \quad (40)$$

²⁵ The detailed calculation can be found in Christiano, L., Fitzgerald, T. 2003, *op. cit.*, pp. 443–446.

where

$$\hat{B}^{pf} = \begin{bmatrix} \hat{B}_p^{pf} \\ \hat{B}_{p-1}^{pf} \\ \vdots \\ \hat{B}_{-f}^{pf} \end{bmatrix} A = 2\pi \begin{bmatrix} F_{p-1} Q \\ \vdots \\ F_{-f+1} Q \\ F_{-f} Q \\ 1 \dots 1 \end{bmatrix} d = \begin{bmatrix} \int_{-\pi}^{\pi} \hat{B}(e^{-i\omega h}) g(\omega) de^{i\omega(p-1)} d\omega \\ \vdots \\ \int_{-\pi}^{\pi} \hat{B}(e^{-i\omega h}) g(\omega) de^{-\omega(-f+1)} d\omega \\ \int_{-\pi}^{\pi} \hat{B}(e^{-i\omega h}) g(\omega) de^{i\omega(-f)} d\omega \\ 0 \end{bmatrix}, \quad (41)$$

and:

$$Q = \begin{bmatrix} -1 & 0 & 0 & \dots & 0 & 0 \\ -1 & -1 & 0 & \dots & 0 & 0 \\ -1 & -1 & -1 & \dots & 0 & 0 \\ \vdots & \vdots & \vdots & \ddots & \vdots & 0 \\ -1 & -1 & -1 & \dots & -1 & 0 \end{bmatrix}, \quad (42)$$

$$F = \begin{bmatrix} \underbrace{0, \dots, 0}_{1 \times (p-q-1-j)} & c & \underbrace{0, \dots, 0}_{1 \times (p-q-1-f)} \\ 1 \times (p-q-1-j) & & 1 \times (p-q-1-f) \end{bmatrix}$$

while $c = [c_q, c_{q-1}, \dots, c_0, \dots, c_{-1}, c_q]$.

The above-mentioned solutions point to several significant aspects of the Christiano-Fitzgerald filter (CF). First, the CF filter is not symmetrical, which means that it uses the information contained in all observations to calculate values of the cyclical component for all periods. This allows the filter to produce cyclical values for all analysed periods. Unfortunately, due to using asymmetric weights, the filter does not have the trend removal properties. However, Christiano and Fitzgerald²⁶ show that the use of the filter for a series with other stochastic properties than those presented above leads to very small losses in the approximation of the ideal filter. A bigger problem is that the use of asymmetric weights can lead to phase shifts. It is possible to modify the filter to ensure symmetry of weights, but a result of such a procedure is the loss of data at the start and end of the analysed time series.

1.5. Filter comparison

The HP is a high-pass filter. This means that a researcher interested in a cyclical component of a time series should apply it only to seasonally

²⁶ Christiano, L., Fitzgerald, T. 2003, *op. cit.*

adjusted data. On the other hand, this condition is not required when the researcher is interested in a trend analysis. An advantage of this filter is that it does not lead to the loss of observations, but the observations at the beginning and the end of the filtered series behave in an unusual manner, which may lead to their rejection. This problem is particularly important when the researcher is interested in analysing the relationships that have taken place in the ‘near past’, which is essential for formulating recommendations for current economic policy. Last but not least, a great advantage of the HP filter is its significant popularity in applications that allow for broad comparability of results.

The BK and CF are band pass filters. The differences between these filters result from the very approach to the problem of minimizing the differences between the approximation and the ideal filter. In the case of the BK the mean square error $(|\hat{B}_j^{p,p}(e^{-i\omega h}) - B(e^{-i\omega h})|^2)$ is minimized, while CF minimizes the average square error weighted by the spectral density of the analysed series $(|B(e^{-i\omega h}) - \hat{B}_j^{p,f}(e^{-i\omega h})|^2 f_y(\omega))$. In addition, Baxter and King made conditional optimization by imposing a constraint $\hat{B}_j^{p,p}(1) = 0$ that is absent in the work of Christiano and Fitzgerald. Due to the use of the constraint it is possible to remove the trend from the analysed series. Moreover, the CF filter uses all observations, so the filter is naturally asymmetrical. The symmetrical BK filter requires the abandonment of an equal number of observations at the start and end of the analysed time series. On the other hand, the symmetry of the BK guarantees no phase shift that is present in the case of the CF.

Due to these differences the BK and CF filters work better in different applications. Where the researcher wants to obtain the results that are not phase shifted and with the stationary cyclical component, it is recommended to use the BK filter. In addition, this filter can be applied to a wide range of series, which is an extraordinary advantage, especially when the stochastic properties of the analysed series cannot be clearly determined. In such a situation, the researcher must accept the loss of observation at the end and beginning of the analysed sample. This problem is absent in the case of CF filter, which also gives a better approximation of the ideal filter. Unfortunately, at the expense of a better approximation there is the possibility of phase shifts and the lack of properties removing the trend from the data. Therefore, this filter is best used when the properties of the time series are known and the proper transformation has been made on that basis.

2. RESULTS OF THE APPLICATION OF THE FILTERS

This section presents the results of the application of spectral analysis to decompose GDP of European countries. The first subsection presents the used data and the properties of the time series. The second subsection compares the results obtained by means of using the three filters to seasonally adjusted and not adjusted data on the example of Greece and Poland.

2.1. Source of data and properties of time series

The study was conducted on the example of Poland and Greece. The study uses quarterly data on nominal GDP (in millions of euro) and price levels ($2010 = 100$) coming from Eurostat and covers the period from the first quarter of 2002 to the first quarter of 2016. Subsequently, the nominal GDP data were divided by the price level data to obtain the series of real GDP. The real GDP series is the subject of all presented analyses. The study used series containing the seasonal component as well as those from which the seasonal component was removed using X-13 ARIMA

The use of the CF filter requires knowledge of the stochastic properties of the analysed time series. Therefore, prior to filtration all series were subjected to the following unit root tests: ADF²⁷ (Augmented Dickey-Fuller test²⁸) and KPSS²⁹ (Kwiatkowski-Phillips-Shmidt-Shin test). In both cases, the version of the test with the intercept (α) and the intercept and the linear trend ($\alpha + \beta t$) was used to determine whether the trend in the data is stochastic (S) or deterministic (D). When the inclusion of a deterministic trend causes the elimination of the unit root, following Nelson and Plosser³⁰ the trend is classified as deterministic. Otherwise, the hypothesis of the stochastic trend and the occurrence of the drift was accepted. The results of applying the test

²⁷ More on this test can be found in Stadnytska, T. 2010. Deterministic or Stochastic Trend. Decision on the Basis of the Augmented Dickey-Fuller Test. *Methodology*, vol. 6, no. 2, pp. 83–92.

²⁸ Said, E., Dickey, D. 1984. Testing for Unit Roots in Autoregressive Moving Average Models of Unknown Order. *Biometrika*, vol. 71, no. 3, pp. 599–607.

²⁹ Kwiatkowski, D., Phillips, P., Schmidt, P., Shin, Y. 1992. Testing the Null Hypothesis of Stationarity against the Alternative of a Unit Root. *Journal of Econometrics*, no. 54(1–3), pp. 159–178.

³⁰ Nelson, C., Plosser, C. 1989. Trends and Random Walks in Macroeconomic Time Series. Some Evidence and Implications. *Journal of Monetary Economics*, vol. 10, pp. 139–162.

to real GDP series with and without a seasonal component are demonstrated in Table 1.

Table 1
**Results of ADF and KPSS tests for the time series of real GDP
of European countries**

Country	WITH A SEASONAL COMPONENT						AFTER THE ELIMINATION OF THE SEASONAL COMPONENT						CF	
	ADF		KPSS		trend		ADF		KPSS		trend			
	α	$\alpha+\beta t$	α	$\alpha+\beta t$	S	D	α	$\alpha+\beta t$	α	$\alpha+\beta t$	S	D		
Greece	0,671	0,442	I(1)**	I(1)***	2		0,954	0,413	I(1)**	I(1)**	2		α	
Poland	0,691	0,912	I(1)***	I(1)*	2		0,818	0,835	I(1)***	I(1)**	2		α	

The table shows p-values for the ADF test (H_0 : unit root). For KPSS test (H_0 : stationarity): I(1)*, I(1)** and I(1)***, denotes the rejection of the null hypothesis respectively at the significance level: 0,1; 0,05 and 0,01. Abbreviations: A-ADF; K-KPSS; 2-ADF and KPSS; S – stochastic; D – deterministic; α – drift; βt – linear trend.

Source: own calculations on the basis of Eurostat data.

The decision on whether to remove the drift (α) or the linear trend (βt) from the data before the application of the CF filter was based on the dominant number of tests that indicated the given option. The results are presented in CF column.

Finally, all three filters were used. The HP filter with variance penalising parameter λ equal to 1600 was applied to data without the seasonal component. The BK and CF filters were applied to both seasonally adjusted and not adjusted data. In both cases, the cyclical component of real GDP was defined as having a frequency between six and thirty two quarters (1.5 years to 8 years). For the BK filter, 12 observations were removed at the beginning and at the end of the analysed time series, as recommended by Baxter and King³¹.

2.2. Comparison of results obtained with the use of HP, BK and CF filters

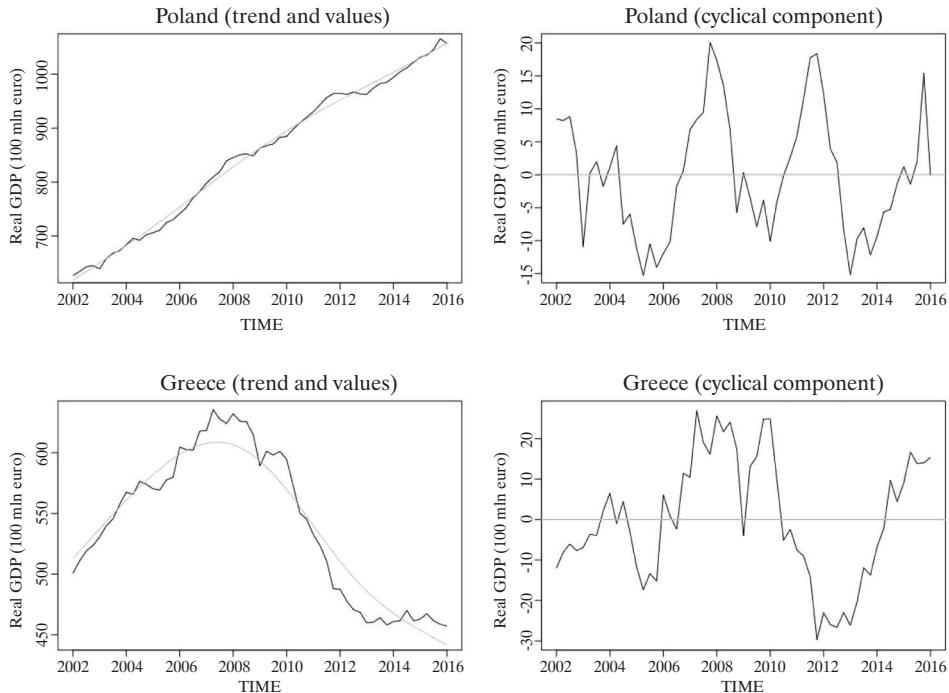
The results of applying the HP filter to the real GDP time series of Greece and Poland are shown in Figure 1. Panels a) and c) show real GDP values (black colour) and the trend (gray colour), while panels b) and d) represent

³¹ Baxter, M., King, R., *op. cit.*

the cyclical component. Values are expressed in hundreds of millions of euro from 2010.

Chart 1

Results of the application of the HP filter to the Greek and Polish to seasonally adjusted real GDP time series.



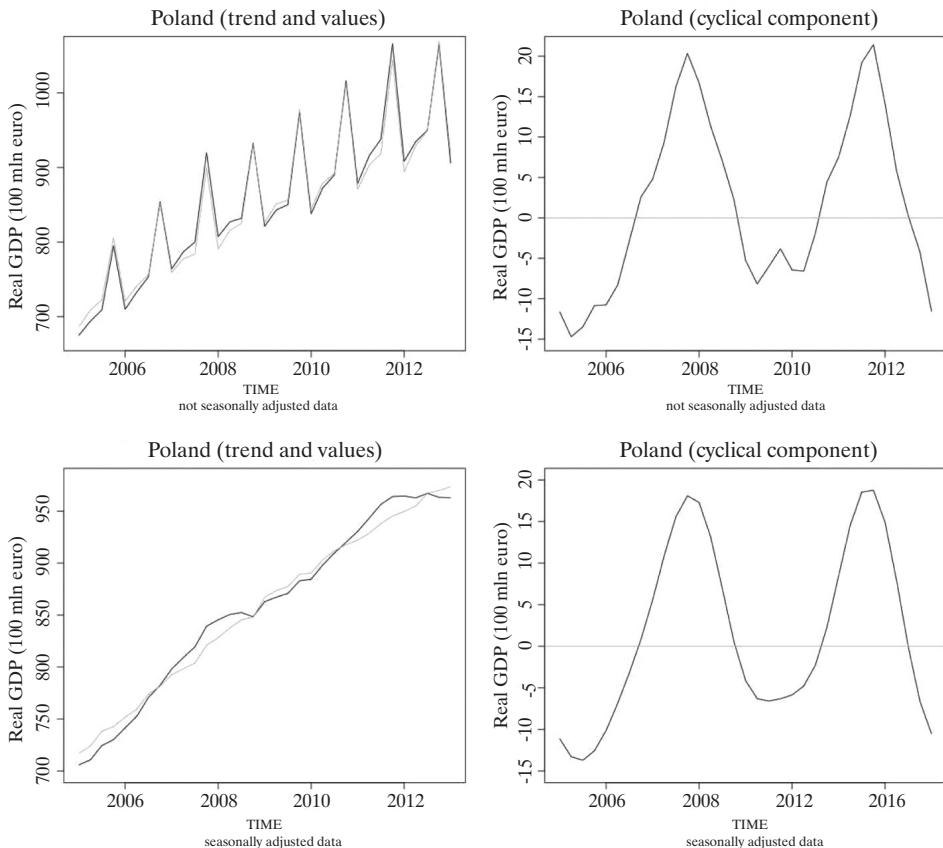
Source: own study on the basis of Eurostat data.

In Chart 1, it can be observed that in the case of Poland, the trend of GDP was characterised by an upward trend in the whole examined period. Poland was characterised by a relatively narrow band of cyclical fluctuations around the trend. The fall in GDP below the potential level from the second quarter of 2009 to the third quarter of 2010 and from the last quarter of 2012 to the end of 2014 is considered to be very low compared to the perturbations in the economies of other European countries. The case of Greece is significantly different from Poland. It can be seen that the decline in Greece's GDP did not result only from cyclical fluctuations, but was also caused by the decline in potential GDP. This can be explained by hysteresis, and no significant improvement in the Greek economy should be expected in the near future.

The above results were compared with results obtained on the basis of other filters. The BK filter was applied to the data with the seasonal component and to the seasonally adjusted data. The BK filter (like the CF) is a band pass filter. Thus, the result of using this filter is not a trend, but a non-cyclical component – the combination of a trend and a seasonal component. One way to obtain a better approximation of the trend by means of a non-cyclical component is the previous elimination of seasonal fluctuations. Charts 2 and 3 illustrate the effect of the application of the BK filter to the real GDP time series of Poland and Greece.

Chart 2

Results of the application of the BK filter to the real GDP time series of Poland

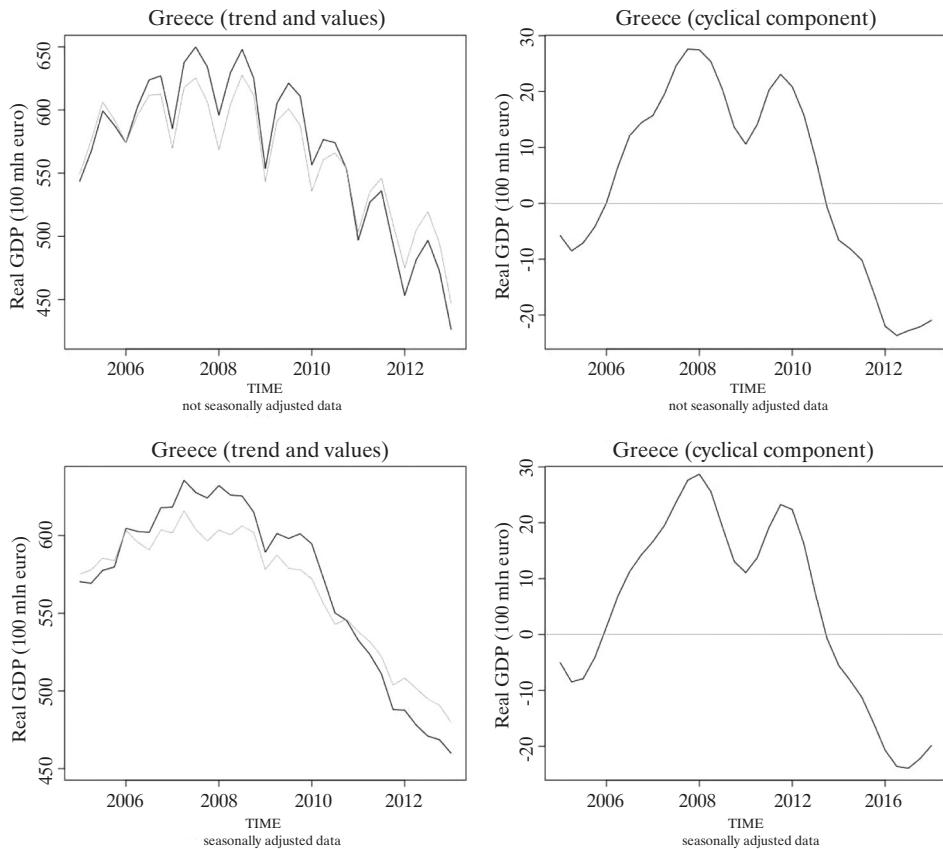


Source: own calculations on the basis of Eurostat data.

Comparing the results for the seasonally adjusted and not adjusted data for the trend leads to two main conclusions. First, the non-cyclical component is much smoother in the case of the data that do not include the seasonal component – thus they are much better approximations of the trend. Secondly, the cyclical component in both cases looks almost identical. This means that the BK filter copes very well with the elimination of seasonal fluctuations. The filter was programmed to retain only part of the series with a frequency of more than 1.5 years, that is, a frequency lower than seasonal fluctuations.

Chart 3

Results of the application of the BK filter to the real GDP time series of Greece



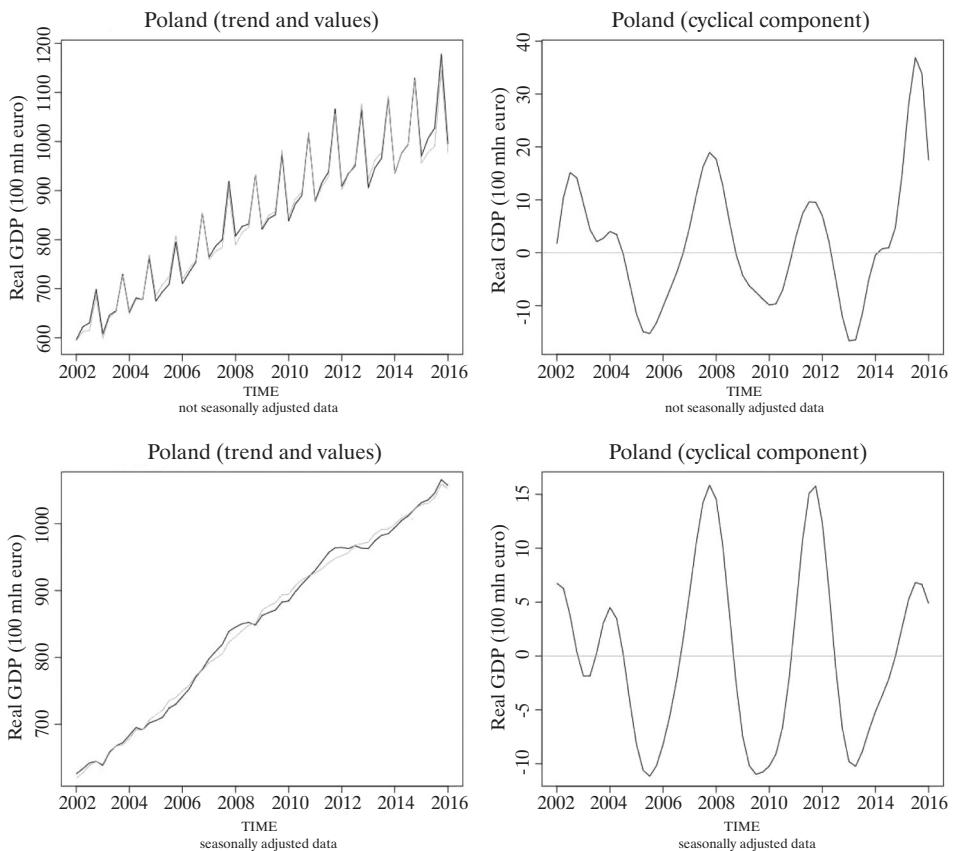
Source: own calculations on the basis of Eurostat data.

The application of the BK filter gave very similar results to those of the HP filter. The non-cyclical GDP component for Greece showed a declining

trend, while Poland's GDP was characterised by a sustained increase of the non-cyclical component. On the other hand, the BK filter even for season-free data produces the non-cyclical component characterised by higher variability than in the case of the trend obtained as a result of the application of the HP. The opposite conclusion applies to the cyclical component that is much smoother than the results obtained with the BK filter. Unfortunately, the BK filter requires the removal of observations at the start and end of the analysed period. The biggest fluctuations are very similar to those obtained with the HP filter and are characterised by a phase shift not exceeding two quarters.

Chart 4

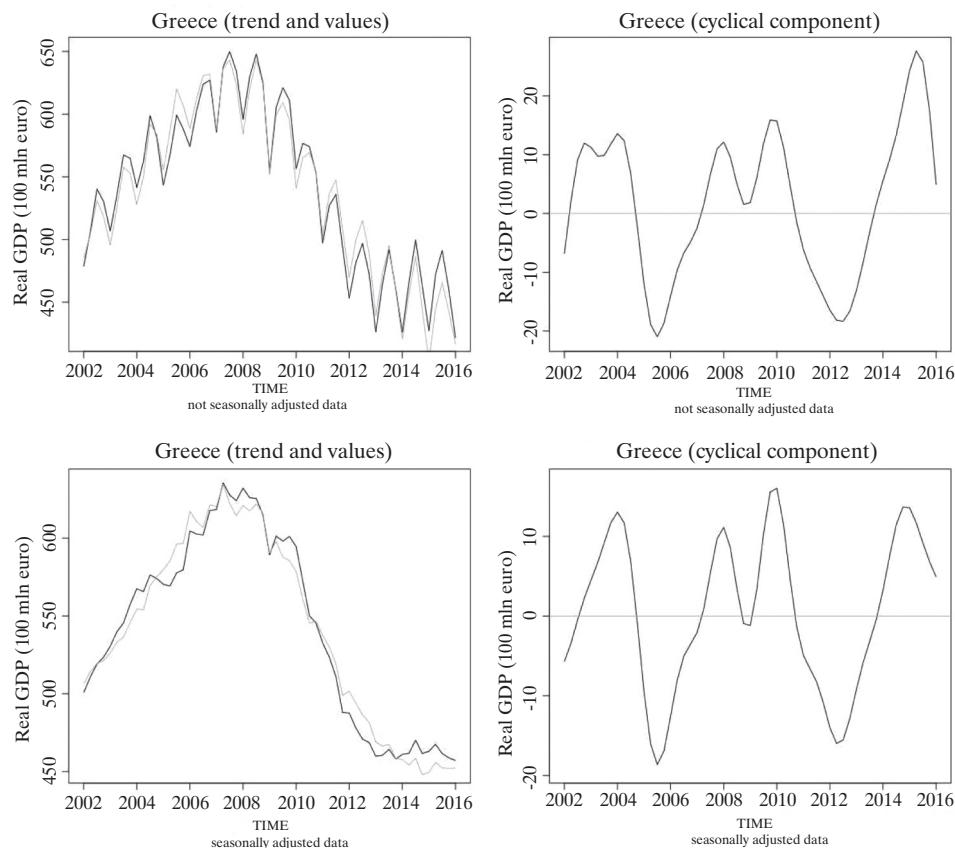
Results of the application of the CF filter to the time series of real GDP of Poland



Source: own calculations on the basis of Eurostat data.

The results of the application of the CF filter to the time series of Poland and Greece are presented in Charts 4 and 5. The results in relation to the non-cyclical and cyclical component are the same as for the HP and the BK filters. The CF results for a non-cyclical component are characterised by higher variability than the HP trend, while cyclical fluctuations are smoother in the case of the CF filter. The phase shift again does not exceed two quarters. In the case of the CF filter the biggest differences are seen at the beginning and the end of the sample. This indicates that the use of the asymmetric moving average makes it possible to generate the full amount of observations, but the results at the beginning and the end of the sample are characterised by the greatest bias.

Chart 5
Results of the application of the CF filter to the time series of real GDP of Greece



Source: own calculations on the basis of Eurostat data.

The last possible comparison is the exemplification of the results obtained with the BK and the CF filters. The non-cyclical components obtained by means of both filters show no significant differences. This is not the case for cyclical components that are smoother for the CF filter in the case of the data containing a seasonal component. On the other hand, cyclical components for the season-free data look almost identical. The conclusion is that the CF filter copes better than the BK filter with data not adjusted for seasonality.

CONCLUSION

The first part of this paper presents the idea of spectral analysis and Hodrick-Prescott, Baxter-King and Christiano-Fitzgerald filters. The HP filter is a high pass filter, while the BK and the CF are band pass filters, and that is why they should be used in different situations. In addition, the BK filter imposes additional constraints as compared to the CF filter. The effect of these constraints is the lack of phase shifts and the stationarity of the obtained cyclical components, however at the expense of the inferior approximation of the ideal filter and the loss of observation at the end and beginning of the analysed time series.

Empirical applications showed very little difference in the operation of the filters. In particular, they indicate that the results obtained for the BK and the CF filters do not differ significantly from each other and are similar regardless of whether they are used for seasonally adjusted and not seasonally adjusted data. Although the BK and the CF filters should efficiently separate the cyclical component from the seasonal one, they work better when filtered data is seasonally adjusted. In the case of not adjusted data data, they mix the cyclical component with the seasonal one.

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SPECTRAL ANALYSIS AND THE APPLICATION OF FILTERS IN THE EXAMINATION OF BUSINESS CYCLES

Summary

The spectral analysis enables division of a given time series into components characterised by a different frequency of fluctuations. Therefore, it is possible to use it for the extraction of the cyclical component from macroeconomic data. The most popular method of analysing components with a specific frequency is the use of Hodrick-Prescott, Baxter-King and Christiano-Fitzgerald filters, which are the subject of this paper. Empirical applications showed very little difference in the operation of the filters. In particular, they indicate that the results obtained for the BK and the CF filters do not differ significantly from each other and are similar regardless of whether they are used for data containing the seasonal component or not. Although the BK and the CF filters should efficiently separate the cyclical component from the seasonal one, they work better when filtered data is seasonally adjusted. In the case of not adjusted data, they mix the cyclical component with the seasonal one.

ANALIZA SPEKTRALNA ORAZ ZASTOSOWANIE FILTRÓW W BADANIU CYKLI KONIUNKTURALNYCH

Streszczenie

Analiza spektralna pozwala podzielić dany szereg czasowy na komponenty charakteryzujące się różną częstotliwością wahań. Z tego względu możliwym jest jej wykorzystanie do ekstrakcji komponentu cyklicznego z danych makroekonomicznych. Najbardziej popularną metodą analizy komponentów o określonej częstotliwości jest zastosowanie filtrów Hodricka-Prescotta (HP), Baxter-Kinga (BK) oraz Christiano-Fitzgeralda (CF), które są przedmiotem tego artykułu. Zastosowania empiryczne wykazały bardzo niewielkie różnice w działaniu filtrów. W szczególności wskazują one, że wyniki uzyskane dla filtra BK oraz CF nie różnią się znacznie między sobą, oraz są podobne

niezależnie od tego, czy zastosowano je dla danych zawierających komponent sezonowy czy danych oczyszczonych. Pomimo że filtry BK i CF powinny sprawnie oddzielać komponent cykliczny od sezonowego, działają one lepiej w sytuacji, gdy filtracji poddane są dane oczyszczone z komponentu sezonowego. W przypadku danych nieoczyszczonych, mieszają one komponent cykliczny z sezonowym.

СПЕКТРАЛЬНЫЙ АНАЛИЗ И ПРИМЕНЕНИЕ ФИЛЬТРОВ В ИССЛЕДОВАНИИ БИЗНЕС-ЦИКЛОВ

Резюме

Спектральный анализ позволяет произвести деление данных временных рядов на компоненты, для которых характерна различная частотность колебаний. По этой причине представляется возможным её использование с целью извлечения циклического компонента из макроэкономических данных. Наиболее популярным методом анализа компонентов с определённой частотностью является применение фильтров Ходрика-Прескотта (HP), Бакстера-Кинга (BK) и Кристиано-Фицджеральда (CF), которым посвящена данная статья. Эмпирические исследования их применения позволили выявить незначительные различия в действии фильтров. В частности, они показывают, что результаты, полученные для фильтра Бакстера-Кинга и Кристиано-Фицджеральда, различаются между собой в незначительной степени, и даже обладают сходством независимо от того, использованы ли они для данных с сезонным компонентом или очищенных данных. Несмотря на то, что фильтры Бакстера-Кинга и Кристиано-Фицджеральда должны чётко отделять циклический от сезонного компонента, они эффективнее действуют в ситуации, когда фильтрации подвержены данные, очищенные от сезонного компонента. В случае неочищенных данных, циклический компонент смешивается с сезонным.

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HOW A CHARISMATIC LEADER DRIVES STRATEGIC RESULTS: CASE OF GÓRNIK ZABRZE FOOTBALL CLUB

THE ENTREPRENEURIAL STRATEGIC SCHOOL – GENERAL OUTLOOK

People very often think that strategies are formally planned according to the guidelines of the planning school. First, as a result of a rigorous process, a formal plan is established on the basis of a detailed analysis of the situation. Subsequently it is methodically implemented. However, in reality the plan is usually created in the minds of creative leaders¹.

The entrepreneurial school has neoclassical origins and is rather firm focused than field focused. It proposes the dynamic approach to competition as opposed to the positioning school or the early resource-based view. The environment under this perspective is turbulent or even hyper-turbulent² and competition is very intense³.

The entrepreneurial school assumes that the strategy is formulated by an individual entrepreneur or a charismatic leader on the basis of his personal and unique vision, intuition and experience instead of precise

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¹ Huy, Q.N., Mintzberg, H. 2003. The rhythm of change. *MIT Sloan Management Review*, no. 44(4), pp. 79–84.

² Selsky, J.W., Goes, J. et al. 2007. Contrasting perspectives of strategy making: Applications in ‘hyper’environments. *Organization Studies*, no. 28(1), p. 71.

³ Ireland, R.D., Covin, J.G. et al. 2009. Conceptualizing corporate entrepreneurship strategy. *Entrepreneurship Theory and Practice*, no 33(1), pp. 19–46.

plans. The company's performance is one of the principal objectives of the entrepreneurial school and this point of view is also consistent with the overall approach of strategic management⁴.

Strategic management was initially developed for corporations, while entrepreneurship was usually associated with small firms. The entrepreneurial strategic perspective combines strategic management and entrepreneurship and is most suitable for start-ups, turnaround situations, a fierce competitive environment as well as for small and medium enterprises that tend to exploit entrepreneurial opportunities⁵.

The entrepreneurial strategic school as well as dynamic positioning regard constant disruption or circumvention as a normal business environment. This view is consistent with continual market disequilibrium proclaimed by the Austrian school and one of its proponents – Schumpeter⁶.

STRATEGIC MANAGEMENT AND ENTREPRENEURSHIP – CONTRADICTION OR COMPLEMENTATION

Strategic Management and Entrepreneurship, besides different origins, different paradigms and slightly different focus, have a lot in common. Strategic Management derives from Industrial Organisational Economics and is based on a science-logical positivist paradigm⁷. Whereas Entrepreneurship is less legitimate as an academic discipline and has no leading paradigm. However, in academia it arose from an interest group within the Academy of Management and became its separate division. Nevertheless, today is it mostly acknowledged as a major driving force of the economy rather than an entirely recognised academic perspective⁸.

⁴ Gregory A. 2007. *A systems approach to strategic management*. Proceedings of the 51st Annual Meeting of the ISSS.

⁵ Kraus, S., Kauranen, I. 2009. Strategic management and entrepreneurship: Friends or foes? *International Journal of Business Science and Applied Management*, no. 4(1), pp. 37–50.

⁶ Selsky, J.W., Goes, J. et al. 2007. Contrasting perspectives of strategy making: Applications in 'hyper'environments. *Organization Studies*, no. 28(1), p. 71.

⁷ Prahalad, C.K., Hamel, G. 1994. Strategy as a field of study: Why search for a new paradigm? *Strategic Management Journal*, no. 15(S2), pp. 5–16.

⁸ Meyer, G.D. 2009. Commentary: On the integration of strategic management and entrepreneurship: Views of a contrarian. *Entrepreneurship Theory and Practice*, no. 33(1), pp. 341–351.

One of the most prominent theories of entrepreneurship is the one developed by Schumpeter: Theory of Economic Development formulated in 1934. He believed that an entrepreneur is an individual who destroys economic equilibrium with his innovation. The Schumpeterian entrepreneur is disruptive and he destroys the state of equilibrium. Schumpeter argued that the market has an entrepreneurial character in dynamic competitive processes. He believed that there is a 'perennial gale of creative destruction' that in the long-term is responsible for economical development. The entrepreneur was an individual who was able to 'break away from routine, to destroy existing structures, to move the system away from the even, circular flow of equilibrium'. The entrepreneur was seen as a leader who is innovative and his innovations, on the one hand, destroy the existing equilibrium but, on the other hand, are fundamental for economical development⁹.

Today the entrepreneur in addition needs to posses some organisational and strategic characteristics. The entrepreneurial perspective was drawn mostly on economic theories inspired by Schumpeter as well as A.H. Cole, being the main source of influence¹⁰.

Strategic Management and Entrepreneurship differ in their focus. Strategic Management is rather concentrated on performance measurement, creating competitive advantage for managers of larger firms as opposed to Entrepreneurship that first of all considers owners of small and medium sized firms and their approach to successful ventures.

Furthermore, the main objectives of entrepreneurs are usually non-monetary: need of being independent, undertaking an interesting venture, life-style profession, the major purpose of corporate managers is greed and financial results increase¹¹.

Moreover, managers and entrepreneurs are also different in their nature. Managers usually work in complex structures where they supervise their subordinates. This dyad relationship of manager-subordinate often influences

⁹ Kirzner, I.M. 1999. Creativity and/or alertness: A reconsideration of the Schumpeterian entrepreneur. *The Review of Austrian Economics*, no. 11(1), pp. 5–17.

¹⁰ Mintzberg, H., Lampel, J. 1999. Reflecting on the strategy process. *Sloan Management Review*, no. 40, pp. 21–30.

¹¹ Meyer, G. D. 2009. Commentary: On the integration of strategic management and entrepreneurship: Views of a contrarian. *Entrepreneurship Theory and Practice*, no. 33(1), pp. 341–351.

the outcome of their work negatively. Often their points of view are different and they are in a cultural conflict¹².

Entrepreneurs are usually involved in a one-man business, so they work by themselves. In general they do not deal with complex organisational structures. However, the common characteristic of both is leadership which is also the focal point of the Entrepreneurial Strategic school. Leaders inspire people instead of managing them. Leaders have followers, who believe in their vision and are able to accept the sacrifices, while managers have subordinates that have to be motivated and controlled¹³. Today's challenging business environment needs charismatic leaders that are able to energise the organisation, empower people and make them more creative and innovative to outperform the competition¹⁴.

Strategic Management supports managers with a wide spectrum of well developed and empirically tested analytical tools, while Entrepreneurship does not offer much more than a business plan for owners of small and medium firms. Nevertheless, no business is too small to have a solid strategy and no business is too big to be more entrepreneurial. That is one of the common features of both approaches.

Both perspectives also overlap on innovation, growth and uniqueness. The company performance is a major dependent variable of both fields. Both as well are concentrated on the process of the adaptation to change and exploitation of opportunities. Meyer and Heppard present the view that both perspectives form two sides of the same coin. Entrepreneurial behaviour of firms creates value by identifying opportunities while strategic management develops competitive advantage to exploit them. Rindova, Ferrier, et al. prove that strategic actions are an important instrument to exploit market opportunities and create competitive advantage for firms or even undermine the competitive advantage of competitors.

Entrepreneurial intuition is a counterpart of a strategic vision, which forms a base for the Entrepreneurial Strategic School.

It has been argued recently that these two approaches of Entrepreneurship and of Strategic Management should merge to create a new discipline of science. Strategic Entrepreneurship Management or Corporate

¹² Jemielniak, D. 2004, *Informatycy w organizacjach. Studium kultury zawodowej programistów. [IT professionals in organisations. Study of the professional culture of IT professionals.]* Doctoral Dissertation.

¹³ Zaleznik, A. 1977. *Managers and leaders: Are they different.* Harvard Business Review.

¹⁴ Prahalad, C.K., Hamel, G. 1994. Strategy as a field of study: Why search for a new paradigm? *Strategic Management Journal*, no. 15(S2), pp. 5–16.

Entrepreneurship would combine the contributions of these approaches providing a synergy effect of their inputs.

In the new competitive environment the combination of both perspectives would be very valuable to make even mature firms more innovative and empower people to be more creative and more responsible for decisions they make. It would be primarily focused on the internal organisation of firms' structures rather than on the more complex consideration of dynamic competitive strategies. Strategic Management sets the context for entrepreneurial behaviour and stresses the importance of speed and flexibility. This composes the entrepreneurial behaviour of the corporate strategy.

Scholars still argue whether the new discipline of science will arise. However, for years in Strategic Management there has been a room for the Entrepreneurial strategic approach in one of Mintzberg's schools of strategic thought: Entrepreneurial Strategic School.

Even if two perspectives of formal corporate strategic planning and entrepreneurial strategic vision are approaching we argue that both approaches cannot be mixed in one company, because they have fundamentally different basic assumptions. Albeit we do not deny other solutions as for example altering formal corporate strategic management towards a more entrepreneurial approach or formalising of an entrepreneurial approach towards a more corporate style. We would like to propose that:

Proposition 1: Formal Planning Corporate Strategic Management and Entrepreneurial Strategic Perspective are so different in their fundamental assumptions that they cannot be combined in their basic forms in a single organisation.

THE ENTREPRENEURIAL STRATEGIC SCHOOL CHARACTERISTICS

Each of the strategy schools could be applied at a different stage of the organisational life cycle. The entrepreneurial school is the most suitable for new firms and this approach is usually not convenient for more complex ones. One single individual person would not be able to embrace the complex operations with his vision, intuition and experience. For more mature firms probably other approaches that involve more actors and more sophisticated analytical tools are more suitable.

However, in mature firms entrepreneurial school is applied when they are in a difficult, turbulent or turnaround position as well as when they face

intense competition. That is when a strong charismatic and dynamic leader should replace other manners of strategic management¹⁵.

Kraus and Kauranen argue that in today's dynamic and competitive environment strategic management has to be entrepreneurial to be successful and to survive. Firms have to exploit opportunities, adapt to changes and develop competitive advantage¹⁶. Ireland, Covin, et al. define entrepreneurial opportunities as 'situations in which new goods, services, raw materials, markets and organising methods can be introduced through the formation of new means, ends or means-ends relationships'.

The strategy of most small companies is driven by the character of the decision maker, which is contrary to large firms¹⁷. However, even mature companies develop entrepreneurial strategies to revitalise existing organisations and to make them more innovative¹⁸.

Furthermore, the character of large corporations has changed. In previous decades the multinational corporations were defined as large firms with more than \$500 million of sales, while today many small firms with less than \$10 million of sales became global players with multinational operations. It has altered both the definition of large and medium multinational firms as well as their strategy focus¹⁹.

AT THE BEGINNING GOD CREATED THE ENTREPRENEUR

A large number of firms if not almost all of them start in the entrepreneurial way. We would argue that first there is an idea or even before there is an entrepreneur who wants to undertake an interesting venture. In the midst of

¹⁵ Selsky, J.W., Goes, J. et al. 2007. Contrasting perspectives of strategy making: Applications in 'hyper'environments. *Organization Studies*, no. 28(1), p. 71; Gregory, A. 2007. *A systems approach to strategic management*. Proceedings of the 51st Annual Meeting of the ISSS; Mintzberg, H., Ahlstrand, B. et al. 2005. *Strategy safari: A guided tour through the wilds of strategic management*. Free Pr.

¹⁶ Kraus, S., Kauranen, I. 2009. Strategic management and entrepreneurship: Friends or foes? *International Journal of Business Science and Applied Management*, no. 4(1), pp. 37–50.

¹⁷ Tarraf, P., Molz, R. 2006. Competitive intelligence at small enterprises. *SAM Advanced Management Journal*, no. 71(4), p. 24.

¹⁸ Ireland, R.D., Covin, J.G. et al. 2009. Conceptualizing corporate entrepreneurship strategy. *Entrepreneurship Theory and Practice*, no. 33(1), pp. 19–46.

¹⁹ Prahalad, C.K., Hamel, G. 1994. Strategy as a field of study: Why search for a new paradigm? *Strategic Management Journal*, no. 15(S2), pp. 5–16.

his interests a vision starts to emerge and the entrepreneur works it out. That is how the firm is started and operated.

When firms grow and become more complex the strategy making process becomes more difficult, which exceeds the capability of only one person being responsible for it. With the maturity phase, the strategy formulation process changes. As the company's complexity increases the strategy planning process also becomes more complex and different approaches are implemented²⁰. However some scholars argue that even in the largest corporations when the strategy planning processes are well developed and implemented, they do not replace strategic thinking and strategy making. Grant examined major oil companies and demonstrated that they still use strategic planning. He analysed the evolution of the strategic planning system and concluded that besides its importance to the management system it has limited impact on the quality of strategic decisions. Mintzberg also points out that strategic planning is not strategic thinking or strategic decision-making. He also indicates that the most successful strategies are not based on the plans but on a vision, intuition and creativity of the leader. Strategic planners are still important but their role should shift from traditional planning to support strategy makers to carry out their strategic vision. Mintzberg cites the example of Polaroid – this large international corporation developed its main product as the realisation of the dream of the firm founder's three-year old daughter. She wanted to have pictures immediately and Edwin Land invented the instant camera.

The entrepreneurial school is also suitable for turbulent and difficult situations when the charismatic leadership has to act independently to inspire the firm with his vision and implement a major change. In the 1970s British Airways was among the worst airlines, which was also reflected in the poor financial results. A strong visionary leader took over the management position. Colin Marshall recovered the company's losses and in 1993 it became the most profitable airline in Europe²¹.

A similar situation took place in General Motors when Roger Smith was nominated the Chairman and CEO of the company. He was the only one responsible for strategising and he managed the company with his vision,

²⁰ Mintzberg, H., Ahlstrand, B. et al. 2005. *Strategy safari: A guided tour through the wilds of strategic management*. Free Pr.

²¹ Huy, Q.N., Mintzberg, H. 2003. The rhythm of change. *MIT Sloan Management Review*, no. 44(4), pp. 79–84.

intuition and charisma²². However, in contrast to Colin Marshall's success, Roger Smith tenure was rather considered a failure.

There are numerous leaders whose visions did not bring any success, but caused significant failures. Jean-Marie Messier promised the shareholders a great future and he got rid of the best assets and acquired largely overpriced ones bringing Vivendi S.A. almost to collapse²³. Messier's charisma and strong leadership strategic management blinded all stakeholders who let him independently take the most important but wrong and irreversible decisions.

Besides the corporate governance problems and risk management failures, the destructive power of one single person was proven by Nick Leeson who bankrupted the oldest merchant bank in London – Barings Bank. Also Iguchi Toshihide who ruined large Japanese Daiwa Bank and Hamanka Yasuo who almost overturned Sumitomo Corporation demonstrated the danger of one powerful person who can cause significant losses not only to one company, but also shake the whole economy²⁴.

These individuals were not the leaders of the organisations. However, they illustrate the huge impact of uncontrolled behaviour of one person on the entire organisation. The firm's leader role is very often even more leveraged, so his actions could be even more constructive or even more destructive.

Some leaders are very ambivalent. On the one hand, they achieve outstanding growth and successful development of the company, but on the other hand they abuse rules, procedures and even common law. Leonard Dennis Kozlowski expanded Tyco International into a mega-conglomerate through a series of strategic mergers and acquisitions. However, at the same time he defrauded millions of dollars and used the company's assets as his own. On the one hand, he was a terrific charismatic leader and, on the other hand, he was a terrible strayed person²⁵.

²² Hambrick, D.C., Chen, M.J. 2008. New academic fields as admittance-seeking social movements: The case of strategic management. *The Academy of Management Review ARCHIVE*, vol. 33, no. 1, pp. 32–54.

²³ Huy, Q.N., Mintzberg, H. 2003. The rhythm of change. *MIT Sloan Management Review*, no. 44(4), pp. 79–84.

²⁴ Tschoegl, A.E. 2005. The key to risk management: management. *Risk Management*, pp. 721–739.

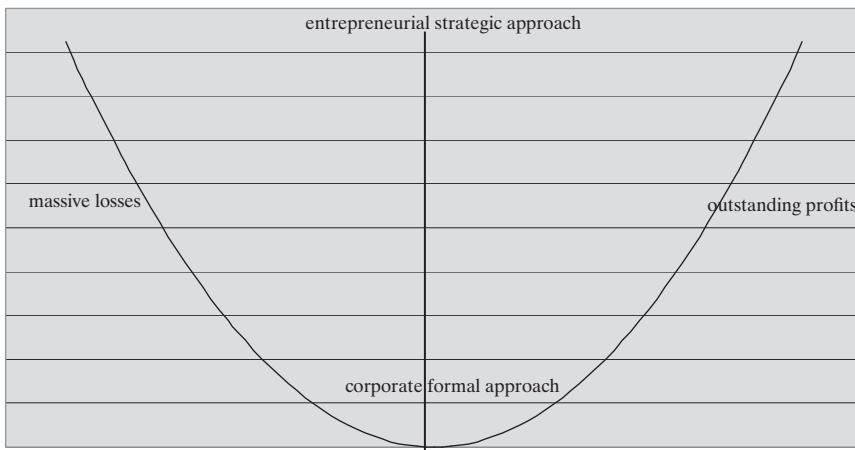
²⁵ Huy, Q.N., Mintzberg, H. 2003. The rhythm of change. *MIT Sloan Management Review*, no. 44(4), pp. 79–84.

We would like to hypothesise that the entrepreneurial school approach that sets one single person and his vision in the centre may lead to terrific or terrible results. To put it more formally we propose:

Proposition 2: The outcome of the entrepreneurial strategic perspective has a U shape polarised curve, where high importance of the leader's vision may be related to outstanding profits or may lead to massive losses or even overturn the whole organisation.

Figure 1

Illustration of proposition 2



CASE STUDY

Methodology and sample selection

Methodology: case study

Although some scholars argue that good social science is problem driven and not methodology driven²⁶, others insist on rigour, strict following of the

²⁶ Flyvbjerg, B. 2006. Five misunderstandings about case-study research. *Qualitative inquiry*, no. 12(2), p. 219.

methodological rules and defining ontological assumptions²⁷. That is why we would like to present explicitly and transparently our methodological assumptions to avoid any confusion and confirm that we followed analytic tenets.

The purpose of this study is to gain insight into the process of strategic formulation as well as strategic management of an organisation as a representation of the entrepreneurial strategic school. In this regard a qualitative approach and in particular a case study, involving both the analysis of primary and secondary data was seen to be the most appropriate research strategy. Eisenhardt argues that a case study is a useful method to understand the dynamics present within single settings, which fits well the entrepreneurial strategic perspective.

Grant points out that the majority of studies in the area of strategic planning use questionnaire data which are convenient for statistical analysis, but do not present richness and complexity of the subject of the study. The comparative case study approach is better fitted to study commonalities and differences between various concepts.

Some scholars criticise the fact that strategic management relies on situational case analyses that cannot be generalised. Albeit at the same time they admit that strategic management needs better methodological tools to capture the complexity and to discover unusual regularities and patterns of real-life management. Strategic management has to develop creative methodologies to describe the reality. Qualitative methods are the most answerable to capture the dynamism and complexity²⁸. That is why we believe that a case study is the most applicable approach for our study.

Scholars involved in the inductive approaches have to admit their personal bias and reveal their world-views as well as assumptions taken into account²⁹. Both researchers of this study are not great football supporters. One of them, despite living in-between two important Polish stadia, has never watched any football match throughout and the other researcher is not a great football fan either. Nevertheless, the researchers are absolutely not football disregards. They have just never found it very interesting to look at this sport discipline.

²⁷ Suddaby, R. 2006. From the editors: What grounded theory is not. *The Academy of Management Journal*, no. 49(4), pp. 633–642.; Eisenhardt, K.M. 1989. Building theories from case study research. *The Academy of Management Review*, no. 14(4), pp. 532–550.

²⁸ Hafsi, T., Thomas. H. 2005. The Field of Strategy: In Search of a Walking Stick. *European Management Journal*, no. 23(5), pp. 507–519.

²⁹ Suddaby, R. 2006. From the editors: What grounded theory is not. *The Academy of Management Journal*, no. 49(4), pp. 633–642.

Because of this background both researchers considered the object of the study as independent social phenomena with a possibly objective attitude.

In-depth interviews with different stakeholders were carried out to determine the strategic management mode as well as the characteristics of the process. These individuals represent different groups involved in GZ. They participated in different stages of the strategic management process, they were the direct observers of the process or they were at least involved in this organisation and had deep understanding of the internal processes of strategic management.

All of the interviews were conducted in person and took place after the change of all CEOs of our interest, so all actors looked at the organisation from the perspective of the ‘past’, which gave a consistent point of view and a similar perspective. The interviews took place in Polish, in the informal settings to let the interviewed freely and openly talk about the subject of our interest.

The first interview with a GZ supporter and also an expert in Polish football had a very exploratory character. It was an unstructured interview, the main purpose of which was to investigate the phenomenon and prepare the structure of other interviews. At the same time the questionnaires were developed following a comprehensive review of the literature and suggestion from an expert in the field.

Other interviews had semi-structured character with open-ended questions. The interview questions were modified as a result of the responses of the first explanatory interview, to incorporate some of the developing themes.

Respondents were free to use their own words and associate any other issues that they considered important. With the consent of the participants all the interviews were tape-recorded, subsequently transcribed and coded. The categories were created according to the approach to strategic management and our coding technique relied upon distinguishing different approaches to strategic management. We concentrated on the collision of planned corporate formal strategic management with the entrepreneurial strategic approach³⁰.

We interviewed two CEOs of the club and an independent Financial Manager nominated by the club owner that accompanied the first CEO in the implementation of corporate and financial procedures as well as the change from first to CEO to the next one and most of the tenure of the second CEO.

³⁰ Suddaby, R. 2006. From the editors: What grounded theory is not. *The Academy of Management Journal*, no. 49(4), pp. 633–642.

Furthermore, to increase the validity of our data, documentary evidence was collected in the form of specialised press articles, general press articles, financial statements and football clubs analyses.

The validity of the data was guaranteed through the use of many sources of information.

Even if Siggelkow showed that it might be more effective to group the data differently from the chronological order, we decided to keep the time sequence and follow the study in the chronological order.

We followed the advice of Suddaby and the data collection stopped when we felt that there was no further evidence available. In this way that we saturated the categories that were investigated.

We have also developed a qualitative measure to understand better GZ's relative sport position against other teams and place it on a time line. We called it the 'sport performance index' (SPI) as it was derived directly from result of games. Details on how the index was created can be found in appendix I.

SPIs were used by us to understand how different GS's CEOs were influencing results of the team. We think this method allowed us to better monitor and understand how different types of strategic management could affect the performance of a sport organisation such as GZ.

Sample choice: N = 1

Flyvbjerg recognises that the case study methodology can be used for theory building as well as for hypotheses testing. Our hypotheses were inspired by the literature and practical examples and the purpose of the research was to test them in the organisation that fits the characteristics of the entrepreneurial strategic school. Flyvbjerg also admits that hypotheses testing is closely related to generalisability and strongly depends on the case selection. Atypical and polar type cases are the most suitable selection because they provide the richest information.

We chose only one organisation as a unit of the analysis to enhance the impact of different outcomes of various leaders who managed the same organisation with their own vision. On the one hand, we studied only one organisation (one case), but on the other hand we scrutinised two different approaches to strategic management of three different leaders. This constitutes the polar-type comparison, since they embody different management styles. Eisenhardt presents the view that in the case study approach the random selection of cases is not a good solution. Instead 'extreme situations and polar types in which the process of interest is transparently observable' represent a better case study approach. The organisation of our choice is probably not

the Siggelkow ‘talking pig’, but it represents a well-marked example of the phenomenon of the study. Just as Mintzberg and McHugh chose only one organisation, because it fitted the description of their concept of adhocracy, we chose the sport club Górnik Zabrze because it describes the phenomenon of our studies: the impact of the entrepreneurial strategic approach.

With the sample of only one organisation our findings certainly cannot be generalised, but Flyvbjerg points out that generalisation is overvalued as the main source of scientific progress, while the powerful examples are usually underrated. There are many other ways to gain and accumulate knowledge and case studies are used to generate the best theory. None of our ambitions was to provide a paradigmatic case to prove a general grand or predictive theory. Our purpose was to propose and develop our hypotheses.

The football sport club Górnik Zabrze (GZ) operates within a very dynamic environment, however the rate of technological and regulatory changes is very low, which eliminates other potential impacts on the club results. It is almost an isolated alpha-test of managerial impact on the club results. We exclude from our study the areas of corporate governance and corruption in Polish football. Both themes are very interesting and could provide a complementary view of the subject of the study, but our main objective in this research was to examine the strategic management approaches. Furthermore, the study of both these areas would require a different methodology of data collection and that would limit our findings on the entrepreneurial strategic school.

Górnik Zabrze was also chosen because of an interesting situation of this football club. This organisation had been in chronic financial problems for years before starting the cooperation with today’s owner and sponsor Allianz Polska. Allianz helped the club financially and as a majority shareholder was supposed to support GZ. However, Allianz did not engage officially in the management either strategic or operational, but left all the managerial responsibilities in the hands of the club CEOs. Allianz along with other club owners assumed only the supervisory responsibilities³¹.

In the course of the four-year cooperation between Allianz and GZ there were four different CEOs. Allianz changed them almost every year blaming them for the club financial and sport performance failures. Each of them had a different management style and a different strategic management vision. Albeit the official ultimate purpose of being a champion of the Polish football league was the same for all of the stakeholders, each CEO had a different

³¹ Ziach, M. 2011. Allianz płaci Górnikowi tylko za reklamę. [Allianz pays Górnik only for advertising.] www.SportoweFakty.pl 8 April 2011.

approach to strategy formulation. Moreover, two of them had characteristics of charismatic leaders materialising their own vision.

In our study we would like to collide these strategic management styles at the club performance background.

The purpose of this case study is to test the theory drawn on the entrepreneurial school of strategy³², implied by Gregory that the outcome of leaving strategic management only in the hands of a strong visionary leader could produce dichotic, bipolarised results. It could produce a terrific success or a terrible failure.

The data were triangulated using different data source: interviews, archives, press articles, results of the organisation considered both in terms of sport results as well as in terms of financial results. The financial results are probably less important to this kind of organisations, in spite of the contrary declaration of the owners. However, just like every organisation, a sport club needs some resources to survive and financial results, even if not the main source of financing, should attract potential sponsors or at least not push them away.

The football sport club literature review

Football literature review

Football has a long history and in some countries it accounts for multi-million euro operations with several million of sport fans involved³³.

The football industry is very interesting from the strategic management standpoint, because very often despite of being managed by professional entrepreneurs, despite of large amount of money put into it by investors, sponsors, fans, even the best performing clubs lose money and are in chronic financial crises. Clubs managers and owners pay most of their attention to sport performance neglecting financial performance even though they are closely related³⁴. Most of the clubs are financially insolvent if to apply the same criteria as to firms. However, in football there are a lot of benefactors

³² Mintzberg, H., Ahlstrand, B. et al. 2005. *Strategy safari: A guided tour through the wilds of strategic management*. Free Pr.

³³ Elliott, D., Smith, D. 1993. Football stadia disasters in the United Kingdom: learning from tragedy? *Organization & Environment*, no. 7(3), p. 205.

³⁴ Senaux, B. 2008. A stakeholder approach to football club governance. *International Journal of Sport Management and Marketing*, no. 4(1), pp. 4–17.

involved whose motivations are mostly based on sentimental reasons³⁵. The football industry has very high labour costs due to highly competitive players market. However, sport performance of the club is closely related to players' salaries. The sport results influence the most important streams of revenues (television rights, sponsorship, etc.)³⁶ and sport managers are focused on the maximisation of the financial results increasing the number of sport fans who provide the financial income³⁷.

Due to this industry structure-performance relationship the selection of skilled players and the price paid for them are the key components of club strategic management and they account for an important part of the financial and operational performance.

In the football industry the key strategic variables are the players and team selection. Players are contracted for a couple of years, the prices paid for them are very high. Furthermore, the cost of earlier termination of the contract is very high and plays a key role in the financial and operational results of the club. Moreover, players are the most important assets for the club. Especially in Poland the clubs are not the owners of the stadia, so in their balance sheets the assets are composed mostly of the players' contracts amortised through their length.

Elliott and Smith cited Sloane that football club are not focused on profits maximisation, but on utility maximisation. However, sponsors and owners have different perspectives.

The involvement of firms in football sponsorship has increased in the last decade. Corporate sponsors usually apply more formal and professional approaches to the management of football clubs. Corporate sponsors do not think strategically and have a short-term vision of football clubs and that is the principal reason of sponsorship failure. Furthermore, corporations do not

³⁵ Elliott, D., Smith, D. 1993. Football stadia disasters in the United Kingdom: learning from tragedy? *Organization & Environment*, no. 7(3), p. 205; Grundy, T. 2004. Strategy and financial management in the football industry. *Strategic Change*, no. 13(8), pp. 405–422.

³⁶ Szymanski, S., Smith, R. 1997. The English football industry: profit, performance and industrial structure. *International Review of Applied Economics*, no. 11(1), pp. 135–153.

³⁷ Elliott, D., Smith, D. 1993. Football stadia disasters in the United Kingdom: learning from tragedy? *Organization & Environment*, no. 7(3), p. 205; Grundy, T. 2004. Strategy and financial management in the football industry. *Strategic Change*, no. 13(8), pp. 405–422.

place sponsorship in their larger marketing vision and the decisions in this area are spontaneous and do not fit in the other marketing actions³⁸.

The football industry fits well into the characteristics of entrepreneurial school strategic management, because of its characteristics. Very often clubs are managed by professional entrepreneurs³⁹.

Football clubs face intensive competition and are very often in a hyper-turbulent situations. As it will be highlighted in our case study, football clubs require dynamic strategic management, because key decisions have to be taken in short periods of time. Often in player transfer windows, the choice has to be made within an hour, not in days or weeks. For these reasons the football industry fits well in the frame of the strategic entrepreneurial perspective.

Górnik Zabrze brief historical outline

History of GZ

The club was created as a merger of four local sports clubs in December of 1948. From the beginning GZ was one of the most important sport clubs in Poland. Although at the beginning it was a multisport club with football team constituting an important part of it. Today it is mostly known as a football club.

In the first season GZ won the championship of Silesia but was not promoted to the second Polish league until 1950. [www.gornikzabrze.pl] At that time GZ had 20,000 fans which even today accounts for a significant number and even today the most popular football clubs cannot show this range of commitment of fans. GZ supporters from the inception of the club were very powerful strategic stakeholders and contributed to the successes and even the survival of the club. It was also mentioned by one of the interviewed CEOs that such a large number of fans represents an important element and a real burden in decision-making process:

‘... in the case of such clubs as GZ, where fifteen or even twenty thousand of fans come to see the match and other several thousand follow closely the Internet to check the news about the club and each move of the Management Board is commented in the number of several thousand posts on the Internet.

³⁸ Chadwick, S., Thwaites, D. 2004. Advances in the management of sport sponsorship: fact or fiction? Evidence from English professional soccer. *Journal of General Management*, no. 30(1), pp. 39–60.

³⁹ Senaux, B. 2008. A stakeholder approach to football club governance. *International Journal of Sport Management and Marketing*, no. 4(1), pp 4–17.

So, you feel the pressure and you are in a certain way ... I believe, it's a certain burden in the decision making process...’.

In 1957 GZ won the Polish championship and afterwards repeated this success fourteen times in its history. It is together with another Silesian football club, Ruch Chorzów, the best score in Poland. Furthermore, as the only Polish team, GZ played in the final of the European Cup Championships and had many other impressing successes.

The major failure was in the 70s when for one year the club slipped off to the Polish second league, but in the following year they won the Polish championship again and proved the quality of their game. [www.gornikzabrze.pl]

First visionary entrepreneurial CEO

In 2006 and at the beginning of 2007 the club experienced a difficult situation and hardly survived in the Polish Extraclass (the most superior league in Polish football). There were grave problems in all areas of the club – especially the financial situation suffered and the club was close to filing for bankruptcy. The collapse of the club impended due to cash-flow problems⁴⁰.

Than the first visionary leader took over the management of the club mostly due to the concern of the players and the club itself. Just before this assignment he was a football players' manager and some of his players worked for GZ. When the club was not able to pay their salaries he noticed that GZ was close to collapse mostly for the financial and operational reasons. Together with his friend he started looking for a new club sponsor or even owner. They made an alphabetic list of possible companies that could be interested in investing in the club and they become the negotiations. Allianz Polska – a branch of a German insurance company was the first on the alphabetic list because its name started with an ‘A’.

His approach confirms Mayer's observation about non-monetary objectives of entrepreneurs. His main motivation was not to make a fortune managing the club, but to save the club and as an experienced leader, he took over the club's CEO position.

As a matter of fact, Allianz was looking for a new way of promotion in the south of Poland. The first CEO presented his vision to Allianz and persuaded its management board to invest in the club. At that time the club

⁴⁰ Szendera, K. 2011. Allianz w Zabrzu – historia prawdziwa. [Allianz in Zabrze – true story.] *futbolnet.pl* 27 January 2011.

financial situation was not easy due to huge debts generated by unsuccessful performance in the previous periods⁴¹.

This leader believed that besides being one of the most popular Polish football clubs, GZ had been very poorly managed before he took over the managerial position. He refers to the management board of that time saying:

'I had a doubtful pleasure to talk to the club managers of that time: one of them was drunk all the time and the other was a freak'.

Moreover, he mentioned very weak and unprofessional support team for the club and the players. Just to illustrate it he mentions that there was only one physiotherapist without any qualifications in this field who treated players with some unprescribed drugs.

The situation fits perfectly to the entrepreneurial strategic school, because the club was in a turnaround situation and a strong visionary leader was needed to take on management and inspire the organisation with his vision and drive it to a successful future. The football scenery also corresponds entirely to the entrepreneurial strategic perspective because of its dynamic character, turbulent environment and a key role of visionary and experienced leaders⁴².

At the beginning of his tenure the city of Zabrze was still the owner of the club and the discussions with Allianz were progressing, but no agreement was signed. He was the only person who was taking decisions and managing the club⁴³.

On the one hand, he had a long-term vision that persuaded Allianz to purchase the club and invest in it significant amounts of money but, on the other hand, his short-term vision was to assure the clubs survival due to financial and organisational problems.

The long-term vision was really gorgeous: the Polish Championship in 2012 and some even more ambitious goals in the European challenges⁴⁴, which is also confirmed by an independent financial manager. However, first he had to take care of the daily problems and ensure the survival of the club.

⁴¹ Sachs, K., Dębicki, T., Jaroszewski, R., Zawadzki, M. 2010. *Ekstraklasa piłkarskiego biznesu 2010. [Extraclass of football business 2010.]* Ernst & Young.

⁴² Selsky, J.W., Goes, J. et al. 2007. Contrasting perspectives of strategy making: Applications in 'hyper'environments. *Organization Studies*, no. 28(1), p. 71.

⁴³ Płatek, P. 2007. Górnik Zabrze – ubezpieczę się od porażek? [Is Górnik Zabrze insuring itself against defeat?] *Gazeta.pl* 28 May 2007.

⁴⁴ Szendera, K. 2011. Allianz w Zabrzu – historia prawdziwa. [Allianz in Zabrze – true story.] *futbolnet.pl* 27 January 2011.

In fact GZ lost most games in the season 06/07. However, before he took over the managerial position the results had been worse and he was able to survive in the Polish Extraclass with ‘...the worst team in the league’. He refers to this as to one of his biggest successes.

The overall corruption problems in Polish football of that time played an important role. Another important factor that helped GZ not to slip off out of the Extraclass was the downgrade of other clubs as a corruption penalty. So GZ took their place and kept the last position in the Extraclass.

In June 2007 Allianz took over the majority shareholding in Górnik Zabrze outlining the bright future for this football club. A very ambitious objective was set of winning the Polish championship in 2012⁴⁵. Allianz kept the CEO at his position and dominated the supervisory board of the club which was shared with the city of Zabrze representatives. However, the effective power of the supervisory board was in the hands of Allianz.

As a part of corporate procedures Allianz implemented the budgeting process of planning the clubs activity and expressing it in numbers in the Allianz financial format. In the club at that time there was no appropriate person for financial management, so the organisation signed an agreement with independent audit and consulting company that appointed a dedicated person for this assignment. The new independent financial manager’s responsibility was to help the CEO with the budgeting process and implement the financial management at the club.

When the agreement with the new investor was finally signed and Allianz helped the club financially, the CEO was able to make some significant changes in the team of players and implemented some structural changes in the club to materialise his long-term strategic vision. Even though he was criticised by the press for the selection of players⁴⁶, the club started to win the following matches and significantly improved the sports results.

However, Allianz did not allow for the entrepreneurial way of management and insisted on changes to more corporate strategic planning with the strong role of planning tools mostly focused on financial and cash-flow measures. The CEO of that time believed that it was inappropriate for the sport club that operated in a very dynamic organisation in the complex or even turbulent environment. The decisions have to be taken quickly and very often even if

⁴⁵ Ziach, M. 2011. Allianz płaci Górnikowi tylko za reklamę. [Allianz pays Górnik only for advertising.] *www.SportoweFakty.pl* 8 April 2011.

⁴⁶ Płatek, P. 2008. Górnik Zabrze – upada z Kasperczakiem. [Górnik Zabrze is falling with Kasperczak.] *Gazeta.pl* 23 November 2008.

they are not planned in advance they could be very beneficial for the club and profitable for the owners. He refers to this situation:

‘In the sport club the situation and events happen quickly and the situation is dynamic. I’ll tell you as a curiosity that there was a marketing person from Allianz in our club for one day. And at the end of the day he came to me and so ... you know, heavily tired just by watching and he says: “Is it always like this in here?” And I say “Sir, it was a calm day”. He said that would be too much for him’.

This proves the difference in the perception and in the business activity between the corporate and entrepreneurial approaches. Allianz operated in a much more stable environment. Furthermore, Allianz was a part of a multinational company that was managing strategic issues in a formal planned corporate way. At GZ the CEO was not used to this kind of strategic management. For him it was more important to exploit arising opportunities than to plan operations in advance because of the dynamic settings of the club. He had a perception that even if we plan, the life in a dynamic football club will show a different future, so the plans only indicate various scenarios. On the other hand, Allianz viewed the plans as a formal commitment. That was one of the first fundamental misunderstandings between these two perspectives.

There was a major disagreement concerning the most important performance indicators. Allianz insisted on short and medium-term financial results while the CEO on sport results. The CEO believed that financial aspects were also very important, but it was a kind of by-product of sport results. Sports results were the major driver of financial results, so the club should have concentrated on its game activity.

These cross-purposes were aggravated by increasing formality of club management imposed by Allianz. The new owner was used to working according to different management standards and the formal procedures were something obvious for Allianz. The interviewed independent financial manager recalls that the purpose of her project was to

‘...adjust GZ to the Allianz’s structures, which meant implementing the systematisation of work in the club, to make the CEO respect the legal procedures and let the supervisory board approve the most important contracts’.

Before she started to work for the club there was a very limited flow of information to Allianz because the CEO kept everything to himself. She refers to his way of management as a ‘very spontaneous and artistic mess’. She described him as an entrepreneur with a vision who did not understand

finance and who was not a ‘team player’ type of manager, but rather worked alone. This is a common feature of many entrepreneurs⁴⁷.

His strategic vision was to purchase new players and in two or three years be in top three in Polish football and also take part in the European football cup. That is why he signed long-term contracts with some new players. Those contracts were not easy to terminate before their expiry and in case of earlier contract termination severe penalties had to be paid.

At that time the struggle of the corporation with the visionary manager begun. On the one hand, Allianz wanted to make management much more transparent but, on the other hand, the decision validation procedures were taking too much time, which significantly decreased the clubs flexibility. The club operated in a very dynamic setting and the lack of flexibility and the slow decision making process constituted significant strategic disadvantages, because they disabled grasping arising opportunities in the entrepreneurial and strategic way. The CEO said:

‘As far as the Allianz period is concerned, all the rigour, habits, procedures of the corporation were implemented, which paralysed the decision making process in a remarkable way. ... it’s not that I had to be controlled... but sometimes in the sport club decisions have to be taken within an hour – especially within the players transfer periods. When I had an offer (author: for a player), and I had to take the decision quickly to contract the player, I was not allowed to do this, because I had to send 40 emails and I had to receive 30 answers, and then I had to persuade someone orally. The outcome often was that another club acquired this player and the result was that we were not efficient on the market. ... Afterwards it rose to paradoxical dimensions’.

It proves, on the one hand, the entrepreneurial way of management – especially strategic management, since the players are one of key strategic variables of the football club due to their long-term commitment and impact on the club results, both sport and financial ones.

On the other hand, it showed that this entrepreneurial strategic way of management is the most suitable for football clubs due to their dynamic character and arising opportunities that have to be explored in very short-time frames⁴⁸.

⁴⁷ Zaleznik, A. 1977. *Managers and leaders: Are they different*. Harvard Business Review.

⁴⁸ Ireland, R.D., Covin, J.G. et al. 2009. Conceptualizing corporate entrepreneurship strategy. *Entrepreneurship Theory and Practice*, no 33(1), pp. 19–46.; Selsky, J.W., Goes, J. et al. 2007. Contrasting perspectives of strategy making: Applications in ‘hyper’environments. *Organization Studies*, no. 28(1), p. 71.

Allianz as a very large corporation was not able to let only one person manage the club and insisted on formal procedures. The CEO of that time confirmed that:

‘... it was an attempt of putting the sport club in the corporations rigour which brought more bad than good’.

He also added that:

‘This implementing (author: of the formal procedures) was the biggest mistake of Allianz, that they imposed the corporation standards on the sport club, where they are just impossible’.

This wrestle of two different ways of management resulted in the deterioration of the sports results. Besides the fact that the club lost a series of games in this period, GZ ended the 2007/2008 season with a relatively high ranking score (8). The high final ranking score resulted from a positive impact of first part of the season influenced only by the entrepreneurial strategic approach and a strong negative impact of mixed strategic management styles of the second part of the season.

At the beginning of the following season GZ followed the trend from the end of the previous year and it did not win any match. Allianz decided to change the CEO because of the unsatisfactory sport results⁴⁹.

Just to summarize the tenure of the first CEO, his main goal was to rescue the club from the bankruptcy and closure. The only way to do this was to find a new owner or a sponsor who would help the club to solve its urgent financial problems. In the subsequent period he developed a long-term vision and he rebuilt the team of the players to attain this vision. The inevitable friction of two different ways of management ended up with sport performance deterioration⁵⁰.

Second political CEO and charismatic coach

The next CEO had a political background and his main objective cited in the press interview was to ‘adjust GZ to corporate circumstances required by the Allianz companies’⁵¹. Allianz also nominated a very famous football coach. The first CEO cites this fact as the main reason of departure.

⁴⁹ Płatek, P. 2008. Prezes Szuster zrezygnował, Kasperek u bram. [President Szuster resigned. Kasperek at the gate.] *Gazeta.pl* 10 September 2008.

⁵⁰ Płatek, P. 2008. Prezes Szuster zrezygnował, Kasperek u bram. [President Szuster resigned. Kasperek at the gate.] *Gazeta.pl* 10 September 2008.

⁵¹ Łukasz Mazur prezesem Górnika Zabrze. [Łukasz Mazur – the CEO of Górnik Zabrze.] *WirtualnaPolska* 1 March 2010.

At that time Allianz was still present only in the supervisory board, but with a strong focus on the validation of all decision as well as making some strategic choices, such as new coach selection or CEO nomination. The new CEO objective was to implement Allianz procedures and follow the Allianz corporate way of management. Nevertheless, the new coach turned out to be a visionary and charismatic leader. The new CEO did not manage the club alone but left all important decisions in the hands of the charismatic and experienced trainer⁵². Instead of strategically manage the club, the CEO made many populist operational decisions, for example giving the raises to the staff of the clubs, buying new nice-looking office equipment, etc. Things which were not necessary for the club success.

The new trainer was very famous for his track record in his football assignments in Africa and there were rumours that he could be proposed the position of Polish National Team coach. That was one of the major negotiation points, because in the case of this proposition he wanted to be excused from working for GZ. As a matter of fact the power structure was similar to the one before, but the leader was stronger, more charismatic and nobody questioned his decisions.

The previous CEO says that:

'They (author: Allianz) knew that if they hired this coach he would be given the entire power. That means he would be making all the decisions concerning the transfers of the players, club policy, concerning who wears which shirt. If I'm the CEO and I'm responsible for the organisation, the coach in my club will be in charge of training and nothing more. Every coach has the proneness to making money on transfers – EACH'.

This suggested that it is one of the football characteristics that whenever a coach has too much power he will have some vocations for illegal money making on player transfers, because this process is never transparent and the large sums of money are involved. Taking into consideration the corruption scandals in Polish football and opportunistic nature of people it could be a reliable suggestion.

One of the other stakeholders involved reluctantly admitted this coach had been called informally 'Steve small coin' in his previous assignment, which confirms this assumption. It is just a supposition and furthermore it falls in the areas of governance and corruption in Polish football which are excluded from this study. Albeit the fact is that he made seven transfers

⁵² Płatek, P. 2009. Kasperczak tylko czarował – grzechy główne Górnika Zabrze. [Kasperczak was only misleading – deadly sins of Górnik Zabrze.] *Gazeta.pl* 31 May 2009.

for the largest sums in Polish football at that time⁵³. Furthermore, as the interviewed independent financial manager highlights:

'All the propositions of the player transfers came not from the CEO but from the coach. The CEO was just a mediator between the coach and Allianz'.

First of all, this proves the power structure: the CEO with the political background leaving the major decisions to the strong coach. So, in fact, the coach was the leader of the club.

Secondly, it shows that the coach alone was responsible for the most important decisions, so in fact he should be responsible for the club failures and successes⁵⁴.

The coach was a charismatic type of leader that could blind others with his decisions. Despite of some unfavourable voices in the press about poor players management in his previous club⁵⁵ and in spite of a very poor track record in GZ, he was chosen by football fans 'the Coach of the year' in the local newspaper. The charismatic coach through the series of game failures was leading the club to its major disaster and all stakeholders were expressing the support for his decisions as well as they were approving his way of management. It was completely different from Allianz's previous approach.

It proves the leadership skills of this coach and partially confirms our proposition 2. The situation was similar to Vivendi and its charismatic CEO Jean-Marie Messier.

In the contrast to the first CEO, Allianz did not question the decisions of the new coach and let him manage the club that was in a worse and worse situation. The turning point was at the end of the game season. The shift of club's owner towards this charismatic coach took place when the club lost the last game in the season 2008/2009 and fell out of the Polish Extraclass. Such a huge failure happened only twice in 60 years of the club history. GZ did not have such a disastrous result even in the years when it did not

⁵³ Płatek, P. 2009. Kasperczak tylko czarował – grzechy główne Górnika Zabrze. [Kasperczak was only misleading – deadly sins of Górnik Zabrze.] *Gazeta.pl* 31 May 2009; Czado, P., Zawadzki, P. 2009. Kleśka i szok Górnika Zabrze, szalikowcy zaatakowali szatnię. [The defeat of shock of Górnik Zabrze, fans attacked the locker room.] *Gazeta.pl* 31 May 2009.

⁵⁴ Gregory A. 2007. *A systems approach to strategic management*. Proceedings of the 51st Annual Meeting of the ISSS.

⁵⁵ Płatek, P. 2008. Górnik Zabrze – upada z Kasperczakiem. [Górnik Zabrze is falling with Kasperczak.] *Gazeta.pl* 23 November 2008.

have any strong sponsor, was in a weak financial situation and had poorer infrastructure.

After the dismissal of the charismatic coach Allianz was still discontent with the club management and decided to change the CEO again.

Third CEO – sport success and financial failure

This time a young entrepreneur was chosen, who had previously proved this entrepreneurial and strategic skills setting up a very successful legal consulting company.

The new CEO had a more brilliant vision of the club and even more ambitious than that of Allianz⁵⁶. He set his objectives very high to solve the personal problems in the club as well as financial, marketing and legal issues. He aimed at achieving a sports, financial and organisational success⁵⁷.

At the very beginning of the interview he admitted that:

‘I’m not corporative. Allianz took the risk and they got their fingers burnt. I’ve done too much in my life to obey the member of the board of Allianz who in reality has not done anything in his life’.

At the beginning of his career he worked for a couple of years for an international audit and legal company, but he left after the issue of governance. As he contributed a lot to the company, he took a decision about a minor upgrade of his company car without prior consent of his supervisor. As the company did not agree to this behaviour he left.

It proves his entrepreneurial approach. He believed that if he had a significant contribution to the firm, he could also take some minor advantages, because one way or the other in the net position the company benefits. He did not want to respect the corporate rules in this area.

His strategic vision of GZ was developed before his assignment, because it was requested by Allianz as one of the steps in the hiring process. He said that:

‘When I arrived to GZ there was no long-term plan. I have created such a long-term plan – this philosophy of the club. This philosophy says what we want this club to be in the future’.

⁵⁶ Ł. Mazur prezesem Górnika Zabrze [Ł. Mazur – the CEO of Górnik Zabrze] *WirtualnaPolska* 1 March 2010.

⁵⁷ Melka, M. 2010. Czego ode mnie przyjacielu chcesz? Mam cię ucałować?; Wywiad z Łukaszem Mazurem, prezesem Górnika Zabrze. [What do you want from me, my friend? Should I kiss you ?; Interview with Łukasz Mazur, CEO of Górnik Zabrze.] *Przegląd Sportowy* 15 April 2010.

When asked how he defined strategic management he answered:

‘Strategic management is the formulation of the vision of the organisation and the vision of the development. The other thing is the selection of proper people for the implementation of this vision’.

Previously he had experience with strategic management because he was a cofounder of a very successful legal consulting company. Furthermore he highlighted that ‘long-term (strategic) management is something I’m really good at’. This new vision of GZ was developed on the basis of his intuition because he did not have any prior professional experiences with football club management in the area of strategic management experiences from his previous assignments. This intuition-based vision fits well the entrepreneurial strategic school⁵⁸. Taking into account the corruption scandals in Polish football, the lack of previous experience with football clubs could be a favourable point. However, corruption issues are not in the frame of this study.

The independent expert argued that one of the milestones in the successful management of the club at that time was the engagement of a new Sport Director with significant experience in the German football league. Breitbarth and Harris argue that German clubs are very strong and with deep tradition. They are well structured in terms of financial, cultural and institutional management. In terms of benchmark he had a perfect experience to successfully develop the club.

The club leader mentioned that:

‘This sport director was my invention, but the first interview was conducted by Allianz because officially I was not at the club yet. But it was my idea’.

He stressed very often that his adventure with GZ was done with passion and that he wanted to learn from the best. That is why he hired an experienced person to help him to materialise his strategic vision.

The selection of this experienced sport director suits well the second part of his definition of strategic management: ‘selection of proper people for the implementation of this vision’.

His charisma and passion were manifested in his statements that:

‘Football is not only work. It has to be one hundred percent of a passion. I was at the club for 20 hours a day, I dreamed about it, I wanted to learn about it. It just has to be a passion’.

⁵⁸ Mintzberg, H., Ahlstrand, B. et al. 2005. *Strategy safari: A guided tour through the wilds of strategic management*. Free Pr.

His passion and involvement confirm his strategic entrepreneurial approach that is necessary for successful strategies⁵⁹.

One of his first strategic decisions as the CEO of the club was to change the players and to create the right sport team⁶⁰. He explained that:

‘The first strategic decision was to get rid of so called “stars”. Those people didn’t fit my vision, because they didn’t want to work, they didn’t want to tear along. We have created a good team and proved that there was no place for parasites’.

The implementation of his vision and getting rid of some expensive players was very costly because the previous club managers had signed long-term contracts with them. The termination of these contracts resulted in high compensations which severely decreased the financial results in the short-term, but were very promising in the long-term. Nevertheless, as soon as he initiated his tenure in the club, the sport results suddenly improved. The club lost only one of fourteen matches and ended up the season being promoted again to the Polish Extraclass.

Furthermore, in order to realise his strategic vision he initiated and implemented other organisational developments of the club that bring benefits in the long-term perspective. He started the cooperation with other football clubs to exchange best practices⁶¹, he limited the VIP tickets which were not beneficial for the club⁶², established the official fan club of GZ⁶³ and he made the club more friendly for press reporters and football fans⁶⁴.

⁵⁹ Obłój, K. 2010. *Pasja i dyscyplina strategii*. [Passion and discipline of strategy.] Poltext.

⁶⁰ Jaźwiecki, L., Klimaniec, Ł., Kuczyński, T., Musioł, R. (ed.), Sroka, J. 2011. Ranking prezesów Ekstraklasy i pierwszej ligi. Kto ma najlepszego prezesa? [Ranking of Extraclass and first league CEOs. Who has the best CEO?] *Zabrze naszmiasto.pl* 14 March 2011.

⁶¹ Hermiersz, D. 2011. Górnik podpisał umowę z „Cidrami”. [Górnik signed a contract with ‘Cidry’.] *Zabrze naszmiasto.pl* 9 February 2011.

⁶² Jaźwiecki, L. Klimaniec, Ł., Kuczyński, T., Musioł, R. (ed.), Sroka, J. 2011. Ranking prezesów Ekstraklasy i pierwszej ligi. Kto ma najlepszego prezesa? [Ranking of Extraclass and first league CEOs. Who has the best CEO?] *Zabrze naszmiasto.pl* 14 March 2011.

⁶³ Azyan, A. 2011. Rozpoczyna działalność oficjalny Fanklub Górnika Zabrze. [The official Fanclub of Górnik Zabrze begins its activity.] *Dziennik Zachodni* 31 March 2011.

⁶⁴ Ziachl, M. 2011. Trójkolorowa ruletka, czyli plusy i minusy kadencji Łukasza Mazura na fotelu prezesa Górnika Zabrze. [Tricolor roulette, i.e. the pros and cons of Łukasz Mazur in the chair of the CEO of Górnik Zabrze.] *www.SportoweFakty.pl* 7 April 2011.

As an entrepreneur his main objectives were non-monetary⁶⁵, which was illustrated by the fact that he decided not to receive his salary due to the poor financial situation of the club. Instead he preferred to pay the players regularly. Furthermore, he resigned from the compensation for the earlier unexpected termination of his contract and the bonus for the promotion of the club to the Polish Extraclass. Together it totalled a couple of hundreds of thousands of zlotys which constitutes a significant amount for an individual. Instead he preferred to help the club in the financial difficulties.

However, he was often referring to the club owners in an unfavourable way in public. Furthermore, he thought and acted independently from the decisions of the owners⁶⁶. He refers to this situation saying that:

‘Why I parted with the club? The main problem was the limitation of competencies of the president of the management board. It is impossible to limit my competencies. You can fire me or... have me as I am. And you may have me or not to have me, but you cannot change me’.

In April 2011 Allianz chose the second option of ‘not having him’ and terminated his contract. As an official reason it was communicated that the financial plan for 2010 had not been implemented and the financial situation of the club deteriorated. Albeit it should be noted that financial budget of 2010 did not contain some important costs (e.g. bonuses for the promotion to the Polish Extraclass) and the financial situation in 2010 was negatively impacted by out-of-Extraclass limited revenues⁶⁷. Furthermore, during the tenure of this CEO the regulations were changed and limited significantly the number of fans at the stadium which directly impacted the decreasing

⁶⁵ Meyer, G.D. 2009. Commentary: On the integration of strategic management and entrepreneurship: Views of a contrarian. *Entrepreneurship Theory and Practice*, no. 33(1), pp. 341–351.

⁶⁶ Jaźwiecki, L., Klimaniec, Ł., Kuczyński, T., Musioł, R. (ed.), Sroka, J. 2011. Ranking prezesów Ekstraklasy i pierwszej ligi. Kto ma najlepszego prezesa? [Ranking of Extraclass and first league CEOs. Who has the best CEO?] *Zabrze naszemiaso.pl* 14 March 2011; Suchan, M. 2011. Łukasz Mazur pożegna się ze stanowiskiem prezesa Górnika Zabrze? [Will Łukasz Mazur say farewell to the position of the CEO of Górnik Zabrze?] *Dziennik Zachodni* 23 March 2011; Ivan. 2011. Czy prezes Górnika straci posadę? Klub dementuje. [Will the CEO of Górnik lose his job? The club denied.] *Zabrze naszemiaso.pl* 12 January 2011.

⁶⁷ Grygiel, A. 2011. Łukasz Mazur zapowiada pozew przeciwko szefowi rady nadzorczej Górnika Zabrze! [Łukasz Mazur announces a lawsuit against the head of the supervisory board of Górnik Zabrze!] *Zabrze naszemiaso.pl* 12 April 2011; Sachs, K., Dębicki, T., Jaroszewski, R., Zawadzki, M. 2010. *Ekstraklasa piłkarskiego biznesu 2010*. [Extraclass of football business 2010.] Ernst & Young.

revenues. Moreover, there was a strong negative impact of some contracts terminations with expensive players during the team restructuring process at the beginning of his tenure. The contracts had been signed by previous managers and charged the financial statements of 2010. It was the most important negative financial impact. As the sport performance illustrated, changing expensive ‘stars’ to reasonably cheaper players impacted the performance of the club positively. The restructuring costs were one-off while the benefits were recurring financial factors.

The financial situation of GZ has never been good for the last several years or even more. It was supposed to improve after the takeover of shares by Allianz, but in fact it did not get any better. The players still received their salaries with delay, the liabilities were not settled on time and the account payable exceeded the value of the assets. Furthermore, the club profitability was not different from other Polish clubs and the financial loss often exceeded the revenues⁶⁸.

Allianz leaves Zabrze

After the dismissal of the last CEO of our study Allianz took the decision to withdraw form this investment and sold their shares to the city of Zabrze⁶⁹. Apparently they also realised that strategic management of the club could not be done in a planned formal way and it should have been done by visionary entrepreneurs. Allianz as a large and stable corporation could not integrate the entrepreneurial management of the sport club.

An alternative explanation of the decision of Allianz concerning the disinvestment could be that the corporation did not realise that their strategic management approach was not appropriate for the club, but only concluded that the investment project was unsuccessful.

The situation was similar to that of BMW which invested in the F1 team ‘BMW Sauber’ and after the series of unsuccessful seasons they withdrew from this project. Apparently in sport clubs the corporate way of strategic management is not suitable and definitely it cannot be mixed with the

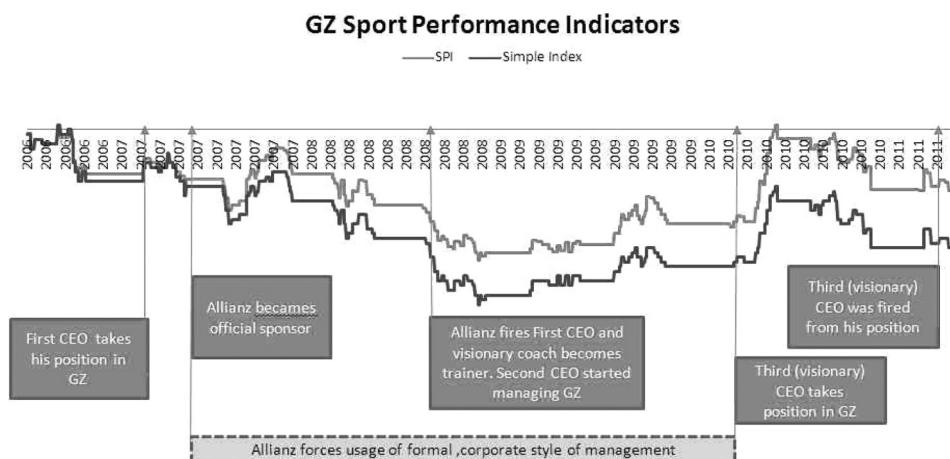
⁶⁸ Szendera, K. 2011. Allianz w Zabrzu – historia prawdziwa. [Allianz in Zabrze – true story.] *futbolnet.pl* 27 January 2011; Sachs, K., Dębicki, T., Jaroszewski, R., Zawadzki, M. 2010. *Ekstraklasa piłkarskiego biznesu 2010*. [Extra class of football business 2010.] Ernst & Young.

⁶⁹ Grygiel, A. 2011. Łukasz Mazur zapowiada pozew przeciwko szefowi rady nadzorczej Górnika Zabrze! [Łukasz Mazur announces a lawsuit against the head of the supervisory board of Górnik Zabrze!] *Zabrze naszemiaso.pl* 12 April 2011.

entrepreneurial strategic approach. These two perspectives besides some similarities are so fundamentally different that one or the other should be applied. This confirms our proposition 1. Sport clubs operate in such dynamic settings that the strategic operations cannot be planned in advance for years ahead. In the dynamic scenery the leader's vision, intuition and experience are the key to the long-term strategic success. These values fit neither the corporate planning strategic school nor corporate formal strategic management.

Sport Results Index (SPI)

We would like to visualise how different styles of management influenced sport performance of GZ and to allow better understanding which CEO drove the team to better results. Details on how the SPI is created are available in appendix I, but in general it is worth mentioning that we took into consideration not only result of the game (win, loss, draw), but also the number of goals scored or lost and whether the competitor is a weak or strong team (based on the final results of this team in the overall summary at the end of the round). The SPI is created artificially and although we could not find specific literature to support the design and development of the index we believe that our approach is correct because it shows very similar results to our findings from the Qualitative Methods.



On the basis of the analysis of the chart we can see how the performance of the team was developing during different periods of different types of management. When the first CEO took his position in GZ and still Allianz

was not a sponsor of the team SPI did not change much during this round. Afterwards when Allianz became the official sponsor and owner of the team we could see a systematic decrease of the index. The most dramatic decrease was just after the first CEO's resignation during the autumn 2008 round. Afterwards we could observe a slow and systematic increase of the index, but not to the levels recorded before Allianz became the team owner. During the whole period of applying formal, corporate rules the SPI of GZ first dropped down dramatically, which could indicate that at first the club suffered from the implementation of the new style of management and in the second part of this period the SPI slowly increased as the organisation got used to it and also due to the second CEO's charisma. What is most worth mentioning is a rapid increase of the SPI when the third CEO took his position. Based on interviews and articles review we conclude that this was the most visionary leader with a strong position and a proper managerial background. He neglected formal management dictated by Allianz and used his vision to dramatically increase sport performance in a short time.

Summarising, we could assume that findings from the SPI analysis are in line with our findings from the interviews and articles analysis that a strong and visionary leader can change the performance of the team dramatically in a relatively short time.

RESULTS

Common findings from all interviews were that all leaders of the sport club fitted well the definition of the strategic entrepreneur. They were mostly driven by passion and very often highlighted that managing the sport club was not just a job. It was much more, so high personal involvement was absolutely necessary. They were involved totally in the club life. They worked in the club for many hours a day, they dreamed of it at night, they wanted to learn and develop the club. It was also manifested in the way they talked about the club during the interviews. Furthermore, they always referred to the club as 'we' even when they did not work for the club any more for months or even years. For them this assignment was something much more than just a regular occupation. It was the way of their lives, their lifestyle profession⁷⁰.

⁷⁰ Meyer, G.D. 2009. Commentary: On the integration of strategic management and entrepreneurship: Views of a contrarian. *Entrepreneurship Theory and Practice*, no. 33(1), pp. 341–351.

This view of the entrepreneurial approach is consistent with most definitions in the literature⁷¹. Passion is also considered to be an important entrepreneurial factor of successful strategies⁷². However, when asked about their visions we found some differences due to their long-term focus which linked their entrepreneurial approach with the strategic management perspective.

Other findings concerned their focus on non-monetary factors. The first CEO was focused on the survival of the club and finding the a club owner which could ensure the club existence. The last CEO was concentrated on the development of the club. These were the major driving forces of their strategic vision and their key strategic variables. They were interested in the club sport performance and showed that as a consequence the financial results would follow.

However, it contradicted the corporation – club owner perspective. Allianz was mostly focused on short-term financial performance and argued that it should be the first objective. The sport results should be only a way to achieve business profitability. This view is consistent with Chadwick and Thwaites that corporate sponsors apply more formal approaches and do not think strategically. Furthermore, they have a short-term financial perspective.

It proves the fundamental difference between the non-monetary objectives of entrepreneurs and greed of corporate managers⁷³.

All leaders viewed strategic management of the club as the exploitation of entrepreneurial opportunities. The key strategic variable of the football club consist of the selection and transfers of player. By its nature this has to be done in the intuitive way and cannot be planned in advance. Nobody can predict new players' opportunities beforehand, their injuries and other sport related characteristics. When the opportunity arises it has to be grabbed at the right time. Only the intuition and experience will be able to show the suitable moment and appropriate opportunities. During the interviews they cited the examples of transaction that were not made because of the corporate slow decision making process. On the other hand, the corporation

⁷¹ Meyer, G.D. 2009. Commentary: On the integration of strategic management and entrepreneurship: Views of a contrarian. *Entrepreneurship Theory and Practice*, no. 33(1), pp. 341–351.

⁷² Obłój, K. 2010. *Pasja i dyscyplina strategii. [Passion and discipline of strategy.]* Poltext.

⁷³ Meyer, G.D. 2009. Commentary: On the integration of strategic management and entrepreneurship: Views of a contrarian. *Entrepreneurship Theory and Practice*, no. 33(1), pp. 341–351.

expected this kind of operations to be planned in advance and executed according to the plan. This was a major reason of frustration for both parties.

This approach is consistent with the literature on the entrepreneurial perspective⁷⁴ and strategic planning⁷⁵.

A long-term strategic vision was a common characteristic of all stakeholders. Both the entrepreneurial CEOs and Allianz were focused on a long-term vision. This proves their strategic management approach, albeit different in its nature.

It highlights that performance is the common dependent variable of strategic entrepreneurs and formal strategists. However, they might see it differently; strategic entrepreneurs usually in non-financial terms (sport performance of the football club) while corporate managers in monetary terms (net result and return on investment).

DISCUSSION

The results of this study demonstrate the extent to which the entrepreneurial strategic school is applicable in a specific type of organisations and how this approach is different from the formal corporate planning school. It highlights the differences and similarities of both perspectives and concludes that both styles cannot be combined in some type of organisations. Football clubs should be managed by a single charismatic leader who will inspire followers with his vision. It is very important to manage the club in a charismatic way, because it raises the level of motivation and involvement of different stakeholders. It creates a specific spirit of the club and involves very powerful energy. Once it is started it is transformed into a self-driven cycle. On the one hand, it augments the number of fans supporting the club, which in turn releases the increased motivation of players, which in turn intensifies the involvement of fans even more. A football club is a passion not only of charismatic leaders, but also of players, fans and the local community. All of

⁷⁴ Kraus, S., Kauranen, I. 2009. Strategic management and entrepreneurship: Friends or foes? *International Journal of Business Science and Applied Management*, no. 4(1), pp. 37–50; Sandberg, W.R. 1992. Strategic management's potential contributions to a theory of entrepreneurship. *Entrepreneurship Theory and Practice*, no. 16(3), pp. 73–90.

⁷⁵ Armstrong, J.S. 1982. The value of formal planning for strategic decisions: Review of empirical research. *Strategic Management Journal*, no. 3(3), pp. 197–211.

them have a common objective of being the best and supporting their most important ideas of wining with other clubs.

On the one hand, previous research on the subject of the entrepreneurial strategic school has found that it is the most suitable approach for start-up firms, turnaround situations where the key role of a charismatic visionary leader is necessary⁷⁶. On the other hand, the current research suggest that that even a mature large corporation should adopt a more entrepreneurial strategic approach in order to be more flexible, innovative and change quickly to exploit the arising opportunities⁷⁷.

It appears that, given the highly competitive economic environment, the entrepreneurial approach should be suitable for mature large corporations, but they should shift the strategic management style definitely just like IBM or ABB did⁷⁸. The mix of the entrepreneurial approach and formal corporate strategic management is like Porter's strategy of 'being stuck in the middle' that does not yield any success. In this situation the company faces the clash of different fundamental assumptions and a failure of this approach seems to be inevitable.

Other problems concerns strategic planning itself. Grant illustrates that the serious issue of today's organisations is to distinguish planning from strategising. Often formal plans cover up poor strategic abilities. As noted in our study, the corporation's objective was to put the sport club in the frame of formal strategic plans whereas in fact is just blocked the real strategising of visionary leaders who proved their successful strategic management, but failed to meet the corporate standards. Scholars argue that strategic planning is not strategic decision making⁷⁹ and should be considered much more as a coordination and performance managing instrument than a strategy formulation process.

The most important aspects of strategising consist of involvement, feeling of intimacy and harmony with the organisation and the environment,

⁷⁶ Mintzberg, H., Ahlstrand, B. et al. 2005. *Strategy safari: A guided tour through the wilds of strategic management*. Free Pr.

⁷⁷ Kraus, S., Kauranen, I. 2009. Strategic management and entrepreneurship: Friends or foes? *International Journal of Business Science and Applied Management*, no. 4(1), pp. 37–50.

⁷⁸ Harreld, J.B., O Reilly, C.A. et al. 2007. Dynamic capabilities at IBM: Driving strategy into action. *California Management Review*, no. 49(4), p. 21; Koźmiński, A.K. 2008. *Management in Transition*. DIFIN.

⁷⁹ Grant, R.M. 2003. Strategic planning in a turbulent environment: evidence from the oil majors. *Strategic Management Journal*, no. 24(6), pp. 491–517; Mintzberg, H. 1987. *Crafting strategy*. Harvard Business Review.

experience and commitment⁸⁰. These are the characteristics of visionary leaders and contradictions of corporations. The leaders presented in our case were totally devoted to the organisation. Even some years after dismissal they still refer to the organisation as 'we'. They still have this intimacy and involvement even if formally they do not have any duties in the club.

All leaders described in our study proved their leadership skills and charismatic approach. With their charisma and involvement they were able to inspire others and make others follow them⁸¹. We would argue that they were Gregory's type of leaders able to blind others with their visions and release group-thinking.

The first leader was able to persuade the corporation to invest millions of zlotys into the club that had not had any strong positions in Polish football for many years. Besides interesting history, the club was in a poor operational condition and had inadequate staff.

The second leader was highly supported by all stakeholders who approved his decisions beside the fact that GZ was losing all games and the club was heading to an imminent disaster. For the second time in its history the club was thrown away of the Polish Extraclass and nobody questioned the decisions of the leader until it was too late.

Third leader, despite the fact that the club restructuring process limited the advantages of all stakeholders, was highly supported. This leader was able to influence the sport fans so much that after his dismissal they pleaded for him displaying slogans and rhymes during the matches.

As real-life strategy making is probably in-between deliberate and emergent⁸² the same rule applies to the entrepreneurial approach. Probably this perspective does not represent the entire picture of strategy formulation and other approaches are also valid. Although in some organisations and in some situations the entrepreneurial approach is the most suitable or even the only one possible.

There are several alternative explanations of the problem we studied⁸³ that would involve the themes we consciously abandoned. Among them there is a very interesting, occurring in Polish and also in global football, the problem of corruption that tormented the Polish league for years. Other

⁸⁰ Mintzberg, H. 1987. *Crafting strategy*. Harvard Business Review.

⁸¹ Zaleznik, A. 1977. *Managers and leaders: Are they different*. Harvard Business Review.

⁸² Mintzberg, H. 1987. *Crafting strategy*. Harvard Business Review.

⁸³ Siggelkow, N. 2007. Persuasion with case studies. *The Academy of Management Journal*, no. 50(1), pp. 20–24.

important aspects of the phenomena of our study concerned the governance problems and the power as well as decision-making transparency.

Both areas would certainly shed some new light on sport clubs management and would improve the understanding of the phenomena. Albeit our study was concentrated on the entrepreneurial approach to strategic management and these concepts were outside of our interest, as they would limit our study.

CONCLUSIONS

As proven in this study the results of strategy management drawn on the entrepreneurial strategy school could represent a terrific success or a terrible failure. We almost want to cite Forrest Gump's mother: 'life is like a box of chocolates: you never know what you're gonna get'. Whenever a new charismatic leader is chosen we never know if the future he creates will be bright or dark, if he will provide a great success or a huge failure. However, the majority of successful ventures were accomplished by strategic charismatic leaders who were able to involve followers. Thanks to this we can enjoy today, for example, iPhone or Google.

As also illustrated the merger of Entrepreneurship and Strategic Management will stay rather an oxymoron because fundamental underlying assumptions of both perspectives are very different. However, both perspectives should approach each other, because both can benefit from each other. Formal corporate strategic management should become more entrepreneurial and entrepreneurship should benefit from large developments of formal strategic management.

AREAS FOR FUTURE RESEARCH

Both fields, Strategic Management and Entrepreneurship, are changing and evolving. Some scholars argue that both could merge into one discipline or one will take over the other. As a result a new discipline of science will be created: Strategic Entrepreneurship or Entrepreneurship-Strategic Management⁸⁴.

⁸⁴ Sandberg, W.R. 1992. Strategic management's potential contributions to a theory of entrepreneurship. *Entrepreneurship Theory and Practice*, no. 16(3), pp. 73–90; Meyer, G.D. 2009. Commentary: On the integration of strategic management and

Both approaches have many common characteristics but, on the other hand, there are many fundamental differences between them. If the merger or emergence of a new discipline is possible, it will result from the evolution of both branches of science. We feel that the area of common characteristics, background in not well researched in the mature organisations and the empirical studies are missing. Future studies could further explore this area. Moreover, the process of strategic planning is well researched, but the conclusion is that strategic planning is not strategising⁸⁵. We feel that strategising in mature firms is under-researched and some empirical studies should be done to explore how this process occurs.

Kraus and Kauranen point out that the area of transformation of a SME into a larger firm when the entrepreneur has to delegate his power to other managers is under-researched. We argue that it is an interesting research gap of the study linking the different schools of strategic thought with different stages of the firm's life cycle. There is no empirical evidence linking the development of the company from the start-up until its mature phase with various strategic management models. It would be interesting to study this matter.

The importance of financial results in sport-type organisation is very ambiguous and it has some contradictory elements. On the one hand, the principal sport objectives should support the financial results but, on the other hand, even the best and the most famous sport clubs in the world are in significant debts and do not provide the owners with profits⁸⁶. It would be a valuable contribution to studies if the actual objectives of sport-type organisations are established only in sport-terms or also in financial terms. Furthermore, the approach to strategic management in sport clubs has not been well studied. The focus of the future research should link strategic management and clubs performance.

entrepreneurship: Views of a contrarian. *Entrepreneurship Theory and Practice*, no. 33(1), pp. 341–351.

⁸⁵ Grant, R.M. 2003. Strategic planning in a turbulent environment: evidence from the oil majors. *Strategic Management Journal*, no. 24(6), pp. 491–517; Mintzberg, H. 1994. The fall and rise of strategic planning. *Harvard Business Review*, no. 72, pp. 107–107.

⁸⁶ Coraz kosztowniejsza zabawka Abramowicza. [Abramowicz's more and more costly toy.] *Rzeczpospolita* 9 April 2011; Manchester United coraz bardziej zadłużony. [Manchester United increasingly indebted.] *Rzeczpospolita* 22 March 2011.

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HOW A CHARISMATIC LEADER DRIVES STRATEGIC RESULTS: CASE OF GÓRNIK ZABRZE FOOTBALL CLUB

Summary

On the basis of the entrepreneurial strategy school and leadership theory we draw the conclusion that firms managed by strong charismatic leaders exclusively responsible for the strategy formulation have higher volatility of results than firms with a planned and more predictable formal, corporate approach to strategy formulation. It is so because a strong charismatic leader may have a clear and solid vision, however he might be wrong and his vision could result in a significant failure. As a charismatic leader has a strong influence on all stakeholders his decisions are usually unquestioned and his power and his decisions affect the major dependent variable – organisational performance. Furthermore, we argue that the entrepreneurial school is usually employed in the early stages of a firm's life cycle. As the firm matures the role of entrepreneurial visionary strategies scales down leaving the place for a more formalised planning process. However, in some cases an entrepreneurial visionary strategist is necessary even at the mature stages of the organisation life-cycle when the company is in difficult, turbulent position as well as in a fierce competitive environment. The entrepreneurial strategic approach is the most suitable for some types of organisations where other approaches would not be so successful. Our findings indicate that a single charismatic leader's strategic management could result in a terrific success or in a terrible failure. However, the entrepreneurial strategic approach should not be mixed with the formal planned approach of strategic management. These two perspectives at least in some type of organisations are mutually

exclusive because of different fundamental assumptions. While in separation they could be successful, together they result in a failure.

JAK CHARYZMATYCZNY LIDER BUDUJE STRATEGIĘ: PRZYKŁAD KLUBU PIŁKARSKIEGO GÓRNIK ZABRZE

Streszczenie

Bazując na koncepcjach przedsiębiorczej szkoły budowania strategii oraz z teorii przywództwa sformułowaliśmy wniosek, że firmy zarządzane przez charyzmatycznego lidera, osobiście odpowiedzialnego za budowanie strategii, mają wyższą zmienność wyników od firm z zaplanowanym, formalnym procesem formułowania strategii. Jest to związane z faktem, że silni liderzy mogą mieć jasną i dobrze określona wizję, lecz także mogą być w błędzie i egzekucja ich wizji może doprowadzić do istotnej porażki. Jako że charyzmatyczni liderzy mają silny wpływ na wszystkich udziałowców, ich decyzje nie są zazwyczaj kwestionowane, co powoduje, że ich wpływ na efektywność organizacji jest bardzo silny. Dodatkowo pokazujemy, że szkoła przedsiębiorcza jest zazwyczaj stosowana we wczesnych etapach życia firmy. Wraz z dojrzewaniem organizacji zmniejsza się rolą przedsiębiorczego wizjonersztwa i wzrasta rola bardziej sformalizowanego sposobu budowania strategii. Niemniej jednak istnieją przypadki, gdy organizacja operuje na bardzo zmiennym oraz silnie konkurencyjnym rynku i potrzebuje nawet na późniejszym etapie swojego życia wizjonera z przedsiębiorczym podejściem do budowania strategii. Nasze wnioski wskazują, że zarządzanie strategiczne jednego charyzmatycznego przywódcy może prowadzić do albo sporego sukcesu albo sporej porażki. Jakkolwiek szkoła przedsiębiorcza nie powinna być łączona ze sformalizowanym procesem zarządzania strategicznego. Te dwie perspektywy nie mogą być łączone ze względu na różnice stojące u ich podstaw. Gdy występują jednocześnie prowadzą do porażki, gdy natomiast są stosowane rozłącznie – prowadzą do sukcesu.

КАК ХАРИЗМАТИЧНЫЙ ЛИДЕР РАЗРАБАТЫВАЕТ СТРАТЕГИЮ: НА ПРИМЕРЕ ФУТБОЛЬНОГО КЛУБА Гурник Забже

Резюме

Основываясь на концепциях предпринимательской школы разработки стратегии и теории лидерства, мы сформулировали вывод, что компании, возглавляемые харизматичным лидером, который несёт личную ответственность за разработку стратегии, обладают более высокой изменчивостью результатов по сравнению с компаниями с запланированным, формальным процессом разработки стратегии. Обусловлено это тем фактом, что сильные лидеры могут ошибаться, и материальная реализация их видения может привести к существенному поражению. Поскольку харизматичные лидеры оказывают значительное воздействие на всех участников, обычно их решения не оспариваются, в результате чего их влияние на эффективность работы компании является достаточно сильным. Кроме того, в статье указывается, что предпринимательская школа обычно используется на ранних этапах существования компании. По мере развития организации снижается роль предпринимательского провидения и возрастает роль более формализованного способа разработки стратегии. Имеют место, однако, случаи, когда организация функционирует на изменчивом или сугубо конкурентном рынке и даже на более позднем этапе своей деятельности нуждается в визионере с предпринимательским подходом к разработке стратегии. Данное исследование позволяет прийти к выводу, что стратегическое управление, осуществляемое одним и тем же харизматичным лидером, может привести или к большому успеху, или к большому поражению. Тем не менее предпринимательскую школу нельзя совмещать с формализованным процессом стратегического управления. Два данных аспекта взаимоисключены по причине различий, лежащих в их основе. Когда они применяются одновременно, это приводит к неудаче, и, в свою очередь, когда они используются раздельно, результатом является успех.

APPENDIX I – METHODOLOGY OF CONSTRUCTION OF SPORT PERFORMANCE INDEX (SPI)

The SPI was designed to give better understanding of the sport performance of the GZ team, comparing it to other teams. We decided to apply several rules that we believe will measure better the sport performance of the team than simple final result and place in the league.

1. Index calculation starts at the beginning of the 2006/07 round with value 0.
2. Calculation of the index is based on number of goals GZ scored or lost during a game (example: when GZ shot 3 goals and its competitor 1, the index value increases by $3-1=2$). For the ‘simple Index’ (visualised on the chart together with the SPI) it was the main calculation and we did not include any additional transformations.
3. After review of the literature and using our common sense we decided to include the following rules into the calculation of our index:
 - a. Win with a better team should be rewarded by a relatively larger increase of the value of the index (which should depend on the competitor team relative position)
 - b. Win with a worse team should result in a relatively smaller value (which should depend on the competitor team relative position)
 - c. Loss to a better team should result in a smaller decrease of the value of the index (which should depend on the competitor team relative position)
 - d. Loss to a worse team should result in a relatively larger decrease of the value of the index (which should depend on the competitor team relative position)
 - e. Draw with a better team should result in an increase of the index (which should depend on the competitor team relative position)
 - f. Draw with a worse team should result in a decrease of the index (which should depend on the competitor team relative position)
4. Changes in the simple index listed in point 3 are based on the following rules:
 - a. For a win or a loss the value of the simple index is multiplied by a factor, which is calculated on the basis of a relative position at the end of given rounds for given years in relation to the competitor team. As we have 16 teams in the Extraclass and the same number in the first league we decided to use the multiplication factor of 0.5 when the difference between GZ and its competitor team is 16 and relatively smaller when this difference is smaller.

- b. In order to modify the multiplication factor we used to adjust the simple index to a relative position of GZ, we created weighting factor calculated as follows
 - i. Denominator of the weighting factor is a sum of numbers starting from 1 to 16 meaning the sum of $1 + 2 + \dots + 16 = 136$. This assures that sum of all possible weights would be $1/136 + 2/136 + \dots + 16/136 = 1$, which is a standard practice when calculating weighting factors.
 - ii. Numerator is a number calculated as a difference between the final position of GZ and its competitor (example if GZ's position is 8 and its competitor's 10 the numerator is equal 2)
 - c. For a draw we decided not to use the multiplication factor (as it would be meaningless as the simple index change value is zero in this situation and multiplication will not bring any change) but subtraction (when draw with a worse team) or summation (when draw with a better team) of the weighting factor calculated in point 4b.
5. During the break between rounds we decided that index value is does not change and therefore the last value of the index at the end of the round is used as the beginning value of the index for the following round.

APPENDIX II – INTERVIEW QUESTIONNAIRE

1. What did strategic management in GZ look like?
 - a. Who managed strategically (made key decisions) Allianz or the CEO?
 - b. For example, who hired the coach and players?
2. How is strategic management defined in GZ (what are the strategic variables – key factors of a long-term success)?
3. Previous experience in strategic management of such organisations?
4. Vision of GZ before taking up the position of the CEO and the way of its implementation? How was the vision created:
 - a. before taking the position?
 - b. was the vision changed in the course or was it the same all the time?
5. What were successes and failures in the management of GZ?
6. What went right and what went wrong, conclusions drawn from the perspective of time.
7. Who should manage GZ and why: a visionary entrepreneur or a cool strategic planner with a sophisticated methodology?
8. What does the sports and financial success of GZ depend on?
9. How much time (%) was devoted to strategic, tactical and operational actions?

Waldemar Florczak*

OUTLAYS ON LEGAL AID IN POLAND. COULD WE GET MORE OUT OF IT?¹

1. INTRODUCTION

Common access to legal aid is a prerequisite of citizens' empowerment and their actual equality of opportunity. Yet, it is only recently that, after years of apparently feigned actions (Bojarski 2012), on 5 August 2015 the Polish Parliament finally enacted the *Act on Legal Aid and Legal Education*, to be launched on 1 January 2016. This means that Poland has joined the broad group of democratic states in which actual access to legal advice is not constrained by financial resources of citizens. Actually, that was the crucial declarative purpose of the reform, which implicitly resulted from many previous legal acts (Bojarski, Wiaderek 2009). However, it follows from the act's entries that the range of Polish citizens to benefit from the institutionalised legal aid system is considerably limited. This is so because the system covers only those who are social welfare recipients, i.e. the poorest ones. Obviously such a solution should not come as a surprise under limited outlays spent on the system functioning, once the means correctly match to the range of payees. However, this is apparently not the case, which follows from the contents of this article.

The aim of this article is threefold. Firstly, it is to estimate the public outlays on the functioning of the informal legal aid system that was in force in Poland before 2016. This is a necessary step to proceed to the estimation of the expected costs of reforming the system, which constitutes the next purpose of the paper. Finally, comparing the actual financial means directed

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to the funding and functioning of the institutionalised legal aid system in Poland with the estimates obtained in the investigation enables us to state whether the supply of legal aid matches the demand for it. Needless to say that in case they do not meet, there might be room for some adjustment and likewise for increasing the efficiency of the system.

The article is structured as follows. The next section is devoted to the description of original methods of estimation of total legal aid public outlays on the informal legal aid system in Poland before 2016, along with specific estimates. Section 3 deals with estimating the possible costs of converting the informal system into the institutionalised one, that is supposed to supplement – not to replace – the informal system. Final remarks close the paper, including arguments favouring considerable enlargement of the range of recipients of the formal system.

2. ESTIMATES OF AGGREGATE PUBLIC OUTLAYS ON THE INFORMAL LEGAL AID SYSTEM IN POLAND

An answer to the question about the public costs incurred on the informal legal aid system in Poland is neither easy nor clear-cut. This is so because of a few reasons. Firstly, there is no hard data available if as such one regards information provided by the Central Statistical Office of Poland or gathered by various government agencies, a situation typical not only of Poland (see Gramatnikov et. al. [2009]). Secondly, there arise classification doubts regarding some legal aid providers, especially those that do not deal with legal aid activity on their statutory grounds, even when de facto providing legal information or aid within the range of their specific, targeted activities (tax offices, inquiry counters at the court², etc.). These units have not been covered by the national survey investigation into legal aid providers – being an important source of data on the informal system³ – which impedes the analysis.

² The scale of the problem is well illustrated by comparing the list of institutions providing legal aid, elaborated by INPRIS in „Bezpłatne poradnictwo prawne i obywatelskie – analiza danych zastanych” (‘Free legal aid in Poland – analysis of available data’) (pp. 127–203), with the list of legal aid providers taken into consideration in the national survey, carried out by ISP (Institute of Public Affairs) in Preisert et. al. [2013], Table 10, p. 61.

³ General information on the survey can be found in Burdziej, S., Dudkiewicz, M. [2013], and Preisert et al. [2013].

Thirdly, a large part of the costs reported by non-public providers may be hidden costs, not directly incurred by providers and related to e.g. renting office rooms free of charge due to third parties' support. Fourthly, participation in the national questionnaire into legal aid providers was voluntary and respondents were by no means obliged to give credible answers on financial issues, which must have impacted the quality of the financial statements.

Due to the afore-mentioned circumstances the computations presented in the article are not free from shortcomings and must be supplemented by additional assumptions, a crucial among which is full reliance on the information contained in the national surveys into both legal aid providers and legal aid recipients, carried out in 2012 by Instytut Spraw Publicznych in Warsaw [Institute of Public Affairs]. Consequently, in view of lack of hard data the suggested methods are quite original but unfortunately cannot be subjected to rigorous statistical verification.

In all the cost estimates presented further on the following assumptions are implicitly taken for granted:

- a) informative credibility of the national survey outcomes on the legal aid providers and legal aid takers, carried out by Instytut Spraw Publicznych [Institute of Public Affairs] in Warsaw, Poland
- b) the same informative loading/value of legal advice supplied by every legal aid provider,
- c) actual participation in legal aid activities of all the legal aid providers enumerated on the list of the would-be providers elaborated by INPRIS [Institute of Law and Society], Warsaw, Poland in „Bezpłatne poradnictwo prawne i obywatelskie – analiza danych zastanych” [Free legal aid in Poland – analysis of available data], pp. 127-203, even if some of them were not covered by the national survey of legal aid providers, but this type of their actual activities was mentioned in the national survey of legal aid recipients.

Two procedures of measurement: a quasi-market one, and a quasi-budget one have been used while estimating the costs of the informal system. In the first approach on the basis of the estimated number of legal pieces of advice as well as assuming a geometric distribution of the time intensity of individual cases, a 'market' value of the total legal aid provided by the legal aid suppliers has been derived. Its disadvantage is the fact that the costs so computed do not directly correspond to the actual costs of the functioning of the legal aid system because the system's services are by definition not subject to market clearance mechanism. The above-mentioned shortcoming notwithstanding, the cost estimate might be associated with the total expenditure that legal

aid recipients would have to incur – providing they could afford it – if they decided on commercial legal services. In other words, this is an estimate that corresponds to a situation in which all of the activities of the legal aid system would be assigned to commercial law offices. Viewed this way this estimate is of fully informative weight.

Consequently, the quasi-market value of legal aid in Poland was computed by means of the following formula:

$$BPPDM_t = \sum_{i=1}^I BPPD_{it} \cdot c_{it} = \sum_{i=1}^I \omega_{it} \cdot BPPD_t \cdot c_{it} \quad (1)$$

$BPPDM_t$ – monetary equivalent of free legal advice given in period t (here, in the year 2012),

$BPPD_{it}$ – number of legal aid cases of the i -th type in period t ,

$BPPD_t$ – total number of legal aid cases in period t ,

c_{it} – average market price of the i -th type of legal advice; cases are classified by difficulty level: $i = 1, 2, \dots, I$.

ω_{it} – share of legal advice of the i -th in the total number of legal advice given.

The geometric decline of weights ω_{it} in formula (1) has been assumed with the value of quotient set to $1/2$ (see the first column in Table 1). In addition, it has been assumed that the distribution of time intensity of individual legal aid cases follows the scheme presented in column 2 of Table 1. It is worthy to mention that the expected value of the distribution equals 225 PLN, which is close to the average value of commercial advice reported by legal advice recipients, being 233 PLN.

Table 1
Fractions of cases by complexity/labour intensity and unit costs of their settlement

Fractions (weights) ω_{it}	Unit cost (in PLN)
0,5	100
0,25	200
0,125	300
0,0625	400
0,03125	500
0,015625	1000
0,0078125	1500
0,00390625	2000
0,00390625	3000

Source: own computations.

An estimate of the number of legal aid cases within a year has been obtained with a help of the survey of legal aid recipients, carried out using a representative sample of 1050 adult citizens of Poland (Burdziej, Dudkiewicz (2013), Preisert et al. (2013)). On the basis of this very information reported in Table 2, as well as the assumptions depicted in Table 1, one is able to estimate the total value of legal aid within a year. Adequate computations are shown in Table 3.

It follows from the analysis that a lower bound of the total legal aid costs, expressed in the „market” commercial equivalent, equals 540 million PLN. However, the employed measurement abstracts from actual public spending on the legal aid system in Poland. It is thus necessary to assess the actual financial burden of the system referring to another, more explicit procedure, here called the quasi-budget approach.

The second approach rests upon a direct attempt to estimate actual costs of the functioning of the informal legal aid system in Poland. Three sub-variants have been distinguished. The first takes for granted direct financial declarations of legal aid providers, reported by them in the national questionnaire, in line with the following formula:

$$TOTAL = \sum_{p=1}^P (1 - \sigma_p) \cdot L_p \cdot SCP_p \cdot 12 \quad (2)$$

TOTAL – total yearly cost of those legal aid providers for which there is data on their average outlays on legal aid activities,

σ_p – fraction of providers/agents claiming no legal aid activities although envisaged in the list of legal aid providers,

P – number of types of providers,

L_p – exact number of *p*-type providers,

SCP_p – average, declared monthly costs of legal aid activities by providers’ type,

12 – number of months in the year (excluding Students’ Legal Aid Offices, for which the figure of 9 has been assumed).

Table 2
Estimates of legal aid cases in 2012

Institution providing legal aid	Number of declared cases per institution
Commune/City councils	51
District Authority Office	13
Voivodship Office	7

Institution providing legal aid	Number of declared cases per institution
Regional Marshal's Office	1
Social Aid Centres (PS, GOPS, MOPS)	26
Family Local Aid Centres	7
Courts	42
Attorney by Power of State	8
Prosecutor's Office	14
National Labour Inspectorate	10
Consumer Advocate	10
Ombudsman	2
Ombudsman for children	1
Commissioner for Patients' Rights	0
Insurance Ombudsman	1
Ministries or other central institutions	3
Foundations, associations	5
Church	4
Law firm	70
Trade union	2
MPs' and senators' offices	0
Consumers' Federation	0
Social Security Institution	10
Other	18
I did not search for aid	45
I do not remember/refusal to give an answer	6
TOTAL	356
RECEIVED LEGAL AID	311 = 356-45
FREE OF CHARGE	241 = 311-70
ESTIMATE OF FREE LEGAL AID CASES IN ONE YEAR	
Fraction in the sample in the five-year period	0,229524 = 241/1050
Fraction within one year (oblivion effect) ⁴	0,076508 = 0,229524/3
Adult population of Poland in the investigation year (2011)	31333800
Estimate of the total number of legal aid cases	2397284 = 0,076508*31333800

Source: own computations on the basis of the national survey on legal aid recipients

⁴ In the national survey of legal aid recipients, questions on demand for legal aid concern a five-year period. However, because of formal reasons – e.g. budget bill or act – the estimates must embrace a yearly period. Due to oblivion effect it has been assumed that an effective number of legal aid cases equals one third of the cases reported by legal aid recipients for a five-year period.

Table 3
Estimates of the lower bound of the ‘market’ value of the legal aid cases

Fractions (weights) ω_i	Unit cost (in PLN)	Aggregate cost (in thousands of PLN)
0,5	100	119864
0,25	200	119864
0,125	300	89898
0,0625	400	59932
0,03125	500	37458
0,015625	1000	37458
0,0078125	1500	28093
0,00390625	2000	18729
0,00390625	3000	28093
TOTAL		539389

Source: own computations on the basis of information reported in Table 1 and 2.

Adequate calculus is presented in Table 4 in the part entitled ‘Estimates using direct financial declarations of legal aid providers’.

Under the second procedure – related to those public institutions for which legal aid activity is of crucial importance – the cost computations were based on assumed fractions of legal aid activities in the total costs of such institutions, the latter being officially known. Relevant computations have been carried out by means of the following formula:

$$TOTAL2 = \sum_{n=1}^N f_n \cdot BUDGET_i \quad (3)$$

$TOTAL2$ – total costs of legal aid of the providers for which:

- a) legal aid constitutes a main domain of their activities,
- b) there is data on aggregate yearly cost of their functioning,

N – number of agents of the type under consideration,

f_n – fraction of spending on legal aid in the total costs of the providers’ functioning,

$BUDGET_n$ – yearly, aggregate total outlays of the agents’ functioning.

The calculus is reported in Table 4 in the part entitled ‘Estimates using fractions in total costs’.

Finally, under the third approach the following logical and legal reasoning has been used to estimate the lower threshold of the costs incurred by those public institutions for which legal aid activities are of secondary and minor importance.

If one assumes that legal aid activity belongs to obligatory tasks of the institutions under consideration (see chapter 5 in „Krajowe podmioty udzielające porad i informacji prawnych” [‘Domestic legal aid providers’], pp. 127–167, [in] „Bezpłatne poradnictwo prawne i obywatelskie – analiza danych zastanych” [‘Free legal aid in Poland – analysis of available data’], INPRIS (2012)), then in order to carry out this duty there must be appropriate staff present in such institutions. This corresponds to a situation in which an official must be physically present in the office who is able to answer the petitioner’s specific legal question. Moreover, the official does not have to be a concrete delegated person but it is about the very *casus* here: in practice, the petitioner is sure to search for the most competent official ‘knocking at different doors’ to find a relevant answer. Yet, it is assumed that the answer will be finally found if it is within the competence of a given institution.

The four preceding sentences – deliberately formed in a colloquial manner – exhibit the essence of the made assumption on minimal cost of the legal aid activities per institution. Firstly, there must be always an official present in the office, ready to give advice. Secondly, so defined an official is not necessarily a particular person but a ‘composite official’ that is composed of various clerks distracted momentarily from their routine activities to pay attention to the petitioner’s questions. All this, together with the obligatory duty to serve specific legal aid to its petitioners within the institution’s competence, defines minimal cost of legal aid in the form of a full-time official’s gross salary. This minimal estimate should be enlarged by some relatively small mark-up on indirect costs because main tasks of such institutions are focused on activities other than legal aid.

Finally, the total cost of the group of legal aid providers under consideration were computed as follows:

$$TOTAL3 = \sum_{m=1}^M (1 - \sigma_m) \cdot L_m \cdot (v_m (1 + r_m) \cdot WP_m) \cdot 12 \quad (4)$$

TOTAL3 – aggregate cost of legal aid activity of the institutions for which legal aid is of a side purpose,

- M – number of institutions of the type considered,
- L_m – number of agents of the m -th type,
- σ_m – fractions of agents declaring no legal aid activities; for all the agents it has been, however, assumed that $\sigma_m = 0$ (see also footnote 3),
- v_m – full-time job multiplier; except for the Social Security Institution, tax offices and courts this was fixed at the value of 1, whereas for the former – at the value of 2. In the case of the afore-mentioned institutions

Table 4

Estimates of the quasi-budget total costs of the present legal aid system

Legal aid providers	Number of commitment	Declared fraction of legal aid commitment	Assumed fraction of legal aid activity	Declared monthly costs of provision (in PLN)	Average monthly salary (in PLN)	Salary multiplier	Number of months	Yearly total cost	Yearly total cost multiplier	Estimates of total yearly cost (in thousands of PLN)
Estimates using direct financial declarations of legal aid providers										
Social Aid Centres	2531	0.93	1	3174.778			12			96424
MPs' and senators' offices	554	1,00	1	1725			12			11468
NGOs	330	0.64	0.64	6594.118			12			16712
Local Family Aid Centres	315	0.89	1	1831.034			12			6921
Trade Unions	112	0.49	0.49	10400			12			6849
Consumers' Advocates	372	1,00	1	1500			12			6696
Consumers' Federation Offices	44	0.34	0.34	1500			12			269
Students' Legal Aid Offices	25	1,00	1	5000			9			1125
Citizens' Legal Aid Offices	30	1,00	1	25000			12			9000
Centers for the Hurt in Crime	16		1	25000			12			4800
Estimates using fractions in total costs										
Ombudsman	1		1					33599.7	0.25	8400
Ombudsman for Children	1		1					7488.8	0.25	1872
Commissioner for Patients' Rights	1		1					6962	0.25	1741
Insurance Ombudsman	1		1					6 1549	0.25	1549
Estimates using statutory obligation to provide legal aid										
Social Security Institution	43	0.51	1		3676.86	2.6	12			4933
National Labor Inspectorate	61	0.2	1		5821.72	1.3	12			5540

Commune/City councils	2414		1		3868.74	1.3	12			145691
District Authority Office	314		1		3391.13	1.3	12			16611
County Councils	65		1		4368.97	1.3	12			4430
Voivodship Councils	16		1		4445.98	1.3	12			1110
Voivodship Marshall's Councils	16		1		4569.56	1.3	12			1141
Courts	377		1		5431	2.6	12			63882
Prosecutor's Offices	377		1		6667	1.3	12			39210
Ministries or other central institutions	96		1		7295.9	1.3	12			10926
Tax offices	352		1		4250.5	2.6	12			46681
TOTAL										513980

Source: own computations using information contained in the following sources: Burdziej S., Dudkiewicz M. (2013); Preisert et al. (2013); <http://www.nik.gov.pl/analiza-budżetu-państwa/archiwum/kontrole-czastkowe-2011.html>; http://www.rzu.gov.pl/files/20735_5275_Sprawozdanie_Rzecznika_Ubezpieczonych_za_rok_2011.pdf; http://www.stat.gov.pl/cps/rde/xbct/gus/pw_zatrudnienie_wynagrodzenia_2011.pdf

there are at least two enquiry counters, to say nothing of information provision gathered by petitioners on the ‘knocking at different doors’ basis,

- r_m – indirect costs as a mark-up on labour costs (salary multiplier), WP_m : the parametrisation has it that absolute indirect costs – such as renting rooms, media costs, etc. – are higher in those institutions where labour costs are also higher (this makes sense since the vast majority of central institutions are located in the capital city, where these costs are higher than elsewhere). Following the minimal cost estimate rule applied in the estimation of total legal aid costs, this parameter was set at the value of 0.3, $r_m = 0.3$,
- WP_m – full-time job salary in the m -th institution,
- 12 – number of months in the year.

All the parameters of formula (4), along with adequate computations are reported in Table 4 in the part entitled ‘Estimates using statutory obligation to provide legal aid’.

The estimates of total public costs of the informal legal aid system in Poland have been arrived at – in both approaches: the quasi market one and the quasi budget one – employing minimal operationalisation parameters. Consequently, the estimate of the total costs derived on the commercial basis might be – if anything – understated. Irrespective of the methodological duality, it follows from the analyses that the actual public outlays on the informal, non-institutionalised system of legal aid in Poland were at least 500 million PLN.

3. ESTIMATES OF TOTAL COSTS OF INTRODUCING THE INSTITUTIONALISED REFORM

On the basis of the above-mentioned estimates should one draw a conclusion that any attempt at introducing an institutionalised reform of the legal aid system in Poland would trigger costs not lower than 500 million PLN? Paradoxically – bearing in mind the last paragraph of the preceding section – but luckily for the state budget: no!

Such statement might lead to the reader’s confusion: after all these two conclusions seem apparently at odds with each other. Yet, it is not so! Below the reader will find solid reasoning clearing this supposition.

The sum reported in the preceding section would be a relevant figure of the costs of the reformed system providing it entirely took over all the legal

aid recipients from the informal system. However, it would be tantamount to quite an unrealistic – and economically ineffective – situation in which all the would-be legal aid recipients were banned from searching for help in non-formal agents, a situation of ‘no entry’ for legal information/advice to among others such institution as courts or county offices (would a possible new legal act formulate a clause of that type?). Consequently, the new formal system will not replace the old informal one but will only supplement the latter. That is why the actual demand raised for the new system’s services by would-be legal aid recipients will be considerably lower and can be computed by means of the following relation:

$$NEWPPIO = a \cdot NOPUB + b \cdot PUB + c \cdot KOM + d \cdot OVERD \quad (5)$$

where:

- NEWPPIO* – demand raised for services of the new system,
- NOPUB* – demand met by non-public agents on the informal ‘market’ of legal aid,
- PUB* – demand met by public agents on the informal ‘market’ of legal aid under a realistic assumption that their competence range remains unchanged once the reform has been introduced,
- KOM* – demand met within commercial market of legal advice,
- OVERD* – currently unmet demand for legal aid,
- a, b, c, d* – transition parameters (fractions) from interval <0,1> from the old to the new legal aid system; differences between the value of 1 and the parameters’ values inform about which fraction of legal aid recipients will remain at the old providers even after the new system has been introduced.

Let us note that all the variables in formula (5) are known or more precisely: can be derived using data from Table 2. The transition parameters remain, however, unknown. Yet, it is possible to educationally guess their values by means of logical reasoning supported – where possible – with additional information. The point of departure is a cardinal assumption that legal aid takers (legal advice customers) are free to choose a provider on the basis of their preferences.

Let us start with parameter ‘*a*’, which concerns non-public legal aid providers. Its most probable value is somewhere close to 1. The legal aid recipients are obviously aware of alternative options but for some reasons decide on this type of providers. That is why it seems reasonable to assume – especially if the quality of legal aid services provided within the new system

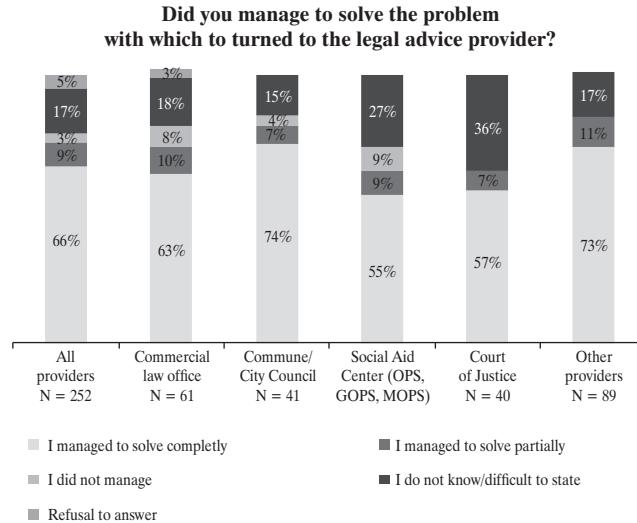
is to be not lower than that of *NOPUB* providers – that these legal aid recipients will in their integrity pass from the non-public providers to the new system providers. Besides, the very existence of non-public legal aid providers might be questioned under the new system: how will they be able to collect means for their activities once a formal system appears (e.g. some ways of collecting financial means might prove impeded or impossible then). Due to this – along with the strategy to get a maximum estimate of the costs of the reform – the value of parameter ‘*a*’ was set at 1. Consequently, all the legal aid recipients *NOPUB* will drop to the new system.

In the case of parameter ‘*b*’ the problem seems more complicated and as such it calls for a longer reasoning before reaching a conclusion. The point of departure are the following rather non-controversial observations:

- a) The reform will not change the number of the already existent public providers, which means that their supply will remain unaffected because legal aid either constitutes only a side-purpose of their main activities (e.g. commune/city councils) or their legal aid services are highly profiled (e.g. Ombudsman for Children).
- b) Public providers will continue their legal aid activity at a scale prevalent before the introduction of the reform (may one forbid the petitioners/beneficiaries to enter commune or city councils to ask for help after the reform has been introduced?)
- c) One can assume that awareness of the access privilege to the current public aid providers on the side of petitioners/beneficiaries is fully satiated since public providers of legal aid have been operating on this field for decades (Commune and City Councils, Social Aid Centres). It follows from figures 40 and 41 of the report elaborated at the *Institute of Public Affairs* (ISP) „Korzystający i niekorzystający z poradnictwa prawnego i obywatelskiego” [“Those who benefit from legal aid and those who do not”], (pp. 64–65, Instytut Spraw Publicznych [Institute of Public Affairs], Warszawa 2012) that the awareness of access to legal aid is twice as big regarding public providers as the non-public ones.

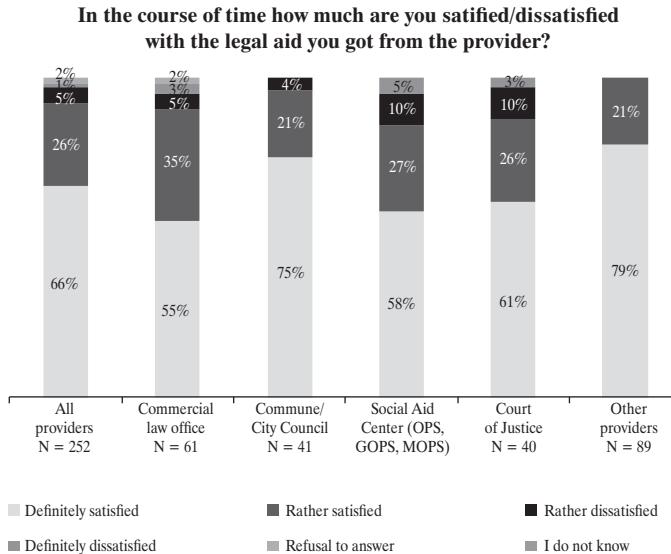
It follows from the above considerations that parameter ‘*b*’ depends only on the reasons why legal aid recipients decide on a given provider or on the satisfaction the recipients get from the provider, or – finally – on the perceived effectiveness of the public providers. Consequently, if such providers are regarded as inferior than others, then one should expect a high value of parameter ‘*b*’, otherwise there are reasons to expect it to be considerably higher than 0. Figures 1–3 show some information that enables drawing adequate conclusions in this regard.

Figure 1
Solution of legal aid takers' problems by legal aid provider



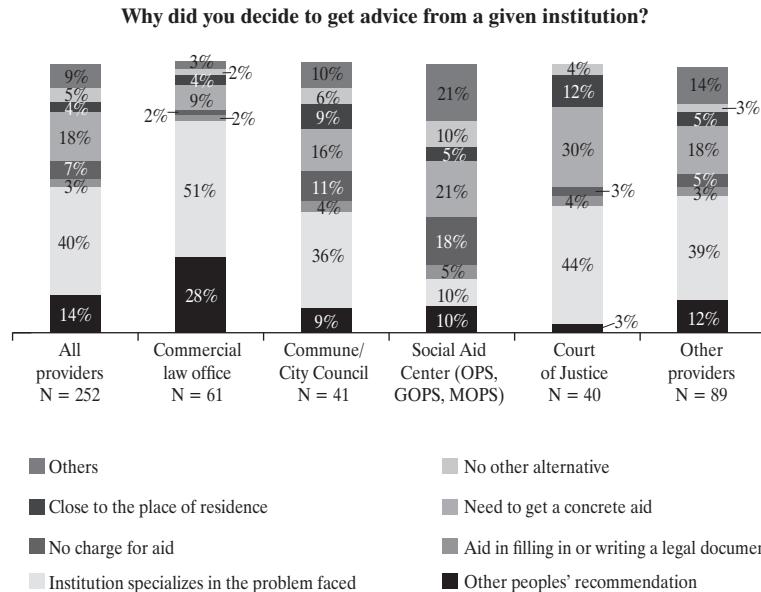
Source: Burdziej S., Dudkiewicz M. [2013], p. 117.

Figure 2
Satisfaction with the received aid



Source: Burdziej S., Dudkiewicz M. [2013], p. 119.

Figure 3
Reasons for obtaining aid (information) from a given legal aid provider



Source: Burdziej S., Dudkiewicz M. [2013], p. 114.

It follows from Figure 1 that the solution of legal problems is independent of the provider's type. Traditional public providers seem to function not worse than the non-public or commercial ones. Secondly, while doing appropriate computations some general assumptions have been made, listed in section 2. In particular, it has been assumed that all the legal cases reported in the national questionnaire-investigation into legal aid recipients possess the same information/legal loading, irrespective of the provider's type. Consequently, the same monetary value has been assigned to each such case, which constituted the methodological foundation of the 'market approach' described in section 2.

As far as the legal aid recipients' satisfaction is concerned (see figure 2) only a small fraction of them (less than 10%) express dissatisfaction. Besides, among the motives for the selection of public providers only circa 10% of respondents point to the lack of other possible sources of legal aid, which should be regarded as a key factor while estimating the value of the transition parameter ' b ', providing the institutionalised net of legal aid offices is sufficiently dense. In effect, the *best guess* for a maximum estimate of parameter ' b ' (see formula (5)) lies in the interval $<0,1; 0,2>$, most probably

being closer to the lower bound of this interval. Yet, in accordance with the maximum total costs estimation procedure used in the present computations, the estimate under consideration has been fixed at 0,15.

Parameter ‘*c*’ in equation (5), describing an outflow from the commercial customers to the institutionalised legal aid system, remains a big unknown. Unlike parameter “*b*” it is difficult – on the basis of figures 1–3 – to draw explicit conclusions regarding the most probable estimate of parameter ‘*c*’. Yet, it seems that this estimate should be very small. Firstly, people deciding on paid services must be convinced that they get *value for money*, which is confirmed by the data in figure 3 (especially if compared to non-commercial providers). The other information in figures 1-3 does not show any weaknesses of commercial providers, either, if compared with non-commercial ones. In effect, in the current yet long-lasting perspective⁵, the value of 0.05 as an estimate of parameter ‘*c*’ – being the share of dissatisfied customers – seems most adequate.

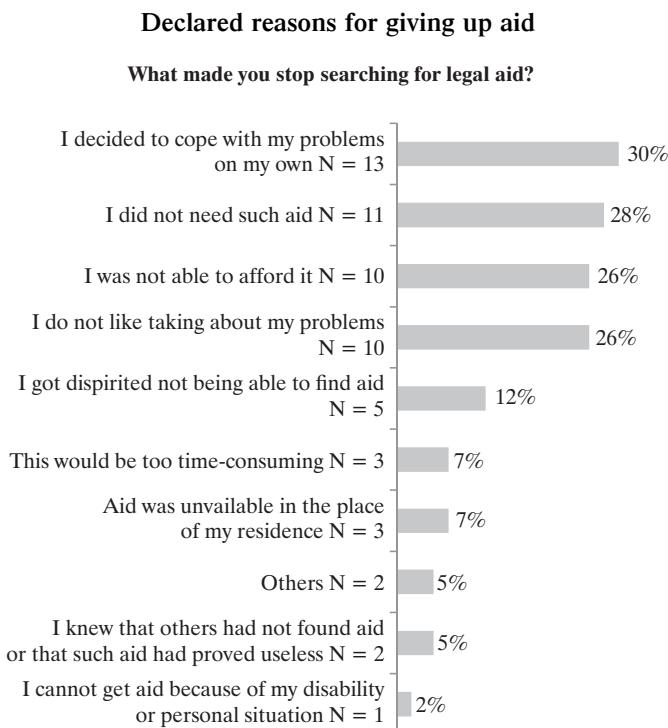
The last parameter ‘*d*’ in formula (5) is the most difficult to fix of all. This is so because it refers to this group of the Polish society that although declared a legal problem, decided to leave it unsolved. It is this very group for which the awareness of legal aid privilege is of crucial importance, just like the density of legal aid offices. That is why the possible demand on the side of this group is dependent upon the formula of the introduction of the reform: standard, modest publicising *versus* a massive mass-media campaign preceding and/or accompanying the introduction of the reform (see also W. Florczak [2012]).

In line with the adopted costs estimation procedure (an attempt at estimating maximum costs) it has been implicitly assumed that the reform will be accompanied by extensive publicity, and that the future net of legal aid provision will be dense enough to guarantee cheap logistic accessibility.

Information reported in Figure 4 is useful here. The reasons for which respondents gave up or did not obtain legal aid, corresponding to the notion of legal aid privilege and logistic availability of legal aid services, can be derived from answers to the following questions in figure 4:

- a) I could not afford it,
- b) I got dispirited not being able to find such aid,
- c) This would be too time-consuming,
- d) Aid was unavailable in the place of my residence.

⁵ This situation might change in the long-run (decades rather than years), providing – which seems a very strong assumption – commercial customers regard non-commercial provision of legal advice as valuable and qualitatively good as free legal aid.

Figure 4

Source: Burdziej S., Dudkiewicz M. [2013], p. 152.

The answers to the question asked in Figure 4 were multiple-choice ones. Consequently, the maximum estimate of the short-run transition of people who reported a legal problem but left it unsolved, being parameter ‘ d ’ in formula 4, can be estimated at 0,35 (= 21/60).

Finally, the operational version of the general formula (4), defining the maximum demand for the legal aid services provided within the new system, is as follows:

$$NEWPPIO = 1 \cdot NOPUB + 0,15 \cdot PUB + 0,05 \cdot KOM + 0,35 \cdot OVERD \quad (6)$$

where symbols of variables are given in formula (5).

Table 5 explicitly reports all computations of the maximum total costs due to the reform. It follows from the calculations that the upper bound of aggregate costs due to the introduction of legal aid reform in Poland is 176 million PLN in 2012 prices (circa 60 million USD).

The afore-reported estimates cover only direct public costs of the reform, excluding a possible central state organ – call it Legal Aid Board – that would monitor, control, certify and scientifically supervise the system. It seems that a rough and ready estimate of the costs of the functioning of such a body would be up-close to the costs of the functioning of one of the already existent central legal-administrative institutions mentioned in Table 4 in the second group of legal aid providers. In general, it seems highly advisable for the Legal Aid Board to deal with all the vital aspects of the system, whereas possible savings could be searched for in reasonable usage – in line with the available means – of its powers.

Table 5
Estimates of maximum yearly costs of the new legal aid system

Legal aid providers by groups + hidden demand (see formula 4)	Fraction of answers allowing for the oblivion effect (multiplier = 1/3)	NUMBER of legal aid cases by provider's type + hidden demand numerical amount (= Fraction *adult population of Poland)	Passage parameter (see formula 5)	Estimate of the number of legal aid cases within the new system (= Number of legal aid cases * Passage parameter)	Average unit cost of legal advice	Aggregate costs (= Average unit cost number of cases), in thousands of PLN
NOPUB	0,008571429	268575	1	268575	225	60429
PUB	0,067936508	2128709	0,15	319306	225	71844
KOM	0,022222222	696307	0,05	34815	225	7833
OVERD	0,014603175	457573	0,35	160150	225	36034
TOTAL						176141

Source: own computations.

If to introduce some subject or income limitations to the legal aid provision within the new system, then the expected costs may lower significantly. Combining the method presented here with the cost estimates arrived at by J. Winczorek, using alternative procedures based solely on the national questionnaire-investigation into legal aid recipients, and supported by some additional assumptions (see Winczorek J. [2014]), enables the estimation of adequate costs under accessibility limitations.

Table 6

Cost estimates under limiting subject criteria

Law subject	Cost estimates under subject limitation, thousands of PLN; lower bound estimate, thousands of PLN; upper bound estimate	Cost estimates under subject limitation, thousands of PLN; expected value	Cost estimate under subject limitation after the reform introduction, thousands of PLN; expected value	Cost estimate under subject limitation after the reform introduction, thousands of PLN;	Cost estimate under subject limitation after the reform introduction, thousands of PLN;	Upper bound estimate
Family law	72788	92150	111511	0,208802	0,199336	0,193607
Law of succession	53268	68663	84057	0,152806	0,148529	0,145941
Civil law and civil procedure	54601	70270	85938	0,15663	0,152005	0,149206
Social security (social insurance, social aid)	34230	45462	56693	0,098193	0,098341	0,09831
Residential law	32397	43207	54016	0,092935	0,093463	0,093783
Labour law	32917	43849	54781	0,094427	0,094853	0,095111
Financial law	19284	26896	34508	0,055319	0,058181	0,059913
				7348	7348	10248
						13148

Other	18001	25278	32555	0,051638	0,054681	0,05622	6859	9632	12404
Criminal law, criminal procedure, criminal executive law	12160	17829	23498	0,034882	0,038567	0,040797	4633	6793	8953
Property law	8422	12961	17500	0,02416	0,028037	0,030384	3209	4938	6668
Administrative law, administrative procedure	10531	15721	20910	0,030209	0,034006	0,036304	4013	5990	7967
Total:	348599	462283	575967				132825	176141	219457
TOTAL:									

Source: own computations; a) J. Winczorek [2014], Table 5, p. 41.

Table 7

Cost estimates under income limitation criteria

Income limitation criteria (per person in household)	Cost estimates under income limitation, thousands of PLN; lower bound estimate ^{a)}	Cost estimates under income limitation, thousands of PLN; expected value	Cost estimates under income limitation, thousands of PLN; upper bound estimate ^{a)}	Share of income limitation in the total cost estimate, lower bound; on the basis of ^{a)}	Share of income limitation in the total cost estimate, cost estimate, upper bound on the basis of ^{a)}	Share of income limitation in the total cost estimate, upper bound on the basis of ^{a)}	Cost estimate under income limitation after the reform introduction, thousands of PLN; lower bound estimate	Cost estimate under income limitation after the reform introduction, thousands of PLN; expected value	Cost estimate under income limitation after the reform introduction, thousands of PLN; upper bound estimate
Up to 500 zł	20568	46288	72008	0,059002	0,092012	0,125021	7837	16207	27437
Up to 1000 zł	72344	120847,5	169351	0,207528	0,250779	0,29403	27565	44173	64527
Up to 1500 zł	132724	201690	270656	0,380737	0,425327	0,469917	50571	74918	103127
Up to 2000 zł	197832	286159	374486	0,567508	0,608848	0,650189	75379	107243	142689
Up to 3000 zł	261764	368199,5	474635	0,750905	0,787487	0,824069	99739	138709	180848
Total cost estimates ^{a)} ; no income limitation (present system)	348599 ^{a)}	462283	575967 ^{a)}						
Total cost estimates; no income limitation (future system); on the basis of ^{a)}		132825	176141		219457				

^{a)} J. Winczorek [2014], Table 3, p. 4.

Source: own computation.

Tables 6 and 7 report relevant computations, with the estimate of the expected total costs reported in Table 5 (176 million PLN) as a benchmark, whereas the interval estimates of the costs obtained by J. Winczorek [2014] serve as a passage from the author's of this paper expected value estimates to the interval ones.

It follows from the computations shown in Tables 6 and 7 that, indeed, accessibility limitations lead to a considerable drop in the total costs. It is just this fact that makes the introduction of the reform possible, virtually irrespective of the actual financial capacity of the state because one can point to a cheaper or dearer variants of the reform that can befit the available capacity. This observation allows one to authoritatively claim that an initiation of the reform is of purely political character and its abandonment is tantamount to the lack of the political will to do so.

4. FINAL REMARKS

The estimates of the outlays on the reformed legal aid system in Poland might serve as a reference point for elaboration of appropriate accessibility criteria to meet the administratively budget-constrained supply with actual demand in such a manner as to balance the two. Table 8 presents financial outlays on the funding and functioning of the institutionalised legal aid system as established by the *Act on Legal Aid and Legal Education* as of 5 August 2015. The Act envisages a continual rise in the levels of means devoted to the functioning of the system from slightly over 94 million in 2016 up to 116 million in year 2025.

Table 8
**Outlays on the funding and functioning of the legal aid system envisaged
in the *Act on Legal Aid and Legal Education***

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Outlays	94,183	96,161	98,565	100,93	103,352	105,833	108,373	110,866	113,415	116,024

Source: <http://isap.sejm.gov.pl/DetailsServlet?id=WDU20150001255>

However, the range of recipients eligible for the aid remains limited in general only to payees of the social assistance benefits, i.e. to people whose income falls within the first income group reported in Table 7. The expected value of the outlays necessary to cover such demand equals 16 million PLN,

which is approximately five times lower than the actual total expenditures on the functioning of the system on the supply side. Consequently, the state of affairs in the present institutionalised legal aid system must show – if to trust the estimates – signs of imbalance with a considerable oversupply.

Although it is obviously much too early to draw binding conclusions, the first and rough information on the actual demand for legal aid, collected on the basis of the few months operation of this system, seems to confirm this observation (www.obywateliprawo.pl/files/cke/Raportczstkovynieodpatnapomocprawna2016.pdf). If this is the case then it would be possible to cost-free extend the range of would-be recipients of the system. It follows from the computations performed in this article that even constrained by the present budget limitations the system would be able to carry the burden of much higher income accessibility criteria, including income up to 1500 PLN per person in a household. This would be exceptionally advisable as according to the literature on legal aid it is especially people of lower middle income that are too rich to get legal aid free of charge and at the same time too poor to afford commercial legal aid (e.g. Winczorek 2012).

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OUTLAYS ON LEGAL AID IN POLAND. COULD WE GET MORE OUT OF IT?

Summary

This article deals with estimates of the costs of the informal legal aid system in Poland along with estimates of a possible institutional reform of the system. Due to the lack of official data it was necessary to apply novel procedures of measurement. Two approaches were used: a quasi-market and a quasi-budget one. In line with the first approach the costs of the informal legal aid system in 2012 were estimated at 540 million PLN. Under the other approach, depending on data availability on particular legal aid providers, three specific procedures of measurement of unit costs were employed, which in combination with precise information on the total number of legal aid providers by type, enabled estimation of the total costs of the informal system. Implementation of the quasi-budget approach resulted in the estimation of the annual total costs of the present system at the level of 514 million PLN (ca 170 million USD). Such a result is thus close to the quasi-market estimate, which seems to raise the credibility of the performed computations. Finally, one is allowed to formulate a conclusion that annual cost of the functioning of the informal system of legal aid in Poland was well above 500 million PLN, as the calculus was carried out with minimalistic cost assumptions. The article also attempts at estimating the costs of an institutionalised legal aid reform in Poland. A main premise behind adequate computations is the observation that the new system will not replace the existent one but will just supplement it. This is so because a complete replacement of the present informal system with a new formal one would prove economically ineffective as this act would be tantamount to depriving the already well-functioning providers of the right to give legal support to those in need. A key issue for estimating the costs of the reform consists in establishing the amount of unmet demand for

legal aid as well as the outflow of legal aid recipients from the old to the new system, including outflows from the commercial sector of legal advice. Using deductive analysis, supported by data and conclusions drawn on the basis of the national questionnaires into legal aid recipients and providers, the upper estimate of the total costs of the reform was fixed at the level slightly below 180 million PLN (ca 60 million USD).

NAKŁADY NA POMOC PRAWNA W POLSCE. CZY MOŻNA OSIĄGNĄĆ WIĘCEJ?

Streszczenie

Artykuł niniejszy przedstawia szacunki kosztów funkcjonowania bieżącego, nieodpłatnego systemu poradnictwa prawno-obywatelskiego w Polsce. Ze względu na brak twardych danych zaproponowano autorskie procedury pomiaru. Wyróżniono dwie metody wyceny: quasi-rynkową oraz quasi-budżetową. Zgodnie z pierwszą publiczne koszty funkcjonowania nieformalnego systemu pomocy prawno-obywatelskiej wyniosły w 2012 roku 540 milionów złotych. Wielkość tę uzyskano na podstawie informacji o ogólnej liczebności udzielonych porad oraz ich rozkładzie ze względu na stopień trudności/czasochłonności. W metodzie drugiej, w zależności od dostępności danych oraz specyfiki podmiotów udzielających porad prawno-obywatelskich, zaproponowano trzy warianty pomiaru. Wycena łącznych kosztów według procedury quasi-budżetowej wyniosła 514 milionów złotych. Uzyskany rezultat jest zatem bliski wielkości otrzymanej w metodzie quasi-rynkowej, co wydaje się wzmacniać wiarygodność analizy. W świetle uzyskanych wyników stwierdzić można, że wysokość publicznych nakładów na funkcjonowanie niezinstytucjonalizowanego systemu pomocy prawno-obywatelskiej jest nie niższa niż 500 milionów złotych rocznie. Artykuł podejmuje również próbę szacunku kosztów wdrożenia zinstytucjonalizowanej reformy systemu pomocy prawno-obywatelskiej w Polsce. Główną przesłanką przeprowadzonych rachunków jest spostrzeżenie, że zreformowany system nie zastąpi, ale jedynie uzupełni istniejący, nieformalny system poradnictwa. Całkowite zastąpienie systemów byłoby bowiem nieefektywne ekonomicznie, gdyż zakładałoby likwidację dotychczasowych mniej kosztownych rozwiązań. Kluczowym elementem analizy jest ustalenie wielkości niezaspokojonego popytu na usługi nieodpłatnego poradnictwa, jak również przepływu beneficjentów z dotychczasowego systemu do systemu nowego, łącznie z odpływem z sektora usług komercyjnych.

Adekwatne parametry przejścia zostały wydedukowane na podstawie wyników ankietowego, reprezentatywnego badania beneficjentów i usługodawców obecnego systemu. Górnny pułap szacunku kosztów wdrożenia systemu pełnej, nieograniczonej dostępności do pomocy prawno-obywatelskiej stanowi kwota 180 milionów złotych.

ЗАТРАТЫ НА ЮРИДИЧЕСКУЮ ПОМОЩЬ В ПОЛЬШЕ. Можно ли достичь большего?

Резюме

Настоящая статья представляет собой оценку текущих эксплуатационных расходов в бесплатной системе юридического консультирования в Польше. В связи с отсутствием постоянных данных предложены авторские процедуры измерения. Различаются два метода оценки: квазирыночный и квазибюджетный. В соответствии с первым методом государственные эксплуатационные расходы в неформальной системе юридической помощи составили в 2012 году 540 млн. злотых. Эта величина получена на основе общей информации о количестве предоставленных консультаций, а также их распределения по уровню сложности и времененным затратам. В соответствии со вторым методом, в зависимости от доступности данных и характера субъектов, предоставляющих юридические консультации, предложены три варианта измерения. Оценка общих затрат по квазибюджетной процедуре составила 514 млн. злотых. Таким образом, данная величина приближена к количеству, полученному в соответствии с квазирыночным методом, что, по всей видимости, усиливает достоверность результатов анализа. В свете полученных результатов можно утверждать, что объём государственных расходов на функционирование неинституционализированной системы юридической помощи не ниже 500 млн. злотых в год. В данной статье также предпринята попытка оценить затраты на осуществление институциональной реформы системы юридической помощи в Польше. Главной предпосылкой проведенных расчётов является утверждение, что реформированная система не заменит, а только дополнит существующую неформальную систему консультирования. Полная замена систем была бы неэффективной с экономической точки зрения, поскольку она предполагала бы отмену прежних, менее дорогостоящих решений. Ключевым элементом анализа является установление объёма неудовлетворенного спроса на услуги по бесплатному консультированию, а также притока бенефициаров из прежней системы к новой, включая

отток из сектора коммерческих услуг. Адекватные параметры перехода были получены на основе результатов опросного, представительского исследования бенефициаров и поставщиков услуг в настоящей системе. Верхний предел стоимости полного и неограниченного доступа к юридической помощи составляет 180 млн. злотых.

Spasimir Domaradzki*

TAX POLICIES IN POLAND, SLOVAKIA, AND BULGARIA: SITTING ON A TICKING BOMB OR CATCHING UP WITH THE WEST

After the end of communism the countries of Central and Eastern Europe shared very similar challenges. Despite the different patterns of transition the dominant model of ‘catching up with the West’ included adoption of western legal and institutional standards. In economic terms it presumed privatisation, liberalisation and the prompt accumulation of capital that was devastated during communism. The ultimate goal was to promptly achieve dynamic economic development and sharp improvement of the living standard. The inadequate taxation policies inherited from the communist system had to be adjusted to the demands of the free market economy. New taxation policies were necessary not only to serve the purposes of the ‘catching up’ process, but also to stabilise the countries’ fiscal conditions and to attract foreign direct investments that were to be the main drivers of economic prosperity. The newly created taxation systems in the countries from the region were complex, confusing and replete with exemptions.

The solution appeared to be the flat tax system, which made an impressive career throughout the region. The flat tax was supposed to encourage capital accumulation; lead to the growth of disposable income and enhance foreign investments; promote equal treatment of taxpayers; stimulate further investments, savings, labour, and entrepreneurship; encourage political responsibility and feature administrative simplicity thus, resolving the problems of tax evasion and improvement of tax collection. Finally, the flat tax was supposed to eliminate the shadow economy, encourage tax compliance and lead to economic growth.

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This paper conducts a comparative review of Bulgaria's, Slovakia's and Poland's taxation system performance in pursuit of the question whether the flat tax system was able to meet the hopes reposed in it. The three countries were selected because they nominally contain different taxation systems: Poland has a progressive one; Slovakia has a flat tax while retaining some elements of progressive taxation; whereas Bulgaria has the most radical flat tax systems in the region. Furthermore, after a quarter of a century their economic and tax experience does not correspond with the expectations of the flat tax dogma.

The research argues that the question whether the taxation system in the region is flat or not is of secondary importance, despite the fact that all the tax systems in their essence aim to follow a very similar 'flattened' taxation pattern. Secondly, that the quest for foreign direct investments cannot be followed blindly and uncritically, since the three countries' experience reveals alternative and most importantly, not only positive achievements. Finally, the paper argues that the current performance of the three countries' taxation systems does not correspond with the expectations that the flat tax system will resolve the internal operational difficulties, such as high compliance gaps, tax evasion and weak tax administration. Having in mind that after a quarter of a century the three countries reached different levels of economic development, the question remains whether the current taxation systems are still relevant or they have lost their appropriateness. Poland and Slovakia are approaching the challenge of a 'middle income trap', whereas Bulgaria still needs to 'catch up'. Thus, the former two should reconsider the current pressuring weaknesses of their taxation systems, whereas the latter should reassess its approach towards foreign direct investments and reconsider the direction of its economic policy.

INTRODUCTION¹

Countries often share similar national and international priorities. In that respect the countries of Central and Eastern Europe sharing the legacy of

¹ I am deeply grateful to IREF (Institut de Recherches Économiques et Fiscales), which supported this research project, and to prof. Enrico Colombatto for the extraordinary patience and honest remarks on previous drafts of this paper and Sebastian Wawrzak for devoting his time to critically assess and provide valuable critical comments and guidelines. Marta Szymczak and Joshua Walcott offered their assistance to edit the text and improve it where necessary. Bayurzhan Zhanuzhakov assisted me with his graph making skills. All the mistakes and flaws of this paper are mine.

the Soviet model of planned economy and political domination decided to reorient their political and economic reality towards the West. Thus, political pluralism and free market economy became the main priorities of the new political elites. Hence, CEE countries constitute an interesting example of a wide variety of players sharing a similar starting point and sound direction. However, they often followed different ways to achieve these goals. This tendency was recognised by prof. Krystyo Petkov, as a new, prospective interdisciplinary research area of national and regional economies and social policies².

The paper will aim to contribute to the thus recognised field of research through a comparative analysis of selected tax policies conducted by three Central and Eastern European countries – Poland, Slovakia and Bulgaria. Particular attention will be devoted to the pursuit of a very similar ‘quest towards the West’. The three countries took for granted such economic paradigms as the argument that the attraction of Foreign Direct Investments will facilitate the ‘catching up’ process through the import of ‘know how’, improvement of quality, new forms of management or accumulation of capital. Secondly, that the introduction of flat tax rate taxation systems will increase the competitiveness and attractiveness of the economies and will provide better conditions for economic growth. While comparing the implementation of these decisions and their consequences, the paper will aim to recognise the current challenges and assess the relevance of the ‘catching up’ policy today.

Since 1989 Central and Eastern European (CEE) countries have had to address swiftly the complexity of challenges stemming from the collapse of communism. One of the main priorities of the subsequent transitional period was the mythical notion of ‘catching up with the West”, understood as the adoption of the same political and economic model of an organisation that aimed to fill the gap between the former communist countries and Western Europe. As Ivan Berend defines it, the countries of the region rushed to ‘copy Western institutions, knocking at the door of the European Community, attempting to attract foreign capital’³. Stanisław Gomułka describes the apparent discrepancy between the economic development of Poland and the western economies as a ‘civilizational gap’. Its minimisation and eventual

² See Petkov, K. 2010. Ploskiat danyk i krizata, fiskalnite efekti i socialnite defekt. [Flat tax and Crisis, the Fiscal Effects and Social Defects.] *Ikonomicheski alternativi*, no. 5. Available at: <http://alternativi.unwe.bg/alternativi/index.php?nid=44&hid=1858>.

³ Berend, I.T. 1996. *Central and Eastern Europe 1994–1993*. Cambridge University Press, p. 303.

overcoming were considered to be among the top three economic priorities⁴. Indeed, among the main targets of the economic ‘catching up’ was the accumulation of capital, decreasing the distance to West European countries as far as GDP was concerned and improving living standards. These ambitious plans required the introduction of profound reforms from the rails of the planned economy towards that of the free-market economy.

Among the most pressuring issues related to the process of transition was the establishment of a new, relevant and efficient taxation system⁵. Vazquez and McNab mentioned the need to mitigate the acute revenue problems expected to occur at the beginning of the transition; the need to develop tax systems to meet the peculiarities of each country; the selection of taxes that could be more easily enforced by weak administrations; the early introduction of VAT and excises and the elimination of export taxes and the prevention of high import taxes; the introduction of personal-income taxation for fiscal and educational purposes⁶. In such an environment, taxes had to ensure continuous revenues in order to finance state functions and to reorient the incentive structure, to facilitate enterprise restructuring and private sector development⁷. However, the emergence of the new tax systems was, just as most of the political actions in the early days of the transition, a response to the demands of the day, rather than a comprehensive and well-coordinated action synchronised with wider economic, and strategic objectives. Thus, the new taxation systems became leaky, complex, and unequal and subject to constant manipulations.

After twenty-five years, the countries of the region are now considered stable free market economies. All the former Central and Eastern Europe (CEE) Soviet satellites are members of the EU and active participants in the integration process. However, continuous economic emigration from the region and apparent discrepancy in the living standards in comparison

⁴ Gomułka, S. 2014. Transformacja gospodarczo-społeczna Polski 1989–2014 i współczesne wyzwania. [Economic and social transformation of Poland 1989–2014 and contemporary challenges.] In: *Nauka*, no. 3, p. 7. Available at: http://www.pan.poznan.pl/nauki/N_314_01_Gomulka.pdf.

⁵ The gradual disappearance of state-owned enterprises constituting the main source of budget revenue, the need for wage controls in order to tame hyperinflation and the need to secure new sources of revenue demanded a reform of the tax systems.

⁶ Martinez-Vazquez, J., McNab, R.M. 2000. The Tax Reform Experiment in Transitional Countries. *National Tax Journal*, vol. 53, no. 2, pp. 276–277.

⁷ Gray, C.W. 1991. *The challenge of tax reform in Central and Eastern Europe*. Proceedings of the Annual Conference on Taxation Held under the Auspices of the National Tax Association – Tax Institute of America, vol. 84, p. 165.

to the ‘old Europe’ Member States, shows that despite all of the efforts, CEE countries still lag behind their Western partners in terms of wealth and economic development.

Having in mind these general tendencies in the region, Bulgaria, Poland and Slovakia’s taxation systems constitute interesting focal points of reflection on the role and quality of taxation policy among the countries in transition in the region. Apparently, taxation policy itself is not a panacea for all the economic challenges of the countries in transition, but its practical implementation determines the pace of a country’s economic development and the citizen’s attitude towards the state.

The three countries constitute interesting examples of economies facing similar challenges and reaching for different solutions. In particular, they all went through debates concerning the progressive or flat tax taxation schemes which were supposed to be the solution not only for the confusing and complex tax systems that emerged throughout the nineties but also an answer to the demand for favourable conditions enhancing foreign direct investments (FDI). These investments were the needed ‘missing element’ allowing the post-communist economies to cumulate the necessary capital to catch up with the West.

Although at first glance pursuing a very similar goal, the three countries have substantially different taxation systems. Poland has a progressive one, Slovakia with its comprehensive flat-tax system reform was once considered to be the economic miracle of the region, whereas Bulgaria has the most ‘orthodox’ flat-rate tax system. Secondly, the Polish tax system is considered to be confusing and complex, but the Bulgarian and Slovak ones are labelled as simple and modern. The data from the annual reports of the World Bank contradict these perceptions. What makes the comparison even more confusing is the fact that the positioning of the three countries among the fastest growing economies in the EU does not correspond with their tax system structures, since Poland and Slovakia are among the top five countries, whereas Bulgaria is not⁸.

This paper will analyse whether the three countries’ taxation policies are still relevant to the goal set up a quarter of a century ago. Moreover, it will evaluate whether the low tax rates designed among others to attract FDI’s were justified. Thirdly, it will explore what the most pressuring challenges for

⁸ European Commission. 2016. *Commission Staff Working Document, Country Report Poland 2016*, SWD(2016)89 final, 26 February 2016, p. 4. Available at: http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_poland_en.pdf.

the taxation systems in the three countries are and thus assess the relevance of the tax policies they pursued in the past. Finally, the paper will seek to answer whether the countries of the region are still on the right track or an urgent adjustment of their taxation policies is necessary to continue ‘catching up with the West’ and avoid the middle income trap.

THE FLAT RATE TAX – A COMPARATIVE OVERVIEW

The turbulent period of the 1990s in the region influenced the development of a tax systems in each country. The internal attempts to organise the process of transition, the need to attract investments, the extensive tax abuse, and criminal economic activity, frequent legislative changes and inefficient administration required the introduction of a tax model that would not only stabilise the budget revenue but also comprehensively address transition challenges⁹. During the 1990s free market taxation systems were introduced in response to the pressuring need to secure revenues to the government budgets and as a consequence of the demands of the new free market economy. The communist system model of taxation, when the state would finance expenditures by transferring revenue from state firms, became irrelevant with the introduction of the privatisation processes in each country¹⁰. Therefore, new taxes had to be introduced, practically designing the fundamentals of new fiscal systems.

Along with the internal challenges of fiscal consolidation of the new democracies, external pressures also played a role. As Hilary Appel (2006) argued, ‘the bulk of tax policymaking of that time falls outside the realm of domestic politics and is instead overwhelmed by external imperatives’¹¹. Among others, the EU imposed tax harmonisation of value added tax (VAT) and excise duties prior to membership. On the other hand, ‘the globalisation of finance and the internal competition for foreign direct investment have led governments to lower corporate tax rates in order to attract and maintain

⁹ On the problems with administration and customs see: Martinez-Vazquez, J., McNab, R.M. 2000. The Tax Reform Experiment in Transitional Countries. *National Tax Journal*, vol. 53, no. 2, pp. 273–298.

¹⁰ See: Appel, H. 2011. *Tax Politics in Eastern Europe*. Ann Arbor: The University of Michigan Press, p. 25.

¹¹ Appel, H. 2006. International imperatives and tax reform, Lessons from Post-communist Europe. *Comparative Politics*, vol. 39, no. 1, p. 44.

investment levels¹². The consequences for policy makers in the region were apparent. The indirect-tax harmonisation fostered by the EU and the demands for global integration left ‘very little room to manoeuvre in distributing the tax burden’. Until today, the tax structure in the three countries confirms the claim that the ‘allocation of the tax burden between workers and business’¹³ was a logical consequence of these particular sets of priorities¹⁴. The introduction of personal income tax and corporate income tax was also in line with prospective membership in the EU. However, extended progressivity in personal-income taxation¹⁵ and high corporate income taxation soon turned out to be an obstacle for the emerging free market economies.

A flat income tax appeared to be the solution. The arguments behind the introduction of the flat tax were roughly the same throughout the region. The main purpose of the flat tax was to increase the economy’s competitiveness while securing fiscal stability. Following the forerunners of the contemporary concept¹⁶, the flat tax encourages capital accumulation, which was one of the main purposes of the governments in CEE. It also leads to the growth of disposable income and enhances foreign investments, and promotes equal treatment of the taxpayers. By decreasing the tax burden on the wealthier part of society, it also stimulates further investments, savings, labour, and entrepreneurship. The flat tax also encourages political responsibility and features administrative simplicity. Thus, it is a remedy to tax evasion and an improvement of tax collection. The flat tax is supposed to eliminate the shadow economy and to encourage tax compliance. Eventually, the tax would

¹² *Ibidem*, p. 48.

¹³ *Ibidem*, p. 46.

¹⁴ Having said that, one should not forget that the nominal VAT tax rates can differ substantially from as low as 17% in Luxembourg to as high as 27% in Hungary.

¹⁵ Before the 2003 reform in Slovakia in the PIT there were five band rates on income that ranged from 10 to 38%, In Poland until 2008 there were three thresholds from 19 to 40% and in Bulgaria four rates (20%, 26%, 32% and 40%). The corporate income in Slovakia was subject to withholding tax rates from 5% to 25%. In Bulgaria, according to the law of December 1997 corporations were taxed with 10% municipality tax and 30 or 20% central budget tax on the remaining part of the taxable profit. In Poland Corporate Income Tax was steadily decreased from as high as 40% in the eighties and steadily reduced to 32% by 2000. For more details on the taxation systems of the three countries see Bąk, M., Stanchev, K., Rencko, J. et.al. *Needs for Deregulation of the Tax Systems in Central and Eastern Europe, A Comparative Study, Bulgaria, Poland, Slovakia*. I.M.E Occasional papers, pp. 5–10.

¹⁶ Hall, R.E., Rabushka, A. 2007. *The Flat Tax*. Hoover Classics, Hoover Press.

lead to economic growth¹⁷. As Evans and Aligica emphasised, ‘these normative dimensions allude to the certainty, convenience and fairness criteria set forth by [Adam] Smith that form the cornerstones of the classical liberal tradition’¹⁸. However, the distribution of wealth becomes more concentrated¹⁹.

Among the three countries subject to analysis, the flat tax was introduced in Slovakia and Bulgaria in 2004 and 2008 respectively. In Slovakia, the flat tax was introduced as a part of a comprehensive review of the tax regime, healthcare, social security, amendments to the commercial and criminal codes and significant improvements in the business environment²⁰.

Chart 1

The tax system in Slovakia as introduced by the reform of 01.01.2004²¹

The system is based on five key measures:

1. Implementation of flat personal and corporate income tax rate at the level of 19% (before: 5 tax brackets from 10% to 38% for individuals and 25% for legal entities plus huge number of exceptions and special rates)
2. Unification of VAT rates at the level of 19% (14% and 20% before)
3. Elimination of dividend tax
4. Elimination of gift tax, inheritance tax, and real estate transfer tax
5. Elimination of almost all exceptions, deductible items, special regimes and special rates

¹⁷ About the flat tax in Bulgaria see Ganev, P. 2007. *Pravo v desetkata. [The bullseye.]* 11 September 2007. Available at: <http://ime.bg/bg/articles/pravo-w-desetkata/#ixzz3sDL4asiw>; Angelov, G. 2007. *Danyci i danychna politika. [Taxes and tax policy.]* Institute for Market Economy. Available at: <http://ime.bg/bg/articles/danyci-i-danychna-politika>; In Slovakia: Chren, M. *Unfair competition? Slovak Tax Reform*, p. 9, presented at the colloquium ‘Perspectives on International Tax competition’ organised by the Liberal Institute of the Friedrich-Naumann-Stiftung. Potsdam 3. December 2005. Available at: <http://www.fnf.org.ph/downloadables/Slovakia's%20Tax%20Policy.pdf>; Pogatsa, Z. 2009. Tatra Tiger: Growth Miracle or Belated Recovery? *Acta Oeconomica*, vol. 59, no. 4, pp. 377–390; Moore, D. 2005. *Slovakia's 2004 Tax and Welfare Reforms*. IMF Working Paper, WP/05/133 July 2005.

¹⁸ Evans, A.J., Aligica, P.D. 2008. The Spread of the Flat Tax in Eastern Europe, A Comparative Study. *Eastern European Economics*, vol. 46, no. 3, p. 50.

¹⁹ *Ibidem*.

²⁰ Mikloš, I. *Slovakia, A Story of Reforms*, p. 4. Available at: http://www.upms.sk/media/Slovakia_A_story_of_reforms.pdf, and EBRD. *Transition Report 2013, Stuck in Transition*, p. 51. Available at: <http://www.ebrd.com/downloads/research/transition/tr13.pdf>.

²¹ As provided by Mikloš, I., *Ibidem*.

The reform was also subordinated to the goal of entering the Eurozone as soon as possible and therefore of bringing the public budget deficit below 3 percent of gross domestic product by 2006. ‘In other words, a political condition for the tax reform to gain support from the political leaders was that its overall impact on the fiscal position of the Slovak government will not be negative’²².

The reform broadened the tax base, shifted the tax burden from direct to indirect taxation, and was accompanied by cuts in social security. The 19% flat tax rate applied to personal and corporate income and VAT. The inheritance and gift tax and the real estate transfer tax were among the 21 taxes abolished from 1 January 2005²³. Remarkably, through the preservation of a high tax-free threshold, the tax retained one of the key features of progressive taxation, namely its distributive role. Moreover, since the poverty line is subject to annual adjustment to take into account inflation, the Slovak government prevented the ‘hidden’ or ‘inflationary’ increase of the real tax burden due to the inflation of nominal income²⁴.

Last but not least, as M. Chren pointed out over a year after the reform, ‘The tax reform meant much more than just changes in the tax rates. Its ultimate aim was to transform the Slovak tax system into one of the most competitive ones in the developed countries’. As he continued ‘today, the new Slovak tax system is competitive mainly because of the unusually high degree of its efficiency, transparency and non-distortiveness’²⁵. In short, the Slovak tax system remained progressive but to a lesser degree²⁶.

²² Chren, M., *op. cit.*, p. 14.

²³ OECD, Centre for Tax Policy and Administration. *Tax reforms Policy in the Slovak Republic*. Available at: <http://www.oecd.org/tax/tax-policy/37154700.pdf>.

²⁴ Chren, M., *op. cit.*; I. Mikloš argues that ‘it was necessary to decrease tax burden of high income groups (because the rates for the highest income groups decreased even by half, from 38% to 19%) and the lowest income groups, where on the contrary the rates increased from 10% to 19%. This objective that ensured also political pass of tax reform was ensured by significant almost 2,5 times higher increase of non-taxable income, which in addition is valorised. In result of this precaution, the real effective tax burden decreases also to the groups with low income. Effective rate is therefore still progressive; people with low income do not pay anything, while high incomes are taxed almost with 19%.’. See *Slovakia, A Story of Reforms, Change of the socio-economic model with limited liability*. Available at: http://www.upms.sk/media/Slovakia_A_story_of_reforms.pdf.

²⁵ Chren, M., *op. cit.*

²⁶ See Moore, D. *Slovakia’s 2004 Tax and Welfare Reforms*. IMF Working Paper, WP/05/133 July 2005 and Kahanec, M. et al. *GINI growing inequalities impacts. Growing inequalities and their impacts on the Czech Republic and Slovakia, Country report for*

In Bulgaria, the implementation was more gradual with the introduction of a 10% dividend tax in 2007 and 10% personal-income and corporate-income taxes in 2008. The main specifics of the Bulgarian flat tax are the introduced tax rates, which up until today are the lowest in nominal terms among the CEE countries (10%). Secondly, the tax free threshold was removed and various tax benefits were eliminated. Thus, the Bulgarian flat tax is the most ‘orthodox’ one. The reform was also completed gradually because comprehensive social security reform was introduced in two phases – in 2007 and 2008²⁷. Nevertheless, despite the fact that the reform was broadly revenue neutral as a result of the shift from direct to indirect taxation²⁸, high labour costs remained a substantial obstacle to the comprehensive exploitation of the opportunities stemming from the flat tax reform.

Poland, almost simultaneously with Bulgaria, also advanced changes to its taxation system by introducing alternative flat personal income and corporate income taxes. In Poland, the personal income tax had already been introduced in 1992²⁹. In 2004, three progressive thresholds (19, 30 and 40%) were established³⁰. Five years later, the thresholds were reduced to two (18% and 32%) while the nominal taxation thresholds were increased, thus confirming the tendency to decrease tax progressivity³¹.

Table 1:

Personal income taxable base in PLN		Tax
more than	up to	
	85,528	18 per cent minus tax-reducing amount of PLN 556.02
85,528		PLN 14,839.02 + 32 per cent of the sum exceeding PLN 85,528

²⁷ The Czech Republic and Slovakia, p. 113. Available at: http://gini-research.org/system/uploads/511/original/Czech_Slovak.pdf?1377869960.

²⁸ Ganev, P. 2007. *Pravo v desetkata*. [The bullseye.] 11 September 2007. Available at: <http://ime.bg/bg/articles/pravo-w-desetkata/#ixzz3sDL4asiw>.

²⁹ OECD, Centre for Tax Policy and Administration. *Tax reforms Policy in the Slovak Republic*. Available at: <http://www.oecd.org/tax/tax-policy/37154700.pdf>, p. 4.

³⁰ Szczodrowski, G. 2007. Polski system podatkowy. [Polish tax system.] Warszawa: Wydawnictwo naukowe PWN, p. 67.

³¹ A 50% threshold was also proposed, but Poland’s Constitutional Court rejected it.

³¹ Russel, P. 2008. Podatek liniowy. [Flat tax.] *Infos Biuro Analiz Sejmowych*, no. 16/40, p. 4.

Simultaneously, 19% flat personal-income tax was introduced in 2009 as an alternative to the existing progressive taxation for persons conducting business activity as one of the taxation options. The taxpayer decides about the form of taxation. However, by selecting the flat rate option, one would no longer have access to tax exemptions, including preferential tax treatment for spouses and single parents. At this point, the existence of numerous tax reliefs appears to be crucial: since most taxpayers were over the 32% threshold up until 2009, it did not automatically mean that they would select the 19% flat rate. The advantages of progressive tax relief require meticulous calculation of each case that qualifies for the alternative methods of taxation. During the past five years, however, the group of people selecting the flat rate tax grew steadily.

To summarise, despite the profound flat-rate tax reform conducted in Slovakia, in Poland and Slovakia the systems retained a degree of progressivity due to the presence of a threshold below which personal income remained tax free. In Poland, the reduction of the thresholds was drastic, and *de facto* led to a flat-rate tax system for personal income. In other words, the noticeable tendency to flatten the tax rates, the alternative flat rate tax on personal income and the corporate income flat rate indicate Poland's drift towards the same flat rate trend in the region. However, the system retains non-taxable minimum and numerous tax reliefs for personal taxation, thus making the system a regional Quasimodo. On the other hand, Bulgaria's flat rate tax system appears to be the most radical in terms of eliminating non-taxable minimum and numerous tax deductions.

What seems to be quite apparent is that the three countries followed a very similar taxation policy of the steady reduction of tax rates. (see Table 2 below) This trend was further encouraged by the regional tax competition in pursuit of foreign direct investments. However, the social consequences of these policies remain on the flipside.

Although this paper does not intend to delve into the discussion on the redistributive role of taxation and the alternative notions of equality, the taxation trends in the three countries require a brief comment. According to the supporters of the flat tax, its egalitarianism stems from the fact that every individual is taxed evenly with the same percentage. However, the critics argue that such an approach ignores the fact that the value of money is different for those who earn more than those who earn less. The Slovak reforms took this precaution into consideration and accommodated the flat tax reform through simultaneous substantial increase of the non-taxable minimum and the introduction of new forms of targeted social compensations to ensure

a fairer distribution of income, particularly benefiting low and medium income households and families with children³². However, in Bulgaria the extension of the tax base and the elimination of non-taxable minimum meant that the tax burden was substantially shifted onto the low-income and middle class of the society³³. Paradoxically, in Poland the introduction of optional flat rate taxation for self-employed, the decrease of thresholds and relatively high set up of the second threshold practically introduced a flat rate tax for over 95% of the society, but at the same time retained the existing tax deductions and benefits. Thus, the Polish and Slovak systems retained the essence of the taxation system distributive role, whereas Bulgaria ignored this aspect.

Having in mind these national characteristics, it becomes difficult to conclude unequivocally who benefits more from the flat tax – the poorer or richer parts of the society. The devil remains in the details. The Slovak case reveals that the reforms can be crafted in a way that each part of the society can be better off than before the reforms, but this is because the flat tax was reconciled with such splinters of progressive taxation as non-taxable minimum and family benefits. On the other hand, the Bulgarian case reveals the congenital defect of the dogmatic understanding of equality as solely the even implementation of the same tax rate.

Another observation from the comparative research of the taxation reforms in the three countries is that the introduction of the flat tax system in its orthodox form seems to be impossible through genuine democratic process. This argument does not mean to undermine the tax reforms in these countries as illegitimate or non-democratic, but to emphasise that where the reforms were subject to open social debate, the trade-off that was achieved was a practical ‘progressivisation’ of the flat tax in order to obtain the necessary political approval. In Slovakia the flat tax reformers had to agree to such shape of the reform that will secure the interests of weaker groups in the society. Because the promoters of the flat tax in Poland were aware of the consequences, the introduction of the flat tax was approached differently. Instead of a lofty and loud flat tax reform the progressive tax system was flattened reaching results similar to the Slovak ones. In Bulgaria, where the flat tax reform was a subject to a successful lobbying with the

³² Chren, M. *Unfair competition? Slovak Tax Reform*, p. 10.

³³ See Hristoskov, Y. 2010. Ploskiat danyk, mit i realnosti. [Flat Tax, Myth and Reality.] In: *Ikonomicheski Alternativi*, no. 5, p. 59, also European Commission. 2016. *Commission Staff Working Document, Country Report Bulgaria 2016*, SWD(2016) 72 final, 26 February 2016, p. 5. Available at: http://ec.europa.eu/europe2020/pdf/csr2016_cr2016_bulgaria_en.pdf.

government³⁴ and the reform was imposed instead of agreed, its ‘orthodox’ form is a subject of permanent and strong criticism from a vast spectrum of economists, trade unions and politicians³⁵.

Tax reforms have substantial implications for the entirety of social, economic and political relations. Hence, their prudent crafting needs to rely among others, on the argument that the economy and thus the society will be better off after the reform in a reasonable perspective. The introduction of the flat tax was supposed to resolve numerous internal and external challenges. Among the former were decreasing tax avoidance and defeating the grey economy, decreasing unemployment, improving tax collection and boosting economic growth. Among the latter is the pressure of regional tax competition and the need to attract foreign direct investments. The tax reforms in the three countries reveal that the benefits from the implementation of the flat tax are automatic for the wealthier part of the society, whereas the protection of the lower income groups requires additional effort. Thus, in order to justify the implementation of the flat tax reforms, it is necessary to prove that the reform indeed improved the performance in these fields. The next two parts will focus on the foreign direct investment experience of the three countries and its correlation with the flat tax reforms and subsequently on the above mentioned internal challenges.

THE TAX COMPETITION AND FOREIGN DIRECT INVESTMENTS IN THE THREE COUNTRIES

Among many essential aspects of the flat tax reform, tax competition in the region deserves particular attention. In the early days of the transition, countries throughout Central and Eastern Europe introduced numerous tax holidays and exemptions³⁶. They were necessary to revive the economies, integrate the former socialist economies with the West, attract technological

³⁴ In Bulgaria the flat tax was introduced by the officially socialist government of Sergey Stanishev.

³⁵ On the process of implementation of the flat tax reforms in Slovakia see Fisher, S., Gould, J., Haughton, T. 2007. Slovakia’s neoliberal turn. *Europe-Asia Studies*, vol. 59, no. 6, pp. 977–998; On Bulgaria see Petkov, K. 2010. Ploskijat danyk i krizata, fiskalnite efekti i socialnite defekt. [Flat tax and Crisis, the Fiscal Effects and Socal Deffects.] *Ikonomicheski alternativi*, no. 5. Available at: <http://alternativi.unwe.bg/alternativi/index.php?nid=44&hid=1858> and the remaining chapters on flat tax in the volume.

³⁶ Martinez-Vazquez, J., McNab, R.M. 2000. The Tax Reform Experiment in Transitional Countries. *National Tax Journal*, vol. 53, no. 2, pp. 273–298 (277).

know-how and provide employment opportunities since the high unemployment rates were a pressuring social, political and economic issue³⁷. Additionally, the perspective of EU membership required the adoption of EU legal standards. In such an environment, the establishment of friendly tax environments became tools in the race for foreign direct investments (FDI). Before the introduction of the flat tax in Slovakia and Bulgaria, expectations for FDI inflows ran high. Thus, in the period between 2004 and 2008, the three countries decreased their top statutory tax rates in personal and corporate income taxation as presented in the table below:

Table 2

	Top personal income tax rate %					Top corporate income tax rate %				
	1995	2000	2005	2010	2015	1995	2000	2005	2010	2015
BG	50	40	24	10	10	40	32.5	15	10	10
PL	45	40	40	32	32	40	30	19	19	19
SK	42	42	19	19	25	40	29	19	19	22
EU Avg.	47.2	44.6	40.4	38.6	39.3	35	32	25.3	23.2	22.8

Source: European Commission, Directorate General for Economic and Financial Affairs (ECFIN) and Directorate General for Taxation and Customs Union (TAXUD). 2015. *Tax reforms in EU Member State 2015, Tax policy challenges for economic growth and fiscal sustainability*. Institutional Paper 008, p. 107. September 2015. Available at: http://ec.europa.eu/economy_finance/publications/eeip/pdf/ip008_en.pdf.

Furthermore, each of these countries continued to provide additional assistance to prospective foreign investors. Already in 1997 Bulgaria adopted its Law on foreign investments which, among others, allowed special treatment for ‘priority investment projects’ which had to meet at least one of the following criteria: to exceed 5 million USD; to create more than 100 new workplaces; to invest in regions with the excessively high unemployment rate. The incentive for such investments was the tax exemption. Special investment classes also determined the government’s assistance to investors³⁸.

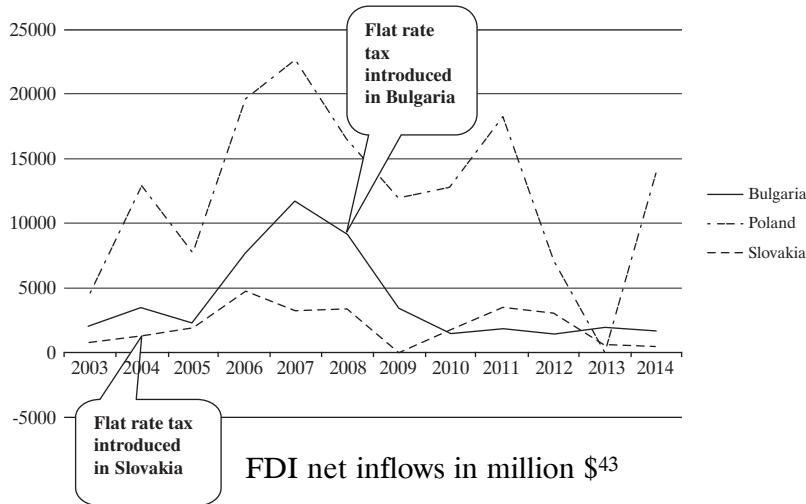
³⁷ Popescu, G.H. 2014. FDI and Economic Growth in Central and Eastern Europe. *Sustainability*, vol. 6, 8149–8163, p. 8150. DOI: 10.3390/su6118149.

³⁸ Białek, Ł. Pulse of the region: Overview of Foreign Direct Investment in Central and Eastern Europe. *Bulletin of Central and Eastern Europe*, no. 3, pp. 7–8. Ganchev, D. 2010. Prekite chuzhdestranni investicii za perioda 1992–2008 g. – izvodi i novi predizvirkatelstva. [Foreign direct investment in the period 1992–2008 – conclusions and new challenges.] *Ikonomicheski alternative*, no. 2, pp. 40–56.

The introduction of the flat corporate income tax of 10% in 2008 was another substantial step in creating such a favourable environment.

In Poland, prospective foreign investors could rely on Multiannual Support Programmes, Cash Subsidies, Real Estate Tax Exemptions or Special Economic Zones (SEZ)³⁹. SEZs provide certain benefits such as a corporate tax exemption, support for new investment projects and grants for creating new jobs⁴⁰. Slovakia remains the country with the best organised and most transparent investment regulations, designed to meet the need of companies in manufacturing, technology, services or tourism. The state covers 50% of the investment costs, and the minimum investment amount (3.5, 7 or 14 million Euro) depends on the unemployment rate in the region⁴¹. Particular attention is also paid to Research & Development: state grants encourage the transfer of such R&D centres to Slovakia⁴².

Figure 1
FDI Inflow to Selected Countries in 2003–2014



³⁹ The fourteen SEZs established in Poland are not subject to the European Commission state aid regulations.

⁴⁰ Bialek, L., *op. cit.*, p. 64; Allen & Overy. 2001. *Foreign Direct Investment in Central and Eastern Europe*; OECD. 2012. *FDI in Figures*. Available at: <http://www.allenavery.com/SiteCollectionDocuments/Foreign%20direct%20investment%20in%20Central%20and%20Eastern%20Europe.PDF>.

⁴¹ Bialek, L., *op. cit.*, p. 68.

⁴² *Ibidem*, p. 68–69.

⁴³ <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?page=2>.

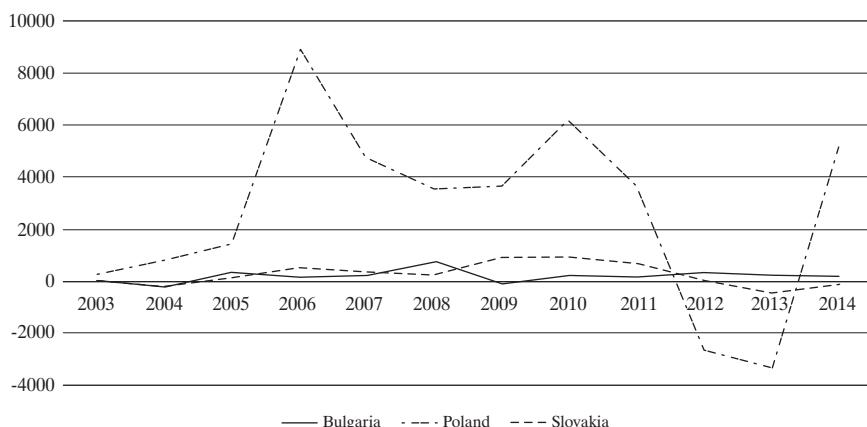
The FDI inflow data for the period 2003–2014 deserve a closer look. So far, we have concluded that the taxation systems of Poland and Slovakia are only nominally different, whereas in their essence they are very much the same. However, the Bulgarian flat rate tax is much more ‘orthodox’. The second important observation is that the conditions for FDIs in the analysed period were not the same. One of the consequences of the global financial crisis of 2007–2008 was the reduction of foreign investment activity at least in the first year after the crisis. The third factor is the membership in the EU. Poland and Slovakia joined it in May 2004 and Bulgaria in January 2007.

The FDI inflow data reveal that there is no direct connection between the introduction of the flat rate personal and corporate income taxation and the growth of foreign investments. Reversely, the membership in the EU seems to be a good catalyst for foreign investments around the moment of joining the Union. The three countries’ FDI substantially increased around the time of obtaining the membership.

Secondly, the economic crisis did not cause a substantial change in the FDI outflow, but significantly decreased the level of inflow. Thirdly, the country with the highest foreign direct investments is Poland, where the taxation system is often recognised as complex, unclear and most importantly for the survey – not a flat rate.

Figure 2

FDI Outflow in 2003–2014



In the period 2004–2008, Poland could boast of 802 FDI projects. Bulgaria and Slovakia had 287 and 305 respectively. All the countries faced a decline of FDI projects in the period 2009–2013 (Poland by 180, Slovakia by 104 and

Bulgaria by 139). The crisis had a much more significant impact on Central and Eastern Europe job creation with an FDI decrease of 30% compared to only 13% in Western Europe⁴⁴. Most interestingly, a report by Ernst and Young (EY) shows that Poland is perceived as the most attractive CEE country for investments (with 31%), while Slovakia is the least (2%)⁴⁵. The data confirm that although fiscal policy affects location decisions, it is less important as the regions converge⁴⁶. Since such a tendency can be observed in Central Europe, the role of other aspects determining FDIs increases, such as education of the workforce or access to larger markets. Regional specialisation and agglomeration economies also appear to be important factors⁴⁷. These observations are confirmed by the fact that the FDI structure of the Central European countries is substantially different from that in Bulgaria. Poland and Slovakia are part of the ‘Western Europe’s industrial backyard’ in which most of the manufacturing centres are located⁴⁸. Whereas, in Bulgaria the FDI flow is much more service oriented⁴⁹.

As indicated by Piotr Bogumił, the Central and Eastern European (CEE) countries received a significant amount of capital inflows, which supported the catching-up process in the region. For some countries, this process resulted in capital misallocation, which led to an unsustainable boom and a subsequent financial bust. According to Bogumił’s survey, the changes in the sectoral share of the FDI flow in Poland, Czech Republic, and Slovakia were smaller, and the flow continued mainly into the tradable sector, adding to export growth. However, in countries like Bulgaria, the share of FDI flowing into manufacturing and services shrank rapidly over 2003–2008 and was replaced by FDI inflows into construction and real estate⁵⁰. In Bulgaria,

⁴⁴ Data from *Ernst & Young European Attractiveness Survey*, EY 2014, p. 48.

⁴⁵ Bulgaria was not included among the top countries in the survey. Ernst & Young. 2014. *Ernst & Young European Attractiveness Survey*, p. 12.

⁴⁶ Angenendt, J. 2011. *Foreign Direct Investment in Central Europe and Differences in Transition between post-communist Central European Economies*. Hamburg: Diplomica Verlag, pp. 40–41.

⁴⁷ *Ibidem*.

⁴⁸ According to D. Ganchev’s data for the period 1998–2008 the branches with largest foreign direct investments are as follows: real estate; financial sector, processing industry, automotive sector services, etc. See. Ganchev, D., *op. cit.*, p. 45; See also: Bogumił, P. 2014. Composition of capital inflows to Central and Eastern Europe – is Poland different? *ECFIN Country Focus*, vol. 11, issue 8.

⁴⁹ According to Saul Estrin and Milica Uvalic only in 2010, 81% of the inward FDI stock to Bulgaria was concentrated in services. See footnote *infra*. 100.

⁵⁰ Bogumił, P., *op. cit.*, p. 3.

the build-up of sizeable capital inflows into the non-tradable sector fuelled unsustainable consumption (and construction) investment booms, which ended with a bust in its real-estate sector. Poland and Slovakia avoided this scenario because foreign capital went mainly towards manufacturing and business services⁵¹. Last but not least, the FDI flow as a percentage of GDP indicates the penetration of foreign capital into the economy. Among the three countries, Poland scored the lowest percentage (less than 40), followed by Slovakia with almost 60% and Bulgaria over 90%⁵². Having in mind Ganchev's argument that the structure of the FDI inflow to Bulgaria does not correspond with the needs of the Bulgarian economy and the prospects for its further development, it becomes apparent that treating foreign direct investments as a goal, instead of a tool is an essential mistake⁵³.

The quest for attracting foreign investments continues. The most recent race between Slovakia and Poland for the Jaguar Land Rover factory to be established in Western Slovakia is instructive. As reported by the Financial Times, the Slovak authorities offered 'tax and other fiscal incentives to the British carmaker'⁵⁴. The Polish authorities also offered a location within a SEZ, which implied tax exemptions and government assistance.

Indeed, the logic behind pursuing FDIs is that investors provide labour, know-how, build capital and of course provide wages that eventually constitute a source of income for the state budget. However, not all the capital generates added value and even if it does, there is no guarantee that it will remain in the host country and will contribute to its further development.

Examples of drawbacks are present in each of the analysed countries. Most recently that was illustrated by Slovakia. In 2012, Slovak GDP growth was driven by increased productivity of the export-oriented industrial sector, especially car manufacturing⁵⁵. Nevertheless, increased production by more

⁵¹ *Ibidem*.

⁵² Estrin, S., Uvalic, M. 2013. *Foreign direct investments into transition economies: Are the Balkans different?* LSE 'Europe in question' discussion papers, LEQS Paper no. 64/2013, pp. 33–34. Available at: <http://www.lse.ac.uk/europeanInstitute/LEQS/LEQSPaper64.pdf>.

⁵³ Ganchev, D., *op. cit.*, pp. 46–54.

⁵⁴ Foy, H., Sharman, A., How Slovakia overtook Poland in Jaguar Land Rover factory race. *Financial Times* [Online] 17 November 2015. Available at: <http://www.ft.com/intl/cms/s/2/4ec6972c-73db-11e5-bdb1-e6e4767162cc.html#axzz3rz589uF3>.

⁵⁵ Slovakia remains the world leader in car production in 2015, Liptakova, J. 2015. Slovakia still tops in per capita car production. *The Slovak Spectator* 19 March 2015. Available at: <http://spectator.sme.sk/c/20056604/slovakia-still-tops-in-per-capita-car-production.html>; Analysis of the economic situation in the countries of Central and

than 1/3 in 2012 had no impact on VAT since exporters do not pay it. The fact that these factories operate mainly as assembly centres, together with the tax holidays for many of the foreign investors resulted in a similar level of CIT revenues with noticeable GDP growth. The carry forward losses from the period 2009–2010 additionally limited tax collection. Hence, the Slovak government relied on the tobacco tax with almost 40% growth in the last five years, notwithstanding the fact that the tobacco tax rate is currently the highest among Visegrad countries.

Similar challenges exist in Bulgaria. The detailed survey of Dobrin Ganchev concludes that the uncontrolled inflow of FDIs in the Bulgarian financial sector, which constituted the second most intensively exploited area (after real estate) in 2007, also brought negative consequences. That year almost all Bulgarian banks turned into branches of Austrian, Italian, Greek or Hungarian financial institutions. Almost simultaneously the economic crisis erupted and the Bulgarian government decided to provide financial assistance to local entrepreneurs. However, it became apparent that the government could not find a credit partner, since all the branches were preoccupied with the economic hurdles of their headquarters⁵⁶. It led to the practical inability of the Bulgarian government to find intermediates able to streamline its financial support to the Bulgarian business.

Table 3
Total Direct Investments accumulated after 1989 in million EUR

	1990	2000	2011
Poland	84	26355	152104
Slovakia	217	3667	39496
Bulgaria	86	2082	36693

Source: Bialek, Ł. Pulse of the region: Overview of Foreign Direct Investment in Central and Eastern Europe. *Bulletin of Central and Eastern Europe*, no. 3, p. 74.

To sum up, it is apparent that the tax incentives offered by the states are important. Yet, they are not crucial for the country's attractiveness. As the EY report reveals, during the crisis new FDI destinations emerged, e.g. Serbia and Russia, or Spain in Western Europe. On the other hand, the

Eastern Europe, no. 1/14 January 2014. Available at: https://www.nbp.pl/en/publikacje/inne/NMS_01_14_en.pdf, p. 5. Furthermore, Slovakia hosts plants of major companies like Dell and Sony.

⁵⁶ Ganchev, D., *op. cit.*, p. 46.

financial burden of host countries distorts the mutual benefit of investments, since the host countries *de facto* participate in investment costs. Thus, tax competition in the region imposed additional costs on taxpayers through the sharing of the investors' burden. Although the promises made to foreign investors by government officials are not publicly available, further research on this aspect can shed more light on the efficiency of FDI.

A quarter of a century after the end of communism the three countries' economies became part of the global and regional economic integration processes. However, the presumption that through such cooperation the countries will obtain technological know-how was premature. Among the three countries subject to analysis, Poland and Slovakia seem to have reached the limits of low labour costs, low taxes, and geographical proximity package of FDI incentives⁵⁷. With the growing labour costs and wage expectations, these countries face the middle-income trap challenge; and a reassessment of the existing fiscal policies is required. The Slovak government learned its lessons by shaping much more target oriented conditions for attracting foreign capital in Research and Development. The Polish government also seems to recognise the need to invest in the capitalisation of the national economy through a national strategy. Hence, the argument for the need of the flat tax as an incentive for foreign direct investments is not convincing. The blind acceptance of foreign investments does not meet the demand of the day for the competitive, innovative and smoothly organised economy. The next subchapter will reflect on the internal peculiarities of the taxation systems in the three countries in pursuit of an answer to the question whether the flat tax scheme has been able to improve them.

THE CHALLENGES FACING TAX SYSTEMS IN THE THREE COUNTRIES

The discussion about the quality of the tax regimes in the three countries cannot continue without revisiting the trivial argument that tax systems are as good as their enforcement. Although in the 2016 'Doing business report' the three countries were classified relatively high with Poland scoring best, the section 'Paying taxes rank' reveals a substantial lag behind Western European countries. Having in mind the alleged simplicity and efficiency of the flat tax, the Polish score is rather surprising, and confirms the argument that the efficiency of the taxation system is more important than the flat/

⁵⁷ See Bogumił, P., *op. cit.*, p. 4.

progressive features of the tax. On the other hand, among many reasons for the introduction of the flat tax pointed out earlier, there was the argument that it will solve the problem of lower tax compliance. The Bulgarian example suggests that the presence of the flat tax does not mean that the system is simple. Even though it has the lowest tax rates in the three countries, Bulgaria has the most time-consuming taxation system, requiring 423 hours and the largest number of payments (14)⁵⁸. Also, the costs of tax collection is high, standing in the upper range of the spectrum at 1.34% of net revenue in 2011⁵⁹. Slovakia is known for its alleged simplicity (confirmed by the fact that the required hours are only 188). It requires more payments (10) than Poland (7) and provides the highest total tax rate as a % of profit (51, 2%)⁶⁰. However, in comparison to the Netherlands, for example, the most striking is the dynamic of changing indicators in all categories among the three countries every single year, whereas the selected western countries indicators remain firm (see Table below). Changes to the tax system in Belgium or the Netherlands are introduced seldom and if so, are not immediately followed by new ones. Despite the declining numbers of payments in the three CEE countries, the intensity of changes year to year is much higher. That contributes to the general feeling among the taxpayers that the systems are unstable, instrumental and thus unreliable⁶¹.

The essence of the Polish, Slovak and Bulgarian countries taxation systems requires critical reflection. The existence of flat tax aura and their improving performance in international reports support the argument that the systems are cheap, simple and efficient. This conclusion is premature.

Poland constitutes the most noticeable example of popular dissatisfaction with the taxation regime. The 2015 Civic Development Forum (Forum Obywatelskiego Rozwoju – FOR) report on the future of Poland analyses administrative challenges of the taxation system. The reason for the low FDIs is not the low potential revenue, but unclear costs. The main obstacle is the

⁵⁸ The EU-28 average is 189 hours.

⁵⁹ European Commission. 2016. *Commission Staff Working Document, Country Report Bulgaria 2016*, SWD(2016) 72 final, 26 February 2016, p. 43. Available at: http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_bulgaria_en.pdf.

⁶⁰ World Bank Group. *Doing Business 2016, Measuring Regulatory Quality and Efficiency*. Available at: <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf>.

⁶¹ All the data retrieved from Doing Business reports in the period 2006–2016. Earlier reports contain different methodology which makes the comparative analysis in longer perspective impossible.

existing taxation system, with its complexity and unfair treatment promoting the violation of law, which is an additional cost that directly influences investment profitability. The unstable taxation and administrative regulations on par with the ambiguity concerning their execution and the judicial system incapacity directly impact profit calculations⁶².

Figure 3

Payments (number per year)

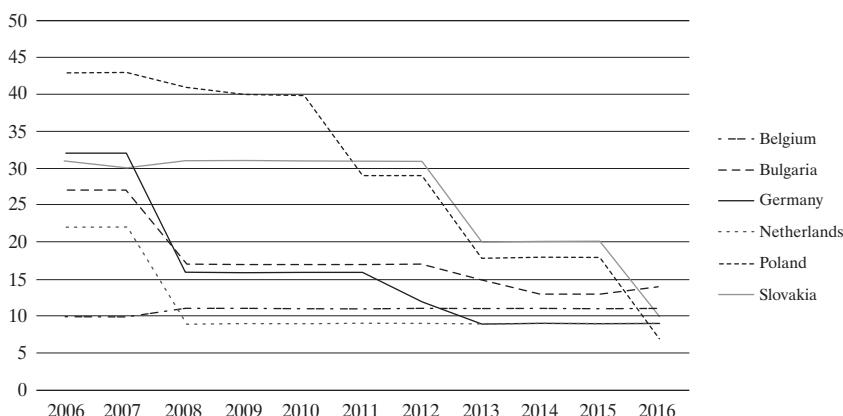
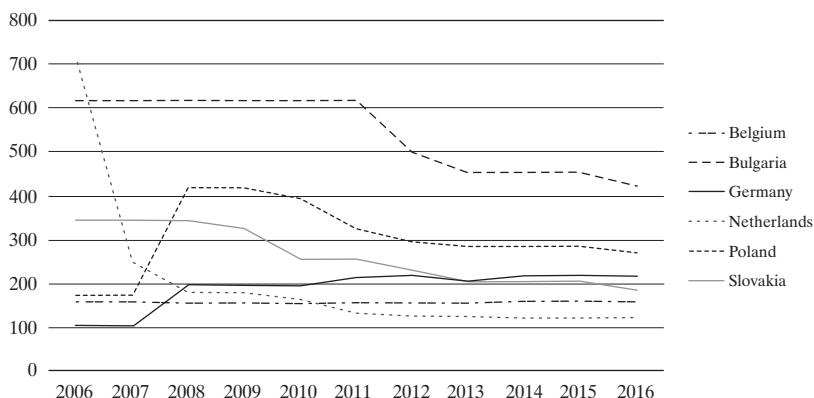


Figure 4

Time (hours per year)



⁶² Łaszek, A. 2015. *Następne 25 lat. Jakie reformy musimy przeprowadzić, żeby dogonić Zachód.* [The next 25 years. What reforms to introduce to catch up with the West?] Forum Obywatelskiego Rozwoju, p. 109.

According to FOR, in Poland the costs related to the obligation to cumulate, store and deliver information to the authorities is 6.1% of GDP. The administrative burden (solely as a result of legal requirements) is 2.9% of GDP. In all cases, Poland's administrative costs are higher than in other OECD countries⁶³. In 2010, Deloitte identified over 4,000 informational obligations for companies⁶⁴.

According to small and medium enterprises, the tax law is too complicated, ambiguous and difficult to interpret⁶⁵. Entrepreneurs must often request clarifications from the tax authorities. However, obtaining such interpretations is very time-consuming and does not guarantee a safe conduct pass⁶⁶. The side effect is a destabilisation of the company's business process. 31% of the survey participants mentioned the need for general interpretations of taxation regulations issued by the Ministry of Finance. This is important, especially having in mind the contradicting and often conflicting interpretations issued by different local tax administration units.

The overproduction of law in Poland (measured in pages of law entered into force) is 1.7 times higher than in Italy, six times higher than in the Czech Republic and 7.5 times higher than in Slovakia. 'Should the entrepreneur be interested in becoming acquainted with all the legislative changes within one year, he would need to devote 3.26 hours daily to doing this'⁶⁷.

The 2011 ECDDP report revealed that the VAT law provisions effective since their adoption in 2004 were modified 698 times and every single year new VAT law ordinances of the Finance Minister were issued⁶⁸. For the

⁶³ Average administrative costs in OECD 3,5% of GDP (PL over 6%), administrative burden is 1,5–2% of GDP (PL almost 3%). Łaszek, A., *op. cit.*, p. 124. Another survey by Karol Jagliński claims that the costs of tax administration in the three countries are relatively similar and constitute between 1.6% and 1.3% of the collected annual revenue, locating them among the costliest tax administrations in the EU. Jagliński, K. 2013. *Koszty i efektywność systemu podatkowego w Polsce. [Costs and efficiency of the tax system in Poland.]* Fundacja Republikańska, pp. 4–5.

⁶⁴ Łaszek, A., *op. cit.*, p. 123.

⁶⁵ See Łaszuk, A. and Employers PL report.

⁶⁶ According to the survey conducted by Employers PL in 2014 in 61% of the cases entrepreneurs needed to wait between one and six months to receive such interpretation. For detailed data see *Podatek VAT w Polsce, problem przedsiębiorstw sektora MŚP. [VAT Tax in Poland. The SME sector problem.]*, p. 1. Available at: <http://www.komitetpodatkowy.pl/pobierz/135.html>.

⁶⁷ Łaszuk, A., *op. cit.*, p. 128.

⁶⁸ ECDDP. 2011. *Na dobre czy na złe? Zmiany podatkowe XXI wieku. Raport specjalny. [For good or for bad? Tax changes of the 21st century. Special report.]*, p. 7. Available at: http://www.ecddp.pl/download/Raport_podatkowy_ECDDP.pdf.

period 2002-2011, a single corporate income tax law provision was changed 33 times. On average, every second day from the beginning of the twenty-first century, an important change of the taxation legislation was made⁶⁹. The situation in Bulgaria is not better. Since its entering into force on 1 January 2007, the Law on personal income tax and the Law on corporate income tax have been changed thirty seven times each⁷⁰.

According to the EBRD, Polish companies devote 23% of their time to government regulations in comparison to 13% in CEE⁷¹. FOR data reveal that the income tax law in Poland is subject to an average of ten amendments per year, the tax statute 6, and the VAT law 4 times. To resolve legal incompatibility, the Ministry of Finance issued only in 2014 almost 38 thousand taxation interpretations (150 per day). Over 3,000 decisions about taxation interpretations were issued and over half of them were considered by courts.

It is not surprising that the general belief among SMEs is that the main aim of the Ministry of Finance is to secure budget revenue regardless of the need to secure a business friendly environment. The government does not exploit sufficiently public consultations and the changes in legal provisions cannot surprise entrepreneurs. Hence, the changes proposed in the taxation law are mainly perceived as politically rather than economically oriented. The impression of Polish entrepreneurs is confirmed by the general attitude expressed by foreign investors on the need for cuts in regulations⁷².

The tax administration requires sound and clear operational rules since 81% of the survey participants recognised the high level of discretion as an opportunity to 'find something punishable in the company'⁷³. A quarter of the respondents also believes that it is better to give up on VAT return than to be subject to a tax administration control related to this return⁷⁴. The survey also revealed that in medium-size enterprises the tax related time is 1,5 hours per week. It is 4 hours in small enterprises, and 20 hours per week in micro

⁶⁹ http://www.ecddp.pl/download/Relacja_z_konferencji_ECDDP.pdf.

⁷⁰ Own calculations based on the amendments to each law.

⁷¹ Laszek, A. 2015. *Następne 25 lat. Jakie reformy musimy przeprowadzić, żeby dogonić Zachód.* [The next 25 years. What reforms to introduce to catch up with the West?] Forum Obywatelskiego Rozwoju, p. 128.

⁷² Ernst & Young. 2014. *Ernst & Young European Attractiveness Survey*.

⁷³ *Podatek VAT w Polsce, problem przedsiębiorstw sektora MŚP.* [VAT in Poland. The SME sector problem.], p. 2. Available at: <http://www.komitetpodatkowy.pl/pobierz/135.html>.

⁷⁴ *Ibidem.*

companies, in spite of the fact that most of the small companies use taxation firm services⁷⁵.

In Bulgaria, high tax compliance costs are one of the main challenges for the business community, and improving the tax administration is of key importance. Despite the relatively low tax burden, the tax collection system in Bulgaria creates one of the highest tax compliance burdens in the EU for SMEs⁷⁶. The number of hours per year spent on tax compliance is very high, as is the number of tax payments required over a year from a standardised business⁷⁷.

In a similar vein, recently Bulgaria has been lacking a comprehensive tax compliance strategy. In 2014, the government's efforts to improve tax compliance produced new legal amendments⁷⁸. The same attempts mainly translate into frequent legislative changes, which often contradict each other or require unplanned investment by businesses. Hence, they create additional uncertainty and costs for entrepreneurs (e.g. the installation of additional control devices)⁷⁹. In October 2015 Bulgaria adopted a Single Tax Compliance Strategy, but the European Commission country report has already pointed out that 'measures suggested by the strategy to increase tax revenues do not appear to directly address some key issues, such as inadequate use of available technologies and information, instances of corruption and weak governance'⁸⁰. Having in mind Bulgaria's lowest score among the three countries in the Transparency International Corruption Perceptions Index,

⁷⁵ *Ibidem*, p. 3.

⁷⁶ Ganev, P., *op. cit.*, 8.

⁷⁷ European Commission. 2015. *Country Report Bulgaria 2015, Including an In-Depth Review on the prevention and correction of macroeconomic imbalances*, Commission Staff Working Document. COM(2015) 85 final, 26 February 2015, p. 42.

⁷⁸ It clarified the rules for collecting taxes levied on excise goods to close legal gaps, reduced unnecessary administrative burdens, and tackled cases of abuse and tax fraud, in particular relating to energy and tobacco products. See: European Commission. 2015. *Country Report Bulgaria 2015, Including an In-Depth Review on the prevention and correction of macroeconomic imbalances*, Commission Staff Working Document. COM(2015) 85 final, 26 February 2015, p. 42.

⁷⁹ European Commission. 2015. *Country Report Bulgaria 2015, Including an In-Depth Review on the prevention and correction of macroeconomic imbalances*, Commission Staff Working Document. COM(2015) 85 final, 26 February 2015, p. 42.

⁸⁰ European Commission. 2016. *Commission Staff Working Document, Country Report Bulgaria 2016*, SWD(2016) 72 final, 26 February 2016, p. 43. Available at: http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_bulgaria_en.pdf.

legislative uncertainty and tax evasion become an even more acute issue since existing corruption habits also impact the quality of tax collection.

	Transparency Index 2014 Score (from 0 to 100)	Corruption Index 2014 Rank
Poland	61	35/175
Slovakia	50	54/175
Bulgaria	43	69/175

THE CASE OF VAT

In fact, the legal framework in the three countries we are observing is porous and invites tax evasion and fraud. Probably the main taxation issue in the three countries is evasion in the realms of VAT. In 2012, VAT evasion was 15% in the EU area, 27% in Poland, 17% in Bulgaria and 35% in Slovakia⁸¹. The three countries are all subject to EU Council's Country-Specific Recommendations to improve tax compliance⁸².

Poland applies reduced VAT rates to an extensive number of goods and services⁸³. Although the biggest number of tax reliefs is related to personal income taxation, most costly are the VAT preferences, which constitute almost half of the total costs related to tax reliefs⁸⁴. Complexity affects the

⁸¹ *Update Report to the Study to quantify and analyze the VAT Gap in the EU-27 Member States*. 2012. Available at: <http://www.case-research.eu/en/node/58716>, and *Study to quantify and analyze the VAT Gap in the EU Member States, 2015 Report*. TAXUD/2013/DE/321. Available at: http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/vat_gap2013.pdf.

⁸² The recommendations concerned ten EU countries. Garnier, G., Gburzyńska, A., Georgy, E., Mathe, M., Prammer, D., Rua, S., Skonieczna, A. 2013. *Recent Reforms of Tax Systems in the EU. Good and Bad News*. Taxation Papers, Working Paper N.39-2013. European Commission, p. 28.

⁸³ Among others foodstuff, water supplies, pharmaceutical products, medical equipment, transport of passengers, books, and periodicals, admission to cultural services and amusement, social housing, renovations and repairs of private dwellings, hotel accommodation, restaurants, use of sporting facilities, medical care, waste collection, minor repairs, hairdressing. Source: European Commission. 2015. *Commission Staff Working Document, Country Report Poland 2015*. COM(2015) 85 final. Available at: http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_poland_en.pdf.

⁸⁴ Wawrzak, S. 2015. Przywileje podatkowe jako przejaw ingerencji państwa w gospodarkę. [Tax privileges as a manifestation of state interference in the economy.] In: Domaradzki, S., Haczkowska, M. eds. *Ku przyszłości. O Polsce za 25 lat*. [Towards the

efficiency of the VAT system and involves a large budgetary cost. (2.7% of GDP in 2012)⁸⁵.

The largest tax evasion that significantly affects public finance deficit in Slovakia is also associated with VAT. While in 2005 the total VAT revenue losses in Slovakia amounted to 1.7% of GDP, in 2011 they reached 4% of GDP, which corresponds to the annual shortfall in tax revenues of 2.7 billion Euros. Taking into account the estimated VAT revenue losses as well as the results of tax audits, the tax authorities in Slovakia identified only 18% of tax evasion⁸⁶. As Rabatinova and Schultzova admit, that means that there is an 80% probability of not detecting the evasion of VAT. Since the success of Slovakia's fiscal consolidation after the economic crisis will largely depend on increasing the efficiency of the value added tax system and reducing VAT revenue losses, Fico's government is focused on the fight against tax fraud in the area of VAT. The government adopted a 2012–2016 Action Plan to Combat Tax Fraud. Through an electronically submitted VAT control statement by all VAT payers, VAT collection was improved, but the cost of tax compliance soared due to the increased administrative requirements for business. VAT and CIT non-compliance are significant issues in the Slovak Republic. As Remeta *et al.* conclude non-compliance, particularly in the area of VAT, appears to be concentrated in a few sectors⁸⁷. In 2015, the EC country report recognised the weaknesses of the badly integrated system, which distorts the links between tax assessment, tax collection, risk assessment and tax audits⁸⁸.

In Slovakia the tax administration mainly focuses on VAT tax audits, whereas the data indicate that the self-employed are converting to limited

future. About Poland in 25 years.] Warszawa: Laboratorium Idei – Prezydencki Program Ekspercki, Kancelaria Prezydenta RP, p. 144.

⁸⁵ In particular, it is believed that the reduced VAT rate applied to housing and housing works constitutes the biggest loss of potential revenue among the reduced VAT rates.

⁸⁶ Rabatinova, M., Schultzova, A. 2014. *The VAT Revenue Losses in Slovakia – The Fight Against Tax Evasion*. SGEM2014 Conference on Political Sciences, Law, Finance, Economics and Tourism, vol. 2, no. SGEM2014, pp. 817–822 Conference Proceedings, ISBN 978-619-7105-26-1/ ISSN 2367-5659, 1–9 September 2014. DOI:10.5593/SGEMSOCIAL2014/B22/S6.103.

⁸⁷ Remeta, J., Perret, S., Jareš, M., Brys, B. *Moving Beyond the Flat Tax – Tax Policy Reform in the Slovak Republic*. OECD Taxation Working Papers, no. 22. OECD Publishing, p. 11. Available at: <http://dx.doi.org/10.1787/5js4rtzr3ws2-en>.

⁸⁸ European Commission. 2015. *Commission Staff Working Document, Country Report Slovakia 2015*. COM(2015) 85 final, p. 12. Available at: http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_slovakia_en.pdf.

liability companies. Furthermore, since 2012, the tax and customs offices have been subjected to consolidation (into Financial Administration), which as of now is rather nominal, with the Tax Administration and customs service still operating separately⁸⁹.

In Poland, a general tax act that deals with general tax rules and procedures and sets the framework for relations between taxpayers and tax authorities is due. However, this cannot be achieved without an efficient and high-quality tax administration⁹⁰, which according to 14.6% of the respondents in the World Economic Forum's Global Competitiveness Report 2014–2015, constitutes a serious weakness in Poland⁹¹.

Complying with tax obligations remains a major obstacle for a well-performing business environment. The lack of clarity and frequent changes in the tax law and diverging interpretations by the tax authorities weigh on the complexity of the system. Tax compliance continues to be an important issue in Bulgaria. The value of the shadow economy in the three countries, which is a rough proxy for the size of tax evasion, seems considerable in Bulgaria (13.4% of GDP in 2011 according to the National Statistical Institute, 2011). According to the 2012 OECD survey, Poland and Slovakia score even higher (16%)⁹². The 2013 VAT compliance gap confirms that VAT gap percentage of theoretical VAT liability in Slovakia is 35%, in Poland over 25% and in Bulgaria over 15%⁹³.

Among the main difficulties that the countries from the region face are the low level of tax revenues, the doubtful efficiency of the tax administration and enormously high compliance costs for taxpayers (and SMEs in particular). In the case of Bulgaria, among the main reasons for concern are the widespread shadow economy, undeclared work, high administrative and tax compliance costs. In Slovakia the poor VAT collection, the fragmented revenue collection

⁸⁹ *Ibidem.*

⁹⁰ European Commission. 2015. *Commission Staff Working Document, Country Report Poland 2015*. COM(2015) 85 final. Available at: http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_poland_en.pdf.

⁹¹ See *Założenia nowej ordynacji (Kodeksu podatkowego)*. [Assumptions of the new Tax Code.] Inicjatywa FOR.

⁹² Gyomai, G., van de Ven, P. 2014. *OECD Statistics Brief, The Non-Observed Economy in the System of National Accounts*, no.18. Available at: <http://www.oecd.org/std/na/Statistics%20Brief%2018.pdf>.

⁹³ European Commission. 2016. *Commission Staff Working Document, Country Report Slovakia 2016*. SWD(2016) 93 final, 26 February 2016, p. 14. Available at: http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_slovakia_en.pdf.

system, the lack of an effective audit strategy and the poor implementation of anti-fraud strategies remain among the key challenges⁹⁴.

In conclusion, Slovakia, Bulgaria, and Poland face the same challenge concerning the tax administrative reform and increasing VAT efficiency and VAT compliance⁹⁵. Fifteen years ago and over ten years after the end of communism in the region, Martinez-Vazquez and McNab had already drawn attention to the repressive nature of the then 'fresh' taxation regimes, the rapid change and instability of tax laws, and many opportunities for tax evasion and avoidance⁹⁶. So far, it seems that the flat-rate tax has not been sufficient to resolve these issues.

CONCLUSIONS

The process of transition from the planned economy to the free market, from communism to liberal democracy and the desire to 'catch up with the West' created a specific set of circumstances that are the essence of the contemporary economic reality in Central Europe. The taxation regimes of the three countries rely on sound free-market philosophy, globalisation demands, European integration limitations and tangible economic targets. Among the strongest arguments for the success of the adopted model of economic development is the substantial increase of GDP of all the three countries. Today, this progress is much more visible in Slovakia and Poland than in Bulgaria, which remains the poorest EU Member State⁹⁷.

⁹⁴ Garnier, G. et al., *op. cit.*, p. 28.

⁹⁵ European Commission, Directorate General for Economic and Financial Affairs (ECFIN) and Directorate General for Taxation and Customs Union (TAXUD). 2015. *Tax reforms in EU Member State 2015, Tax policy challenges for economic growth and fiscal sustainability*. Institutional Paper 008, p. 93. September 2015. Available at: http://ec.europa.eu/economy_finance/publications/eeip/pdf/ip008_en.pdf, see also Toro, J., Jensen, A., Thackray, M., Kidd, M., Russell, B. 2015. *Administracja podatkowa – wyzwania modernizacyjne i priorytety strategiczne*. [Tax administration – modernisation challenges and strategic priorities.] Międzynarodowy Fundusz Walutowy, Departament ds. Podatkowych. Available at: http://www.mf.gov.pl/documents/764034/3224234/20150505_Raport_MFW_PL.pdf.

⁹⁶ Martinez-Vazquez, J., McNab R.M. 2000. The Tax Reform Experiment in Transitional Countries. *National Tax Journal*, vol. 53, no. 2, pp. 273–298 (288–289).

⁹⁷ For GDP regional comparisons see: Gomulka, S., *op. cit.*, p. 9, as well as: <http://www.thecatchupindex.eu/TheCatchUpIndex/>, and Sedlak and Sedlak. *PKB w Polsce na tle innych krajów postkomunistycznych*. [GDP in Poland against other post-communist

Table 4
Real GDP growth (% change compared with the previous year)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
BG	6.6	6.0	6.5	6.9	5.8	-5.0	0.7	2.0	0.5	1.1	1.7
PL	5.1	3.5	6.2	7.2	3.9	2.6	3.7	4.8	1.8	1.7	3.4
SK	5.2	6.5	8.3	10.7	5.4	-5.3	4.8	2.7	1.6	1.4	2.4
EU 28	2.5	2.0	3.4	3.1	0.5	-4.4	2.1	1.7	-0.5	0.0	1.3

Source: http://ec.europa.eu/eurostat/statistics-explained/images/2/2c/Real_GDP_growth_%2C_2004%E2%80%9314_%28%25_change_compared_with_the_previous_year%3B_average_2004%E2%80%9314%29_YB15.png.

‘Catching up with the West’ required the accumulation of capital. This is what determined the features of the three taxation systems. They had to take into consideration such characteristics as reliance on cheap labour, the pursuit of foreign direct investments and stable revenue from the taxation of labour and indirect taxes. Despite the nominal distinction between flat-rate (Slovakia and Bulgaria) and progressive (Poland) taxation systems, the three countries actually operate in the same flat-rate tax regional environment.

The logic behind the need to attract FDIs was that it would attract capital and technological know-how. In order to attract FDIs, countries offered cheap labour, tax incentives and even participation in investment projects. Yet, major challenges remain. One is the threat of falling into the ‘middle-income trap’: lack of access to high technologies and rising wages. Secondly, the threat of an imbalance between foreign and national capital. As the economic crisis has shown, the departure of FDI from CEE was much higher than from the ‘old’ EU Member States⁹⁸. Due to the size of its economy, Bulgaria has the largest percentage of FDI as % of GDP, but also the cheapest labour force. In Slovakia the percentage is lower (GDP is twice as large, with a similar FDI inflow), but the threat stems from the FDI relatively monothematic structure⁹⁹.

*countries.] Available at: http://www.rynekpracy.pl/artykul.php/typ.1/kategoria_glowna.27/wpis.950 and the IMF report: Roaf, J. et al. 2014. *25 years of transition, post-communist Europe and the IMF*. Available at: https://www.imf.org/external/pubs/ft/reo/2014/eur/eng/pdf/erei_sr_102414.pdf.*

⁹⁸ Ernst & Young. 2014. *Ernst & Young European Attractiveness Survey*.

⁹⁹ Mainly car manufacturing and electronics.

Although Bulgaria still needs to ‘catch up’, Slovakia and Poland seem to have reached a turning point where the pursuit of further prosperity should be linked to a reassessment of the taxation policy in line with the new economic position of these countries. The pursuit of more Research and Development tax incentives introduced by the Slovaks seems to be an appropriate direction, but just as in the case of FDI a healthy balance between the pursuit of innovation and financial costs needs to be preserved. FDIs are a necessary tool to catch up, but the costs of their acquisition should not be underestimated, since under certain conditions FDI can leave fast, and the economy can suffer financial drainage. In order to prevent this, the countries of the region need to craft carefully the structure of the national economy with a healthy proportion of internal and external capital¹⁰⁰. The further economic success of Poland and Slovakia will depend on their ability to transform their economies from relatively low- technology goods to more advanced products¹⁰¹.

Theoretically, the Hall-Rabushka flat-rate concept claims that people should be taxed according to the benefit they reap from the economy, rather than according to what their taxpaying abilities are. In practical terms, the Polish, Slovak, and Bulgarian tax systems focused on the taxation of consumption and labour, simultaneously favouring the stability of the government's revenue and the establishment of an appropriate climate for foreign investors. The growing outcry focused on the alleged regressive nature of the flat-rate tax and the imposition of the tax burden primarily on poorer and middle-class taxpayers. In other words, the emphasis was on social justice, rather than on economic efficiency¹⁰². The economic picture of the

¹⁰⁰ Sadłkowski, D. Analiza kosztów gospodarczych wynikających z napływu bezpośrednich inwestycji zagranicznych. [Analysis of economic costs resulting from inflow of foreign direct investment.] *Studia i prace Wydziału Nauk Ekonomicznych i Zarządzania*, no. 41, vol. 3, Uniwersytet Szczeciński, p. 166–167. Available at: http://www.wneiz.pl/nauka_wneiz/sip/sip41-2015/SiP-41-t3-157.pdf.

¹⁰¹ European Commission. 2016. *Commission Staff Working Document, Country Report Poland 2016*, SWD(2016)89 final, 26 February 2016, p. 2. Available at: http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_poland_en.pdf.

three countries after twenty-five years proves that this choice led to intended and unintended consequences.

Among the intended ones were the increase of the countries' competitiveness and openness to regional and global economic trends; the noticeable increase in foreign direct investments and the incorporation of the countries' economies in the global economic system; the simplification of the tax systems and an alleged increase in their efficiency.

Among the unintended consequences there were growing social inequality and the feeling of social defeatism. The former became particularly acute after joining the EU, when the citizens of the three countries recognised the profound difference between the logic of Western European welfare and their transitional economies. The other one, which became more and more acute with every next election in the region, is the growing nationalism and social demands towards the state. The arguments about 'banksters', exploitative investors, the need to regain the national economy and political life become much more appealing than the arguments about the genuine equality of the flat tax and the economic rationality of the existing taxation model. The disappointment with the 'sluggish' process of 'catching up' and the popular rejection of free-market's 'invisible hand' as inhuman and socially harmful gain ground among all layers of these societies. In other words, the lack of deeper reflection about the consequences of the existing taxation model can contribute to the return of national socialism – if it is not already too late.

At the national level, the research reveals that the genuine problems today are not so much related to the model of the taxation system, but much more to its inefficiency and the discretion of the taxation administration, the overproduction of taxation legislation, lack of predictability and tax evasion. As the Slovak and Bulgarian cases reveal, the flat tax guarantees neither efficiency nor simplicity. Slovakia today has the best score for hours per year devoted to taxation, but Bulgaria has the worst. Surprisingly, the efforts to improve the tax administration allowed Poland to be classified closer to Slovakia rather than to Bulgaria.

Another legacy of the process of transition remains the fact that the tax systems of these countries are vulnerable to political manipulations, regardless of their consequences for the economy. In each of the three countries, populist initiatives to exploit direct and sector-targeted taxes exist. Some of them are a consequence of the uncritical acceptance of taxation trends in Western Europe, whereas others are 'regional products' originating from dominant political narratives.

Today's tax policies in Poland, Slovakia and Bulgaria still call for the transition period pursuit of 'catching up with the West'. As Łaszuk pointed out in his report, one of the reasons why the inefficiency of the tax administration has become so apparent and so acute in Poland is the fact that other burning issues, like corruption or court's inefficiency, were successfully resolved. For Bulgaria, which is still subject to the European Commission's Mechanism for Verification and Cooperation monitoring its anti-corruption efforts and judicial independence performance, the road seems to be much longer.

The pursuit of FDI is not over, and the countries seem to be satisfied with being Western Europe's industrial backyards, where the physical manufacturing of western technology takes place. Georgi Ganev argues that the lack of capital or wealth to tax makes Bulgaria a developing country, which means that the country still needs to catch up¹⁰³. In Bulgaria the debate should reassess Dobrin Ganchev's argument that not the quantity, but the quality of foreign investments and their contribution to the country's economic development should be decisive. After a quarter of a century, it becomes apparent that the tax system itself is not sufficient to provide the necessary conditions for the accumulation of capital. However, Slovakia and Poland are much closer to the point where a debate on the taxation systems seems to be necessary. The argument that the dominant taxation model in western European countries is progressive rather than the flat tax is used widely among the critics of the flat tax. The 'catching up with the West' model proved its efficiency by providing stable economic growth and openness to regional integration and to the global economy. However, its unevenly balanced tax burden and growing social inequality require a prompt disarming of the 'ticking bomb' of growing nationalist and social demands. The administrative inefficiency of the tax systems, their excessive repressiveness and simultaneous vast tax evasion or misuse of VAT remain among the biggest threats. The three countries' tax systems seem to be still in transition and the flat tax scheme should not be considered a panacea.

¹⁰³ Ganev, G. Bulgaria. In: Garello, P. ed. *Taxation in Europe 2013, The yearly report on the evolution of European tax systems*. Institute for Research on Economic and Fiscal Issues. Available at: http://en.irefeurope.org/SITES/en.irefeurope.org/IMG/pdf/taxation-in-europe-yearbook_iref-europe-2013.pdf.

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TAX POLICIES IN POLAND, SLOVAKIA, AND BULGARIA: SITTING ON A TICKING BOMB OR CATCHING UP WITH THE WEST

Summary

This paper conducts a comparative review of Bulgaria, Slovakia and Poland's taxation system performance in pursuit of the question whether the flat tax system was able to meet the hopes reposed in it. The three countries were selected because they nominally contain different taxation systems: Poland has a progressive one; Slovakia has a flat tax while retaining some elements of progressive taxation; whereas Bulgaria has the most radical flat tax system in the region. Furthermore, after a quarter of a century their economic and tax experience does not correspond with the expectations of the flat tax dogma. The research argues that the question whether the taxation system in the region is flat or not is of secondary importance, despite the fact that all the tax systems in their essence aim to perform in a very similar 'flattened' taxation pattern. Secondly, that the quest for foreign direct investments cannot be pursued blindly and uncritically, since the three countries' experience reveals alternative and most importantly, not only positive achievements. Finally, the paper argues that the current performance of the three countries' taxation systems does not correspond with the expectations that the flat tax system will resolve the internal operational difficulties such as high compliance gaps, tax evasion and weak tax administration. Having in mind that after a quarter of a century the three countries reached different levels of economic development, the question remains whether the current taxation systems are still relevant or they have lost their appropriateness. Poland and Slovakia are approaching the challenge of a 'middle income trap', whereas Bulgaria still needs to 'catch up'. Thus, the former two should reconsider the current pressuring weaknesses of their taxation systems, whereas the latter should reassess its approach towards foreign direct investments and reconsider the direction of its tax policy.

POLITYKI PODATKOWE POLSKI, SŁOWACJI I BUŁGARII: SIEDZENIE NA TYKAJĄCEJ BOMBIE CZY DOGANIANIE ZACHODU

Streszczenie

Artykuł dokonuje analizy porównawczej funkcjonowania systemów podatkowych Bułgarii, Słowacji i Polski, poszukując odpowiedzi na pytanie czy podatek liniowy był w stanie sprostać pokładanym w nim nadziejom. Polska, Bułgaria i Słowacja zostały wybrane do przeprowadzenia analizy porównawczej, ponieważ nominalnie posiadają odmienne systemy podatkowe. Polska posiada progresywny, Słowacja – podatek liniowy, zachowując jednak elementy progresywnego opodatkowania, a Bułgaria posiada najbardziej radykalny system podatku liniowego w regionie. Co więcej, po ćwierć wieku można dojść do wniosku, że ekonomiczne i podatkowe doświadczenia nie potwierdzają w całości dogmatu podatku liniowego. Badania przedstawione w artykule prowadzą do wniosku, że w swojej istocie dyskusja nad tym, czy dany system podatkowy jest liniowy czy też nie, posiada drugorzędne znaczenie, ponieważ wszystkie badane systemy podatkowe w swojej istocie zostały „spłaszczone” w praktyce. Po drugie, że dążenie do bezpośrednich inwestycji zagranicznych nie może odbywać się ślepo i bezkrytyczne, skoro doświadczenia trzech państw ukazują odmienne, i co najważniejsze, nie tylko pozytywne wyniki. Ostatecznie autor dochodzi do wniosku, że wyniki systemów podatkowych analizowanych państw nie są w stanie spełnić oczekiwanią pokładanych w podatku liniowym, co do rozwiązania takich wewnętrznych problemów, jak zmniejszenie luk podatkowej, unikanie podatków czy też słabość administracji podatkowej. Biorąc pod uwagę fakt, że po dwudziestu pięciu latach te trzy państwa osiągnęły odmienny poziomy rozwoju gospodarczego, pozostaje pytanie, czy obecne systemy podatkowe są nadal aktualne, czy też się zdezaktualizowały? Gdy Polska i Słowacja zbliżają się do wyzwań „pułapki średniego wzrostu”, Bułgaria nadal musi „doganiać”. Dlatego, te pierwsze muszą zastanowić się ponownie nad słabościami swoich systemów podatkowych, a Bułgaria powinna poddać ponownej refleksji swoje podejście do bezpośrednich inwestycji zagranicznych i zmienić kierunek swojej polityki podatkowej.

ПОЛЬСКАЯ, СЛОВАЦКАЯ И БОЛГАРСКАЯ НАЛОГОВАЯ ПОЛИТИКА: СИДЕТЬ НА ТИКАЮЩЕЙ БОМБЕ ИЛИ ДОГОНЯТЬ ЗАПАД

Резюме

В статье произведён сравнительный анализ функционирования налоговых систем Болгарии, Словакии и Польши, связанный с поиском ответа на вопрос, может ли линейный подоходный налог оправдать возложенные на него надежды. Выбор Польши, Болгарии и Словакии для проведения сравнительного анализа обусловлен тем, что эти государства名义ально имеют различные налоговые системы. В Польше действует прогрессивный, в Словакии – линейный подоходный налог, с сохранением, однако, элементов прогрессивного налогообложения, а Болгария отличается наиболее радикальной системой линейного подоходного налога в Европе. Более того, спустя четверть века можно утверждать, что экономический опыт и опыт налогообложения не в полной мере подтверждают предпосылки о роли линейного подоходного налога. Исследования, представленные в статье, позволяют прийти к выводу, что дискуссия по поводу того, является ли данная система налогообложения по своей сути линейной или же нет, имеет второстепенное значение, так как все системы налогообложения, подвергнутые анализу, оказались «расплощенным» на практике. Следующий вывод касается того, что стремление к непосредственным иностранным инвестициям не может быть слепым и бескритичным, если результаты опыта трёх государств оказываются различными, и, что самое важное, не только положительными. И, наконец, автор приходит к выводу, что результаты систем налогообложения анализируемых государств не в состоянии оправдать надежды, возлагаемые на линейный подоходный налог, в случае решения таких внутренних проблем, как снижение налогового бремени, избегание налогов или слабость налогового администрирования. Принимая во внимание тот факт, что спустя двадцать пять лет упомянутые три государства достигли различных уровней экономического развития, задаёмся вопросом: являются ли существующие системы налогообложения по-прежнему актуальными, или также потеряли свою актуальность? Когда Польша и Словакия приближаются к черте «ловушки среднего дохода», Болгария по-прежнему должна их «догонять». В связи с этим, два первых государства должны ещё раз предпринять попытку рефлексии над слабыми сторонами своих систем налогообложения, а Болгария должна пересмотреть свой подход к непосредственным иностранным инвестициям и изменить направление налоговой политики.

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ECONOMIC ASPECTS
OF INSTITUTIONAL TRANSFORMATION
IN POST-SOVIET COUNTRIES – CURRENT STATE
AND CONSEQUENCES FOR THEIR DEVELOPMENT
AND COMPETITIVENESS

INTRODUCTION

A quarter of a century ago, in December 1991, the Soviet Union formally broke up, resulting in the creation of 15 new subjects of international law, which significantly changed the political map of the contemporary world. Obtaining independence by the former USSR republics in the early 1990s necessitated both political and economic institutional changes. In the changed geopolitical conditions it was necessary to create new, own structures of the state and power, but also to deal with extremely serious economic and social challenges emerging in the face of an increasing crisis which was the legacy of the ineffective Soviet centrally-managed economy.

The economic doctrine of that time, advocated by international financial organisations (the International Monetary Fund, the World Bank), as well as by western governments, with the United States in the lead, promoted a neo-liberal model of systemic transformation. In practice, it boiled down to as soon as possible transition from a centrally planned economy – based on the state ownership of the majority of economic resources to a market economy – based on the market coordination and to optimisation of activities of economic entities and the dominance of private ownership. While the countries of Central Europe have achieved it relatively quickly, most of the post-Soviet countries (except the Baltic states) have not done it so far.

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The subject of this article is the issue of institutional transformation, particularly its economic aspects, in the countries of the former USSR. Apart from the presentation of selected theoretical aspects of the subject, the main goal is to make a synthetic analysis of the level of advancement of this transformation in the post-Soviet area a quarter of a century after the collapse of the Soviet Union, with particular emphasis on the current deep differentiation in the aforementioned countries, as well as its consequences for the contemporary level of development and the international competitiveness of their economies. It is also worthwhile to reflect on the future of the transformational processes in the field of economic institutions towards a neo-liberal model of a free market economy in the post-Soviet area, where these processes cannot be regarded as completed for obvious reasons (and perhaps it is false and naive to think that in the post-Soviet countries, apart from the Baltic states, of course, such a model of functioning economies can be implemented and its optimal functioning can be expected?).

Three main theses are advanced in the article. First, the institutional transformation of the post-Soviet economies, forced by the breakup of the Soviet Union, has been strongly differentiated from the beginning, both in terms of the adopted transformational strategies and their effects. In the vast majority of the post-Soviet countries, it has not been completed yet, i.e. institutional systems specific to free-market economies have not been introduced. Second, the current level of development, as well as international competitiveness, of most post-Soviet economies *de facto* do not result directly from the state of advancement of their institutional transformation. Third, in the foreseeable future, we should not expect the completion of the institutional transformation processes and thus the introduction of a liberal institutional environment, which is typical of free-market economies.

1. INSTITUTIONAL TRANSFORMATION AND ITS RELATIONS WITH DEVELOPMENT AND ECONOMIC COMPETITIVENESS – SELECTED THEORETICAL ASPECTS

In international literature, the concept of institutional transformation is defined as *institutional transformation*¹, *institutional transition*², or as

¹ Chung, W. 2000. *Institutional Transformation and the Creation of Chinese Entrepreneurial Networks*. Washington: Department of Sociology, University of Washington.

² Shin, J.S. 2002. *Institutional Transition and Transition Cost: A Methodological Consideration*. The European Institute of Japanese Studies, EIJS Working Paper Series 160/2002.

*institutional change*³. This concept usually means a process of fundamental, far-reaching changes in terms of key principles and values that underlie the functioning of broadly understood institutions regulating in a formal or informal manner the social, economic and political relations in a given country. For example, referring to L. Balcerowicz's definition, the process of institutional transformation implies fundamental changes in the formal and informal institutions, necessary to achieve the so-called 'critical mass' of systemic transformation in post-communist countries⁴. It is therefore an immanent element of this transformation, which consists of both economic and political transformation, determining its final result in a cardinal way.

It is worth pointing out that the very concept of institution can be defined in various ways. For example, according to D.C. North, institutions are the rules of the game in society, and more formally, they are the human-made constraints that shape human interactions. Thus, they create a structure of stimuli in the political, social or economic exchange process⁵. According to the World Bank definition, institutions are standards, rules of operation, contract enforcement mechanisms, and organisations for market transactions. These institutions help in the flow of information, in the enforcement of property rights and contracts, and regulate competition in the market⁶. In turn, L. Balcerowicz defines institutions as a category that consists of three main elements: the general legal order and its constituents (the constitution, property law, contract law, business law, electoral law, the penal code, etc.), institutional structures (also called organisations), as well as institutionally determined social mechanisms⁷.

The previously mentioned 'critical mass' of transformation is a term often used by economists dealing with the course, conditions and consequences of transformation processes in post-communist countries⁸. Its achievement

³ Kingston, Ch., Caballero, G. 2006. *Comparing Theories of Institutional Change*. International Society for New Institutional Economics.

⁴ Balcerowicz, L. *Institutional Change After Communism*. European University Institute, p. 4. Available at: <http://www.eui.eu/Documents/MWP/Conferences/ConstitutionsMarkets/BalcerowiczConstitutionsMarkets.PDF> [Accessed: 19 June 2017].

⁵ North, D. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press, p. 3.

⁶ The World Bank. 2002. *Building Institutions for Markets*. World Development Report 2002. Washington, p. 4.

⁷ Balcerowicz, L. 1997. *Socjalizm, kapitalizm, transformacja. Szkice z przełomu epok. [Socialism, capitalism, transformation. Sketches from the turn of the epoch.]* Warszawa: PWN, pp. 13–14.

⁸ See more in, among others, Aslund, A. 2002. *Building Capitalism. The Transformation of the Former Soviet Bloc*. Cambridge: Cambridge University Press; Portes, R. 1993.

means the effective replacement of the previously existing system (centrally planned economy) with a completely new one (market economy), with full violation of the paradigms of the operation of this former system⁹. In the case of economic system transformation, the achievement of this ‘critical mass’ implies effective institutional changes, consisting mainly of: the introduction of market principles of functioning of the economic system in which the role of the state is limited to the necessary minimum¹⁰, the establishment of private ownership as the dominant form of ownership and guaranteeing the rules of free competition for economic operators operating within the system¹¹. According to L. Balcerowicz, the finally desired achievement of this ‘critical mass’ of institutional transformation will be linked with three types of reformist actions, namely: (1) the liquidation of ‘old’ institutions that do not fit the ‘new’ reality of market economy; (2) the creation of completely new institutions that did not function in the system being departed from; and (3) the reorganisation of the functions of ‘old’ institutions and adapting them to the ‘new’ standards and needs¹².

In the field of institutional transformation of the economic system, two fundamental models can be distinguished on theoretical grounds, namely radical (shock) institutional transformation and gradual (incremental) institutional transformation.

Radical (shock) institutional transformation is characterised by an attempt to carry out the necessary systemic institutional changes in a violent manner, immediately, as soon as possible, in the shortest period of time. Fast and complex changes are expected to achieve the so-called critical mass of transformation (the establishment, i.e. the introduction of a free market system) with the maximum use of the social trust at the beginning of the transformation (before certain transformation social costs occur). On the other hand, the radicalism of transformational reforms is to allow for the shortening of the so-called transition period.

From Central Planning to a Market Economy. In: Islam, S., Mandelbaum, M. eds. *Making Markets. Economic Transformation in Eastern Europe and the Post-Soviet States*. New York: Council on Foreign Relations Press, pp. 16–52.

⁹ Jeffries, I. 1993. *Socialist Economics and the Transition to the Market. A Guide*. London, New York, p. 333.

¹⁰ Acocella, N. 2002. *Zasady polityki gospodarczej*. [Principles of economic policy.] Warszawa: PWN, p. 62.

¹¹ Balcerowicz, L. 1997. *Socjalizm, kapitalizm, transformacja. Szkice z przełomu epok*. [Socialism, capitalism, transformation. Sketches from the turn of the epoch.] Warszawa: PWN, p. 196.

¹² *Ibidem*, p. 12.

The strongest supporters of systemic institutional changes in terms of radical (shock) institutional transformation are, among others, O. Blachard, R. Dornbusch, P. Krugman, R. Layard, L. Summers¹³; M. Boycko¹⁴; J.C. Brada¹⁵; S. Fisher, A. Gelb¹⁶; J. Kornai¹⁷; J.D. Sachs¹⁸. All of them emphasise that the prolongation of structural institutional changes, and thus the lack of consistency and uniformity of reforms, critical to the transformation effectiveness, can lead to the creation of a 'new' system even more inefficient than the previous centrally planned (command) economy. Thus, extending the period of systemic institutional changes (the so-called transition period) significantly reduces the chances for the success of the entire systemic transformation. Moreover, M. Lavinge directly stresses the fact that institutional changes in the post-communist economic system must be carried out quickly and decisively, as there is a justified fear that the social costs associated with this transformation may cause social rejection of the implemented changes and thus the fiasco of the whole process¹⁹.

In the case of the other model of institutional transformation of the economic system, i.e. gradual (incremental) institutional transformation, although the final achievement of the 'critical mass' is assumed, the desired systemic institutional changes are introduced gradually over a longer period of time.

Proponents of this approach to institutional change maintain that there is an inverse proportional relationship between the scale of benefits from radical systemic institutional changes and the size of social costs involved, which fully justifies the need for a deliberate slow-down in the pace of reforms. A. Przeworski presents this view and emphasises that the radical strategy

¹³ Blachard, O., Dornbusch, R., Krugman, P., Layard, R., Summers, L. 1991. *Reform in Eastern Europe*. Cambridge: MIT Press.

¹⁴ Boycko, M. 1991. Price Decontrol: The Microeconomic Case for the Big Bang Approach. *Oxford Review of Economic Policy*, no. 7 (4)/1991, pp. 35–45.

¹⁵ Brada, J.C. 1993. The Transformation from Communism to Capitalism: How Far? How Fast? *Post-Soviet Affairs*, no. 9 (1)/1993, pp. 87–110.

¹⁶ Fisher, S., Gelb, A. 1991. The Process of Socialism Economic Transformation. *Journal of Economic Perspectives*, no. 5 (4)/1991, pp. 91–105.

¹⁷ Kornai, J. 1990. *The Road to a Free Economy. Shifting from a Socialist System: The Example of Hungary*. New York: Norton.

¹⁸ Sachs, J.D. 1991. Crossing the Valley of Tears in East European Reform. *Challenge*, no 34 (5)/1991, pp. 26–34; Sachs, J.D. 1992. The Economic Transformation of Eastern Europe: The Case of Poland. *Economics of Planning*, no. 25/1992, p. 5–19.

¹⁹ Lavinge, M. 1999. *The Economics of Transition. From Socialist Economy to Market Economy*. London: Macmillan Press.

of institutional transformation is characterised by significantly higher social costs, i.e. first of all a rapid increase in unemployment and an accompanying decline in consumption, which in turn will lead to increased dissatisfaction, plummeting support for the reformers and, consequently, to a halt to the transformation process, consolidating economic stagnation at a very low level of development. In addition, he draws attention to the fact that liberal institutional reforms carried out violently in the economic system significantly weaken democratic institutions just starting to develop²⁰.

M. Dewatripont and G. Roland²¹, as well as P. Aghion and O. Blanchard²² belong to the group of proponents of gradual institutional transformation. Just like A. Przeworski, they believe that radical institutional transformation will lead to a sharp decline in production and higher social reform costs than in the case of a gradual systemic institutional change. This, in turn, forces the reformers to create a special scheme of social protection to mitigate these costs. In addition, their opposition to rapid and decisive institutional reforms also arises from the assumption that radical reforms are bound to be accompanied by a more expanded system of high taxes, which in turn will effectively hamper the development of the private sector, which will further hinder the rapid overcoming of the transformation shock.

Another proponent of gradual institutional changes is P. Murrell²³ who consciously rejects the legitimacy of implementing a radical reform programme as a way to carry out systemic institutional changes towards a market economy, considering it to be internally inconsistent and harmful, while stressing that it is simply not possible to demolish the ‘old’ system overnight even if it was economically irrational.

Anticipating the rest of this article, referring at this point to the experience of the institutional transformation of economic systems in the countries of the former Soviet Union, it should be clearly emphasised that except for three Baltic states (Estonia, Lithuania and Latvia), all the others consciously or not *de facto* chose the second model of institutional transformation mentioned

²⁰ Przeworski, A. 1995. *Sustainable Democracy*, Cambridge: Cambridge University Press, p. 85.

²¹ Dewatripont, M., Roland, G. 1992. The Virtues of Gradualism and Legitimacy in the Transition to a Market Economy. *Economic Journal*, no. 102/1992, pp. 291–300.

²² Aghion, P., Blanchard, O. 1994. On the Speed of Transition in Central Europe. In: Fischer, S., Rotemberg, J. eds. *NBER Macroeconomic Annual 1994*. Cambridge: MIT Press, pp. 283–320.

²³ Murrell, P. 1992. Evolutionary and Radical Approaches to Economic Reform. *Economics of Planning*, no. 25 (1)/1992, pp. 79–95.

above, which seems to have been a decisive factor in the failure of this transformation.

The course, and in particular the results, of the institutional transformation of the economies of the countries in which this transformation takes place is extremely important from the point of view of overcoming deep transformational shocks that sooner or later have to emerge as a consequence of the changes that have to be made, connected with the necessity to find oneself in the new economic reality, but also to join the path of economic growth and development, the external institutionalisation of the economy, and to improve its competitive position on the international stage, desirable for economic and social reasons.

Considerable significance of institutions and thus of institutional transformation in the process of economic development, where existing institutions do not function efficiently, is best explained by broadly understood new institutional economics²⁴, according to which institutions are treated as non-economic economic resources, having a large (or even significant) impact on the development or regression of the country. For example, D. North even thinks that broadly understood institutions, and in particular their quality (stability, transparency, efficiency) are a factor which, in the longer term, has an impact on the accumulation of human and material capital, which is treated as a priority in this approach, and which stimulates the necessary technological progress and the level of innovativeness of the economy, and therefore also the level of its growth and economic development²⁵.

There is no doubt that institutions, both public and private ones, as well as formal and informal ones, are of profound significance in shaping the course of broadly understood economic processes in a given country, a consequence of which is the achieved level of not only economic growth but also of international competitiveness. J. Bossak and W. Bieńkowski explicitly state that ‘the quality of institutions has a major impact on the level of transaction costs and systemic risk (...). The higher the quality of institutions, the lower transaction costs and systemic risk, and the greater opportunities for economic development’²⁶, and thus the higher competitiveness of the economy. It must

²⁴ Opper, S. 2008. New Institutional Economics and its Application on Transition and Developing Economies. In: Brousseau, E., Glachant, J.M. eds. *New Institutional Economics. A Guidebook*. Cambridge: Cambridge University Press, pp. 389–406.

²⁵ North, D. 1990. *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.

²⁶ Bossak, J., Bieńkowski, W. 2004. *Międzynarodowa zdolność konkurencyjna kraju i przedsiębiorstw. Wyzwania dla Polski na progu XXI wieku*. [International competitiveness of

be borne in mind that excessive bureaucracy, corruption, dishonesty in public procurement, lack of public confidence, lack of transparency and credibility or of the independence of the judiciary significantly increase transaction costs and thus slow down the entire economic development process, as well as considerably lower the ability to compete in the international arena²⁷. In this context, effective institutional transformation (within the aforementioned institutions) is an extremely important determinant of the level of this international competitiveness²⁸. The introduction of the notion of institutional competitive advantage to the theory and empiric of economic research demonstrates the particularly tremendous importance of institutions in this context²⁹.

2. THE LEVEL OF ADVANCEMENT OF INSTITUTIONAL TRANSFORMATION OF ECONOMIES IN THE POST-SOVIET AREA

Assessing the degree of advancement and the effects of the institutional transformation processes of the post-Soviet economies, 25 years after the collapse of the USSR, it is important to emphasise considerable differences in this respect.

Undoubtedly, only three Baltic states (Estonia, Lithuania, Latvia) have achieved an unquestionable transformational success in the post-Soviet area, which can be seen in Chart 1 and Chart 2 which show the stage of

the country and enterprises. Challenges for Poland on the threshold of the 21st century.] Warszawa: SGH, p. 61.

²⁷ Falkowski, K. 2013. *Międzynarodowa konkurencyjność gospodarek Białorusi, Rosji i Ukrainy. [International competitiveness of the economies of Belarus, Russia and Ukraine.]* Warszawa: SGH, p. 31.

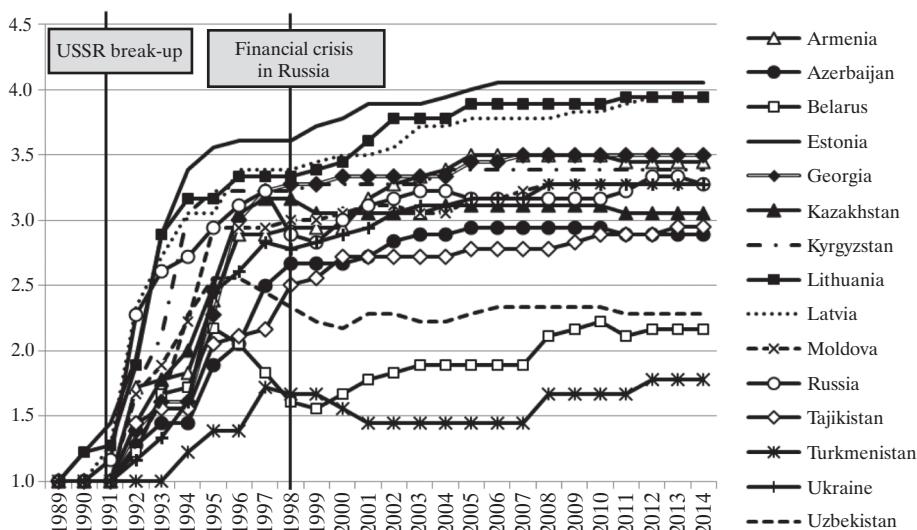
²⁸ Bieńkowski, W. 2005. *Wpływ instytucji na rozwój gospodarczy i konkurencyjność krajów postkomunistycznych. Kilka uwag w odniesieniu do Polski i Rosji. [The impact of institutions on the economic development and competitiveness of post-communist countries. A few comments on Poland and Russia.]* Paper for the conference: *Nowe uwarunkowania instytucjonalne a rozwój współpracy gospodarczej z krajami bałtyckimi, Białorusią, Rosją – Obwód Kaliningradzki i Ukrainą. [New institutional conditions and the development of economic cooperation with the Baltic states, Belarus, Russia – Kaliningrad Oblast and Ukraine.]* June 2005. Augustów; Winiecki, J. 2012. *Transformacja postkomunistyczna. Studium przypadku zmian instytucjonalnych. [Post-communist transformation. A case study of institutional changes.]* Warszawa: Wydawnictwo C.H. Beck; Yeager, J.T. 2004. *Institutions, Transition Economies and Economic Development.* Boulder, Colorado: Westview Press.

²⁹ Martin, X. 2014. Institutional advantage. *Global Strategy Journal*, no. 2014/4, pp. 55–69.

institutional transformation of the economies of the former USSR countries in 1989–2014. To compile the charts I used the data of the European Bank for Reconstruction and Development (EBRD), which in its reports assesses the scope and effectiveness of institutional change reforms, particularly with respect to changes in the ownership structure (so-called small and large privatisation), management and restructuring of enterprises, liberalisation of prices, trade and financial markets, and competition policy³⁰.

Chart 1

The level of advancement of the institutional transformation of the economies of individual post-Soviet states according to EBRD in 1989–2014*



* The latest data in this area are available for 2014.

Source: own study on the basis of the data of the European Bank for Reconstruction and Development (database: <http://www.ebrd.com/what-we-do/economic-research-and-data/data/forecasts-macro-data-transition-indicators.html>, accessed: 15 June 2017).

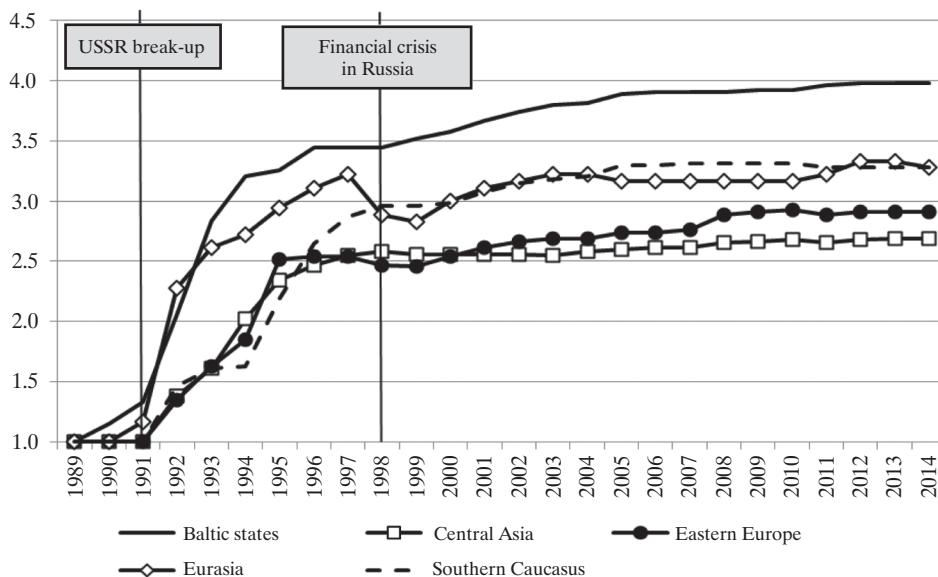
The data in Charts 1 and 2 show that definite leaders of pro-market reforms in the post-Soviet area are the Baltic states, already mentioned in this context, in turn, the group of so-called transformation outsiders includes the post-Soviet states from Central Asia, and Turkmenistan, Belarus and Uzbekistan when the countries are considered individually. Moreover, in

³⁰ EBRD. 2012. *Transition Report 2012*. London, p. 12.

the case of these three countries, it is important to underline the significant regress of the undertaken transformational activities, and consequently the far-reaching restoration of the centrally managed economy from the Soviet era. This is connected with A. Lukashenka's coming to power in Belarus (1994) and the radicalisation of Islamic fundamentalism, which resulted in a significant increase in the authoritarian power of President S. Niyazov in Turkmenistan and President I. Karimov in Uzbekistan.

Chart 2

**The level of advancement of the institutional transformation
of the post-Soviet economies by regions according to EBRD in 1989–2014***



Baltic states: Estonia, Lithuania, Latvia

Eastern Europe: Belarus, Moldova, Ukraine

Southern Caucasus: Armenia, Azerbaijan, Georgia

Eurasia: Russia

Central Asia: Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan

* The latest data in this area are available for 2014.

Source: own study on the basis of the data of the European Bank for Reconstruction and Development (database: <http://www.ebrd.com/what-we-do/economic-research-and-data/data/forecasts-macro-data-transition-indicators.html>, accessed: 15 June 2017).

Referring to the EBRD data on the advancement of market-oriented economic reforms in the post-Soviet countries, it may be tempting to divide these processes into periods and as a result to distinguish three main periods in this regard. The first (and crucial) date is 1991, that is the formal end of the USSR, and the forced start of economic changes necessary to adapt to new economic and political conditions. The second extremely important date not only for Russia, with which it is directly related but also broader, for the entire post-Soviet area is 1998 – the year of the Russian financial crisis.

In the first period, i.e. in the years 1989–1991³¹, despite the formal existence of the Soviet Union all the time, according to the EBRD, one may point to some limited, yet pro-market changes in the economic systems of the then Baltic Soviet republics. These changes concerned the partial liberalisation of the prices of industrial goods (since 1990 in Estonia and Lithuania, since 1991 in Latvia). The second period, 1991–1998, was generally characterised by a significant acceleration of transformation processes in all post-Soviet states. On the other hand, in the third period, i.e. from 1998 up to the present day, stagnation of institutional changes in individual post-Soviet countries (with the exception of the Baltic states) is clearly visible.

The data presented in Table 1 testify to the current state of advancement of the institutional transformation of the post-Soviet economies. In general it should be noted that so-called ‘small privatisation’, liberalisation of prices and liberalisation of trade and financial systems look definitely the best. With the exception of Belarus, Turkmenistan and Uzbekistan, all other countries have been rated as ‘4’ or ‘4+’ (the Baltic states), which means full implementation of the transformational goals assumed in this regard.

In turn, generalising, a specific transformation ‘Achilles heel’ among the post-Soviet states, after nearly a quarter of a century of their independent functioning and their ability to implement their own economic policies and structural institutional reforms, is the low range of desired changes in management and restructuring of enterprises, as well as competition policy. In both of these cases, in all analysed countries, except for Estonia, Lithuania and Latvia, the situation is dramatic.

³¹ In 1989 the European Bank for Reconstruction and Development began to evaluate the transformation effects for all so-called transition countries, i.e. of the former ‘Eastern Bloc’.

Table 1

The level of advancement of the institutional transformation of the post-Soviet economies in terms of individual categories according to EBRD in 2014*³²

	Privatisation		Management and restructuring of enterprises	Liberalisation of prices	Liberalisation of trade and financial system	Competition policy
	'big'	'small'				
Armenia	4-	4	2+	4	4+	2+
Azerbaijan	2	4-	2	4	4	2-
Belarus	2-	2+	2-	3	2+	2
Estonia	4	4+	4-	4+	4+	4-
Georgia	4	4	2+	4+	4+	2
Kazakhstan	3	4	2	4-	4-	2
Kyrgyzstan	4-	4	2	4+	4+	2
Lithuania	4	4+	3	4+	4+	4-
Latvia	4-	4+	3+	4+	4+	4-
Moldova	3	4	2	4	4+	2+
Russia	3	4	2+	4	4-	3-
Tajikistan	2+	4	2	4	4-	2-
Turkmenistan	1	2+	1	3	2+	1
Ukraine	3	4	2+	4	4	2+
Uzbekistan	3-	3+	2-	3-	2-	2-

* The latest data in this area are available for 2014.

Source: own study on the basis of the data of the European Bank for Reconstruction and Development (database: <http://www.ebrd.com/what-we-do/economic-research-and-data/data/forecasts-macro-data-transition-indicators.html>, accessed: 18 June 2017).

The advancement of the institutional transformation of the post-Soviet economies can also be assessed on the basis of the existing scope of economic freedom. According to the Heritage Foundation, the level of this freedom in the post-Soviet countries varies significantly and closely corresponds to the extent of the advancement of institutional change in these countries (Table 2).

³² According to the EBRD methodology, the degree of advancement of institutional transformation in individual countries in key areas of this transformation is evaluated from 1 (lowest rating, no transformation) to 4+ (highest rating, full transformation in the given category). Cf. EBRD. 2012. *Transition Report 2012*. London.

The highest level of economic freedoms (as of 2016) can be found in the three Baltic states and in Georgia (the result of deep neo-liberal economic reforms and deregulating changes from the times of President Saakashvili). These countries were classified as generally free (mostly free) economies. Estonia was by far the best rated in this field (9th among 178 economies assessed by the Heritage Foundation). Armenia, Kazakhstan and Azerbaijan were included in the next group of moderately free economies. In turn, Kyrgyzstan, Moldova, Tajikistan and Russia were classified as essentially unfree, and the worst situation in the area of post-Soviet economic freedom is in Belarus, Ukraine, Uzbekistan and Turkmenistan, which was classified as 174. Four above-mentioned countries were included in the worst group of repressed economies, which in practice means a very high degree of regulation of the economy by the state, weakness or lack of free market mechanisms, weak investment climate, weak or lack of mechanisms for effective protection of ownership rights, and high corruption of these economies.

3. INSTITUTIONAL TRANSFORMATION OF ECONOMIES IN THE POST-SOVIET AREA AND THEIR LEVEL OF DEVELOPMENT AND INTERNATIONAL COMPETITIVENESS

Undoubtedly, the main goal of any institutional change introduced under the broadly defined systemic transformation is to ultimately improve the standard of living of the country's population by increasing the efficiency of the use of resources and raising the efficiency of the overall economic system. From this point of view, as has already been pointed out in the theoretical part of this article, there is a direct link between the scope of introduced market-oriented reforms and the level of development of a given economy. The situation in this area among the post-Soviet countries is presented below.

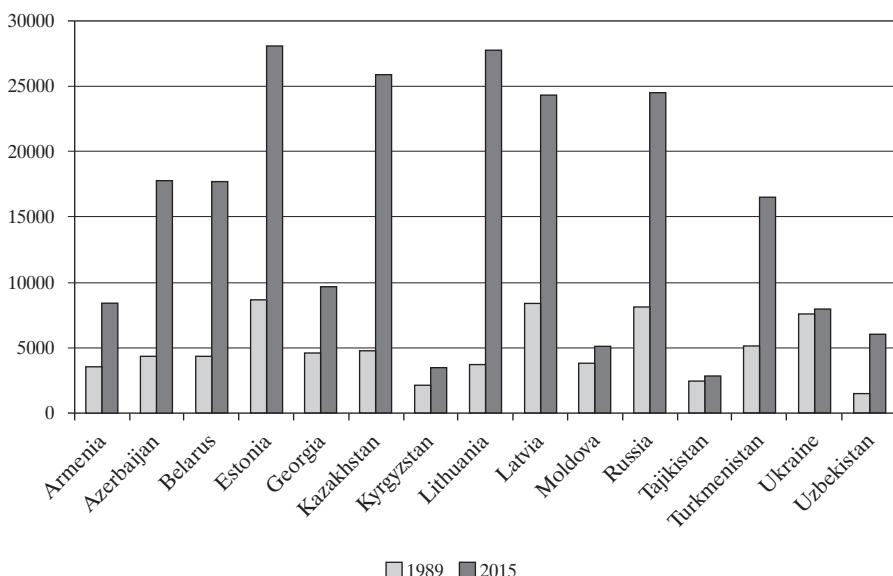
Referring to the International Monetary Fund data presented in Chart 3, it is clear that in 2015 the highest level of economic and social development (measured by GDP per capita PPP) in the post-Soviet area was in: Estonia (28.1 thousand USD), Lithuania (27.7 thousand USD), Kazakhstan (25.9 thousand USD), Russia (24.5 thousand USD) and Latvia (24.3 thousand USD). The worst situation in this regard was in: Tajikistan (2.8 thousand USD), Kyrgyzstan (3.4 thousand USD), Moldova (5.0 thousand USD) and Uzbekistan (6.0 thousand USD).

If, on the other hand, we compare the level of economic and social development measured by GDP per capita PPP from 2015 to that of 1989

we can clearly see which of the post-Soviet countries developed the most in that period. The highest increase in gross domestic product per capita was recorded in Kazakhstan (5.4 times), Uzbekistan, Belarus and Azerbaijan (4.1 times), Estonia and Turkmenistan (3.3 times). On the other hand, the progress was particularly slow in Moldova (up 34%), Tajikistan (up 17%) and Ukraine (where GDP per capita in 2015 was higher by only 5% than in 1989!).

Chart 3

**The level of economic and social development in individual post-Soviet countries
(measured by GDP per capita PPP) in 1989 and 2015 (USD)**

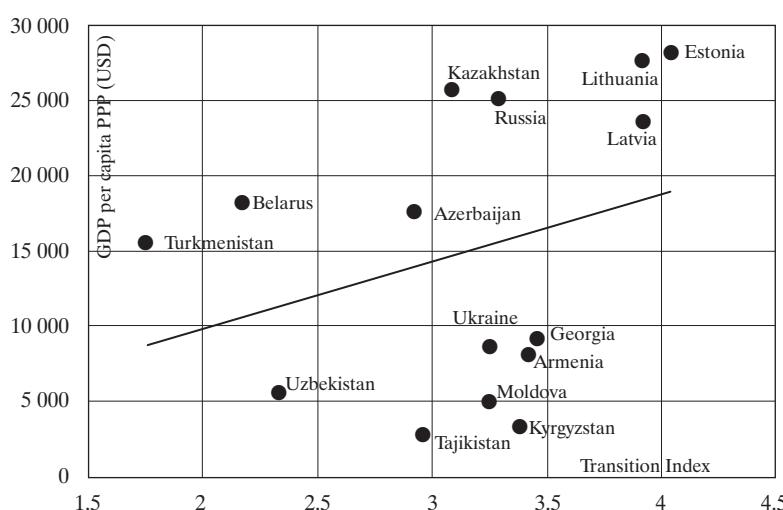


Source: own study on the basis of the data of the IMF.

There is, however, an essential question at this point about the reasons for the economic development of most post-Soviet countries, and especially the role of institutional changes towards the development of a liberal, internalised, market economy system. In response to the above question, it should be very clearly emphasised that only a very small group of the post-Soviet countries, that is only the Baltic states (Estonia, Lithuania and Latvia), effectively transformed their economies and introduced a liberal, free-market economic system. For this reason only in these countries their economic success can be linked with successful institutional transformation.

The economic and social development in other post-Soviet countries, where it occurred (see Chart 3), unfortunately cannot be linked to the progress of institutional transformation in these countries (Chart 4). The best proof of this is that there are such post-Soviet countries as Kazakhstan, Russia, Belarus, Azerbaijan and Turkmenistan, whose higher than average socio-economic development (in the post-Soviet area) does not correspond to liberal market reforms (which *de facto* have never been there). In this case, the dynamic development (as measured by the increase in GDP per capita PPP from 1989 to 2015) should be explained by a favourable price situation in the international markets to which these countries export their commodities and raw materials, or in the case of Belarus, its close economic co-operation with Russia and, in return, preferential prices of energy raw materials, which given the high energy intensity of the Belarusian economy, was an extremely strong factor of economic growth.

Chart 4
The advancement of institutional transformation in individual post-Soviet countries and the level of their socio-economic development

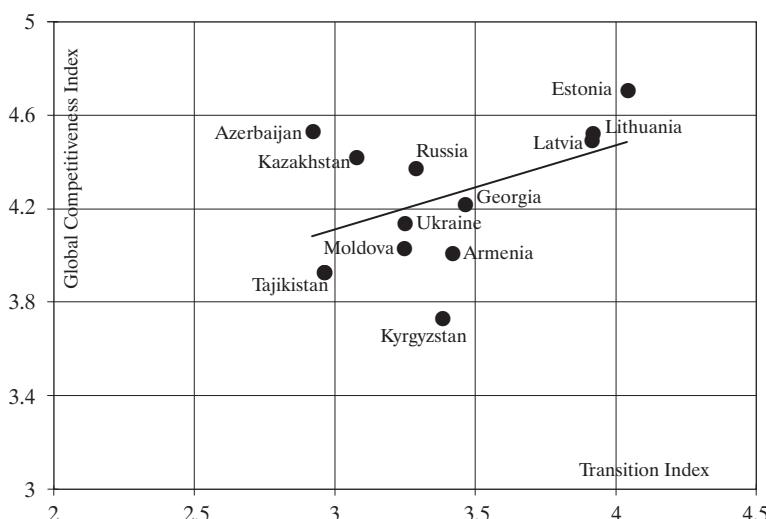


Source: own study on the basis of the data of the European Bank for Reconstruction and Development (database: <http://www.ebrd.com/what-we-do/economic-research-and-data/data/forecasts-macro-data-transition-indicators.html>, accessed: 15 June 2017) and the International Monetary Fund.

The situation is very similar when we refer to the degree of the advancement of institutional transformation in individual post-Soviet

economies (measured by value of the Transformation Index, according to EBRD data) to the level of their international competitiveness (which is determined by the value of the Global Competitiveness Index prepared by the World Economic Forum).

Chart 5
The advancement of institutional transformation in individual post-Soviet countries and the level of their international competitiveness



Source: own study on the basis of the data of the European Bank for Reconstruction and Development (database: <http://www.ebrd.com/what-we-do/economic-research-and-data/data/forecasts-macro-data-transition-indicators.html>, accessed: 15 June 2017) and the World Economic Forum.

In the case of the international competitiveness of the post-Soviet economies, according to the methodology of the World Economic Forum³³, we should note the relatively high level of competitiveness not only of the three Baltic states but also of Azerbaijan and Kazakhstan, and to a certain extent of Russia. It did not result from the extent of institutional change in these countries but from the size of their economies (relatively greater domestic demand compared to other post-Soviet countries), international trade (especially due to significant exports of mineral resources), and macroeconomic stability (resulting from the favourable price situation for

³³ Schwab K. ed. 2014. *The Global Competitiveness Report 2014–2015*. Geneva: World Economic Forum, pp. 3–11.

raw materials exported by these countries, with the exception of crude oil in the last 2-3 years).

Generally speaking, it should be stressed that in the Global Competitiveness Reports, the post-Soviet countries, with the exception of the three Baltic states, have been poorly evaluated over many years in terms of broadly understood institutions (above all: judicial quality, ownership rights protection, the scale of corruption), the efficiency of financial markets, the efficiency of labour markets, and the development of the business environment. This fact must be clearly connected with the lack of effective institutional changes in the post-Soviet area.

4. THE FUTURE OF INSTITUTIONAL TRANSFORMATION OF POST-SOVIET ECONOMIES

In the context of the institutional transformation of the post-Soviet economies, a fundamental question arises about their future because, with the exception of the three Baltic states, in the case of the other post-Soviet countries, we cannot *de facto* speak of achieving the ‘critical mass’, which, according to theoretical assumptions, would mean the successful conclusion of this transformation and the introduction of free-market principles to the functioning of their economies. Another extremely important question arises at this point, namely whether these counties, given their geographical, historical, political, social and cultural specificity, will be really able to achieve this neo-liberal ‘critical mass’ at all, which to a large extent is closer to the western way of thinking and functioning.

In this context, it is justified to say that, after a quarter of a century of functioning in completely new geopolitical realities, the changes and institutional transformations carried out in these countries so far have reached a peculiar peak of the possibilities for change in this area. This means that the transformation of economic institutions in most post-Soviet countries has already ended and that these countries have already reached their own ‘critical mass’, which is not at all the same as that promoted by the previously mentioned Washington consensus. Thus, looking at the existing economic, social and political realities in these countries, the introduction of neoliberal principles of market capitalism seems to be very unlikely. This is even more unlikely because as a consequence of the global economic crisis of 2008 the model of liberal, open and strongly internationalised economy has been discredited.

On the other hand, in the case of some post-Soviet countries, i.e. those that have expressed their aspirations for closer cooperation with the European Union (Eastern Partnership countries, except Belarus and Armenia), theoretically one can expect the continuation of market reforms (institutional transformation). Nevertheless, it should be strongly stressed here that it should not be expected that ultimately these countries will follow the transformation path of the Central European countries, and consequently that their achievements in this area will be identical with the accomplishments of Poland, Hungary, the Czech Republic and other post-communist countries of this part of Europe. Why? Because of three paradoxically very mundane reasons, namely³⁴:

- firstly, because of the ‘time and place’ these countries are in now. It was much easier to carry out radical and complex institutional transformations in Central European countries in the early 1990s when Russia was weak and the international community actively helped in their transformation and when the societies of these countries – yet fully unaware of the negative social impact of these changes – euphorically supported the reformers. What is more, it is much easier to enforce the desired changes quickly, radically and comprehensively (as was the case in Central European countries in the early 1990s) than to do it gradually and slowly, exposing oneself to strong ‘interest groups’ not even remotely interested in the country becoming more democratic and the economy being more market-oriented which could threaten their own vested interests;
- secondly, due to the fatigue of the societies of these countries with hitherto transformations that have not led to the promised real improvement of the living conditions of the population. In this context it should be strongly stressed that the social capital of positive attitude to changes which appeared just after the collapse of the USSR has been deliberately squandered;
- thirdly, because of Russia’s strong interference in the internal affairs of these countries and the possibility of Russia further playing the national card in order to destabilise the situation in them in the name of advancing its own, particular geostrategic interests.

All this leads us to the conclusion that, taking into account the current determinants, it is difficult to assume that institutional transformation in

³⁴ Falkowski, K. 2016. Testing the CEEs’ model of transformation in the ENP framework: challenges and opportunities: the Eastern Dimension. *Yearbook of the Institute of East-Central Europe*, vol. 14(6), pp. 9–25.

the post-Soviet areas may be completed in the foreseeable future according to the neo-liberal model of change experienced in the countries of Central Europe or the Baltic states (after all former Soviet republics). The scenario assuming the maintaining of the status quo in this area is much more likely, which unfortunately will involve stronger and stronger subordination of these countries to Russia.

CONCLUSION

All institutional changes are always tedious, difficult, arousing much controversy and entailing certain costs, let alone those with which the States created after the collapse of the Soviet Union in the early 1990s had to face. They had to 'find themselves' in the new geopolitical reality and try to redefine their own rules on which to base their economic systems. In practice, however, the departure from the Soviet model of the centrally-managed economy and transition to a free market system (recommended by international financial institutions and western governments), based on competition, private property and the dominance of the market rather than of the state in the economy turned out to be extremely difficult and challenging for the post-Soviet countries, regardless of their implementation method.

Assessing today (25 years after the formal break-up of the USSR) the degree of the advancement of this institutional transformation in the group of these economies, it is important to underline its strong diversity, both in terms of the adopted transformation strategies and the effectiveness of their implementation. Consequently, in a vast majority of post-Soviet countries (except the three Baltic states – Estonia, Lithuania and Latvia) it has not been completed yet, i.e. they have failed to create institutional systems specific to free market economies, according to the neo-liberal doctrine outlined in the Washington consensus. Turkmenistan, Uzbekistan and Belarus fare definitely the worst from the perspective of those 25 years of institutional transformation of the post-Soviet area.

It is possible to point to at least several reasons for this state of affairs. Due to the formal limitation of the article, four selected, in the author's opinion the most important ones will be mentioned. First of all, most post-Soviet countries are characterised by a far more distinct cultural code than the European one (determining a number of informal institutions of social, political and economic life), among others, in relation to the attitude to the law, ownership, the state, another human being (including the social

position of women in Muslim countries), etc. In such societies it is much more difficult to create and implement liberal principles of the operation of the state and the economy. Moreover, under such conditions, the ‘transplantation’ of solutions that have worked in the West seems to have been doomed to failure as the transformation reality has verified.

Secondly, from the point of view of the success of institutional transformation, the attitude of the elites in power towards the need for institutional changes in the economy is extremely important. In the post-Soviet countries, with the exception of the Baltic states, the post-communist political elites have very quickly sanctioned a very convenient for them mechanism of concentration of economic assets (especially raw materials and industry) in the hands of the state, while liberalising profits and nationalising costs. Consequently, they have not shown any will or need for any deep structural institutional changes. Thirdly, the fact that some of the post-Soviet countries have a large stock of resources and the associated possibility of discounting profits from their international sales to secure macroeconomic stability and economic growth, has demotivated their governments and has undermined the need for fundamental institutional change. Last but not least, we should not forget about the destabilising role of Russia itself, especially under Putin’s rule, for which the liberal institutional transformations in the economies of the former post-Soviet states, still regarded as a zone of Russian geostrategic influence, has been considered a real threat to this influence. As a consequence, Russia has tried in various ways to torpedo potential market reforms, either discrediting the reformers in the eyes of the public of those countries, or blackmailing them economically.

The conducted analysis shows that the degree of advancement of the institutional transformation of various economies in the post-Soviet area does not entirely determine their present level of development as well as their international competitive position. In the case of the three Baltic states, there is a strong positive correlation between the institutional changes and their level of development and competitiveness. However, it cannot be said of countries such as Uzbekistan, Belarus or Turkmenistan, where the range of free-market institutional changes is the smallest in the entire post-Soviet area. There is no doubt that in this case the main factor of growth are raw materials, either owned, mined and exported (in the case of Turkmenistan and Uzbekistan), or purchased from Russia on preferential terms (in the case of Belarus). The same can be said of the Russian economy, whose extensive economic growth and international competitive profile depend *de facto* solely on the sale of its mineral resources.

Referring to the future of the institutional transformation of the post-Soviet economies, where these processes have not yet been completed, it should be emphasised that, given the present geopolitical conditions and highly expansive Russian policy towards the post-Soviet countries, we should not expect their completion and thus the introduction of the liberal institutional environment in these countries, which are typical of free-market economies.

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ECONOMIC ASPECTS OF INSTITUTIONAL TRANSFORMATION IN POST-SOVIET COUNTRIES – CURRENT STATE AND CONSEQUENCES FOR THEIR DEVELOPMENT AND COMPETITIVENESS

Summary

The subject of this article is the problem of institutional transformation, specifically its economic aspects, in countries of the former USSR. First, selected theoretical aspects related to institutional transformation of post-communist economies are discussed. Then, a synthetic analysis of the advancement of this transformation in the post-Soviet area and of its consequences for the development and international competitiveness of their economies is conducted. And finally, reference is made to the future of institutional transformation of post-Soviet economies. The analysis shows that: from the very beginning (i.e. the break-up of the USSR), the processes of institutional transformation of post-Soviet economies have been strongly differentiated both in terms of adopted transformational strategies and their

effectiveness, as evidenced by the very different results observed presently in this regard; the current level of development, as well as international competitiveness of most post-Soviet economies are not a direct consequence of the advancement of their institutional transformation; completion of the processes of institutional transformation is not to be expected in the foreseeable future and neither is the introduction of a liberal institutional environment typical for free market economies.

EKONOMICZNE ASPEKTY TRANSFORMACJI INSTYTUCJONALNEJ W KRAJACH PORADZIECKICH – STAN ORAZ KONSEKWENCJE DLA ICH ROZWOJU I KONKURENCYJNOŚCI

Streszczenie

Przedmiotem niniejszego artykułu jest problematyka transformacji instytucjonalnej, a konkretnie jej ekonomicznych aspektów, w krajach byłego ZSRR. W szczególności omówione zostały wybrane aspekty teoretyczne odnoszące się do transformacji instytucjonalnej gospodarek postkomunistycznych. Następnie dokonano syntetycznej analizy poziomu zaawansowania owej transformacji na obszarze poradzieckim, a także ich konsekwencji dla poziomu rozwoju oraz międzynarodowej konkurencyjności gospodarek tych krajów. W kolejnej części odniesiono się do przyszłości transformacji instytucjonalnej gospodarek poradzieckich. Z przeprowadzonej analizy wynika, że: procesy transformacji instytucjonalnej gospodarek na obszarze poradzieckim od samego początku (tj. rozpadu ZSRR) były silnie zróżnicowane, zarówno pod względem przyjętych strategii transformacyjnych, jak i skuteczności ich realizacji, czego wymiernym rezultatem są dzisiejsze bardzo zróżnicowane efekty w tym zakresie; obecny poziom rozwoju, jak również międzynarodowa konkurencyjność większości gospodarek poradzieckich nie są *de facto* bezpośrednią konsekwencją stanu zaawansowania ich transformacji instytucjonalnej; w dającej się przewidzieć przyszłości nie należy oczekwać dokończenia procesów transformacji instytucjonalnej i tym samym wprowadzenia liberalnego otoczenia instytucjonalnego, charakterystycznego dla gospodarek wolnorynkowych.

ЭКОНОМИЧЕСКИЕ АСПЕКТЫ ИНСТИТУЦИОНАЛЬНОЙ ТРАНСФОРМАЦИИ В ПОСТСОВЕТСКИХ ГОСУДАРСТВАХ – СОСТОЯНИЕ И ПОСЛЕДСТВИЯ ДЛЯ ИХ РАЗВИТИЯ И УРОВНЯ КОНКУРЕНТОСПОСОБНОСТИ

Резюме

Предметом настоящей статьи является проблематика институциональной трансформации, а точнее, её экономических аспектов, в государствах бывшего СССР. В частности, были обсуждены избранные теоретические аспекты, касающиеся институциональной трансформации экономических посткоммунистических систем. Затем произведён синтетический анализ уровня продвинутости этих трансформаций на постсоветском пространстве, а также их последствий для уровня развития и международной конкурентоспособности экономических систем этих государств. Следующая часть статьи касается будущего институциональной трансформации постсоветских экономических систем. Результаты анализа показывают, что процессы институциональной трансформации экономических систем на постсоветском пространстве с самого начала (под которым подразумевается распад СССР) сильно различались друг от друга – как с точки зрения предпринятых трансформационных стратегий, так и эффективности их реализации; измеримым исходом чего являются значительно дифференцированные результаты в данной сфере; современный уровень развития, а также международная конкурентоспособность большинства постсоветских экономических систем не являются *de facto* непосредственным последствием уровня продвинутости их институциональной трансформации; в обозримом будущем не следует ожидать завершения процессов институциональной трансформации и тем самым введения либеральной институциональной среды, свойственной экономическим системам со свободной рыночной экономикой.

Konrad Świder*

EMANCIPATION OF THE NOMENCLATURE AS A CATALYST FOR THE BREAKUP OF THE SOVIET UNION

1. THE DEFINITION AND GENESIS

‘Nomenclature’ is a concept that best characterised Soviet political culture, especially from the time of Leonid Brezhnev until the break-up of the USSR, and even now it constitutes an integral part of the political culture of the Russian Federation. This Latin term refers to an appointment (nomination) or a list of names. In the Soviet bureaucratic system this concept was given a new meaning: an index of persons in positions and positions approved by higher authorities; the nomenclature did not cover the whole bureaucracy, but only a part of it dealing with key (decision-making) jobs in the party, state and economic apparatus (a ‘higher-level’ in the party-state hierarchy)¹. In practice, however, the nomenclatures of different levels existed and operated depending on which party instance decided on staffing of the posts; they formed a system of so-called nomenclature recruitment of staff (based on party recommendations as a method of their appointment), transforming organs and state services into ‘apparatuses’².

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¹ Хевели, М. [Chiewieszy, M.] 2004. *Толковый словарь идеологических и политических терминов советского периода*. [Glossary of ideological and political terms of the Soviet era.] Moskwa. Michail Woslenskij gave a similar definition of nomenclature but he did not narrow it to the most prominent persons and positions in the state; Восленский, М. [Woslenskij, M.] 2005. *Номенклатура*. [Nomenclature.] Moskwa, pp. 82–83.

² See Chmaj, M. Sokół, W. ed. 2002. *Mała encyklopedia wiedzy politycznej*. [A small encyclopaedia of political knowledge.] Toruń; Wielka encyklopedia powszechna PWN. [Great Universal Encyclopedia.] 2003. Warszawa: PWN, vol. 19.

In the nomenclature structures, apart from the ‘apparatuses’ resulting from nominations and initiating decision-making processes, Olga Krysztanowskaja distinguished ‘committees’ – coming from elections, dealing with public policy and seemingly legitimised³. Stanisław Ehrlich – concentrating primarily on the Polish characteristics of this phenomenon – briefly defined nomenclature as a monopolistic centre and a decision-making network of the Communist Party, including it in so-called ‘patronage’ systems in which group ties are based on patron-client arrangements⁴. In turn, Włodzimierz Marciniak briefly defined the (party) nomenclature as a historical form of organisation of political rule⁵. In general, the nomenclature is one of the types of social relations. In the literature this term also defines – due to the lack of a better name – the whole Soviet ruling class.

The genesis of the nomenclature dates back to the 1920s – that is to the beginning of Joseph Stalin’s expansion of the administrative staff, whose numbers increased more than fivefold in 1928–1939⁶. Mikhail Woslenskij noted that the leader of the Bolshevik revolution, Vladimir Lenin, invented a professional revolutionary organisation and the head of the party apparatus, Joseph Stalin, invented the nomenclature⁷. Similarly, Stanisław Ehrlich said that the date of the consolidation of the nomenclature was the period of abandoning the New Economic Policy (1928) and the start of collectivisation⁸. Mikhail Woslenskij conducted an interesting analysis of the size of the Soviet nomenclature in 1959–1988, concentrating on the years 1959 and 1970 (censuses). The size of this social group did not change significantly at

³ Крыштановская, О. [Krysztanowskaja, O.] 2004. *Анатомия российской элиты. [Anatomy of the Russian elite.]* Moskwa, p. 104.

⁴ Ehrlich, S. 1995. *Wiążące wzory zachowania. Rzecz o wielości systemów norm. [Binding patterns of behavior. The thing about the multiplicity of systems of standards.]* Warszawa, p. 270, 275. Ehrlich’s definition is the starting point for his structural analysis and constructivist model of the ‘temple of power’. The author presented its hierarchy: (the roof) First Secretary, Political Bureau, Central Committee; (columns) divisions – of security, economy, party apparatus (the most important), civil party apparatus, the army; (the landing) the mass of basic members of the party organisation, *ibidem*, pp. 280–283.

⁵ Marciniak, W. 2004. *Rozgrabiione imperium. Upadek Związku Sowieckiego i powstanie Federacji Rosyjskiej. [The plundered empire. The fall of the Soviet Union and the rise of the Russian Federation.]* Kraków, p. 108.

⁶ Хевеши, М. [Chiewieszy, M.] 2004. Толковый словарь идеологических и политических терминов... [Glossary of ideological and political terms....].

⁷ Восленский, М. [Woslenskij, M.] 2005. *Номенклатура. [Nomenclature.]*, p. 82.

⁸ Ehrlich, S. 1995. *Wiążące wzory zachowania. [Binding patterns of behavior.]*, pp. 271–272.

that time. According to the author's calculations, the higher nomenclature consisted of approximately more than 100 thousand, and the lower one of more than 150 thousand people; in addition, over 300 thousand people were industry, construction, transportation, communications and agriculture managers; over 150 thousand – managers of scientific and educational institutions; thus, the total nomenclature amounted to 750,000 people, but according to Mikhail Woslenskij, we should also include the family (statistically four people) in this balance; thus the new 'courtly class' in the USSR was made up of 3 million people – 1.5% of the country's population⁹. Olga Krysztanowska defined the numerical status of the CPSU Central Committee nomenclature as 400 thousand people: the higher nomenclature, i.e. the nomenclature of the Political Bureau of the CPSU Central Committee ranged from 800 to 1800 people, the nomenclature of the Central Secretariat included a list of 14–18 thousand positions, the accounting and control nomenclature amounted to 250 thousand people, the remaining part was the nomenclature of lower level party (regional, national, urban) committees¹⁰.

Already in the 1930s the nomenclature class began to live its secret life which was different from the existence of ordinary citizens. The nomenclature enjoyed a privileged position in the system of distribution of goods and services (separate socio-livelihood infrastructure) under conditions of their general shortage. Gavril Popow called the management mechanism of socialist processes, based mainly on administration methods, the Administrative System¹¹. A feature which distinguished the nomenclature from the usual bureaucracy was its secrecy (a list of positions, persons and privileges), and especially since the Brezhnev era, the lack of control over it. The composition of the nomenclature basically reflected the real relations of power in the country, so power ministries were significantly (over) represented in its ranks. Olga Krysztanowska described the approval procedure for a nomenclature

⁹ Восленский, М. [Woslenskij, M.] 2005. *Номенклатура*. [Nomenclature.], pp. 151–156.

¹⁰ Крыштановская, О. [Krysztanowska, O.] 2004. *Анатомия...* [Anatomy...], p. 17.

¹¹ G. Popow, 1989. *Z punktu widzenia ekonomisty. O powieści Aleksandra Beka „Nominação”*. [From an economist's point of view. About Aleksander Bek's novel 'Nomination'.] In: *Fenomen Stalina*. [Stalin's phenomenon.] Translated by M. Kotowska. Warszawa, pp. 86–87. Popow explained the livelihood privilege of the nomenclature; in his view, in order to increase the efficiency and preserve the power of the members of the managing apparatus, the Administrative System tried to relieve them of all material concerns. The system guaranteed them the maximum of goods – an apartment, a holiday villa, special buffets, but not to turn them into 'aristocracy', but because the System had no other choice: the better the needs of the managing apparatus and its families are met, the greater their attachment to the System, *ibidem*, p. 91.

job; the nomenclature approval process consisted of three stages: support (recommendation), approval and appointment (nomination)¹². Power based on the nomenclature had at its disposal a variety of resources, of which the most important were ‘personnel reserve’ and ‘administrative resource’ (*adminriesurs*) – the entirety of the means and methods for the implementation of tasks allowing it to control all political processes in the country and constituting a fundamental attribute of totalitarian society¹³. According to Krysztanowskaja, describing the method of recruiting the elite in the Soviet period, the recruitment (incorporation) to the ranks of power was held by both the system of elite education, and social activities, which in the case of success led young people to the lower levels of the nomenclature hierarchy – where their career began¹⁴.

2. THE PREMISES OF THE EVOLUTION AND EMANCIPATION OF THE NOMENCLATURE

The departure from Lenin’s idea of a permanent (world-wide) revolution in favour of Stalin’s concept of a ‘revolution in one country’ meant abandoning the vision of communist, classless and stateless society. Changes in the strategy of the global realisation of communism boiling down to the need to develop an economic – raw material and industrial – base (the so-called primary socialist accumulation), which was to be the starting point for future communist expansion, heralded the construction of a superstate with its institutions, including a coercive apparatus, that is a totalitarian and exceptionally oppressive state – on a scale so unprecedented in the history of mankind. The management of this state was entrusted to a class of administrators (apparatchiks and bureaucrats), which was created on the basis of the Bolshevik monoparty and which in time became known as the nomenclature.

¹² At the beginning a relevant organ (e.g. the Council of Ministers) *applied* to the CPSU Central Committee to consider three or four candidates, The CC department in charge of the field *supported* one of the candidates, next the Political Bureau of the CPSU Central Committee (if it was a nomenclature of the Political Bureau) *approved* the candidate and finally a proper body *appointed* (in the case of the Council of Ministers) or *elected* (in the case of the Supreme Council) the recommended person and published the decision; Крыштановская, О. [Krysztanowskaja, O.] 2004. *Анатомия...* [Anatomy...], p. 106.

¹³ See Крыштановская, О. 2004. [Krysztanowskaja, O.] *Анатомия...* [Anatomy...], p. 107.

¹⁴ *Ibidem*, p. 109.

After Stalin's death – on the wave of thaw, the departure from extreme totalitarianism and repressiveness, this group gradually started to become independent from the supreme central power, the staffing of which was the result of the consensus of the upper nomenclature levels organised in informal industry and regional clans. This process lasted until the disintegration of the USSR. The process of emancipation of the Soviet nomenclature implied a number of other subprocesses and phenomena, taking on special significance in the context of the impossibility of fulfilling the assumptions of communism due to the more and more difficult, hidden, utopian nature of this ideology.

The Communist renegade-dissidents undertook a task of the explanation of the changes in the Soviet model of power. Milovan Džilas, coming from Yugoslavia, created a 'new class' theory developed later by Mikhail Woslenskij¹⁵. It was an interpretation of the totalitarian system, centred on the privileges of the nomenclature and not referring the process of its consolidation to de-totalitisation (a process that took place in the Soviet state after Stalin's death). It must be noted, however, that the Soviet system, by its very existence, played an 'educative' or 'disciplining' role in relation to Western capitalism, since paradoxically, it indirectly forced democratic regimes to modify their social policy in order to prevent excessive communist influence among workers and intelligentsia. In the 1960s, under the conditions of the Soviet Union and the United States abandoning the policy of 'confrontation' in favour of the policy of 'coexistence', visions of society of the future – theories of convergence (of systems becoming similar) became fashionable in the West as alternatives to the Marxist theory of social development. According to their

¹⁵ See Džilas, M. 1958. *Nowa klasa. Analiza systemu komunistycznego*. [The new class. An analysis of the communist system.] Translated by A. Lisowski. New York; Восленский, М. [Woslenskij, M.] 2005. *Номенклатура*. [Nomenclature.] The origins of the concept of 'new class' can be seen already in Trotsky, who concocted fashionable at the time *ex-post* analogies between the Bolshevik Revolution and the French Revolution (The article of 1935 'The Workers' State, Thermidor and Bonapartism'); Trotsky saw the emancipation of the bureaucracy, but he did not categorise it as a separate class, but saw in it a caste that expropriated the proletariat politically and introduced brutal despotism; later, he accused Stalin of acting in the interests of the bourgeoisie; Kołakowski, L. 2001. *Główne nurtы marksizmu*, cz. III: *Rozkład*. [Mainstreams of Marxism, part. III: Disintegration.] Poznań p. 229, 233. In the opinion of the 'Trotskyist left', the Soviet Union's rapprochement in the mid-1930s to democratic Western states (including the USSR's accession to the League of Nations) also testified to the fact that the Soviet elite began to imply bourgeois features; Figes, O. 2007: *Szepty. Życie w stalinowskiej Rosji*. [The whisperers. Private life in Stalin's Russia.] Translated by W. Jeżewski. Warszawa, p. 196.

assumptions, social development (evolution), determined by scientific and technological progress, will in the future lead to the emergence of a new social system that will be neither capitalist nor socialist, but will be a wholly new system, but preserving some features of each. As a result of the convergent development of industrial and post-industrial societies, the ideological struggle will cease; socialism or communism will become superfluous at the moment of fulfilling their function – to modernise underdeveloped societies, they will be democratised and liberalised¹⁶. The theory of convergence can also be found in the theory of consumer society by one of the authors of the US strategy against USSR, Walt Rostov. Still, it is difficult to imagine the systemic convergence of capitalism and socialism (or communism) in any other way than external, superficial appropriation – i.e., technological rather than structural one – that is, pertaining to deeper aspects of socio-political life.

The technocratic concept of a ‘managerial revolution’ created by American ex-Trotskyite James Burnham in the early 1940s is less optimistic and less futurology bent, but also belongs to convergence theories. On the basis of the observation and analysis of communism and fascism, he argued that a great revolution had taken place or would take place in all states, as a result of which power would be taken by a new class of managers. It would seize the means of production, but not by changing ownership, and deciding on their use (separation of ownership and disposal). Managers will gain control not only over manufacturing forces but also over the management of the state itself. They are professionals, bureaucrats, policy managers, and therefore the privileged class because of the place in the decision-making process. According to James Burnham, the first revolution of managers was the takeover of power by the Bolsheviks in Russia. The continuation of managerial expansion was the triumph of fascism in Italy and Germany, as well as the New Deal policy in the United States (1930s). In the 1970s Polish outstanding philosopher Leszek Kołakowski argued with the concept of James Burnham, stating that this theory did not fit the Soviet realities. Kołakowski argued that post-revolutionary Russia was governed by the political bureaucracy, not the managers of industry. The latter, however, were an important part of society and their various groups might have, through their influence, co-shaped some of the decisions of the supreme authorities, particularly with regard to their own sphere of activity, but fundamental decisions, including industrial investment, export and import decisions, were made by political oligarchy

¹⁶ Olszewski, H., Zmierzczak, M. 1994. *Historia doktryn politycznych i prawnych*. [History of political and legal doctrines.] Poznań, pp. 359–360.

as political decisions. According to the Polish philosopher, Burnham's supposition that the Bolshevik revolution was another case of the process of transfer of power to managers as a result of advances in technology and work organisation is not convincing¹⁷. However, in my opinion, the technocratic genealogy of a large part of the Soviet political oligarchy, such as Leonid Brezhnev and Alexei Kosygin (USSR Prime Minister in 1964–1980) cannot be questioned. In turn, Burnham's definition of the Bolsheviks' victory in Russia as a triumph of a managers' revolution can be contradicted by significant shortages of professional technical and economic staff who organise industrial production, which caused great economic problems in the first decades of the USSR existence. But Burnham thought managers were not attached to ideology, but to the management process itself. They gain power by using various ideologies formulated by intellectuals unconscious of the true essence of the whole process, and exploit workers and young people – deceptively convinced that they are fighting for their goals.

Convergence theories were the subject of harsh criticism in the socialist world because they defied the Marxist paradigm of socio-historical development, anticipating the inevitable transition from communism to socialism (retrogradation) and the rapid twilight of the ideological era. The Marxist criticism most often emphasised the propaganda and sabotage function of convergence concepts¹⁸. In the Brezhnev era, theories of convergence were considered the greatest ideological heresy because they sabotaged the process of forming 'Soviet man'¹⁹. They also questioned the dogma of the ultimate inevitable victory of the socialist regime²⁰.

According to the above considerations it can be assumed that during the Brezhnev era in the USSR a process of irreversible emancipation of the nomenclature was initiated. In the social dimension, it meant its

¹⁷ Kołakowski, L. 2001. *Główne nurtury marksizmu*, cz. III: *Rozkład*. [Mainstreams of Marxism, part. III: Disintegration.] Poznań, pp. 198–199.

¹⁸ Witold Morawski described the currents of criticism (including capitalist criticism) of the convergence theory; Morawski, W. 1975. *Nowe społeczeństwo przemysłowe. Analiza i krytyka koncepcji* [New industrial society. Analysis and criticism of the concept.] Warszawa. Indirect criticism can be found in the collection of articles by Soviet sociologists: Wesołowski, W., Stelmach, W. eds. 1977. *Klasy i warstwy w społeczeństwie radzieckim. Studia teoretyczne – badania empiryczne*. [Classes in Soviet society. Theoretical and empirical studies.] Warszawa.

¹⁹ Вишневский, А. [Wiszniewskij, A.] 1998. *Серп и рубль. Консервативная модернизация в СССР*. [Sickle and ruble. Conservative modernization in the USSR.] Moskwa, p. 183.

²⁰ Хевеши, М. [Chiewieszy, M.] 2004. *Толковый словарь идеологических и политических терминов...* [Glossary of ideological and political terms...].

aristocratisation, in the economic dimension – the unofficial decentralization of management of the economy, and in the political dimension – *de facto* the abandonment of the ‘ideological catechism’. At the interface of these three processes, two phenomena took place: the technocratisation of the nomenclature (that is, the enhancement of the role of managerial staff in economic and political planning), which was, in a sense, the result of the enforced communist urban-industrial modernisation; and the formation of informal industrial, regional and departmental interest groups (pressure groups)²¹. Three basic interest groups emerged: the military-industrial complex, the fuel and energy complex and the agrarian-industrial complex. The American Sovietologist, Martin Malia, explained the technocratisation of the party apparatus by the necessity of transferring the industry managing staff – technical intelligence – to full-time party and political jobs as a result of the massive Stalinist purges of the 1930s; Kosygin’s career is a classic example of this²². Brezhnev’s biography was certainly part of so-called hunger for personnel²³. Already in the Brezhnev period more than 70% of the higher nomenclature had technical education²⁴. On the other hand, aristocratisation means here the inheritance of the socio-economic status. According to Jarosław Bratkiewicz, during the period of power of Nikita Khrushchev the Soviet system entered the aristocratisation phase²⁵. However, the genesis of status aristocratisation of (privileged) social groups dates back to the 1930s, the external manifestation of which was, among others, the restoration in the army and other services of uniforms differentiated by rank. Moreover, workers aristocracy appeared – a class of ‘white collars’ characteristic of capitalist countries – managerial staff and skilled workers. An institution of work leaders (*udarniks*) was Bolsheviks’ own invention; they were new heroes who were to be a model for a new society and their status – including

²¹ On the typology of interest groups in the USSR during the pre-perestroika period see Перегудов, С., Лапина, Н., Семененко, И. [Pieriegudow, S., Łapina, N., Siemienienko, I.] 1999. *Группы интересов и российское государство*. [Interest groups and the Russian state.] Moskwa, pp. 44–53 and 60–69.

²² Malia, M. 1998. *Sowiecka tragedia. Historia komunistycznego imperium rosyjskiego 1917–1991*. [The Soviet tragedy: A history of socialism in Russia, 1917–1991.] Translated by M. Hulaś, E. Wyzner. Warszawa, p. 389.

²³ Złotowskij, J. ed. 2004. *Rosja. XX wiek. Od utopii komunistycznej do rzeczywistości globalistycznej*. [Russia. The twentieth century. From communist utopia to globalist reality.] Translated by P. Burek. Kraków, p. 126.

²⁴ Marciak, W. 2004. *Rozgrabione imperium*. [The plundered empire], p. 69.

²⁵ Bratkiewicz, J. 1991. *Wielkoruski szowinizm w świetle teorii kontynuacji*. [Great Russia chauvinism in the light of the theory of continuation.] Warszawa, p. 128.

the material status – began to differ significantly from the status of ordinary workers. These corrections and revisions of the Marxist principle of social equality became a symbol of new Bolshevik aesthetics, unofficially rejecting material and status revolutionary egalitarianism and ennobling selected classes and social groups²⁶. Of course, the ‘new aristocracy’ could come into being only in the context of the semi-officially forming nomenclature system. Włodzimierz Marciniak noticed the nomenclature’s desire to ‘capture’ prestigious professions. According to this author, the transition from the nomenclature to higher ‘status’ social groups was visible especially in the second and third generations of the nomenclature; from the mid-fifties of the twentieth century there was a continuous process of transition of the nomenclature progeny (‘boyar children’) to the intellectual spheres of professional activity, such as science and art, and work related to trips to the West, for instance foreign trade²⁷.

The nomenclature aristocratisation process was connected with the informal decentralisation of management of the economy, which was the response of the authorities to the increasingly clear specialisation and still growing stratification of the Soviet population within the production process. It was, however, of an extensive nature – due to the horizontal extension of the nomenclature base, i.e. the multiplication of the ministries – and thus the vertical channels of the socio-professional promotion. Vladimir Łapkin and Vladimir Pantin emphasized that in the early 1960s there were about twenty trade and trade-republic ministries in the USSR, while in the early 1980s, the number of central ministries approached a hundred, but there were also nearly eight hundred republic ministries²⁸. The depreciation of the ideological aspect in the nomenclature’s identity was dictated by its awareness of belonging to the elite. The strengthening the social status of this class

²⁶ Australian author Sheila Fitzpatrick gave an example of the instructions that Grigoryi Ordzhonikidze, the then heavy industry commissioner, gave to directors and engineers of industrial plants: ‘The white collar and the clean shirt are necessary work tools for the fulfilment of production plans and the quality of products’; Fitzpatrick, S. 2012. *Życie codzienne pod rządami Stalina. Rosja radziecka w latach trzydziestych XX wieku.* [Everyday Stalinism: Ordinary life in extraordinary times: Soviet Russia in the 1930s.] Translated by J. Gilewicz. Kraków, p. 119.

²⁷ Marciniak, W. 2004. *Rozgrabiione imperium. [The plundered empire.]*, p. 49.

²⁸ Лапкин, В., Пантин, В. [Lapkin, W., Pantin, W.] 1991. *Что остановилось в эпоху застоя? [What stopped in the stagnation epoch?] In: сост. Т. Ноткина [Notkina, T.] ed. Погружение в трясину: Анатомия застоя. [At the bog: anatomy of stagnation.]* Moskwa, p. 163.

meant in fact its ideological illegitimisation²⁹. The Kremlin's politics seemed to refer to the ideology only for external use – in the interest of the Soviet Union's authority in the world communist movement – when in fact it actually began to be the effect of a game (cooperation, competition and combat) of various forces within the nomenclature system. The ideology, in spite of its increasingly facade role, was, however, an important factor in internal stabilization – a cell integrating the multinational empire.

In the Soviet system, objectively diversifying at the elite levels and undergoing informal pluralisation in the name of achieving greater efficiency and rationality, the vertical rank of its management was falling. The nomenclature's attempts to increase system efficiency through making it structurally more flexible was not an end in itself. The nomenclature intended to create a system framework to protect its position and privileges, and a less rigid system would, by nature, be more resilient to shocks. The unpredictable 'voluntarism' and 'subjectivism' of Khrushchev's time as a strategy of power were replaced by pragmatic 'stabilisation' – as a result of, among others, the growth of so-called socialist rule of law (increasing the role of law in social life at the expense of reducing the spontaneous repressiveness of the system)³⁰. Włodzimierz Marciniak pointed to the pursuit of the 'ruling class' not only to create a mechanism for the inheritance of social positions but also to develop new rules for its legitimacy as the reason for the rise of the role of law as a determinant of relations and social behaviour. According to this author, the whole period of Brezhnev's rule was characterised by intensive search – in individual and family terms – for such new legitimacy³¹. Then the political and managerial circles could proceed to unofficially and behind-the-scenes satisfy the most elementary human needs, namely, possession of material goods³². The assimilation of this canonical ideological antithesis of the Soviet system by the nomenclature was identical with the preference of realist socialism today rather than ideal communism in the

²⁹ Marciniak, W. 2004. *Rozgrabione imperium. [The plundered empire.]*, p. 49.

³⁰ See Walicki, A. 1996. *Marksizm i skok do królestwa wolności. Dzieje komunistycznej utopii. [Marxism and the leap into the realm of freedom. The history of the communist utopia.]* Warszawa, p. 497.

³¹ Marciniak, W. 2004. *Rozgrabione imperium. [The plundered empire.]*, p. 49.

³² See Pipes, R. *Natura ludzka i upadek komunizmu. [Human nature and the fall of communism.]* In: Nowak, A. ed. *Rosja, komunizm i świat. Wybór esejów. [Russia, communism and the world. Selected essays.]* Translated by A. Nowak, Sz. Czarnik, pp. 183–195; Pipes, R. 2000. *Własność a wolność. [Property and freedom.]* Translated by L. Niedzielski. Warszawa, pp. 320–324.

future³³. This led to close relations or even symbiosis of the nomenclature class and the so-called second economy (formally illegal entrepreneurship and trade, governed by various mafias and related to power structures) – that is the black market, which was tolerated as a non-state, bottom-up (civic) mechanism for correcting supply and distribution failures in the command and control economy. In the ranks of the Soviet elites there was a growing tendency for the commercialisation of the system. The nomenclature could no longer be satisfied only with the right to use luxury consumer goods to which it was entitled due to the privileged societal status, and launched the first phase of covert self-enfranchisement – the corporate privatisation of the pillars of the system, that is the bureaucracy and the party (the state apparatus). It aimed – as Włodzimierz Marciniak put it – ‘to convert political privileges into capital and property’³⁴. However, this property cannot be understood according to the logic of a democratic state of law (where a legally regulated market of property operates), but according to the nomenclature logic of the ‘bureaucratic (administrative) market’, in which greater ownership – although non-legal (illegal) – was politically conditioned (due to the held power), often as a result of a specific barter between various legal and illegal groups of influence in the Soviet nomenclature system. These groups had access to a certain type of resources – administrative, political or material ones, which they traded on a barter basis.

Martin Malia’s observations are an accurate diagnosis of the relations between the party and the nomenclature. He noted that at the time of Stalin’s death, the party had 6.9 million members and became the party of the nomenclature increasingly dominated by the managerial elite of the state; this new character of the party, which brings to mind the structure of a corporation, was initially overshadowed by its total subordination to Stalin and the custody of the secret police; when Khrushchev was overthrown the party had 11.75 million members and had already become a fully nomenclature party, a corporate organisation of the managerial elite³⁵. The American researcher named the CPSU ‘the almighty corporation of the nomenclature establishment’ and explained the conservative tendencies in its ranks noting that the establishment, and in particular the milieu of professional apparatus activists, was reluctant to participate in constant

³³ Ахиезер, А., Клямкин, И., Яковенко, И. [Achijezier, A., Klamkin, I., Jakowienko, I.] 2005. *История России: Конец или новое начало? [History of Russia: the end or the new beginning?]* Moskwa, p. 558.

³⁴ Marciniak, W. 2004. *Rozgrabiione imperium. [The plundered empire]*, pp. 48–49.

³⁵ Malia, M. 1998. *Sowiecka tragedia. [The Soviet tragedy]*, pp. 384–385.

(Khrushchev's) campaigns and reorganisations. Its purpose was rather the stabilisation and peaceful enjoyment of power and associated privileges³⁶. It should be explicitly stated that the terms 'party' and 'nomenclature' are neither identical nor interchangeable; the latter has a seemingly, statistically, narrower range. However, as has already been pointed out, the nomenclature in practice embodied the party-controlled decision-making network of the state, and therefore the non-party (but recommended) people involved in the decision-making process.

The nomenclature transformation of the Soviet elite was another (the second) (after the Khrushchev's de-Stalinisation), though unofficial (reprehensible from the perspective of the official ideology) stage of the process of the de-totalitisation of the USSR. The Soviet system was no longer a Stalinist omnipotent regime of universal mobilisation, it had been transformed into a stabilised bureaucratic corporatism. Włodzimierz Marciniak – probably following Russian researchers – has adopted the term 'bureaucratic corporatism', defining it as 'advanced procedures for reconciliation of group interests with the central political authority'³⁷. Andrzej Walicki was very apt to point out that Khrushchev's anti-Stalinism aimed at reducing the repressiveness of the state while accelerating its 'march to communism'; in turn, Brezhnev's epoch was characterised not only by a partial retreat from the 'construction of communism', but also by a qualitatively new phenomenon – the pursuit of marketisation, and therefore *de facto* of de-communisation, more and more evident among the executives. According to Walicki, this trend had to be masked in order to save the ideological legitimacy of the system, but nevertheless paved the way for undermining and overthrowing the system that took place earlier than it could have been expected³⁸.

On the basis of the above observation it can be concluded that in Brezhnev's era the Soviet system was in a post-utopia phase and with difficulty and under the ideological mask generated more and more not only dialectical but also mundane contradictions. Thus, the systemic (negative) nonconformism of the nomenclature changed into the non-communist (proper for Brezhnev's 'real socialism') universal conformism³⁹. The ideological content of the system was

³⁶ *Ibidem*, p. 386.

³⁷ Marciniak, W. 2004. *Rozgrabione imperium*. [The plundered empire], pp. 79–80.

³⁸ Walicki, A. 1996. *Marksizm i skok* [Marxism and the leap] ..., p. 501.

³⁹ Andrzej Walicki used the concept of 'systemic nonconformism' dividing it into 'negative' (material aspirations of the nomenclature members and their connections with the 'second economy') and 'positive' (attempts and proposals for systemic reforms

contested by the nomenclature. It was in a sense a nonconformist attitude, which later became conformist, because in fact virtually all Soviet society escaped ideological criteria.

3. THE EMANCIPATION OF THE NOMENCLATURE IN THE CONTEXT OF MODERNISATION PROCESSES

The emancipation of the Soviet nomenclature took place on the wave of objective global modernisation processes – occurring in the ideological, economic, technological and social spheres. Despite being one of the two superpowers and geopolitical centres, in the 1970s the USSR was on the periphery of the world system as far as its economy and social development were concerned. The doctrinal ideologisation of Soviet economics, the lack of market mechanisms – bottom-up and freely creating the economic flexibility of the system, the failure to follow technological trends (IT revolution) became the cause of the fact that the Soviet Union lagged behind the capitalist world. In fact, the entire history of the USSR is the story of the ‘catching-up modernisation’ manifested in cyclical campaigns of reforming of the system. When the Bolshevik party took over power in the Russian Empire it was an agricultural country – with a 70% share of the rural population, with a traditional mentality. Strenuous modernisation (industrialisation and urbanisation), initiated by Stalin and implemented by means of administrative coercion methods, was often superficial and could not be organic or deeply penetrate the social fabric. The modernisation revolution in the USSR which was a key element of the gigantic project of social engineering – that is of the formation of ‘Soviet man’ was taking place without a revolution in the mentality (i.e. in thinking)⁴⁰. The full internalisation of modernisation processes by Soviet society could not end within a few five-year periods (as expected by the leadership of the state), and was, in fact, going on for decades – basically until the end of the USSR. Nevertheless, at the end of the 1980s, the Soviet Union achieved the status of an industrial empire with the 70% urbanisation level, but it was at a time when the most developed capitalist states had been in the post-industrial age for at least a dozen of years.

proposed by parts of the lower, mostly intellectual nomenclature) to describe the practices of the Soviet nomenclature class that contradicted the official ideology; A. Walicki, *Marksizm i skok [Marxism and the leap]* ..., pp. 497–498.

⁴⁰ See Вишневский, А. [Wiszniewskij, A.] 1998. *Серп и рубль. [Sickle and ruble.]*

Soviet industrial centres became incubators of technocratic nomenclature elites, which were often transferred to the parallel political operation in party apparatus, which was the result of many-year elimination of the consequences of the former Stalinist purges of personnel. After some time nomenclature pragmatic technocrats were ready in to abandon the Marxist ideology which constrained the country's economy doctrinally. Due to the significant limitation of the repressive functions of the system introduced in the mid-1980s in the period of Mikhail Gorbachev's *perestroika*, the Soviet inhabitants of cities – next to the liberal part of the technocratic nomenclature and dissident opposition – became the major protesters against the communist ideology, wanting to obtain democratic subjectivity, which was denied to them within the political practice of the system⁴¹. On the other hand, for a large part of the nomenclature democratisation created the possibility of enfranchisement on state or party property. The disintegration of the Leninist rule of so-called democratic centralism (the absolute subordination all of lower state structures to central authorities) was conducive to this process. This disintegration led to a separation of the ideological division of the Communist Party from its administrative and economic division, in which in the group of the reformist pragmatic nomenclature (Boris Yeltsin's team) became a major force demanding the full democratisation of the system. The entourage of Yeltsin, who became the leader of Russian democrats, soon spoke out as a Russian Republican counter-elite against the Soviet centre represented by Gorbachev, encouraging the management and nomenclature of other union republics to adopt a similar attitude.

An important issue determining the attitude and strategy of the nomenclature was the identity. The Soviet identity in general was a synthesis of two loyalties – both to the centre and to the parental periphery (a union republic or a region), that is, it reproduced the classic imperial identity formula. Double loyalty could be noticed in the leadership of the union republics, which, recognising the Kremlin's political sovereignty in the USSR, defended with determination the economic interests of their provinces against the centre's dictatorship⁴². Specific dialectics appeared here, on the one hand,

⁴¹ Hardt, M., Negri, A. 2005. *Imperium. [Empire.]* Translated by S. Ślusarski, A. Kołbaniuk. Warszawa, p. 299.

⁴² Ihor Sundiukow and Jurij Szapował illustrate it on the basis of Ukraine; Сюндюков, І. [Sundiukow, I.] 2003. *Імітація. ‘Застій’ та його українські творці. [Imitation. ‘Stagnation’ and its Ukrainian creators.]* In: Івшина, Л. [Iwszyna, Ł.] ed. *Україна incognita. Две Русі. [Ukraine Incognita. Two Russias.]* Кійów; pp. 390–395; Шаповал, Ю. [Szapował, J.] 2003. *Две річниці – одне відзначення. Петро Шелест і Володимир*

the identification with the powerful Soviet empire and, on the other hand, the rise of national consciousness – on the level of local particularism and patriotism, mainly among the leaders of the union republics. In the period of *perestroika* and systemic reforms introduced by Mikhail Gorbachev, as well as the increasingly well visible deep economic crisis of the USSR, the emancipation of the nomenclature was also taking place at the nationality level. The republican nomenclature, although identifying itself with the Soviet empire, began to speak out in its critique of central authorities from their national positions, entering on the wave of *glasnost* policy (transparency) into a tactical alliance with the national intelligentsia in their union republics. The Soviet Union as a whole was not ethnically defined (although a project of building the Soviet nation was being implemented there), but ethnicity was institutionalised and codified at the level of its constituent parts – the union republics, the autonomous republics and the lower levels of the administrative-nationality division⁴³. This dialectical phenomenon constituted the basis of all regional nationalist particularities and prepared the nomenclature of the union republics for the role of the elite of independent states – formed after the dissolution of the USSR.

In the face of the crisis of the central power, the structural contradictions inherent in the Soviet system emerged as factors deconstructing the imperial space. It is worth mentioning the concept of Vladimir Kaganskij – Russian geographer representing the so-called school of the administrative market – who presented the Soviet space in the form of a model of the administrative-structural mechanism of the disintegration of the empire⁴⁴.

Щербицький як типажі номенклатури УРСР. [Two anniversaries – one celebration. Petro Shelest and Volodymyr Shcherbytsky – as typical figures of USSR nomenclature.] In: Івшина, Л. [Iwszyna, Ł.] ed. Україна incognita. Дві Руси. [Ukraine Incognita. Two Russias.] Kijów, pp. 376–389; see also Yekelchyk, S. 2009. *Ukraina. Narodziny nowoczesnego narodu. [Ukraine. The birth of a new nation.]* Translated by J. Gilewicz. Kraków, p. 227.

⁴³ Brubaker, R. 1998. *Nacjonalizm inaczej. Struktura narodowa i kwestie narodowe w nowej Europie. [Nationalism reframed. Nationhood and the national question in the New Europe.]* Translated by J. Kuczyński. Warszawa – Kraków, pp. 36–37.

⁴⁴ Каганский, В. [Kaganskij, W.] 1995. *Советское пространство: Конструкция и деструкция. [Soviet space: construction and destruction.]* In: Чернышев, С. [Czernyszew, S.] ed. *Иное. Хрестоматия нового российского самосознания. [Other: Handbook of new Russian consciousness.]* vol. 1, *Россия как предмет. [Russia as an object.]* Moskwa, pp. 89–164. Available at: <http://old.russ.ru/antolog/inoe/kagan.htm> [Accessed: 10 July 2017]. Włodzimierz Marciniak widely refers to Vladimir Kaganski's model; Marciniak, W. 2004. *Rozgrabione imperium. [The plundered empire.]*, pp. 91–100, 169–182.

The basic value of this theoretical approach is the presentation of the USSR as a conglomerate of regions – i.e. hierarchical-territorial segments (e.g. units of various levels of the administrative division) and functional ones (e.g. party structures, authority bodies, industrial complexes, and pressure groups identified with them). These elements formed the structural whole of the Soviet empire, overlapped by traditional administrative-nationality and ethnic-religious divisions, which in turn catalysed ‘self-propelled’ centrifugal tendencies and eventually became the main cause of the USSR implosion – in the context of the total structural crisis of the system. The extraterritorial communist centre imitated its own hierarchical structure of political power in the spatial division of the state; to accomplish field tasks it set up a whole range of truly self-contained and narrowly specialised cells whose place and rank depended on their role in the administrative hierarchy; thus, the imperial space was divided according to administrative logic and in violation of natural, historical and cultural divisions; the individual cells contained many random and often hostile elements; this led to the formation of the division of the Soviet imperial space, parallel to administrative regulations and determined by conflicts and contradictions with a traditional background. In the USSR, hierarchical and territorial relations interpenetrated; every level of the party-official hierarchy had its own territorial counterpart and every element of geographical space sought to gain a political status. These hierarchical-territorial and functional segments were regions, which were territorial and administrative structures aspiring to gain a political status. In addition to the regions or in the regions, there could be counter-regions, i.e. regions of a lower administrative level – inhabited by national or religious minorities (e.g. Nagorno-Karabakh, Transnistria). They became the area of traditional (ethnic and religious) conflicts. In turn, functional regions were subjected to direct control of the centre of the state, and its possible weakening could lead to stronger regionalisation (autonomisation), which further accelerated the disintegration processes. Within the regions in which party structures constituted their functional skeleton, the main functions of the state were carried out, bureaucratic tendering took place, the bureaucratic market started cooperation with the ‘black market’ (the so-called second economy), the most important interests of various population groups concentrated.

The USSR was a structure composed of subjects-regions almost self-sufficient (politically and economically) in the situation of the weakening of the central authority, and its disintegration took the form of regionalisation, understood as the process of obtaining sovereignty by the regional structures of the Soviet space, in the process of which also functional components of the

state became autonomous. The regionalisation meant the institutionalisation of regional structures outside the state. It used the elements of the Soviet space and gave them the possibility to survive in the situation of the crisis of the centre. The regionalisation was a form of the transformation of the USSR by dividing it into many territorial and functional regions. No republic was a ready-made state, and all new state organisms were formed on their territories as a result of a complex process of linking regions-republics with the functional components of the Soviet empire. The territorial and political emancipation of the regions, visible in their quest to maintain or raise their political status and to introduce the regional reorganisation of the space, was connected with the shrinking of the size of the shared resources. Central authorities did not realise at all the degree of readiness of the Soviet space for disintegration. This process was determined more by the organisation of the structure of the Soviet space than the motives and actions of specific persons. In the course of the region's rivalry with the centre and its subsequent awkward counter-offensive, the regions managed to take over many central economic and political powers that ensured them real sovereignty in the late 1980s. In this way new sovereign states were formed on the territorial-administrative base of the Soviet union republics as a result of many years of consolidation of various local fragments of the Soviet imperial space. Therefore, the thesis that the breakup of the USSR took place as a result of the nomenclature revolution – aimed at central structures, as a result of the nomenclature consensus of Soviet regional elites, seems justified and rational.

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EMANCIPATION OF THE NOMENCLATURE AS A CATALYST FOR THE BREAKUP OF THE SOVIET UNION

Summary

In December 1991 the Union of Soviet Socialist Republics broke up. Researchers of this problem have classified factors that led to the break-up of the USSR. There are several groups of such causes: ideological, political, social, economic, nomenclature or national ones. The essence of this article will be the presentation of the emancipation of the Soviet nomenclature at various stages of the history of the USSR till the final stage of this process – the disintegration of the Soviet empire. The emancipation of the nomenclature was one of the manifestations of the multi-faceted modernization of the USSR and its collision with the communist doctrine as an ideology. Various attempts to reform the Soviet Union, marking epochs in its history, confirmed the utopian character of Soviet communism in the ideological dimension. The failed reforms of the communist system contributed to the emergence of various interest groups within the growing Soviet nomenclature. These groups were fiercely competing for power, and in that situation the maintenance of the nomenclature consensus, which bound the Soviet empire, became very difficult. The last attempt to reform communism and the USSR – *perestroika* – weakened the central authority enough to lead to the strengthening of particularism of the nomenclature. As a result of this complex process, a large of the Soviet nomenclature gained independence from the centre, and by entering into alliances or by conceding national and democratic movements in union republics, it gained democratic legitimacy and joined the disassembly of the Soviet Union.

EMANCYPACJA NOMENKLATURY JAKO KATALIZATOR ROZPADU ZWIĄZKU RADZIECKIEGO

Streszczenie

W grudniu 1991 r. rozpadł się Związek Socjalistycznych Republik Radzieckich. Badacze tej problematyki dokonali klasyfikacji czynników, które zadecydowały o rozpadzie ZSRR. Można zatem wyróżnić kilka grup takich przyczyn: ideologiczne, polityczne, społeczne, ekonomiczne, nomenklaturowe czy narodowościowe. Istotą tego artykułu będzie przedstawienie emancypacji radzieckiej nomenklatury na poszczególnych etapach historii ZSRR i finału tego procesu – dezintegracji imperium radzieckiego. Emancypacja nomenklatury stanowiła jeden z przejawów wieloaspektowej modernizacji ZSRR i jej kolizji z doktryną komunistyczną jako ideologią. Poszczególne próby reformowania Związku Radzieckiego, wyznaczające epoki w jego dziejach, potwierdzały coraz wyraźniej utopijny charakter radzieckiego komunizmu w wymiarze ideologicznym. Niedane reformy systemu komunistycznego przyczyniały się do powstawania różnych grup interesów wewnętrz coraz liczniejszej nomenklatury radzieckiej. Grupy te zacięcie rywalizowały o władzę i w tej sytuacji utrzymanie nomenklaturowego konsensusu spajającego imperium radzieckie stawało się bardzo trudne. Ostatnia próba reformowania komunizmu i ZSRR – *pieriestrojka* – osłabiła władzę centralną na tyle, że doprowadziła do umocnienia się nomenklaturowych partykularyzmów (branżowych i regionalnych). W wyniku tego złożonego procesu znaczna część nomenklatury radzieckiej uzyskała niezależność od centrum, a wchodząc w sojusze lub koncesjonując ruchy narodowe i demokratyczne w poszczególnych republikach związkowych uzyskiwała demokratyczną legitymację i przystępowała do demontażu Związku Radzieckiego.

ЭМАНСИПАЦИЯ НОМЕНКЛАТУРЫ КАК КАТАЛИЗАТОР РАСПАДА СССР

Резюме

В декабре 1991 года распался Союз Советских Социалистических Республик. Исследователи данной проблематики произвели классификацию факторов, обусловивших распад СССР, на основе которой можно выделить несколько групп таких факторов: идеологические, политические, обществен-

ные, экономические, номенклатурные и национальные. Суть данной статьи заключается в представлении эманципации советской номенклатуры на различных этапах истории СССР и завершения данного процесса – дезинтеграции советской империи. Эманципация номенклатуры представляло собой одно из проявлений многоаспектной модернизации СССР и её конфликта с коммунистической доктриной как идеологией. Отдельные попытки реформирования Советского Союза, определяющие этапы его истории, всё более выпукло подтверждали утопический характер советского коммунизма в идеологическом измерении. Неудачные попытки реформирования коммунистической системы приводили к появлению различных групп интересов внутри всё более многочисленной советской номенклатуры. Эти группы вели ожесточённую борьбу за власть, и в сложившейся ситуации – сохранение номенклатурного консенсуса, сплачивающего советскую империю, становилось всё более трудным для реализации. Последняя попытка реформирования коммунизма и СССР – перестройка – ослабила центральную власть настолько, что привела к усилению номенклатурных партикуляризмов (отраслевых и региональных). В результате этого сложного процесса значительная часть советской номенклатуры обретала всё большую независимость от центральной власти, и, вступая в различные союзы или концессионируя национальные и демократические движения в отдельных союзных республиках, добивалась демократической легитимности и приступала к демонтажу Советского Союза.

Aleksandra Kuczyńska-Zonik*

INTEGRATION OF RUSSIAN SPEAKERS IN THE BALTIC STATES¹

INTRODUCTION

The term ‘Russian speakers’ has appeared in the political and social discourse of the Baltic states to define an ‘imaginary community’² which speaks the Russian language as the mother tongue. They are often called Russians, although these are also ethnic Ukrainians, Belarussians and others (Poles, Jews) who speak Russian on a daily basis. Currently they account for approximately 7%, 32% and 27% of the population of Lithuania, Latvia and Estonia, respectively³. Russian speakers, who as a result of the USSR’s migration policy lived in the Baltic states, have not been recognised as ethnic minority *sensu stricto*. In the Baltic states, the term has referred to the citizens of the state who are different from the titular nation in terms of their culture, religion and language, have lived in the state for generations, identify themselves with the state and the society and seek to protect and develop

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¹ The article was written under the project: *Postawy rosyjskiej mniejszości narodowej w państwach bałtyckich wobec idei Rosyjskiego Mupa [Attitudes of the Russian national minority in the Baltic states to the idea of Russian Mup]* (DN/MOB/121/IV/2015), financed by the Ministry of Science and Higher Education, the ‘Mobility Plus’ programme, 4th edition.

² Anderson, B. 1983. *Imagined Communities: Reflections on the Origin and Spread of Nationalism*. London/New York: Verso.

³ Lietuvos statistikos departamentas. [Department of Statistics of Lithuania.] Available at: <http://osp.stat.gov.lt>; Centrālā statistikas pārvalde. [Central Statistical Office.] Available at: <http://data.csb.gov.lv>; Eesti statistika. [Estonian statistics.] Available at: <http://www.stat.ee/34267>. [Accessed: 29 June 2017].

their culture, religion and language. The European legal system (OSCE, Council of Europe) lets states decide and define national minorities residing in them, and international regulations do not categorically deal with relations between state authorities and migrants or ethnic groups.

In the interwar period, the Baltic states were multicultural and national minorities enjoyed considerable political and financial autonomy⁴. Before the Second World War Russian speakers accounted for about 10% of the population of Latvia and Estonia⁵. In Lithuania, Russian speakers accounted for only 3%, but the Polish minority accounted for as much as 15% of the population⁶. In the Soviet period, the nationality picture changed radically. Minorities from the interwar period represented mainly by Germans, Poles, Jews and Swedes were replaced by Russians, Belarussians and Ukrainians. At that time about 700 thousand people arrived in Latvia and about 460 thousand people came to Estonia. The inflows were caused by large central investments, among others, the harbour expansion or new phosphate mines in Estonia⁷. At the end of the 1980s Russian speakers accounted for about half of the Latvian population, one third of the Estonian population and 12% of the Lithuanian population. In newly formed republics, the overwhelming majority of Russian speakers did not know the state language and did not have the citizenship of the Baltic states, and after the collapse of the USSR they lost their citizenship altogether. While in independent Lithuania civil rights were granted to all citizens regardless of their origin, as a result of the restrictive citizenship policy in Latvia and Estonia citizenship was only restored to those who had had it before 16/17 June 1940⁸ and to their descendants. Russian speakers individuals who found themselves in Latvia or Estonia as a result of the migration policy of the Soviet state were granted the ‘non-citizen’ status. This status primarily meant residence and work permit in their territory, but deprived, for example, of electoral rights and access to many public jobs. The reason for this approach to the rights of Russian speakers was an attempt to

⁴ Pettai, V.A. 1993. Estonia: Old Maps and New Roads. *Journal for Democracy*, vol. 4(1), pp. 117–25.

⁵ Simonian, R. 2004. The Russian Diaspora in the Baltic Countries. *Russian Politics & Law*, no. 42(4), pp. 67–88, Available at: <http://dx.doi.org/10.1080/10611940.2004.11066925>.

⁶ Kasatkina, N. 2003. The Adaptation of Ethnic Minority Groups: Defining the Problem (Case of Lithuania). *Ethnicity Studies*, pp. 8–29.

⁷ Szabaciuk, A. 2016. Polityka etniczna Republiki Estońskiej. [Ethnic Policy of the Republic of Estonia.] *Wschodnioniawstwo*, pp. 219–241.

⁸ Before the occupation by the USSR.

protect the states from possible separatist tendencies and to quickly assimilate the migrants. It was feared that automatic citizenship and electoral rights for Russian speakers would be a threat to the national identity and language. The new political, economic and social situation resulting from the regaining of independence by Lithuania, Latvia and Estonia created new challenges both for the national policies of the Baltic states and for the Russian speakers themselves. That is why the Baltic states sought to quickly integrate and to adapt them to their national environments. In Russian speakers Latvia and Estonia, a long-term integration strategy for minorities was developed in 2000, but both countries used different political and legal instruments.

In the early 1990s Russian speakers in the Baltic states did not identify themselves with national minorities. They felt part of a two-nationality state. In the following years, along with the limitation of the use of the Russian language in public life, aimed at restoring national identity, and economic problems connected with the transition of economies towards free markets, dissatisfaction and social tensions have increased⁹. Consistent democratisation has allowed the states to prevent separatism and to join European structures (NATO, EU 2004). Ethnic nationalism has been a driving force and motivation for shaping national identity, integrity, independence, and cultural stability. In the Baltic states, it has been primarily directed towards European reintegration ('return to Europe'), the reconstruction of national identities of the states and independence from the Soviet regime¹⁰. Its consequences, however, have been interethnic tensions and the sense of discrimination among Russian speakers¹¹. The lack of citizenship, a low economic status, and adaptive problems have fostered feelings of alienation and vulnerability to radicalism. When the strategic objectives (withdrawal of Soviet/Russian troops from the Baltic states, Europeanisation and integration into NATO structures) were achieved, the Baltic states have focused on integration strategies for Russian speakers to ensure social cohesion and prevent separatism.

The aim of the article is to compare the integration policies of Estonia, Latvia and Lithuania and adaptation models of Russian speakers in the Baltic states. As a result, existing integration approaches, their determinants and effects will be outlined. In addition, the study addresses the issue of shaping

⁹ Pettai, V.A., *op. cit.*, pp. 117–25.

¹⁰ Beissinger, M.R. 2008. A New Look at Ethnicity and Democratization. *Journal of Democracy*, vol. 19(3), pp. 85–97.

¹¹ Bugajski, J. 1993. The Fate of Minorities in Eastern Europe. *Journal of Democracy*, vol. 4(4), pp. 85–99.

civic and cultural identities of Russian speakers residents as a result of integration processes. The analysis is based on the assumption that the Baltic states have used different integration models as a consequence of various historical, political and social factors. The effectiveness of the integration process has depended on both the national strategy and the openness of the (titular and minority) ethnic groups to adaptation in the new environment after the regaining of independence by the Baltic states.

1. ESTONIA – PROMOTION OF TOLERANCE AND SOCIAL OPENNESS

Initially, Estonia's policy towards Russian speakers aimed at the polarisation of society and marginalisation of migrants¹². The model of 'ethnic democracy', also called the 'nationalising state', combined elements of political and civic democracy with the dominance of one ethnic group. It was characterised by the supremacy of one (titular) ethnic group in the state, a number of freedoms and civil rights covering all citizens and the rights guaranteed to minorities and ethnic groups¹³. Only since the second half of the 1990s, the basic aim of the Estonian authorities in this area has been to increase social cohesion by weakening (but not eliminating) differences between groups. David Smith defines this period as 'liberal nationalism' and 'multinational integration'¹⁴, where exclusive national ideology has been replaced by multiculturalism and the postmodern strategy of democracy and open society. The effect of several years of debates was a government programme approved in 1998, followed by the document 'Integration in Estonian society 2000–2007' of December 1999. The first stage of integration was to be social harmonisation around a common national foundation, which was to be created by the knowledge of the state language and Estonian citizenship. The privileged position of Estonian culture was thus confirmed. The programme was aimed at reducing the isolation of Russian speakers, perceived as a source of threat to social cohesion. It referred to a liberal-democratic interpretation of nationalism and multiculturalism, according to which the degree of integration and

¹² Laitin, D.D. 2003. Three models of integration and the Estonian/Russian reality. *Journal of Baltic Studies*, vol. 34 (2), pp. 197–222, DOI: 10.1080/01629770300000041.

¹³ Smith, G., Aasland, A., Mole, R. 1994. Statehood, Ethnic Relations and Citizenship. In: Smith G. ed. *The Baltic States: National Self-determination of Estonia, Latvia and Lithuania*. Basingstoke, pp. 189–190.

¹⁴ Smith, D.J. 2015. Minority Rights, Multiculturalism and EU Enlargement: the Case of Estonia. *Journal on Ethnopolitics and Minority Issues in Europe*, vol. 14 (4), pp. 79–113.

(ethnic, cultural, political) identity was a matter of individual choice. Thus new individual methods of acculturation were sought, the main instrument of which was the Estonian language, to replace the old Soviet identity ('*homo sovieticus*')¹⁵¹⁶.

The second step was focused on supporting cultural and ethnic diversity in the state by strengthening the rights of Russian speakers. Treating social inclusion as a process of influencing society as a whole was a novelty. This approach assumed support for Estonia's national and state attitudes, i.e. activities related to the integration of migrants in Estonian society (language education in schools and adult language courses), solidarity, strengthened social competences and the promotion of tolerance and diversity among Estonians (educational programmes on ethnic and cultural minorities in the state)¹⁷. The programme assumed a change of attitude towards Russian speakers, perceived so far as a problem rather than potential for national development. Three main areas of activity concerned integration at the communication-linguistic, political-legal and socio-economic levels¹⁸. The growth of state consciousness was stimulated through channels and programmes in the Russian language. It was an attempt to undermine the influence of the Russian media on the Russian-speaking community living in Estonia. In the years 2008–2013 the 'Estonian Integration Strategy' was implemented, the basis of which was raising the competence in the state language as a key tool of integration and a symbol of statehood, as well as of loyalty to the state. In December 2014 another strategy, 'Integrating Estonia 2020', was approved. The results have been satisfactory: the level of knowledge of the Estonian language has increased, the state media have become more accessible, the level of social trust in various ethnic groups has risen, and the percentage of people without citizenship has decreased. In addition, differences in access to the labour market have been offset and greater participation in the political life of the state has been made possible.

¹⁵ Zinovyev, A. 1986. *Homo sovieticus*. Grove/Atlantic; Heller, M. 1988. *Cogs in the Wheel: The Formation of Soviet Man*. Alfred A. Knopf.

¹⁶ Vihalemm, T., Masso, A. 2007. (Re)Construction of Collective Identities after the Dissolution of the Soviet Union: The Case of Estonia. *Nationalities Papers*, vol. 35 (1), pp. 71–91, DOI: 10.1080/00905990601124496.

¹⁷ Kalmus, V. 2003. 'Is Interethnic Integration Possible in Estonia?': Ethno-Political Discourse of Two Ethnic Groups. *Discourse & Society*, vol. 14 (6), pp. 667–697, DOI: 10.1177/09579265030146001.

¹⁸ Vetik, R. 2000. *Democratic Multiculturalism: A New Model of National Integration*. Aland Islands Peace Institute.

These changes have had a positive effect on their adaptation in society and their sense of belonging to the state and civil nation.

The lack of citizenship among Russian speakers has been a serious challenge. In the first years after regaining independence about 1/3 of the inhabitants did not have Estonian citizenship. The authorities of the state have assumed that no one could be forced to take particular citizenship, therefore they have encouraged Russian speakers to take citizenship of another country (mainly Russia) or to submit to the process of naturalisation. The result of a long-term campaign promoting naturalisation or the acquisition of citizenship of another country was the reduction in the number of people without citizenship from 32% in 1992 to 6.1% of the population in 2016.

The inclusion of Russian speakers in the Estonian civic and social space has been taking place in parallel with the creation of friendly conditions for the development of migrants' language and culture. Cultural diplomacy has supported contacts between Estonia and Russia and promoted Russian culture in Estonia. Since the nineties festivals attended by Russian artists ('Friendship Bridge'), festivals of spiritual culture and religious songs, film festivals have been held in Estonia. There have been performances by theatres from Russia, the Russian language festival in Tallinn, the Golden Mask Theatre Festival and the Russian Culture Festival have been organised.

The exclusive citizenship policy of the nineties has been replaced by a more inclusive approach. The starting point for the integration strategy in Estonia has been language policy, and more specifically the protection of the state language and the guarantees of its superiority in all spheres of public life. The authorities have assumed that only a good knowledge of the state language will guarantee equality in the labour market, access to education or culture. Estonian law has made it possible to formally use the minority languages in the public sphere where national minorities constitute at least half of the region's population. The Constitution has also ensured the right to create cultural autonomy in regions inhabited by persons belonging to minorities. In fact, many regulations have been a dead letter. For example, the 1993 Act on Cultural Autonomy made it possible for large communities of minorities to set up specific bodies of cultural autonomy¹⁹. According to the law, this possibility was granted to the German, Russian, Swedish and Jewish minorities and in 2003 to the Ingrian-Finnish minority. The basic

¹⁹ Lagerspetz, M. 2014. Cultural Autonomy of National Minorities in Estonia: The Erosion of a Promise. *Journal of Baltic Studies*, vol. 45 (4), p. 457–475, DOI:10.1080/01629778.2014.942676.

problem for the effectiveness of cultural autonomy are the regulations taking about Estonian citizens belonging to national minorities, while many Russian speakers have not had Estonian citizenship. The political discourse has been also concerned with whether naturalised people belong to a national minority.

2. LATVIA – THE STATE LANGUAGE AS THE BASIS OF SOCIAL INCLUSION

Since the early 1990s Latvia has focused on improving language competency and the level of education among Russian speakers in order to increase the effectiveness of naturalisation policy. In 1992, under the Language Act, the Latvian language was established as the state language, eliminating the Russian language from the public sphere and inter-ethnic communication. The state language has become the only one in communication between the state/local government and society²⁰. Institutions guarding the language purity, the State Language Centre or the Language Commission, were also created²¹. In 1995 the National Programme for Learning the Latvian Language was introduced. Latvian courses have been organized, teachers have been trained to work in schools with bilingual teaching methods, and textbooks and teaching aids have been prepared. The protection of languages of minorities and ethnic groups have become a secondary issue²².

The first government integration programme ‘Social integration in Latvia’ was approved in 2001, followed by the National Program for the Promotion of Tolerance (2004–2009) and the Integration Policy Guidelines (2012–2018). Educational curricula contained aspects connected with multiculturalism, tolerance and civil society.

²⁰ Commercio, M.E. 2004. Exit in the Near Abroad. The Russian Minorities in Latvia and Kyrgyzstan. *Problems of Post-Communism*, vol. 51 (6), pp. 23–32.

²¹ In 2016 the mayor of Riga Nil(s) Ushakov(s) was punished by the court for using Russian in social networks instead of the state language. According to the Latvian state language law, local government authority can only communicate with residents in non-state languages in exceptional situations. Among them, the law lists international tourism, international events, security, free market in the EU, epidemic, rights and obligations of foreign citizens and emergency situations. The court explained the use of Russian by members of the public administration might be a threat to national identity and promote the legitimacy of bilingualism in Latvia.

²² Open Society Institute. 2002. *Monitoring the EU Accession Process: Minority Protection*. Budapest, pp. 24–25.

The Latvian integration programme pointed to the state's new direction in the approach to Russian speakers. Ethnic nationalism, which was dominant in the state's development strategy in the nineties, has been enriched with elements of political nationalism in subsequent years. As a result, more and more people of non-Latvian origin have been granted the citizenship of that country²³. In 2005 the Latvian Parliament ratified the Convention for the Protection of National Minorities of the Council of Europe. Institutions and advisory committees have been created, as well as working groups at national and regional level, engaging Russian NGO representatives and members of national minorities in the decision-making process. Among others, the Riga Consultative Council for Social Inclusion was established in Riga in 2010. Cities could also prepare their own integration strategies²⁴.

The integration process has turned out to be slow, as the process of social homogenisation is inherently opposed to maintaining cultural diversity²⁵. The integration programme has been criticized by conservative and national parties. Russian speakers have perceived it as the limitation of their rights to promote their culture and as the necessity of assimilation. Russian speakers representatives were involved in the preparation of the project, but their level of social participation in the document implementation was low. In 2000, the Education Act came into force, which set the ratio of teaching languages (60:40) for bilingual schools. This meant that at least 60% of the subjects were taught in Latvian. The educational reform activated a large part of the Russian speakers community, leading to mass protests. In addition, in 2007 the matriculation examinations were standardised – they were to be the same for schools teaching only in Latvian and in bilingual schools, which placed the latter in a much weaker position. In the following years, support for Latvian integration programmes has increased. Russian speakers have been more and more eager to learn the state language and applied in the processes of naturalisation. They have acknowledged that the knowledge of the state language is necessary for communication but supported the protection of their own language and culture. Young people have had enough

²³ Zepa, B. 2008. Integration Policy in Latvia: Theory and Practice. In: *Socio-economic and Institutional Environment: Harmonisation in the EU Countries of Baltic Sea Rim. Proceeding of the Institute of European Studies*. International University Audentes, no. 4, pp. 106–139.

²⁴ Janson, A. 2003. Ethnopolitics in Latvia: Ethnopolitical Activities of State Institutions and Non-governmental Organisations and their Influence on the Social Integration Process. *Ethnicity Studies*, pp. 124–133.

²⁵ B. Zepa, *op. cit.*, pp. 106–139.

motivation to learn Latvian as the knowledge of the state language ensured a better socio-economic position. Russian speakers have also favoured social harmony and interethnic dialogue in Latvia. Some of them have supported the presence of two official languages in Latvia²⁶.

In Latvia, the percentage of so-called non-citizens is higher than in Estonia (12% of the population). At present, however, this issue is not of much interest to the Latvian authorities. Regulations limiting the rights of non-citizens affect their political, economic and social status, but it is unlikely that the Latvian authorities will make a decision on automatic citizenship for non-citizens.

3. LITHUANIA – ADAPTATION AND ASSIMILATION

Positive phenomena related to the protection of national minorities and the fulfilment by Lithuania of certain criteria for inclusion in European structures have proved that Lithuania has conducted the optimum and most effective national policy in comparison with Latvia or Estonia. Russian speakers have known Lithuanian, better adapted to and integrated with Lithuanians, due to which they have not been perceived as a serious threat²⁷.

Lithuania is also characterised by the lowest percentage of stateless people (only 0.1% of the population) among the discussed states. Lithuania had a relatively small number of Russian speakers, and migration processes in the Soviet period did not cause drastic changes in its demographics. The problematic issues concern the Polish minority in Lithuania, which is more involved and aware of its heritage. The main postulates of the Polish minority refer to the question of double names of streets and places as well as the spelling of names in Polish²⁸.

Despite seemingly good relations between the Lithuanian authorities and national minorities and immigrants, the situation remains tense and a number

²⁶ In 2012 the majority of participants in the national referendum voted against the Russian language as another official language.

²⁷ Eberhardt, P. 2009. Przemiany narodowościowe w państwach bałtyckich na przełomie XX i XXI wieku. [National changes in the Baltic states at the turn of the 20th and 21st centuries.] *Roczniki Nauk Społecznych*, no. 1(37), pp. 95–113.

²⁸ Barwiński, M. 2012. Stosunki międzypaństwowe Polski z Ukrainą, Białorusią i Litwą po 1990 roku w kontekście sytuacji mniejszości narodowych. [Interstate relations between Poland and Ukraine, Belarus and Lithuania after 1990 in the context of the situation of national minorities.] *Studia z Geografii Politycznej i Historycznej*, vol. 1, pp. 139–166.

of issues need to be resolved. Lithuania still does not have a separate law defining the rights of minorities in Lithuania (the former, from the days of the ‘Soviet occupation’, lost its power in 2010). In addition, amendments introduced to the Education Act in 2011 standardised the matriculation examinations for secondary school graduates from Lithuanian and minority schools. From 2013 on to get a matriculation certificate students must pass two exams: a compulsory examination in the Lithuanian language and literature and an examination in another selected subject. Minorities in Lithuania have actively protested against the amendment of the law because the unified exam was introduced despite significant differences in Lithuanian curricula in minority schools and schools teaching in the Lithuanian language, and despite the fact that the number of hours devoted to state language education is significantly smaller in minority schools²⁹. The integration of national schools with the national curriculum, which aimed at strengthening the role of the Lithuanian language in minority schools, has been judged by teachers of minority schools as being ill-considered and discriminating because pupils’ unequal starting conditions have affected the results negatively³⁰. Pupils of minority schools have achieved lower results than their peers from Lithuanian schools, and compared to the years before the reform, the marks of high school graduates from Polish and Russian schools have been worse.

Russian speakers are well integrated in Lithuanian society, but are fragmented and do not form a strong community. They accentuate their cultural distinctiveness to a lesser extent, therefore they are less active in promoting the Russian language and culture in Lithuania³¹. Appealing to the values of Russian culture and history is not in conflict with loyalty to the state and strong civic identity³². Russian speakers individuals are, however, potentially exposed to Russian propaganda. The Russian-speaking media

²⁹ Kuzborska, E. 2014. Reforma oświaty mniejszości narodowych na Litwie w 2011 r. w świetle międzynarodowych standardów ochrony. [Reform of Lithuanian national minority education in 2011 in the light of international standards of protection.] *Rocznik SNPL*, vol. 13–14, pp. 68–81.

³⁰ Moroz-Łapin, K., Szejbak, M. 2014. Meandry litewskiej polityki oświatowej w szkolnictwie mniejszości narodowych. [Meanders of Lithuanian educational policy in the education of national minorities.] *Rocznik SNPL*, vol. 13–14, pp. 90–105.

³¹ Fréjuté-Rakauskienė, M. 2015. The Role of Voluntary Organisations in Constructing the Common Identity and Mobilising of Polish Community in Southeastern Lithuania. *Polish Political Science Review*, no. 3 (1), pp. 17–34.

³² Матулионис, А.В., [Matulionis, A.W.], Фреюте-Ракаускене, М. [Fréjuté-Rakauskienė, M.] 2014. Идентичность русской этнической группы и ее выражение в Литве и Латвии. Сравнительный аспект [Identity of Russian ethnic group and its

disseminate false information about NATO and promote expansive Russian foreign policy in the Baltic region. ‘Rossiya Segonya’, ‘Sputnik’, ‘RuBaltic’, ‘Baltnews’ and ‘Regnum’ are particularly engaged in Kremlin politicy. A report of the Lithuanian security services (*Valstybės saugumo departamentas, VSD*), also points to the danger of Russia’s ideological influence and the surveillance of its special services under which young Russian speakers are³³. Taking into consideration the fact that the discord between national minorities and the Lithuanian authorities provokes tension within the Lithuanian political scene, intensified Russian propaganda can contribute to the escalation of the problem. In this context, the activities of the Lithuanian government, aimed at better integration of minorities, including Russian speakers in Lithuania, should be evaluated positively. In July 2015 the Department of National Minorities (DNM) of Lithuania was formed, replacing the Department of National Minorities and Emigration (DNME), liquidated in 2010³⁴. In addition, in February 2016 the DNM prepared the Strategic Action Plan for 2016–2018³⁵, which identified the following main objectives: 1) integration of ethnic minorities in Lithuanian society while preserving their national and ethnic identity, 2) tolerance and lack of discrimination, and 3) promotion of ethnic and cultural diversity³⁶.

expression in Lithuania and Latvia. Comparative Aspect.] *Mup Poccuu. [Russia's world.]* no. 1, pp. 87–114.

³³ State Security Department of the Republic of Lithuania. 2017. *National Security Threat Assessment*. Vilnius. Available at: <http://www.vsd.lt/Files/Documents/63626568872100000.pdf>. [Accessed: 3 July 2017].

³⁴ European Foundation of Human Rights. *Departament ds. Mniejszości Narodowych nie może być instytucją marionetkową*. [Department of National Minorities cannot be a puppet institution.] Available at: <http://zw.lt/wilno-wilenszczyzna/efhr-departament-ds-mniejszosci-narodowych-nie-moze-byc-instytucja-marionetkowa/> [Accessed: 3 July 2017]; *Departament Mniejszości Narodowych i Wychodźstwa zmarł niech żyje Komisja*. [Department of National Minorities and Immigration died, long live the Commission.] Available at: <http://kurierwilenski.lt/2009/09/02/departament-mniejszosci-narodowych-i-wychodzstwa-zmarl-niech-zyje-komisja/> [Accessed: 12 June 2016].

³⁵ National Minorities Department of the Government of the Republic of Lithuania. 2016. *Tautinių mažumų departamento prie Lietuvos Respublikos Vyriausybės 2016–2018 metų strateginis veiklos planas*. [Strategic Action Plan of the National Minorities Department of the Government of the Republic of Lithuania for years 2016–2018.] Available at: <http://tmde.lrv.lt/uploads/tmde/documents/files/TMD%20SVP%202016-2018-patvirtintas.pdf>. [Accessed: 11 June 2016].

³⁶ Kuczyńska-Zonik, A. 2016. Dyskurs narodowościowy na Litwie w kontekście współczesnych zagrożeń. [National discourse in Lithuania in the context of contemporary threats.] *Rocznik IEŚW*, vol. 14 (5), pp. 281–300.

4. INTEGRATION STRATEGIES AND CHALLENGES FOR THE IDENTITY OF RUSSIAN SPEAKERS

Integration strategies bring the expected results when they are preceded by a social campaign promoting tolerance and multiculturalism among both minority groups and the titular nation. Effective social integration is possible only when individuals have a choice and are not forced to assimilate by abandoning their own culture in favour of the one of the dominant nation. Integration strategies in the Baltic states have been an important step towards strengthening social cohesion and reducing differences between ethnic groups in the states. By learning the state language, Russian people have been included in the communication space of the state, and the aim of the liberalisation of the citizenship law and educational programmes was to shape civil identity.

It has turned out, however, that the integration of Russian speakers in the political dimension is not sufficient, and that civil identity can be shaped independently of cultural identity³⁷. In Russian speakers, both identities function side by side, they can complement or exclude each other. It is difficult to conclusively state which of them is dominant³⁸. Russian speakers are loyal to the state in which they live, accept national symbols and political values, but want to preserve the Russian language, tradition and historical narrative. Therefore, the reconciliation of Russian cultural identity with civil identity in the Baltic states may be difficult. Sharp divisions have occurred especially in the context of Soviet monuments, which for Russian speakers symbolise the victory over fascism in Europe, but for ethnic Lithuanians, Latvians and Estonians they mean Soviet occupation and the trauma of deportation. The removal of the ‘Bronze Soldier’ from the centre of Tallinn in 2007 resulted in two-day riots and the death of one person.

³⁷ Zimmer, O. 2003. Boundary mechanisms and symbolic resources: towards a process-oriented approach to national identity. *Nations and Nationalism*, vol. 9 (2), pp. 173–193, DOI: 10.1111/j.1469-8129.2007.00269.x.

³⁸ According to V.A. Tishkov civil identity predominates over ethnic identity, Степанов, В.В. [Stepanow, W.W.], Тишков, В.А [Tiszakow, W.A.], 2013. Введение: европейские меньшинства и политизированные мифы в балтийском контексте. [Introduction: European minorities and politicized myths in the Baltic context.] In: Этническая политика в странах Балтии. [Ethnic Policy in the Baltic States.] Moscow, pp. 9–23.

For many Russian speakers Soviet symbols are a clear element of their identity and of belonging to the Russian cultural community. In addition, Ammon Cheskin points to a high degree of collective identity in Russian speakers³⁹. However, the Russian world (*Русский мир*) is not synonymous with the world of the Russian Federation (*Российский мир*) and the Russian state is less and less politically, socially and economically attractive for Russian speakers in the Baltic states. Russian speakers are inclined to maintain friendly relations with Russia and to be a bridge between the Baltic states and Russia⁴⁰. They want to maintain cultural ties with Russia, but they increasingly distance themselves from its policies and ideology. Some Russian speakers individuals have Russian citizenship which facilitates economic contacts, but is not an indication of their loyalty to Russia. Russian speakers may support the European direction of development of the Baltic states, benefit from the possibility to travel which citizenship or permanent residence in the Baltic states gives them. The positive connotations of Europe and the European direction of the Baltic states are conducive to adaptation and greater integration of Russian speakers. Young people express greater willingness and degree of integration than older generations⁴¹. The majority of them are well-integrated in their own country, they know the state language, more often see themselves as Lithuanians, Latvians or Estonians or more broadly, Europeans than Russians (Russian speakers). For many of them, the Russian language is the only indicator of their relationship with Russia. According to Kristina Kallas, shaping a civic European attitude in Russian speakers is the only solution to preserve stability in the region. Naturalisation of non-citizens in the Baltic states may be the first step in their integration into societies, but it does not automatically have to mean that they have developed a European identity⁴².

A challenge for the effectiveness of integration processes in the Baltic states may be the limited interactivity and extent of intercultural contacts

³⁹ Cheskin, A. 2010. The discursive construction of ‘Russian-Speakers’: The Russian-language media and demarcated political identities in Latvia. In: Golubeva, M., Gould R. eds. *Shrinking Citizenship: Discursive Practices that Limit Democratic... On the boundary of two worlds*. Amsterdam: Rodopi: pp. 133–154.

⁴⁰ Cheskin, A. 2013. Exploring Russian-Speaking Identity from Below: The Case of Latvia. *Journal of Baltic Studies*, vol. 44 (3), pp. 287–312.

⁴¹ Kalmus, V., *op. cit.*, pp. 667–697.

⁴² Posener, A. *In Defence of the Baltics*. Available at: <http://carnegieeurope.eu/strategicEurope/?fa=64244>, [Accessed: 10 August 2016].

between ethnic groups⁴³. Integration processes have been unilateral and the titular nations have been involved in them to a limited extent. Conflicts between ethnic groups, especially in Latvia and Estonia, have often been provoked by the elites of both ethnic groups, and thus have been highly politicised. In the political debate, the visions of the national (ethnic) and civil (political) states have clashed. The issue of Rusophobia has usually appeared in the pre-election struggle between more conservative and liberal political options. In addition, tense relations with Russia after the annexation of Crimea have deepened the crisis. Relations between the majority and ethnic groups in the states are still dominated by the lack of trust and limited tolerance hindering mutual integration, which is visible mainly through the prism of the political sphere and the media. In social relations and daily contacts, the interethnic divisions are obliterated⁴⁴. The number of mixed marriages increases, especially in Lithuania and Latvia.

The education reforms in Lithuania, Latvia and Estonia limiting education in minority languages and standardising examinations in the state language, aimed to improve the quality of education, increase competitiveness in the labour market and make it easier for young people who attend bilingual schools to enter universities (educating in the state language). In the opinion of some Russian speakers they have led to assimilation. The emphasis on language, history and national culture as a basis of social integration in the Baltic states has deepened the alienation of Russian speakers⁴⁵. Significant acts of discrimination on the ethnic background have been extremely rare; ‘Hidden’ discrimination in the labour market has been observed more frequently. Russian speakers have been less active on the labour market and more vulnerable to job loss. They have rarely held senior positions in public administration⁴⁶. Their education and low knowledge of the state

⁴³ Birka, I. 2016. Expressed attachment to Russia and social integration: the case of young Russian speakers in Latvia, 2004–2010. *Journal of Baltic Studies*, vol. 47 (2), pp. 219–238, DOI: 10.1080/01629778.2015.1094743.

⁴⁴ Korts, K. 2009. Inter-Ethnic Attitudes and Contacts Between Ethnic Groups in Estonia. *Journal of Baltic Studies*, vol. 40 (1), pp. 121–137, DOI: 10.1080/01629770902722286.

⁴⁵ Gružina, I. 2011. Relationship between History and a Sense of Belonging – Russian Speaking Minority Integration in Latvia. *CEU Political Science Journal*, vol. 6 (3), pp. 397–432.

⁴⁶ Cianetti, L. 2014. Representing minorities in the city. Education policies and minority incorporation in the capital cities of Estonia and Latvia. *Nationalities Papers*, vol. 42 (6), pp. 981–1001, DOI: 10.1080/00905992.2014.957663.

language has negatively affected their socio-economic status⁴⁷, however even after considerable limitation of language barriers, the disparities in the socio-economic status between ethnic groups have remained. In Estonia socioeconomic differences between ethnic groups have been more pronounced than in Latvia, where economic problems of Russian speakers have been smaller, and in subsequent years less attention has been devoted to socio-economic issues than in the 2001 Strategy⁴⁸. Due to resentment and distrust in the state authorities Russian speakers have become more and more susceptible to populist slogans and Russian influence. Russia, on the other hand, has used Russian speakers to maintain divisions within communities and ethnic groups, and to instigate inter-ethnic strife. Russia has supported Russian organisations operating in the Baltic states through federal agencies for cooperation with compatriots abroad (*соотечественники*), Russian embassies, local governments of Russian cities (including Moscow and St. Petersburg), foundations such as 'Rossotrudnichestvo', 'Russkij mir', 'A. Gorchakov's Foundation' and others. Regional Councils Coordinating Russian Compatriots Abroad have been particularly active in this field⁴⁹.

In regions dominated by Russian speakers, such as Ida-Viru in Estonia, the unemployment rate is still significantly higher than the average level of unemployment in the country⁵⁰. Issues related to the Russian language also seem problematic, for instance, spelling of names, bilingual topographical names and signs in places inhabited by Russian speakers individuals, the possibility of using the Russian language in contacts with the local administration. However, the repetition of mass protests and demonstrations of Russian speakers is unlikely. Communities are heterogeneous, fragmented, and poorly institutionally organised⁵¹. There are no significant values shared by the general community, due to which it is weak and its actions are inefficient. On the other hand, due to the sense of security, the relative comfort of life, the level of language competence sufficient for everyday

⁴⁷ Cianetti, L. 2015. Integrating Minorities in Times of Crisis: Issues of Displacement in the Estonian and Latvian Integration Programs. *Nationalism and Ethnic Politics*, vol. 21 (2), pp. 191–212, DOI: 10.1080/13537113.2015.1032029.

⁴⁸ Ibidem, *op. cit.*, p. 202.

⁴⁹ Kuczyńska-Zonik, A. 2017. Russian-speaker NGOs in the Baltic States. RIESW, vol. 15 (3), 165–183.

⁵⁰ Advisory Committee on the Framework Convention for the Protection of National Minorities. 2015. *Fourth Opinion on Estonia*. 19 March 2015.

⁵¹ Agarin, T. 2011. Civil society versus nationalizing state? Advocacy of minority rights in the post-socialist Baltic states. *Nationalities Papers*, vol. 39 (2), pp. 181–203, DOI: 10.1080/00905992.2010.549471.

communication, Russian speakers feel no need to change their social position. They are also less motivated to integrate further into the national society, which is especially visible in Latvia. The situation in Estonia is more friendly to Russian speakers, due to Estonians' greater tolerance and openness and a relatively higher standard of living.

CONCLUSION

The analysis of the subject showed that after regaining independence, the Baltic states have decided on different integration models in relation to Russian speakers. Their aim has been to shape national and civic attitudes and prevent separatism and social inequalities. Initially, the Estonian policy was based on increasing social cohesion through learning of the state language. In the following years, a more open approach, oriented towards the development of attitudes of tolerance, respect and multiculturalism, have predominated. Educational programmes have been initiated and intercultural contacts have been encouraged⁵². A lot of emphasis has been placed on the integration of children and young people, civil rights have been liberalised. Latvia has continued its integration strategy based on limiting the Russian language in public life and promoting the Latvian language. Institutions guarding the purity of the language have been established. At the same time, Russian speakers have been enabled to influence the decision-making process through participation in advisory and consultative bodies at various levels.

Initially, a serious problem was the lack of citizenship in Russian speakers. Despite considerable efforts in this regard, it has not been resolved completely. Certain regulations restricting the rights of non-citizens and stateless persons refer to the electoral law, the possibility of holding certain posts and offices and travelling. Therefore, Russian speakers have decided to obtain a Russian passport, which makes it easier for them to travel to Russia. Many older people still do not know the state language, and free access to information in Russian and widespread communication in this language (especially in regions with a high percentage of the Russian speakers population) makes it

⁵² There is an ongoing discussion about the inclusion of Russian songs to the Estonian Song Festival (est. *Laulupidu*), which is a symbol of Estonian national culture, *Minister: Song Festival program to be decided by work groups, directors* 31 May 2017. Available at: <http://news.err.ee/599352/minister-song-festival-program-to-be-decided-by-work-groups-directors>. [Accessed: 4 July 2017].

unnecessary for them to learn the state language⁵³. Lithuania, in which the percentage of Russian speakers was small, has adopted more liberal solutions in terms of nationality policy. Russian speakers also more easily adapted and assimilated in the Lithuanian environment. The actions to deepen social integration undertaken by Lithuania in recent years have been caused by the difficulty of adaptation of the Polish minority and aimed at limiting the influence of Russia.

In general, integration strategies in the Baltic states have positively influenced social harmonisation, although voices of dissatisfaction have appeared among Russian speakers, especially in Latvia and Estonia. Non-citizens have not been granted citizenship automatically and they have had to prove their loyalty to the state through naturalisation. The states have emphasised that the state language is the source of civil identity, while the Russian speakers have stressed the need to include ethnic languages and culture into the integration processes. This was the reason for protests and speeches against the policy towards the Russian speakers. The educational reform in Latvia led to mass protests in 2003–2004 in defence of Russian schools. In Estonia, a few-day protests against the removal of the Soviet monument, which is a symbol of the identity of many Russian speakers, have proved that the integration strategy is a slow and long process.

The current integration problems of Russian speakers in Lithuania, Latvia and Estonia are connected with their low socio-economic status. Both Latvia and Estonia included economic, social and cultural issues in their integration programmes, but their varied scope was dictated by the interests of the titular majority rather than the actual needs of the Russian speakers community⁵⁴. A relatively low level of education and poor knowledge of the state language continue to determine their low qualifications in the labour market, which is indirectly related to their ethnic origin. Therefore, differences resulting from the different socio-economic status may give rise to disenchantment with nationality policy and the sense of discrimination among the Russian speakers population. As a result, they are more susceptible to Russia's propaganda and influence.

⁵³ Vihalemm, T., Kalmus, V. 2009. Cultural Differentiation of the Russian Minority. *Journal of Baltic Studies*, vol. 40 (1), pp. 95–119, DOI: 10.1080/01629770902722278.

⁵⁴ Cianetti, L., *op. cit.*, p. 192.

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INTEGRATION OF RUSSIAN SPEAKERS IN THE BALTIC STATES

Summary

The aim of the article is to investigate comparatively integration policies of Estonia, Latvia and Lithuania as well as adaptation strategies of Russian-speakers in the Baltic states following the Baltic states' independence. As a result, existing integration approaches, their determinants and effects will be outlined. In addition, the study addresses the issue of shaping civic

and cultural identities of Russian speaking residents as a result of integration processes. The analysis is based on the assumption that the Baltic states have used different integration models as a consequence of various historical, political and social factors. The effectiveness of the integration process has depended on both the national strategy and the openness of the (titular and minority) ethnic groups to adaptation in the new environment.

INTEGRACJA OSÓB ROSYJSKOJĘZYCZNYCH W PAŃSTWACH BAŁTYCKICH

Streszczenie

Celem artykułu będzie spojrzenie porównawcze na polityki integracyjne Estonii, Łotwy i Litwy oraz modele adaptacyjne osób rosyjskojęzycznych w państwach bałtyckich po odzyskaniu przez nie niepodległości. W związku z tym zostaną nakreślone dotychczasowe podejścia integracyjne, ich uwarunkowania i skutki. Dodatkowo, badanie obejmie kwestię kształtowania tożsamości obywatelskiej i kulturowej osób rosyjskojęzycznych jako rezultat procesów integracyjnych. Analiza opiera się na założeniu, że państwa bałtyckie stosowały różne modele integracyjne w zależności od uwarunkowań historycznych, politycznych i społecznych. Efektywność integracji zależała zarówno od strategii narodowej, jak i otwartości grup etnicznych (tytularnej i mniejszościowej) na adaptację w nowym środowisku.

ИНТЕГРАЦИЯ РУССКОЯЗЫЧНЫХ ЛИЦ В ПРИБАЛТИЙСКИХ ГОСУДАРСТВАХ

Резюме

Целью статьи является сравнительное наблюдение над разновидностями интеграционной политики Эстонии, Латвии и Литвы и адаптивными моделями русскоязычных лиц в прибалтийских государствах после приобретения ими независимости. В связи с этим будут изложены существующие подходы к интеграции, их детерминанты и последствия. Кроме того, в исследовании затронут вопрос о формировании гражданской и культурной самобытности русскоязычных лиц в результате интеграционных процессов. Анализ основывается на предположении, что прибалтийские государства применяли

различные интеграционные модели, обусловленные историческими, политическими и социальными факторами. Эффективность интеграции зависела как от национальной стратегии, так и открытости этнических групп (титульной нации и национальных меньшинств) к адаптации в новых условиях.

Tomasz Stępniewski*

UKRAINE'S POSITION IN THE EUROPEAN UNION'S NEIGHBOURHOOD POLICY

INTRODUCTION

Due to the Brexit negotiations launched in 2017 the attention of European policy makers is focused primarily on internal affairs. In addition to Brexit, there are other crises and difficulties affecting the condition of the Community¹. There is no doubt that internal affairs are crucial for the European Union as an organisation, its cohesion and *de facto* its international position. It should be borne in mind, however, that in the eastern neighbourhood of the European Union (EU) there is an armed conflict between Russia and Ukraine, which can determine the development prospects not only of Ukraine but of the entire post-Soviet area. Therefore, the future of the countries covered by the Eastern Partnership project depends on also on the effectiveness of EU

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¹ About EU crises, inter alia in Łukaszewski, J. 2015. *Unia i Polska w świecie wstrząsów i przemian*. [The Union and Poland in the world of shocks and transformations.] Lublin: Instytut Europy Środkowo-Wschodniej; Kuźniar, R. 2016. *Europa w porządku międzynarodowym*. [Europe in the international order.] Warszawa: Polski Instytut Spraw Międzynarodowych, p. 193, ff.; Stępniewski, T. 2015. Unia Europejska, Ukraina i Rosja: kryzysy i bezpieczeństwo. [The European Union, Ukraine and Russia: crises and security.] *Studia Europejskie*. Warszawa: Centrum Europejskie Uniwersytetu Warszawskiego, no. 4 (76), pp. 11–25; Jóźwik, B., Stępniewski, T. 2016. Transformacja, integracja i kryzysy w Europie Środkowej i Wschodniej. [Transformation, integration and crises in Central and Eastern Europe.] *Rocznik Instytutu Europy Środkowo-Wschodniej*, year 14 (2016), vol. 5, pp. 11–21.

policy towards Russia (taking into account the neo-imperial policy of Russia in Ukraine and earlier in Georgia in 2008).

EU policymakers have avoided specific declarations in relation to Ukraine. In the 1990s, the European Union policy was limited to economic means directed to support the construction of democratic institutions and the market economy in Ukraine. The situation has changed in the twenty-first century, when individual Member States support the transformations in Ukraine. European Union's policy towards Ukraine has evolved from passivity in the 1990s to engagement in Ukrainian affairs in the twenty-first century. This is confirmed, for example, by the concept of the eastern dimension of the EU's policy announced by Poland or by the Polish-Swedish Eastern Partnership initiative announced in June 2008, adopted at the EU Summit in Prague on 7 May 2009 as an EU project.

When analysing the European Union's eastern policy in the twenty-first century, it is important to point out that it is continually modified as a result of changes within and outside the EU. This also results from the fact that the basis of the Union's actions towards its neighbours, i.e. the European Neighbourhood Policy, is not an effective construction. Thus, either EU bodies, or individual Member States of the Community, discerning the low effectiveness of these activities, come up with new initiatives to make these undertakings more effective. Examples of such projects of EU Eastern policy are: Black Sea Synergy and Eastern Partnership². On the other hand, a new project addressed to the countries of the southern neighbourhood is the Union for the Mediterranean.

The aim of this article is an attempt to show Ukraine's place in the European Neighbourhood Policy (established in 2004) and in the framework of the Eastern Partnership project based on this policy. The 'Orange Revolution' of 2004 and the events at the turn of 2013/2014 called 'Euromaidan' in Ukraine have shown that the European direction of this state is crucial for a part of Ukraine's society and political elite³.

² See more in Stępniewski, T. 2011. *Geopolityka regionu Morza Czarnego w pozimnowojennym świecie*. [Geopolitics of the Black Sea region in the post-Cold War world.] Lublin-Warszawa; Klatt, M., Stępniewski, T. 2012. *Normative Influence. The European Union, Eastern Europe and Russia*. Lublin-Melbourne.

³ More on this topic in Fiszer, J.M. 2016. Ukraine between Russia and the European Union and its Prospects: Geopolitical and Geo-Economic Dilemmas. In: Kukuła A.J. ed. *Political, social and economic conditions of development of contemporary Ukraine and its regions*. Lublin: Wydawnictwo KUL, pp. 39–69; Świder, K., Stec, A., Leszczyński, T. Z. eds. 2015. *Współczesna Ukraina – trwałość czy rozpad?* [Contemporary Ukraine

INSTITUTIONALISATION OF EUROPEAN UNION-UKRAINE RELATIONS

On 24 August 1991 the Ukrainian Parliament passed the Declaration of Independence. In the referendum held in December of that year, more than 90 percent of Ukrainians were in favour of full independence from the Union of Soviet Socialist Republics. From that moment we can talk about cooperation between Ukraine and the European Community (EC) on the basis of independence.

In the 1990s, the EC Member States saw Ukraine as an actor belonging to Russia's exclusive sphere of influence, following the 'Russian way' towards democracy and the market economy. EC decision makers did not want to worsen their relations with Russia at that time, so they did not attach much importance to relations with Ukraine (only to the issue of denuclearisation). Gradually they concentrated more and more on the countries of Central and Eastern Europe (Poland, the Czech Republic, Hungary), which articulated the desire to become members of their structures and were located in the immediate vicinity. Due to this Ukraine was perceived as a distant state not only in geographical but also in consciousness terms. In fact, relations between Ukraine and the European Community were formally established on 2 December 1991, when the EC acknowledged Ukraine's independence⁴. The next step in the intensification of cooperation between the two parties was the protocol on technical assistance in the implementation of the reform programme signed between Ukraine and the EC on 11 February 1992. It should be noted that a legal instrument regulating mutual relations is the Partnership and Cooperation Agreement (PCA) signed on 14 June 1994. The PCA entered into force on 1 March 1998 and was in force for ten years, that is until March 2008. The institutional framework includes a ministerial council, a committee composed of senior civil servants, subcommittees and a joint parliamentary committee. Political dialogue is conducted at a high level – EU-Ukraine summits take place every year. Apart from legal instruments, political instruments regulating mutual relations should be also mentioned. These are Common EU Strategies for priority countries. The decision of the European Council of 10 December 1999, when the Common EU Strategy for Ukraine was formulated in Helsinki, was of crucial importance for Ukraine.

^{– durability or disintegration?] Warszawa-Kraków: Polskie Towarzystwo Geopolityczne, p. 17, ff.}

⁴ See Dumała, A. 2007. Stosunki Ukrainy z Unią Europejską. [Ukraine's relations with the European Union.] In: Pietraś, M., Kapuśniak, T. (Stępniewski) eds. *Ukraina w stosunkach międzynarodowych. [Ukraine in international relations.]* Lublin, pp. 323–324.

The joint strategy created an opportunity for cooperation between the two parties in the fields of common foreign, security, defence and military-technical policies. The aim of the Common Strategy was to establish a strategic partnership between the EU and Ukraine, thus concentrating cooperation on three main tasks: 1) supporting the process of political and economic transformation; 2) jointly counteracting threats (in the sphere of security, environment protection and energy and nuclear security); 3) strengthening cooperation in the context of broadening, supporting the integration of Ukraine's economy with the European and global economy, strengthening cooperation in the field of justice and internal affairs⁵.

After the EU summit in Helsinki in 1999, at which the Joint Strategy was adopted, Ukraine was disappointed with the EU's attitude. Despite many efforts Ukraine did not receive an association perspective or even the right to seek to join the European integration process. Ukraine, however, did not abandon its aspirations for integration. In September 2002 the 'Ukraine's Integration Programme with the EU' was adopted, highlighting the priority issues: WTO membership (Ukraine became a member in 2008), creation of a free trade zone with the EU, obtaining the status of an associate member of the EU (as predicted in 2004), and a strategic issue was full integration with the EU in 2011⁶. Unfortunately, in December 2002 in Copenhagen the Union still did not give Ukraine an integration perspective, and Romano Prodi, then president of the EU Commission, stated that 'Ukraine's chances are equal to those of New Zealand'.

Multi-vector foreign policy of Ukraine influenced the change of the previous attitude. In 2003 Ukraine announced its resignation from efforts to join the EU, and added that a new goal would be to achieve European standards, and even 'the pursuit of Europe with Russia', which undermined the credibility of the earlier pro-European declarations of the decision-making centre in Kiev.

The relations of Ukraine (broader Eastern Europe) with the EU will be shown below through the prism of the format of multilateral cooperation,

⁵ Cf. Kołodziej, T. 2005. Nowe sąsiedztwo na wschodzie poszerzonej Unii Europejskiej: wyzwania dla PECSA. [New neighbourhood in the east of the enlarged European Union: Challenges for PECSA] In: Kołodziej T. ed. „Nowe sąsiedztwo” na wschodzie poszerzonej Unii. [‘New neighbourhood’ in the east of the enlarged Union.] Warszawa, pp. 17–18.

⁶ European Commission. 2004. *Commission Staff Working Paper: European Neighbourhood Policy, Country Report Ukraine*. COM (2004) 373 final, 12 May 2004, SEC(2004) 566. Brussels, p. 5.

i.e. the European Neighbourhood Policy (ENP)⁷ and the Eastern Partnership project based on in.

EUROPEAN NEIGHBOURHOOD POLICY AS A TURNING POINT IN THE EUROPEAN UNION'S EASTERN POLICY

Before the enlargement of the EU by ten new states in 2004, in the European forum a debate took place on future neighbourhood policy after the enlargement of the EU in the East that year. The discussions on this issue accelerated in April 2002, when Denmark and the United Kingdom presented their first proposals entitled *the New Neighbours Initiative*, suggesting to assign the 'special neighbour' status to states located on the future enlarged eastern borders – Belarus, Ukraine, Moldova. Then, as a result of the opposition of France and Spain, fearing the marginalisation of the Mediterranean dimension, the non-European states were included in the initiative. On 11 March 2003 the European Commission in the *Communication on Wider Europe: A New Framework for Relations with our Eastern and Southern Neighbours*⁸ presented a vision of relations with neighbouring countries. At the beginning of July 2003 the European Commission published another Communication *Paving*

⁷ See more on ENP in Fiszer, M.J. ed. 2012. *Europejska Polityka Sąsiedztwa Unii Europejskiej. Geneza, doświadczenia, perspektywy.* [European Union Neighbourhood Policy. Origin, experiences, perspectives.] Warszawa: Dom Wydawniczy Elipsa; Pietraś, M., Stachurska-Szcześniak, K., Misiągiewicz, J. eds. 2012 *Europejska Polityka Sąsiedztwa Unii Europejskiej.* [European Union Neighbourhood Policy.] Lublin: Wydawnictwo UMCS; Lyubashenko, I. 2012. *Europejska Polityka Sąsiedztwa Unii Europejskiej wobec państw Europy Wschodniej.* [European Union Neighbourhood Policy towards Eastern European countries.] Toruń: Dom Wydawniczy Duet; Parzymies, S. ed. 2009. *Dyplomacja czy siła? Unia Europejska w stosunkach międzynarodowych.* [Diplomacy or strength? European Union in international relations.] Warszawa: Wydawnictwo Naukowe Scholar; also Lesińska, M., Stępniewski, T. eds. 2016. *Wschodnia granica Unii Europejskiej: polityka, migracje, bezpieczeństwo.* [The eastern border of the European Union: Policy, migration, security.] *POLITEJA. Pismo Wydziału Studiów Międzynarodowych i Politycznych Uniwersytetu Jagiellońskiego*, no. 41/2016; Góralczyk, B. 2014. *Unia Europejska jako aktor na scenie globalnej. Razem czy osobno?* [The European Union as an actor on the global stage. Together or separately?] Warszawa: Centrum Europejskie Uniwersytetu Warszawskiego.

⁸ European Commission. 2003. *Communication on Wider Europe: A New Framework for Relations with our Eastern and Southern Neighbours.* COM (2003) 104 final, 11 March 2003.

*the way for a New Neighbourhood Instrument*⁹, which was largely devoted to issues related to various aspects of ENP funding, including the establishment of a new financial instrument: the European Neighbourhood and Partnership Instrument – ENPI)¹⁰. The *Wider Europe* Communication became the basis for the formulation of the European Neighbourhood Policy (ENP) announced on 12 May 2004¹¹. The next step was a package of policy initiatives prepared by the Commission in May 2004 – *Strategy Paper*, which was approved by the EU Council and the European Council in June 2004¹². The package concerned issues such as political dialogue and reforms, trade and measures preparing partners for gradually obtaining participation in the EU internal market, justice and home affairs, energy, transport, information society, environment, research and innovation, social policy and interpersonal contacts.

It should be noted that Russia did not express any interest in participating in the ENP. At the St Petersburg summit in May 2003 it was decided that relations between the EU and Russia would take the form of a ‘strategic partnership’ and would be based on four jointly developed areas¹³. As a result of this, the ENP covered states that were in the EU’s geographical neighbourhood, had no prior prospects for EU membership, and had established treaty regulations with the EU (PCAs or association agreements). Taking the last condition into account, that is having treaty regulations with the EU, one can be tempted to conclude that the ENP was to offer the EU’s neighbours (including Eastern European countries) another form of co-operation and thereby eliminate the possibility of prospective membership

⁹ European Commission. 2003. *Communication from the Commission: Paving the way for a New Neighbourhood Instrument*. COM (2003) 393 final, 1 July 2003. Available at: http://ec.europa.eu/world/enp/pdf/com03_393_en.pdf.

¹⁰ European Parliament and the Council. 2006. *Regulation (Ec) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument*. Official Journal of the European Union, L 310/1. Available at: http://ec.europa.eu/world/enp/pdf/oj_l310_en.pdf.

¹¹ European Commission. 2004. *Communication from the Commission: European Neighbourhood Policy – Strategy Paper*. COM (2004) 373 final, 12 May 2004. Brussels.

¹² European Commission. 2004. *Communication from the Commission: European Neighbourhood Policy – Strategy Paper*. COM (2004) 373 final, 12 May 2004. Brussels. Available at: http://ec.europa.eu/world/enp/pdf/strategy/strategy_paper_en.pdf.

¹³ Bieleń, S. 2006. *Tożsamość międzynarodowa Federacji Rosyjskiej*. [International identity of the Russian Federation.] Warszawa, p. 283; Menkiszak, M. 2006. *Rosja wobec Unii Europejskiej: kryzys „strategicznego partnerstwa”*. [Russia vs. the European Union: crisis of ‘strategic partnership’.] Warszawa: Prace OSW.

of its structure. In addition, the lack of a binding agreement (PCA) between the EU and Belarus prevented it from becoming a member of the ENP, although the EU proposal included also Belarus. The following table shows the individual ideas postulating a reform of the ENP after 2004, with a focus on its territorial coverage.

Table 1

**The territorial coverage of the European Neighbourhood Policy
of the European Union (and of other projects reforming the ENP)**

Idea	The New Neighbours Initiative	The Eastern Dimension of the EU	The Wider Europe idea	The European Neighbourhood Policy
Territorial coverage	Belarus, Moldova, Ukraine	Belarus, Moldova, Ukraine, Russia	1) Eastern neighbours: Belarus, Moldova, Ukraine and Russia; 2) Southern neighbours: Mediterranean countries	1) Eastern neighbours: Belarus, Moldova, Ukraine, Armenia, Azerbaijan and Georgia; 2) Southern neighbours: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Palestinian National Authority, Syria, Tunisia

Source: own study.

The main goal of the ENP is to foster cooperation between the EU and its neighbours in the fields of economy, politics, culture and security. This cooperation should be based on shared values (democracy, the rule of law, respect for human rights, development of co-operation on a free market basis, and cooperation in combating common threats – e.g. terrorism).

Through the EPS, the Union offers its neighbours enhanced economic cooperation (with the prospect of a free trade area, participation in certain areas of the internal market, basing economic relations on the four freedoms binding within the EU), and privileged political relations. Although the ENP is a coherent EU policy towards its neighbours, it should be stated that it is based on the principle of conditionality (the EU uses a strategy of the ‘carrot’ – awards and the ‘stick’ – penalties). The need to carry out political, social and economic reforms, demanded by EU policymakers, in a given country is reflected in the EU strategy towards that country. The greater the desire

to meet the expectations of the EU, the greater the reward. This leads us to the principle of a differentiated EU approach, as it negotiates bilateral commitments (rights and obligations mutually binding for the state and for itself). In exchange for the fulfilment of the commitments, the state receives financial and technical assistance.

The political changes that occurred in the southern and eastern neighbourhood have not significantly affected the shape and logic of the ENP. The neighbourhood policy has not been radically changed, only modified, and thus has not contributed to improving the situation in the region, particularly in terms of security. The so-called Arab Spring, Russia's war with Georgia in August 2008, and Russia's hybrid war with Ukraine since 2014 confirm that the ENP is not an effective policy and does not prevent conflicts in the close neighbourhood of the European Union. In addition, the European Commission's review of the ENP in 2011 (the result of the Arab Spring) and in 2014-2015 (due to Russia's armed conflict with Ukraine, mass migration from the Middle East and Africa to Europe) confirmed the low effectiveness of the policy and pointed to the need for changes in its operation. According to the European Commission, the ENP should focus on stabilisation, greater co-responsibility, security and economic development of the neighbouring countries in the coming years. It is worth stressing that in the eastern neighbourhood we have a conflict in Donbas that affects the stability of Eastern Europe and raises the question about the situation in this area. As Kersti Kaljulaid, the President of Estonia, rightly pointed during the Global Forum 2017 in Warsaw on 7 July 2017 the conflict in Ukraine could last for decades. It results from the fact that 'the Kremlin, however, attempts to politically dominate those European areas that for a long time were dependent on or occupied by the Soviet empire and today want to develop independently of Moscow. This gives rise to counter-reaction on the part of the Putin regime. This area covers the majority of Eastern Partnership countries between the Union and Russia or the Western Balkan region. However, attention should be paid primarily to Ukraine'¹⁴.

¹⁴ Kubilius, A. 2017. Czy Zachód ma długoterminową strategię, która nie dopuści do zwycięstwa Putina na Ukrainie? [Does the West have a long-term strategy that will prevent Putin's victory in Ukraine?] *Gazeta Wyborcza/Magazyn Świąteczny* [Online] 14 July 2017. Available at: <http://wyborcza.pl/magazyn/7,124059,22095808,czy-zachod-ma-dlugoterminowa-istrategie-ktora-nie-dopusci.html>.

ORIGIN AND OBJECTIVES OF THE EASTERN PARTNERSHIP POLICY OF THE EUROPEAN UNION

Talking about Ukraine and EU policy towards Eastern Europe, it is important to note that an important component in the processes of the realisation of the eastern dimension of EU policy is the Eastern Partnership initiative – a new proposal for regional cooperation that the EU addresses to selected Eastern European and the South Caucasus countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Poland and Sweden are the initiators of the Eastern Partnership, inaugurated on 7 May 2009 at the EU summit in Prague¹⁵. In May 2008 these countries proposed to deepen relations with the eastern neighbours covered by the European Neighbourhood Policy (ENP), although the actions of many other EU members also contributed to the shape of the described project¹⁶. The necessity to intensify relations with the eastern neighbours were consistently emphasised in the earlier years by the Visegrad Group states¹⁷, while Lithuania, Latvia and Estonia presented an analogous position. An important role was played by Germany, which presented the concept of the so-called ENP Plus while holding the EU Presidency in the first half of 2007¹⁸. An expression of the changing approach

¹⁵ More information on the Eastern Partnership, its creation, structure and functioning in Stępniewski, T. 2012. Partnerstwo Wschodnie Unii Europejskiej: między realizmem a rozczałaniem. [The Eastern Partnership of the European Union: between realism and disappointment.] In: Stępniewski, T. ed. *Kaukaz – kultura, społeczeństwo, polityka. [Caucasus – culture, society, politics.]* Rocznik Instytutu Europy Środkowo-Wschodniej, Year 10 (2012), vol. 2, pp. 11–22; Stępniewski, T. 2012. Ukraina w polityce sąsiadztwa Unii Europejskiej: europeizacja czy peryferyzacja? [Ukraine in the European Union's neighborhood policy: Europeanisation or periphery?] In: *Co po ULB? Polityka wschodnia Polski wobec sąsiadów w nowych uwarunkowaniach. [What after ULB? Poland's eastern policy towards its neighbors in new conditions.]* Rocznik Instytutu Europy Środkowo-Wschodniej, Year 10 (2012), vol. 1, pp. 39–49.

¹⁶ Kapuśniak, T. (Stępniewski) 2009. Miejsce Ukrainy w polityce wschodniej Unii Europejskiej. Perspektywa Polski. [The place of Ukraine in the eastern policy of the European Union. Perspective of Poland.] *Krakowskie Studia Międzynarodowe*, no. 4 (VI), pp. 95–107.

¹⁷ Cf. Pełczyńska-Nałęcz, K., Duleba, A., Póti, L., Votápek, V. 2003. *Polityka wschodnia Unii Europejskiej – perspektywa krajów wyszehradzkich. Myśląc o Wymiarze Wschodnim. [Eastern policy of the European Union – perspective of the Visegrad countries. Thinking of the eastern dimension.]* Warszawa: Punkt Widzenia OSW.

¹⁸ Wojna, B., Gniazdowski, M. 2009. Partnerstwo Wschodnie: geneza, możliwości i wyzwania. [Eastern Partnership: Genesis, opportunities and challenges.] *Bulletyn PISM*, no. 24 (556), 30 April 2009, Available at: www.pism.pl; Schaffer, S., Tolksdorf, D. 2009.

of the EU to neighbourhood policy was also the adoption in December 2007 by the European Council of Polish-Lithuanian proposals for the development of the southern and eastern dimension of the ENP, not only in the bilateral but also in multilateral frameworks.

The Eastern Partnership is based on the European Neighbourhood Policy implemented since 2004. It is rated by many Member States as a continuation of their earlier efforts to strengthen the ENP in its eastern European section, and at the same time, a new opening in the EU's relations with its addressees. The initiative has gained a lot of support also due to the changing conditions within both the EU and its external surrounding. Undoubtedly, the awareness of the challenges and threats existing in Eastern Europe and the South Caucasus increased in the Member States five years after the EU enlargement. At present, all Members clearly recognise that tensions, political and economic destabilisation and 'frozen conflicts' in the region can directly pertain to the EU itself. Moreover, it was not an accident that work on the Eastern Partnership project accelerated after the Georgia-Russia war and energy cooperation is its essential component. At the same time, the experience of several years of implementation of the ENP has shown that in order to increase the effectiveness of this policy, it is necessary to adapt its instruments to the specificities of the countries concerned, and that it is indispensable to take greater account of the aspirations of EU neighbours in Eastern Europe¹⁹. In addition, it should be noted that the above mentioned premises – as well as events called the Arab spring – also became the basis for the publication of the report *Delivering on a new European Neighbourhood Policy* by the European Union on 15 May 2012 containing a new 'more for more' principle, i.e. more money in return for progress in integration and internal reforms binding under the European Neighbourhood Policy²⁰. It is worth emphasising that the introduction of this

The Eastern Partnership – 'ENP plus' for Europe's Eastern neighbors. *CAPerspectives*, no. 4/2009, pp. 1–4.

¹⁹ Wojna, B., Gniazdowski, M. eds. 2009. *Partnerstwo Wschodnie – raport otwarcia. [Eastern Partnership – opening report.]* Warszawa: Polski Instytut Spraw Międzynarodowych, p. 5; Hillion, Ch., Mayhew, A. 2009. *The Eastern Partnership – something new or window-dressing*. SEI Working Paper. Sussex European Institute, no. 109, January 2009. Available at: http://www.sussex.ac.uk/sei/documents/wp_109.pdf.

²⁰ *Delivering on a new European Neighbourhood Policy*. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 15 May 2012, JOIN (2012) 14 final. Brussels.

new rule by the EU ‘may *de facto* mean the reduction of EU funds for the Eastern Partnership countries’²¹.

The Eastern Partnership is a plan of the development of relations between the EU and the countries of Eastern Europe and the South Caucasus, which allows them to gradually get involved in EU policies and programmes and to integrate with the common market. In the bilateral dimension it assumes the signing of association agreements and the creation of wide-range and comprehensive free trade zones. The undertaken initiative also enables multilateral cooperation among eastern neighbours of the EU covered by the ENP. It consists of, among others, regular meetings at the level of heads of state and government, foreign ministers, senior officials and experts. It is supposed to be a forum for exchange of information and experiences of partner countries, acting as a mechanism building mutual trust. The omission of a ‘hard’ security agenda (desecuritisation) in the Eastern Partnership is to allow the EU to use ‘soft power’ and indirectly contribute to improving international security in the region. The project is not an enlargement strategy, although it does not exclude the possibility that the countries covered by it may become members of the EU in the future. The model for developing the relations with the EU contained in the Eastern Partnership seems so flexible that it can satisfy both states that are interested only in close cooperation with the EU (Armenia, Azerbaijan, Belarus) as well as those that aspire to join directly the processes of European integration (Ukraine, Georgia)²².

In addition, the Eastern Partnership in the bilateral dimension assumes the development of new foundations for legal relations between the EU and its eastern neighbours in the form of the previously mentioned association agreements and deep and comprehensive free trade agreements (DCFTA) with the EU (they have already been signed with Moldova, Georgia and Ukraine and entered into life). In addition, the practical implementation of the project means, among others, undertaking efforts to fully liberalise the

²¹ Iwański, T., Ciechanowicz, A., Kwiatkowska-Drożdż, A., Sadowski, R. 2012. Kryzys w relacjach UE–Ukraina wokół sprawy Tymoszenko. [Crisis in EU-Ukraine relations around Tymoshenko case.] *Tydzien na Wschodzie*, no. 17(218). [Online] 9 May 2012. Available at: www.osw.waw.pl; Представництво Європейського Союзу в Україні. [Delegation of the European Union in Ukraine]. 2012. ЄС ухвалив нову Програму з інтеграції та співпраці Східного партнерства. [The EU has adopted a new programme for integration and cooperation within the framework of the Eastern Partnership.] 27 June 2012. Available at: <http://eu.prostir.ua/news/253736.html>.

²² Wojna, B., Gniazdowski, M. eds. 2009. *Partnerstwo Wschodnie – raport otwarcia*. [Eastern Partnership – opening report.], p. 2.

visa regime (visa-free regime applies to Georgia, Moldova and Ukraine) in relations with individual partner countries, as well as assumes the development of co-operation in the field of energy security²³.

A new aspect of the Eastern Partnership – as opposed to the ENP – is the multilateral scope of its implementation which should contribute to promoting political and economic changes in the countries of Eastern Europe and the South Caucasus, becoming, by the way, a forum for exchanging information and experience of partner countries in such areas as democracy, governance and stability, economic integration and convergence in the sphere of EU policies, energy security and interpersonal contacts. Many EU members and some partners expect that the multilateral political cooperation will also act as a confidence-building mechanism throughout the region.

It is worth mentioning that the Eastern Partnership initiative has also initiated a discussion among the Member States of the EU on its relations with Russia in the area of Eastern Europe and the South Caucasus. Most of them have believed that its implementation could not in practice lead to rivalry between the EU and the RF, and thereby to the isolation of Russia in the region. In contrast, a competitive group of the Member States have opposed the perception of EU initiatives addressed to the eastern neighbourhood through the prism of Russian interests. In their opinion, the Eastern Partnership should serve to bring the countries concerned closer to the EU, regardless of the position taken by the RF in the matter, which treats Eastern Europe and the South Caucasus as its exclusive sphere of influence (so-called ‘close foreign countries’). All the Member States have emphasised the need for the parallel development of the Eastern dimension of the ENP and cooperation of the EU with the Russian Federation. Possible contradictions between the objectives of the Eastern Partnership and Russia’s fears may be offset, in the opinion of EU members, by the participation of this entity in individual projects implemented within the framework of the Eastern Partnership²⁴.

One can be tempted to say that an indirect result of the Eastern Partnership summit in Vilnius is Russia’s war with Ukraine. If Ukraine had signed an association agreement with the EU, probably nothing would have

²³ *Ibidem*, p. 6; Longhurst, K. 2007. Stepping into the geopolitical game. The European Union and its Eastern Neighbourhood. *Analizy Natolińskie*, no. 2 (15).

²⁴ Wojna, B., Gniazdowski, M. eds. 2009. *Partnerstwo Wschodnie – raport otwarcia*. [Eastern Partnership – opening report.], p. 8; Schaffer, S., Tolksdorf, D. 2009. The EU member states and the Eastern Neighbourhood – from composite to consistent EU foreign policy? *CAP Policy Analysis*, no. 1/2009, pp. 1–4.

happened, and Ukraine would have been in the same place as it was in 2013 (before the Eastern Partnership summit in Vilnius). As a result of not signing the association agreement by Viktor Yanukovych the situation got out of control. The consequences of this decision are dramatic for Ukraine: Russia's war with Ukraine (conventional and unconventional measures – in other words a hybrid war), annexation of Crimea by Russia, destabilisation of south-eastern Ukraine (so called separatist republics in Donetsk and Lugansk supported by Russia), tragic economic and military situation, etc. The key question arises: whether the aim of these agreements (the association agreement and DCFTA) was to destabilise the situation in Ukraine²⁵.

PROBLEMS OF EASTERN NEIGHBOURHOOD CONDITIONING THE EFFECTIVENESS OF THE EASTERN PARTNERSHIP POLICY

The Eastern Partnership assumes that actions undertaken by the EU towards the Eastern states will be implemented within five main areas (priorities): 1) integrated border management programme; 2) support for SME development (SME Facility); 3) regional energy markets; energy efficiency and renewable energy sources, 4) environmental management, 5) combating effects of natural disasters and man-made disasters²⁶. Unfortunately, the implementation of these priorities, as well as the tightening of political and economic relations between the EP countries and the European Union face serious difficulties, mainly of a political nature. These difficulties are mostly connected with the following issues²⁷: 1) internal problems: high corruption, weak state power, freedom of the media, restrictions on freedom

²⁵ See more in Stępniewski, T. 2015. Partnerstwo Wschodniej Unii Europejskiej: w poszukiwaniu nowego modelu integracji. [Eastern Partnership of the European Union: looking for a new model of integration.] *Mysł Ekonomiczna i Polityczna*, no. 4 (51), pp. 242–256.

²⁶ Ministry of Foreign Affairs of the Republic of Poland. 2011. *Partnerstwo Wschodnie*. [Eastern Partnership.] Warszawa. Available at: <http://www.eastern-partnership.pl>.

²⁷ Wojna, B., Gniazdowski, M. 2009. Partnerstwo Wschodnie: geneza, możliwości i wyzwania. [Eastern Partnership: Genesis, opportunities and challenges.] *Bulletyn PISM*, no. 24 (556), 30 April 2009. Available at: www.pism.pl; Kapuściak, T. (Stępniewski) 2010. Wymiar Wschodni Europejskiej Polityki Sąsiedztwa Unii Europejskiej. Inkluzja bez członkostwa? [The eastern dimension of the European Union's Neighbourhood Policy. Inclusion without membership?] *Zeszyty Natolinńskie*, no. 42. Warszawa: Centrum Europejskie Natolin, p. 103. Available at: http://www.natolin.edu.pl/pdf/zeszyty_Natolin_Zeszyt_42.pdf.

of the opposition, organised crime; 2) separatist tendencies (e.g. in Georgia – Abkhazia and South Ossetia) and ethnic conflicts (e.g. Nagorno-Karabakh, Transnistria), the problem of Crimea annexed by Russia, the situation in Donbas; 3) strong influence of the Russian Federation in the EP area (wider in the so-called ‘close foreign countries’) implemented through political, economic, energy, socio-cultural instruments; 4) Turkey’s position increasing in the region in the recent years, undermining the EU efforts (especially in matters of energy supply diversification), as Turkey – just like Russia – strives to maintain the supremacy of the two entities in the Black Sea region²⁸. After the annexation of Crimea by Russia, the situation in the Black Sea basin has changed. Russia not only controls a part of this area, but also in cooperation with Turkey seeks to dominate in this area.

CONCLUSIONS AND PROSPECTS

In the second half of 2017 the Presidency of the European Union is held by Estonia, for which cooperation with the Eastern Partnership countries is of particular importance. The next Eastern Partnership Summit is scheduled for November 2017 in Brussels²⁹. The Estonian government also declares its wish to improve the mechanisms of the implementation of principles adopted in the association agreements (DCFTA) with Moldova, Georgia and Ukraine, and moreover its support for the resumption of negotiations with Azerbaijan³⁰.

On the one hand, the EU policy eastern dimension is slowly becoming a constant and clear component of the European Union’s Neighbourhood Policy. On the other hand, it is being put to a serious test in the form of a war between Russia and Ukraine in Donbas. It is significant that the ENP is still addressed to a very diverse group of countries from the Mediterranean region

²⁸ Stępniewski, T. 2011. *Geopolityka regionu Morza Czarnego w pozimnowojennym świecie*. [Geopolitics of the Black Sea region in the post-Cold War world.], p. 39, ff.

²⁹ On earlier Eastern Partnership summits and their provisions, significance and implications in Stępniewski, T. 2015. Partnerstwo Wschodnie Unii Europejskiej: w poszukiwaniu nowego modelu integracji. [Eastern Partnership of the European Union: looking for a new model of integration.], pp. 242–256.

³⁰ Raś, K. 2017. „Jedność poprzez równowagę” – przewodnictwo Estonii w Radzie UE. [‘Unity through balance’ – Estonia’s presidency in the EU Council.] *Buletyn PISM*, no. 68 (1506), 17 July 2017. Available at: <http://www.pism.pl/publikacje/buletyn/nr-68-1506>.

and Eastern Europe. In recent years, initiatives have been taken by France in the form of the Union for the Mediterranean and the Polish-Swedish Eastern Partnership, which have changed the current logic of the EU's contacts with its neighbours. However, there is still the question about the effectiveness of these projects and the need for effective implementation of these initiatives by the EU. The effectiveness of their implementation depends on whether all the EU Member States will support these projects.

EU countries' expectations and demands for changes, without specific aid instruments, do not have a great chance for success. It cannot be expected that pure declarations of political will of the Community will translate into fundamental reforms. On the other hand, the countries-addressees must confirm that they are determined in their democratic choice. The reform of the EPS after 2015 in a sense puts emphasis on cooperation with those countries that are interested in the transformation and stabilisation of their internal situation. It is therefore worth stressing that EU policy-makers formulating the assumption of policy towards Ukraine should not only rely on a balanced analyses of the situation, but also focus on long-term positive phenomena such as increased awareness and political activity of Ukrainian society, favourable economic trends, pragmatism and the necessity to normalise the relations with the Russian Federation (this demand seems difficult to meet in the face of the war in Donbas) or the development of in-depth cooperation with NATO. In addition, the aim of the EU policy should be strong and prudent support for Ukraine's 'democratisation potential', that is processes creating a basis for further modernisation and the democratisation of the state as an irreversible fact.

Whether the Eastern Partnership based on the European Neighbourhood Policy – unfortunately without any concrete perspective for Ukraine's membership in the EU – will prove an effective instrument for a change of the both internal and external situation of Ukraine depends on decision-makers of the European Union, but also on the internal situation and political will of individual countries covered by this policy. The Eastern Partnership 2.0 is more and more frequently mentioned, that is a project that will emphasise the pragmatic dimension of EU cooperation with Ukraine (and other EP countries), but without the need to declare membership prospects. This raises a fundamental question: whether the EP countries will see any sense in the transformation of their political systems into democratic ones without a reward in the form of membership in the EU? Perhaps visa-free movement will prove to be a much more effective mechanism to change the internal situation in Ukraine and in other EP countries than void political declarations

of decision-makers. Certainly, the EU should put greater emphasis on interpersonal contacts and projects of youth and student exchanges between the EP countries and the EU Member States.

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UKRAINE'S POSITION IN THE EUROPEAN UNION'S NEIGHBOURHOOD POLICY

Summary

The objective of the present paper is to discuss Ukraine's position in both the European Neighbourhood Policy (established in 2004) and the Eastern Partnership project based on the policy. The Orange Revolution of 2004 and events of 2013/2014 in Ukraine labeled the Euromaidan indicated that the European direction of the country is of critical importance for a considerable part of Ukrainian society and political elites. Integration with the EU presents a necessity for a civilizational choice for Ukraine. The fact that, of all states located on the EU's eastern border, it is Ukraine which poses the greatest challenge, is noteworthy. Ukraine's geopolitical and geoeconomic position make it a key player both for the EU and Russia as well.

MIEJSCE UKRAINY W POLITYCE SĄSIEDZTWA UNII EUROPEJSKIEJ

Streszczenie

Celem niniejszego artykułu jest próba ukazania miejsca Ukrainy w Europejskiej Polityce Sąsiedztwa (ustanowionej w 2004 roku) oraz w ramach bazującego na tej polityce projektu Partnerstwa Wschodniego. Szczególny nacisk położony zostanie na rolę Polski w kształtowaniu wschodniego wymiaru polityki Unii Europejskiej. „Pomarańczowa rewolucja” z 2004 roku oraz wydarzenia z przełomu 2013 i 2014 roku zwane „Euromajdanem” na Ukrainie pokazały, że kierunek europejski tego państwa ma kluczowe znaczenie dla części społeczeństwa i elit politycznych Ukrainy. Integracja z Unią Europejską oznacza dla Ukrainy konieczność dokonania wyboru cywilizacyjnego. Należy pamiętać, że spośród wszystkich państw położonych na wschodnich granicach Unii Europejskiej to właśnie Ukraina stanowi największe wyzwanie. Pozycja geopolityczna i geoekonomiczna Ukrainy powoduje, że jest ona kluczowym państwem nie tylko dla UE, ale również dla Rosji.

МЕСТО УКРАИНЫ В ПОЛИТИКЕ ДОБРОСОСЕДСТВА ЕВРОПЕЙСКОГО СОЮЗА

Резюме

В настоящей статье предпринята попытка определения места Украины в Европейской политике добрососедства (установленной в 2004 году), а также в рамках основанного на данной политике проекта Восточного партнёрства. Особое внимание будет уделено роли Польши в формировании восточного параметра политики Европейского Союза. «Оранжевая революция» 2004 года и события на рубеже 2013 и 2014 годов, называемые «Евромайданом», на Украине показали, что европейский вектор этого государства имеет ключевое значение для части общества и представителей политической элиты Украины. Интеграция с Европейским Союзом означает для Украины необходимость выбора в пользу цивилизационного направления. Следует помнить, что из всех государств, расположенных на восточных границах Европейского Союза, именно Украина связана с наиболее сложной проблематикой. Геополитическая и геоэкономическая ситуация Украины обуславливает тот факт, что она является ключевым государством не только для ЕС, но также и для России.

Jarosław Jura*
Kaja Kałużyńska**

STILL MORE ABOUT HISTORY THAN ABOUT THE PRESENT – PICTURE OF RUSSIA, GERMANY AND UKRAINE IN THE POLISH MEDIA IN THE SECOND HALF OF 2013

1. INTRODUCTION

This article presents an analysis of the image of Russia (Russians), Germany (Germans) and Ukraine (Ukrainians) in Polish newspapers and periodicals in the second half of 2013¹ and is a direct development of one of the conclusions of a wider analysis of the image of foreigners in the above mentioned media at that time. The following two observations were the most interesting findings from this broad analysis. First of all, what was noticeable was a very big number of references, over 50%, to Russia, Ukraine and Germany (as major and important Polish neighbours) in the total number of references to foreigners in the analysed material. Secondly, statements about these countries and nations concentrated to a high degree on issues related to various historical bygones. In this article an attempt is made to accurately describe this phenomenon and to reflect on its potential consequences.

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¹ This article was written on the basis of a wider analysis of the image of foreigners in the Polish media conducted within the interdisciplinary project ‘Immigrants with high qualifications on the Polish labour market. Social Research’, co-funded by the European Fund for the Integration of Third-country Nationals and the state budget.

Due to the general increase in the amount of information available to an individual recipient, linked to the popularisation of particular media – the press, radio, television and finally the Internet, institution of so-called ‘gate-keeper’ plays an increasingly important role in shaping the social image of the world. These are social, press, or government institutions that select individual pieces of information and decide which ones and in what form will be delivered to the final recipient. Such a selection of information is not tantamount to censorship, but it is obvious that the choice and proper presentation of particular ‘news’ and less ‘hot’ content, whether in writing or a graphic form, is a solution that allows for a specific control of the social reception of reality. It is true that generally in democratic countries such drastic message manipulation is rare, but the publisher must always take into account the tastes of consumers, and thus – advertisers, which affects the process of selection of specific contents, limiting their number, as well as manipulating the scope of presented information. The question of the effects of media coverage can be considered from many perspectives, but for the purposes of this work the political perspective, mentioned by Jensen², next to the purely academic one, and the perspective of the general message recipient are the most important.

It can be assumed that the manner in which specific countries and nations are presented in the media may have a specific influence on their perception in the country such content comes from. Consequently, it can influence both the political situation and political decisions made in it (for instance through the institution of elections), and thus the shape of international policy. On the other hand, the appropriate strategy for presenting information on individual countries can also (by influencing the perception of citizens) sanction selected assumptions of already adopted foreign policy. Thus, the analysis of the media image of a given country and nation can provide insights into the present and to some extent future relations between specific countries, both at the level of interpersonal contacts and international relations, and, to a certain extent, influence their future shape.

Many research papers analysing different types of content intended for wider audiences (texts published in the media, television programmes or films) in order to obtain an image of a particular group or phenomenon do not give a specific definition of the term ‘image’. Exceptions to this rule are, among others, the works of Polish scientists including Bogdan Zemanek

² Jensen, K. 2002. *Handbook of Media and Communication Research: Qualitative and Quantitative Methodologies*. London: Routledge.

and Andrzej Kapiszewski, quoted by him. Definitions developed by them derive from Lippmann's concept of stereotype, described in his book 'Public opinion', published in 1922, as 'pictures in our heads'³. Such pictures, in the form of a ready-made prescription for information overload, are necessary for living in a society based on information. Already in the 1920s, the creator of the concept of stereotype thought schematic images were an intrinsic part of functioning 'in one great, blooming, buzzing' world⁴; this assumption becomes even more true in the present times when the recipient is flooded with information from various sources. Information that both directly affects him/her or have no visible impact on his or her social, political or economic reality.

The first empirical studies on stereotypes concerned, among others, the perception of individual ethnic groups in the United States as homogeneous wholes and features that characterised these groups⁵. Due to the fact that stereotyping-related research is becoming increasingly popular both in academic and media discourse, the very concept of stereotype has begun to gain many new definitions, depending on the research perspective, the reference point, or the type of definition itself⁶. One of the definitions, or rather its part, defines a stereotype as a specific, due to the combination of the cognitive and emotional factor, cognitive structure which, because of this connection, becomes a 'pragmatic structure in which three aspects can be distinguished: cognitive, emotional and pragmatic. The latter includes four functions: integrating, defensive, ideological-creative and political'⁷. This definition, and in particular the perception of a stereotype from the point of view of its ideological and creative function, could serve as a starting point for research carried out in this work. The same authors, however, point earlier to one of the features of stereotyping that has determined the fact that the subject of analysis of this work is the image of foreigners present in the media rather than the stereotype. This is the definition of a stereotype as a mental

³ Lippmann, W. 2012. *Public Opinion*. University of Virginia. Available at: <http://xroads.virginia.edu/~Hyper/lippman/contents.html>. [Accessed: 17 May 2012].

⁴ *Ibid.*

⁵ Lee, Y., Jussim, L.J., McCauley, C.R. 1995. *Stereotype Accuracy: Toward Appreciating Group Differences*. Washington DC: American Psychological Association.

⁶ Zemanek, B., *op. cit.*

⁷ Berting, J., Villain-Gandossi, C. 1995, Rola i znaczenie stereotypów narodowych w stosunkach międzynarodowych. Podejście interdyscyplinarne. [The role and significance of national stereotypes in international relations: An interdisciplinary approach.] In: Walas, T. ed. *Narody i stereotypy. [Nations and stereotypes.]* Kraków: Wyd. Międzynarodowe Centrum Kultury, pp. 13–27.

construct ‘remaining completely unchanged for a long period of time’⁸. Polish stereotypes about Germans, Ukrainians and Russians have been shaped to a large extent on the basis of historical experiences. However, they might have changed in the last two decades, thanks to increased access to information. Poles not only travel more often but, thanks to almost universal access to Internet resources, they can almost freely choose sources of information about different countries and their inhabitants. Therefore, it is possible to create new social constructs for a rapid classification of representatives of various nations. Not only those present in Poland (although this is important especially in the case of Ukrainians), but also groups ‘known’ only on the basis of information provided by the media or acquaintances. Hence the decision to focus on the ‘image’ rather than the stereotype of individual groups.

STUDY OF THE IMAGE OF FOREIGNERS IN POLAND

The study of the image of ‘alien’ foreigners in the Polish media is not widespread in Poland. In the context of this analysis, several previously conducted analyses should be mentioned.

The first group of such studies is devoted to the image of foreigners in the media. Here Maciej Mrozowski’s research from 1996 and 2003 and studies by Jóźwiak, Konieczna-Sałamatin and Tudorowski from 2010, which are a continuation of Mrozowski’s research, deserve special attention.

In our opinion, Mrozowski’s research of 1996 contains two interesting observations. First, he points to the fact that in the 1,007 analysed articles on foreigners the description of their personal situation is not a keynote of the article⁹, the figure of the foreigner usually appears in the context of the described events. Second, the image of a foreigner is generally a negative one; foreigners are the perpetrators of negative phenomena happening in Poland during the period covered by the analysis, such as smuggling, illegal work, unfair trade, etc.¹⁰. Guests from the widely understood West are an exception

⁸ *Ibid.*, p. 15.

⁹ Mrozowski, M. 2007. Media masowe w społeczeństwie demokratycznym – stosunek do obcych a wolności słowa. [Mass media in democratic society – attitude towards strangers and freedom of speech.] In: Zgliczyński, S. ed. *Media lokalne w przeciwdziałaniu dyskryminacji rasowej i etnicznej*. [Local media in the fight against racial and ethnic discrimination.] Warszawa: Instytut Wydawniczy Książka i Prasa, p. 36.

¹⁰ *Ibid.*

as they are presented in a much more positive way. The author also mentions a relatively positive image of the Vietnamese.

In the next research, conducted in 2002, the same author notices a significant decrease in journalists' interest of in the topic of foreigners, while the number of positive references to them has increased¹¹. Jóźwik, Konieczna-Sałamatin and Tudorowski also notice a similar process. According to the authors of the study, foreigners are seen much more positively than in 1996 – although this general assessment may be affected by the fact that about 40% of the analysed articles refer to sport. At the same time, in contrast to this generally positive image, there are examples of negative behaviour of foreigners in Poland – often presented in the context of the offenses they commit¹².

Apart from the aforementioned publications, several articles have appeared in Poland related to the topic of the image of foreigners in the Polish media. Some of them, for example by Jedlicki¹³, Nijakowski¹⁴, Mrozowski¹⁵, Dyczewski¹⁶ are theoretical and are not based on own research and that is why we are not going to discuss them here.

¹¹ Mrozowski, M. 2003. Obrazy cudzoziemców i imigrantów w Polsce. [Images of foreigners and immigrants in Poland.] In: Iglicka, K. ed. *Integracja czy dyskryminacja? Polskie wyzwania i dilematy u progu wielokulturowości. [Integration or discrimination? Polish challenges and dilemmas on the threshold of multiculturalism.]* Warszawa: Instytut Spraw Publicznych.

¹² Jóźwiak, I., Konieczna-Sałamatin, J., Tudorowski, M., 2010. *Bez cudzoziemców bylibyśmy ubożsi. Wizerunek obcokrajowców na łamach polskiej prasy.* [Without foreigners we would be poorer. Image of foreigners in the Polish press.] Warszawa: Instytut Spraw Publicznych, p. 36.

¹³ Jedlicki, J. 2007. Mowa nienawiści w mediach. [Hate speech in the media.] In: Zgliczyński, S. ed. *Media lokalne w przeciwdziałaniu dyskryminacji rasowej i etnicznej.* [Local media in the fight against racial and ethnic discrimination.] Warszawa: Instytut Wydawniczy Książka i Prasa.

¹⁴ Nijakowski, L.M. 2007. Analiza dyskursu na temat mniejszości narodowych i etnicznych w polskich mediach. [Analysis of discourse on national and ethnic minorities in Polish media.] In: Zgliczyński, S. ed. *Media lokalne w przeciwdziałaniu dyskryminacji rasowej i etnicznej.* [Local media in the fight against racial and ethnic discrimination.] Warszawa: Instytut Wydawniczy Książka i Prasa.

¹⁵ Mrozowski, M. 2007, *op. cit.*

¹⁶ Dyczewski, L. 2013. Obcy w przestrzeni prywatnej i publicznej. [Foreigners in private and public space.] In: Wcisł, W., Wyrostkiewicz, M. eds. *Integracja w globalnej wiosce. Media o cudzoziemcach w Polsce i Unii Europejskiej.* [Integration in a global village. Media about foreigners in Poland and the European Union.] Lublin: Stowarzyszenie Solidarności Globalnej.

It is also worth mentioning works that do not directly pertain to the image of foreigners in the media, but they depict their image in some way. A good example may be texts about the phenomenon of so-called ‘hate speech’, or in other words the appearance of racist, xenophobic and anti-Semitic content in the Polish media. A leading example of such an item can be the book by Sergiusz Kowalski and Magdalena Tulli¹⁷. It is worth mentioning here, however, that the above publication was focused only on tracking of discriminatory content in a particular group of periodicals, which makes the presented picture of the situation in Poland incomplete and one-sided. Several recent articles attempt to make a slightly more systematic analysis of the image of foreigners in the Polish media. Szegda¹⁸ analyses texts related to foreign cultures published in the civic information portal *Wiadomości24.pl*. The author encodes texts in terms of several criteria, such as country, values, cultural products, holidays and religious rituals, etc., to which they relate. Unfortunately, she differentiated too many codes associated with particular analytical categories. In addition, she had a small database, consisting of only 50 texts, at her disposal.

A text which is a report from monitoring the Polish media as far as their references to Africa and its residents are concerned is of a different nature. The monitoring itself was methodically planned and organised as well as modern from the academic point of view. Unfortunately, the way in which the results are presented is more popular than analytical, perhaps due to such a function of the published text¹⁹.

Another (small) group of research, that should be mentioned, includes analyses directly concerning the image of Russia, Ukraine and Germany in the Polish media. The study of Ukraine’s image in the Polish media is mainly contained in the publication „Obraz współczesnej Ukrainy w mediach w Polsce” [‘The image of contemporary Ukraine in the media in Poland’], edited by Iwona Hofman and Justyna Maguś, published in 2014 by Maria

¹⁷ Kowalski, S., Tulli, M. 2013. *Zamiast procesu. Raport o mowie nienawiści*. [Instead of a trial. Report on hate speech.] Warszawa: WAB.

¹⁸ Szegda, J. 2013. Obraz kultury „innych” w publikacjach dziennikarzy obywatelskich. Raport z badań. [Image of culture of ‘strangers’ in citizen journalists’ publications. Research report.] In: Wcisieł, W., Wyrostkiewicz, M. eds. *Integracja w globalnej wiosce. Media o cudzoziemcach w Polsce i Unii Europejskiej*. [Integration in a global village. Media about foreigners in Poland and the European Union.] Lublin: Stowarzyszenie Solidarności Globalnej.

¹⁹ Średziński, P. 2011. *Afryka i jej mieszkańców w polskich mediach. Raport z monitoringu polskich mediów*. [Africa and its inhabitants in the Polish media. Report on monitoring of Polish media.] Warszawa: Fundacja Afryka Inaczej.

Curie Skłodowska University. Unfortunately, the research results published in this book cannot be directly applied to this analysis for the following reasons.

Some articles cover very specific media, for instance the analysis of the image of Ukraine in very niche right-wing periodicals such as *Mysł Polska*, *Nowa Mysł Polska* or *Opoka w Kraju*²⁰. Although the conclusions of that analysis correspond to the thesis presented in this article about a large role of the historical context in the image of Ukraine and Ukrainians in Poland, these results cannot be compared directly due to methodological reasons.

Other texts²¹ cover a very narrow thematic scope, e.g. the image of Vladimir Klitschko or Femen band. Another group covers the nineties and is focused on analysing specific, mostly niche titles²². Moreover, many of the analysed texts adopt a completely different methodological perspective based largely on the reconstruction of the content of the articles. Only two articles have a comparative value for the purposes of this analysis.

The first is the text by Janina Fras and Olga Bierut entitled „Ukraina na tle innych państw ościennych w najpopularniejszych polskich telewizyjnych serwisach informacyjnych” [‘Ukraine against the background of other neighbouring countries in the most popular Polish television news services’].

²⁰ Maj, E. 2014. Publicystyka polityczna tygodnika „Mysł Polska” i „Nowa Mysł Polska” wobec Ukrainy i Ukraińców. [Political commentary of the weeklies ‘Mysł Polska’ and ‘Nowa Mysł Polska’ on Ukraine and Ukrainians.] In: Hofman, I., Maguś, J. eds. *Obraz współczesnej Ukrainy w mediach w Polsce*. [Image of contemporary Ukraine in the media in Poland.] Wydawnictwo Uniwersytetu Marii Curie Skłodowskiej, and Szwed, A. 2014. *Obraz Ukrainy i Ukraińców w periodyku „Opoka w Kraju”*. [Image of Ukraine and Ukrainians in the magazine ‘Opoka w Kraju’.] In: Hofman, I., Maguś, J. eds. *Obraz współczesnej Ukrainy w mediach w Polsce*. [Image of contemporary Ukraine in the media in Poland.] Wydawnictwo Uniwersytetu Marii Curie Skłodowskiej.

²¹ Posylek, M. 2014. Od boksera do lidera, czyli medialny wizerunek Witalija Kliczki. [From a boxer to a leader, the media image of Vitaly Klitschko.] In: Hofman, I., Maguś, J. eds. *Obraz współczesnej Ukrainy w mediach w Polsce*. [Image of contemporary Ukraine in the media in Poland.] Wydawnictwo Uniwersytetu Marii Curie Skłodowskiej, and Pataj, M. 2014. Medialny obraz grupy Femen. Analiza tekstu z portalu TVN.24. [Media image of Femen band. Analysis of texts from TVN.24 portal.] In: Hofman, I., Maguś, J. eds. *Obraz współczesnej Ukrainy w mediach w Polsce*. [Image of contemporary Ukraine in the media in Poland.] Wydawnictwo Uniwersytetu Marii Curie Skłodowskiej.

²² Borowik, B. 2014. Ukraina w publicystyce krakowskiego dwumiesięcznika „Arka” w latach 1991–1995 – konteksty rosyjskie i polskie. [Ukraine in journalism of Kraków’s bimonthly ‘Arka’ in the years 1991–1995 – Polish and Russian contexts.] In: Hofman, I., Maguś, J. eds. *Obraz współczesnej Ukrainy w mediach w Polsce*. [Image of contemporary Ukraine in the media in Poland.] Wydawnictwo Uniwersytetu Marii Curie Skłodowskiej.

The authors analyse the content of *Wiadomości TVP* and *Fakty TVN* in the period from 10 April to 10 May 2013 from the perspective of the image of Ukraine. The authors notice that news is strongly focused on domestic issues. It is interesting that news about the USA predominates as far as information about other countries is concerned. Russia and Germany are the countries which are relatively often spoken about, while content pertaining to Ukraine appeared only marginally (in the reporting period, only 6 messages related to Ukraine, which totally took 4 minutes and 46 seconds of air time). We notice here huge discrepancy between those and our study results and unfortunately it is difficult to find a reason for this state of affairs (this may be caused by the analysis of different types of the media or the fact that Ukraine has become a subject of greater interest only since the second half of 2013 – that is since the anniversary of the events in Volhynia and shortly after that – the protests in Maidan in Kiev.

Unlike the conclusions of this analysis, the image of Germany was positively reflected in the television news, and Robert Lewandowski, a soccer player, had a big impact on this (sports events were excluded from our database). The image of Russia was more neutral than positive, though references to the past appeared, that is to the Smolensk disaster.

In contrast, the article by Ewa Jurga-Wosik²³ presents an interesting context of the analysis of the image of Ukraine in the regional and local press. The author concludes that unlike in the national press, political and historical issues are not significant here, and most of the news is focused on sports and regional cooperation, for example in the context of partner cities.

Systematic, up-to-date research on the image of Germany in the Polish media is limited to a few items.

The first of them is a book by Marcin Miodek²⁴, discussing the image of Germany in the Lower Silesian daily *Pionier* and its immediate successor *Słowo Polskie* in 1945–89. This work is a very broad, competent qualitative analysis of a philological nature, but with interesting references placing it close to publications in the field of public discourse analysis. Although

²³ Jurga-Wosik, E. 2014. Relacje polsko-ukraińskie na łamach regionalnej i lokalnej prasy Wielkopolski. [Polish-Ukrainian relations in the regional and local press of Wielkopolska.] In: Hofman, I., Maguś, J. eds. *Obraz współczesnej Ukrainy w mediach w Polsce. [Image of contemporary Ukraine in the media in Poland.]* Wydawnictwo Uniwersytetu Marii Curie Skłodowskiej.

²⁴ Miodek, M. 2008. *Niemcy: publicystyczny obraz w „Pionierze”/„Słowie Polskim” 1945–1989. [Germany: publicist images in ‘Pionier’/‘Słowo Polskie’ 1945–1989.]* Wrocław: ATUT Oficyna Wydawnicza – Wrocławskie Wydawnictwo Oświatowe.

the work is of a historic nature it is worthwhile to refer to several of its conclusions. In general, the image of Germans in the analysed dailies was negative. A particularly negative image, evidently referring to the Second World War (including direct invectives), was presented in 1945–55. Such a way of presenting Germans predominated till the 1970s (with the exception of positive references to German communists and the GDR). In the next decade the image of Germany, so far clearly negative, improved somewhat due to the Polish-German reconciliation and the seizure of power in this country by left-liberal parties. In the 1980s the image of our western neighbour deteriorated again when power in the RFG was taken by the Christian Democrats and due to the internal conflicts in the eastern camp.

The second volume is a post-conference publication entitled ‘Cross-border interactions: Polish-German stereotype: media image and change’, edited by Anna Rzym i Joanna Lutostańska²⁵. Unfortunately, most of the articles present conclusions from the analysis conducted on a very limited data base, or the results of studies with an extremely narrow scope of interest, which makes them useless for this analysis. Some attention should be devoted to the article (although the study also concerns a very narrow subject matter) by Julia Preidel²⁶ referring to the reception in the Polish press of the article ‘Der Dunkle Kontinent’, which appeared in 2009 in the newspaper *Der Spiegel*. This article was widely commented on in the Polish press, and in most of the analysed newspapers it was received in a negative way, as an attempt to relativize history and to whitewash German Nazi faults (one exception was *Gazeta Wyborcza* which presented a slightly softer position). The conclusions of this study may therefore indicate that historical events still play a very important role in the Polish-German discourse.

The last volume is „Pomost medialny. Rola mediów w międzynarodowej komunikacji politycznej na przykładzie relacji polsko niemieckich”²⁷ [‘Media

²⁵ Rzym, A., Lutostańska, J. 2010. *Cross-border interactions Polish-German stereotype: media image and change*. Wrocław: ATUT Oficyna Wydawnicza – Wrocławskie Wydawnictwo Oświatowe.

²⁶ Preidel, J. 2010. Images of Commemoration: The Discussion on the Article ‘The Dark Continent’ in Polish and German Print Media. In: Rzym, A., Lutostańska, J. eds. *Cross-border interactions: Polish-German stereotype: media image and change*. Wrocław: ATUT Oficyna Wydawnicza – Wrocławskie Wydawnictwo Oświatowe.

²⁷ Hess, A., Szymańska, A. 2009. *Pomost medialny. Rola mediów w międzynarodowej komunikacji politycznej na przykładzie relacji polsko-niemieckich*. [‘Media bridge. The role of the media in international political communication on the example of Polish-German relations’]. Kraków: WUJ.

bridge. The role of the media in international political communication on the example of Polish-German relations''] by Agnieszka Hess and Agnieszka Szymańska. The conclusions of the authors' empirical research on the image of Germany in four Polish newspapers (*Nasz Dziennik*, *Gazeta Wyborcza*, *Fakt* and *Dziennik. Polska-Europa-Świat*) are noteworthy here. The study covers three one-week periods, from March to May 2008. In their analysis, the authors point to the relatively significant role of historical references, mainly to the Second World War (especially in the case of *Nasz Dziennik*) and to a very negative perception of Germany in the same daily²⁸. Unfortunately, due to the short studied period, relatively small amount of the analysed material and a questionable methodology (especially in the context of data categorisation), it is difficult to regard the results of this study as reliable.

Even a smaller number of works refer to the image of Russia in the media. Although two books devoted to this topic have been published in recent years (one of them in the form of a monograph), the method of the data description applied in them is a review and not an analysis, so it is difficult to relate to them to a greater extent. It is sufficient to conclude that according to Agata Krzywdzińska²⁹ the image of Russia is definitely more negative than that of the US in Polish opinion weeklies. Marcin Bugajski also highlights the negative image of Russia, focused on history, communism, the authoritarianism of Russian rule and imperialist aggressiveness³⁰.

METHODOLOGY

For the purposes of the research, we selected the content of articles collected from the internet archives of the following newspapers, periodicals and information portals: *Fakt*, *Super Ekspres*, *Gazeta Wyborcza*, *Gazeta Polska Codziennie*, *Rzeczpospolita*, *Nasz Dziennik*, *Dziennik Gazeta Prawna*, *Gość Niedzielny*, *Newsweek Polska*, *Polityka*, *Tygodnik Do Rzeczy*, *Wprost*, *Gazeta*

²⁸ *Ibid.*, pp. 143–149.

²⁹ Krzywdzińska, A. 2012. *Wizerunek Rosji i Stanów Zjednoczonych w polskich tygodnikach opinii po 1991 roku. [The image of Russia and the United States in Polish opinion weeklies after 1991.]* Kraków: WUJ.

³⁰ Bugajski, M. *Rosja i Rosjanie w polskiej prasie. [Russia and the Russians in the Polish press.]* (Full text of the paper delivered in Łódź at the conference 'Get to know. Create. Communicate'), p. 10. Available at: <http://www.uz.zgora.pl/~mbugajsk/wp-content/plugins/downloads-manager/upload/Rosja%20i%20Rosjanie%20w%20polskiej%20prasie.pdf>

Polska, Onet.pl, Interia.pl, Gazeta.pl, Wirtualna Polska. This selection was made on the basis of two criteria: the popularity of these newspapers, periodicals and portals, as well as the broadness of the political spectrum of the analysed sources.

The data base is composed of articles published on the Internet in the second half of 2013, containing references to predetermined keywords³¹. The original database, intended for import into CAQDA software, consisted of 8096 articles; however, during the initial analysis for the occurrence of keywords and phrases, the number of the analysed texts and cases was limited; sports articles are not included in the article, as well as those in which keywords appear only in links to other articles, etc.

The text database was loaded into Provalis QDA Miner v. 3.2.6 (hereinafter QDA), which, together with QDA Wordstat v. 6.1.1 (hereinafter referred to as Wordstat), were used for a qualitative and quantitative analysis. Thanks to the automated data analysis, there was no need to reduce the size of the database at the quantitative analysis stage, which allowed us to analyse the entire population of articles related to the selected keywords chosen from the selected sources.

The use of the text analysis software enabled the creation of an extensive dictionary, which in turn was used as a codesbook ascribed to individual sentences of the analysed texts. This dictionary has a structure of a tree of main categories and subcategories to which phrases and words related to the topic being analysed are assigned. In the further part of the work, both the phrases and the words will be collectively referred to as ‘keywords’. The dictionary used in this study was created from scratch, but was inspired by a dictionary created by authors for English, Portuguese, and Spanish, used in other studies based on a similar methodology.

The dictionary was constructed in several stages. The first was to predefine basic categories, particularly interesting from the point of view of the study. In the case of this study, the main focus was placed on analysing the way in which ethnic groups are presented, using the basic division into positive and negative categories. In addition, for the needs of the analysis, the main

³¹ The following groups of key words were taken into account: general terms such as foreigner, stranger, immigrant, etc.; neutral terms concerning particular nationalities, and pejorative/slang terms.

categories of keywords were identified, to which specific positive or negative keywords referred, that is in this case different ethnic groups and nations³².

The articles database was then analysed in terms of the frequency of occurrence of all words (excluding Polish conjunctions, etc. predefined in the programme) and phrases appearing there. In the process of categorisation of the most frequently occurring words (with a frequency higher than 50), the predefined main categories were expanded and developed into a multi-level category tree. In the same way, the most common phrases were categorised (assuming 10 occurrences of a given phrase as the minimum number to be considered). The next step was the intersubjective verification of the original version of the dictionary. All categories, subcategories and keywords appearing in them were analysed and verified for their logical and semantic coherence. In the case of words that could have many meanings it was checked in what context they occurred in the data base. If there was no clear (above 80%) advantage of a given context, such words were eliminated from the dictionary.

The last stage of the creation of the dictionary was its final verification – all categories and keywords were analysed once again and in case of doubts the categories and keywords assigned to them were verified once more, assigned to a different category or changed.

IMAGE OF GERMANY, RUSSIA, UKRAINE AND INHABITANTS OF THESE COUNTRIES IN THE POLISH MEDIA

The choice of these three countries (nations) as a subject of analysis was dictated by two factors. Firstly, all these countries are direct neighbours of Poland, hence their role in the international relations of our country is important, not only at the political level, somewhat abstract for the average Pole, but also in the sphere of direct interests of ‘ordinary people’. Secondly, the greatest interest of the Polish media in the period under consideration was focused on these countries. This is perfectly illustrated in the table below:

³² It is worth mentioning that the whole research, apart from specifying general research problems, is essentially based on assumptions of the grounded theory. This concerns the issue of not departing from predefined assumptions and hypotheses, a specific procedure of categorisation and data verifiability, etc.

Table 1

**Frequency of references to selected ethnic groups and countries
(15 most common references)**

	Frequency of occurrence	Number of cases	% of cases
Russia	8755	1608	21,70
Germany	6677	1716	23,20
Ukraine	5067	775	10,50
USA	3367	1104	14,90
France	1806	708	9,60
Hungary	1389	412	5,60
Czech Republic	1114	439	5,90
Great Britain	1058	503	6,80
Spain	972	412	5,60
Egypt	860	200	2,70
Syria	637	181	2,40
Italy	518	346	4,70
China	500	220	3,00
Bulgaria	494	233	3,10
Norway	486	234	3,20

In the above table we can see a clear dominance of references to Poland's neighbours, namely Russia, Ukraine and Germany. There are relatively many references to the United States which is followed by France and Great Britain and two other countries geographically close to us, i.e. Hungary and the Czech Republic. As it is easy to see, the presence of neighbouring countries is the strongest in the Polish media; in addition to them, international powers – the United States and China, as well as Syria and Egypt are often mentioned (due to ongoing fighting there). In the whole surveyed population references to Russia, Germany and Ukraine appeared most often; articles on this topic accounted for more than 50% of the analysed base.

The predominance of this particular content is even more evident in the case of conservative and Catholic periodicals such as *Gość Niedzielny* and *Nasz Dziennik*. They are characterised by a very high degree of concentration on the context of the immediate surroundings – Russia, Germany and Ukraine,

while at the same time reduced interest in more remote geographical areas and their inhabitants (including the USA).

RUSSIA (RUSSIANS), UKRAINE (UKRAINIANS) AND GERMANY AND CATEGORIES WITH POSITIVE AND NEGATIVE EMOTIONAL CONNOTATIONS – CO-OCCURRENCE

As mentioned in the methodological section, the main purpose of the analysis is to try to show the image of the countries we are interested in in the context of its positive or negative emotional tinge. For this purpose, the co-occurrence (within the same sentence) of the selected categories was assessed, on the basis of the value of the Jaccard's similarity coefficient³³. The results of this analysis are presented in the form of proximity plot diagrams, showing the degree of proximity of selected national categories to categories of positive or negative emotional connotations (based on the above-mentioned Jaccard's index – values on the x axis). We assume here that the co-occurrence of the category referring to the category of a given country and its inhabitants with the category triggering positive or negative associations will in most cases build up a positive or a negative image of a particular category.

Of course, this assumption is not and cannot be regarded as a determinant of perfect accuracy; for example, frequent co-occurrence of *China*'s category with the *corruption* category does not necessarily mean that the Chinese are corrupt or that their presence leads to such a phenomenon; it may also mean that the Chinese are implementing anti-corruption programmes.

The basic disadvantage of the meters we use is the fact that they are deprived of their context. *De facto*, to be sure, whether a piece of the text (sentence, paragraph, etc.), or the entire article presents a positive or negative image of a given category, it would be necessary to encode individually each fragment (article) in which reference is made to this category. It is, however, an extremely time consuming method and, when working on large data sets, impossible to do (due to the amount of data and analytical categories).

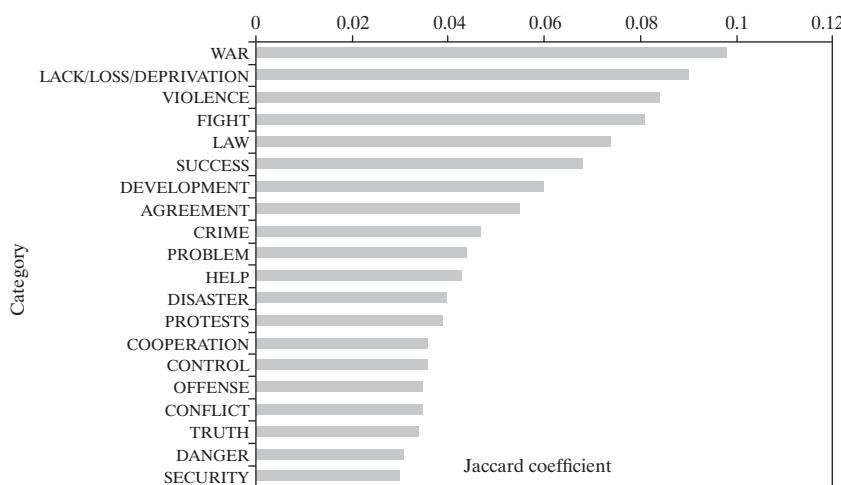
³³ Jaccard's similarity coefficient measures the similarity between sets and is defined as the quotient between the intersection and the union of the pairwise compared variables among two sets. It takes values from 0 to 1. If the values is 0, these sets are disjoint, and in the value is 1 they are contained in each other. The greater the value of the index, the greater the degree of similarity between the examined sets (categories).

It seems, however, that in the case of the analysis of large amounts of data the foregoing drawbacks of the measures applied in this way will not have a significant impact on the study results. Firstly, referring to the above example, even if China occurs mainly in the role of an opponent of corruption, the very fact that there is a large number of references to corruption in many articles, passages, sentences, etc. will probably create a vision of a tension, anxiety and China's association with corruption. Furthermore, due to the above reservations, the quantitative analysis of co-occurrence coefficients was supplemented with a qualitative analysis of six categories with the highest co-occurrence coefficients for each of the analysed countries.

RUSSIA

Chart 1

Russia – diagram of co-occurrence (proximity plot)



The above graph clearly shows that keywords referring to the category of Russia most frequently co-occur within a single sentence with categories that are unequivocally negative, associated with war, violence, combat and deprivation.

In the case of the category of *war*, it is quite evident that reference is made to historical situations (with the exception of reference to the commercial war, the Syrian conflict or the Russian-Ukrainian conflict), and they belong to different contexts. Most often the Second World War, the war in Afghanistan,

the war in Georgia and Chechnya are referred to. It should be added that in most of these references Russia is presented negatively, e.g.:

‘After the WAR this place was treacherously used for the falsification of history, putting the monument of Brotherhood in Arms of THE RED ARMY and THE POLISH PEOPLE’S ARMY on the pre-war pedestal. Due to the construction of the underground the monument has disappeared from the landscape of Warsaw, but it seems that not for long’. (*Gazeta Polska Codziennie*, 05.10.2013).

‘This battle was the victory of Poles, who just after regaining their independence, and, in fact, the Polish state after 123 years of partition, faced and stopped the overwhelming forces of the onslaught of barbarism of communist savages from RUSSIA. If not the victory of Poles in the decisive battle of the Polish-Bolshevik WAR near Ossowo and Radzynin, we would be another Soviet republic today, with Poles displaced to the depths of Russia, hunger and extreme civilizational misery’. (*Nasz Dziennik*, 26.08.2013)

Of course, not all references to Russia in the context of the category of *war* were so unequivocally negative, but what is worth emphasising is the fact that in the analysed material (271 sentences) there was not even one in which Russia would be positively referred to.

Similarly, the negative image of Russia is built by texts in which the category of *Russia* co-occurred with the categories of keywords related to *fighting* and *violence*. It is interesting that relatively frequently, especially in the conservative and Catholic press, there appeared statements related to Russian aggression on Poland and its inhabitants:

‘ARMY RED soldiers sexually ABUSED not only German women but also tens of thousands of women in Poland’. (*Do Rzeczy*, 3.11.2013)

‘It was at the behest of Stalin, among other things, that the Katyn massacre was committed – the NKVD murdered Polish prisoners taken captive after the USSR INVADED Poland in September 1939’. (3.05.2013)

Aggressive actions of Russia and Russians appeared, of course, not only in the context of relations with our country:

‘Of course, they are young. The Moscow Shield, founded by Chudiakov – for six years a member of the Prokremelin youth organisation Young Russia – has carried out over 50 “RAIDS”, that is unexpected inspections of basements and ground floor lodgings. Some of them are occupied by illegal immigrants, about 2 million of them in live MOSCOW. “They think we are Nazis”, Anton Zarkov says, a butch-cut, blue-eyed 20 year old student who takes part in the RAIDS with his girlfriend’. (*Onet*, 13.09.2013)

It is worth pointing out, however, that, despite the clear majority of comments negatively presenting Russia and/or Russians, in the analysed material there were also statements in which Russia was presented as an object of attacks, in particular of a terrorist nature (yet still affecting the negative image of Russia as a country which cannot be described as safe or stable):

‘810 people were injured. Shamil Basayev, a radical Chechen field commander, who is considered the most wanted terrorist in RUSSIA, confessed to organising the ATTACK’. (*Nasz Dziennik*, 31.08.2013)

In addition, in connection with the celebrations of the Independence Day in Warsaw, a group of statements related to the attack on the Russian embassy in Warsaw appeared:

‘The city has estimated the losses caused by the riots at 120,000 PLN. Due to the ATTACK on the embassy, the RUSSIAN FEDERATION demands official apologies from the Polish authorities, as well as ensuring that the perpetrators will be punished and that in the future security will be ensured to diplomatic missions of the RUSSIAN Federation’. (*Wprost*, 13.11.2013)

Nevertheless, once again, references building the negative image of Russia predominate, often with reference to events from more or less recent history such as the Polish-Bolshevik war, the Second World War or the Smolensk disaster.

Interestingly, even in the case of Russia’s co-occurrence with positive categories such as *law*, *success* or *development*, the meaning of these statements (when analysed in the context and interpreted) was not always positive.

For example, in the case of the category of *law* the statements often did not refer to the fact that Russia was a law-abiding country, but rather to the fact that human rights were not respected, law was violated, etc.

‘Moscow and European civilisation, even sick and in crisis, but after all having the huge potential of freedom, tradition of respecting law and civic subjectivity, which under the Kremlin rule can be searched for in vain’. (*Gazeta Polska Codziennie*, 26.11.2013)

The situation was similar in the case of statements referring to Russia and the category of *success*; in most cases they could not be interpreted as a compliment on Russian achievements:

‘In April he already commanded 500 insurgents who were part of a 2,000 insurgent group and EFFECTIVELY beat the Russians and slipped out of the round-ups organised to catch him’. (*Polityka*, 06.11.2013)

‘In a mature democracy there should be no place for it but when we look at other countries, it turns out that not only in the former USSR, oligarchs can EFFECTIVELY create similar organizations’. (*Wprost*, 14.11.2013)

In contrast, although the juxtaposition of Russia with the *development* category reveals a number of slightly more positive references to the modernisation and strengthening of the Russian army, they do not have to be positively interpreted by a Polish reader:

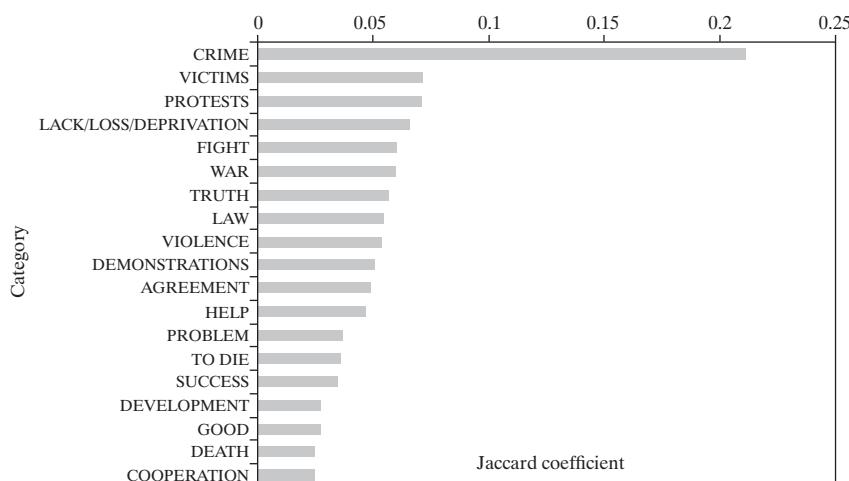
‘This was to be the KREMLIN’s response to the planned deployment of NATO missile defence elements across Europe. The equipment of the RUSSIAN army in the KALININGRAD OBLAST with new generation weapons results also from the general assumptions of the MODERNISATION OF the RUSSIAN armed forces by 2020’. (*Gazeta Polska Codziennie*, 16.12.2013)

The results of the quantitative and qualitative analysis show that the image of Russia and Russians in the Polish media in the second half of 2013 can be considered as unequivocally negative. Moreover, Russia often appears in the context of historical problems and conflicts; it seems that this context is much more important than present issues, or references to the future (which do not actually occur in the analysed material). This tendency is particularly noticeable in the case of Polish conservative and Catholic newspapers and magazines, such as: *Gazeta Polska Codziennie*, *Do Rzeczy*, or *Nasz Dziennik*.

UKRAINE

Chart 2

Ukraine – diagram of co-occurrence (proximity plot)



The above graph shows even more clearly that Ukraine co-occurs mainly with categories that are clearly negative. The category of *crime* definitely predominates here (Ukraine co-occurred with this category in the case of more than 400 sentences), and such categories as *victims*, *protests*, *fighting*, *war* are prevalent. Undoubtedly, it is the effect of the 70th anniversary of the events in Volhynia in the second half of 2013, and the events on Kiev's Maidan in the case of the category of *protests*. Hence most of the references in this category are related to historical references to Ukrainian nationalism, the Volhynia massacre and the Ukrainian Insurgent Army (UPA).

'Tens of thousands of people were MURDERED by UKRAINIAN nationalists'. (*Nasz Dziennik*, 12.07.2013)

'Many died from wounds and mental shock some time after the CRIMES, there were also victims among those who escaped from KILLINGS and died from hunger, disease, poor sanitation and lack of a roof over their head – these are also victims of the OUN-UPA, mostly unrecognised'. (*Gość Niedzielny*, 11.07.2013).

It is worth mentioning that while in more conservative papers (especially in *Nasz Dziennik*) clearly negative attitudes towards Ukraine and Ukrainians predominated, in more liberal newspapers and periodicals, such as *Polityka* and *Gazeta Wyborcza*, it was often emphasised that the Volhynia crime concerned both nations, and that Ukrainian nationalists killed also Ukrainians.

'In addition, the celebrations commemorating the GENOCIDE were attended not only by Polish pilgrims, but also local UKRAINIANS, including Orthodox choirs and delegations of Orthodox parishioners. ... During this pilgrimage an important and even symbolic moment was the unveiling in the Orthodox Church in the neighbouring village of Buteyko of a plate in honour of Petr Bazeluk, a Ukrainian, who risking his own life, saved a Polish family from certain death'. (*Polityka*, 08.07.2013)

'The UKRAINIANS who, risking their life, saved Poles during the Volhynia SLAUGHTER are to be commemorated during the ceremony'. (*Gazeta Wyborcza*, 02.07.2013)

For the sake of accuracy it should be added that similar remarks appeared in more conservative titles, such as *Gość Niedzielny* (in fact, only in *Nasz Dziennik* it was not mentioned at all). On the other hand, almost all newspapers and periodicals underline the scale and importance of the crimes of Ukrainian nationalists, and criticise attempts at glorification of people like Stepan Bandera by Ukrainians.

'Relatives of the victims: It is very important: UKRAINIANS must admit that these crimes were heinous. Relatives of the VOLHYNIA

CRIME VICTIMS stressed that a condition for the Polish-UKRAINIAN reconciliation is UKRAINIANS' recognition of CRIMES committed by the OUN-UPA'. (*Gazeta Wyborcza*, 11.07.2013).

The category of *victims*, second in terms of the co-occurrence coefficient, generally covers the same theme, that is, the issues related to the Volhynia crime, and is characterised by a similar emotional approach and thematic context.

'The size of the mentioned losses for individual pre-war provinces are given in the table, and it refers only to the VICTIMS of murders committed by the OUN-UPA, the UKRAINIAN peasants who have been dragged into the crimes and other nationalist formations of lesser importance and size'. (*Gość Niedzielny*, 11.07.2013)

'Therefore, while honouring Polish VICTIMS today, let us also remember about the extermination of Jews in these areas, let us also remember about the death of UKRAINIANS and the death of all other inhabitants of these lands, the president said'. (*Gazeta Wyborcza* 11.07.2013)

It should be also stressed that in the case of the two categories described above co-occurring with the category of *Ukraine*, there are (and almost regardless of the source) remarks about certain reluctance of some Ukrainians to take responsibility for these crimes (which probably does not create a positive image of Ukraine and Ukrainians among Poles).

"How to compare 100 thousand killed by Polish occupiers against the annihilation of tens of millions of UKRAINIANS by bloodthirsty Muscovites", Ivan Sirkó writes'. (*Gazeta Wyborcza* 12.07.2013)

'Researchers from UKRAINE think that the crime was a consequence of the war of the Home Army with the UPA, in which civilians took part. UKRAINIANS emphasise that during the Second World War both parties committed war crimes, because Polish guerrillas undertook retaliatory actions. The UKRAINIAN party assesses its losses at 10-12 thousand or even 20 thousand VICTIMS, but part of the VICTIMS were killed by the UPA for helping Poles or refusing to join the slaughter perpetrators'. (*Onet*, 05.07.2013)

Among the categories of the highest co-occurrence rate with the *Ukraine* category, the most positive message can be noted in the *protests* category. In the majority they refer to the protests on Maidan in Kiev, and despite the fact that the protests themselves of course arouse some sense of unease or instability, the demonstrations of Ukrainians in general meet with a positive attitude.

"This is the beginning of a revolution", a woman in her thirties, who in the future may rule UKRAINE, says about the PROTESTS on MAIDAN

– Jacek Przybylski writes in the latest *Do Rzeczy*. A 33-year-old slim, elegant blonde could have lived a prosperous life in Britain or the United States'. (*Do Rzeczy*, 18.12.2013)

‘During the last three PROTESTS Polish politicians representing both coalition and opposition appeared repeatedly on MAIDAN. On Sunday, at the Independence Square in KIEV, a Polish tent was set up, in which Małgorzata Gosiewska, a Law and Justice MP, and her associates distributed hot drinks and Polish bigos. UKRAINIANS are fighting for their future and we have a duty to support them. (*Dziennik*, 15.12.2013)

“The political boundaries are changing, it is normal, we are together”, she said. Young UKRAINIANS with whom she spoke emphasised that they had come at the embassy to express their solidarity with the PROTESTING residents of KIEV and other Ukrainian cities”. (*Gazeta Wyborcza*, 08.12.2013)

However, even in this group of relatively positive statements, some of the statements concern once again issues related to historical Polish-Ukrainian bygones.

‘UKRAINIAN NATIONALIST announce PROTESTS. Representatives of the NATIONALIST PARTY SVOBODA are opposed to Bronisław Komorowski’s visit to LUTSK. (*Gazeta Wyborcza*, 14.07.2013)

Statements in which the categories of fighting and Ukraine co-occur are dominated by two contexts. The first one refers again to the above-mentioned protests against the government of Yanukovych:

‘The solution is a peaceful, but definite FIGHT with the rulers and taking over the power by UKRAINIANS’. (*Dziennik. Gazeta Prawna*, 05.12.2013)

The other one once again referred to the Polish-Ukrainian conflict and the Volhynia massacre.

‘In western Ukraine UPA soldiers are treated as heroes today, who during the Second World War fought against Germany and the USSR for independence’. (*Onet*, 19.07.2013)

Consequently, statements in which the categories of *war* and *Ukraine* co-occur concern the events of the Second World War, with particular emphasis on the problems of the situation in Volhynia. Interestingly, even in the case of the only category with a relatively high coefficient of co-occurrence, which we defined as positive (*truth*), there is mainly content focused on historical issues, presenting Ukraine in both positive and negative light:

‘Russian series about the noble Red Army, UKRAINIAN ones about great Stepan Bandera, etc., etc. are waiting in a queue. Or maybe the REAL reason is different’. (*Do Rzeczy*, 09.06.2013)

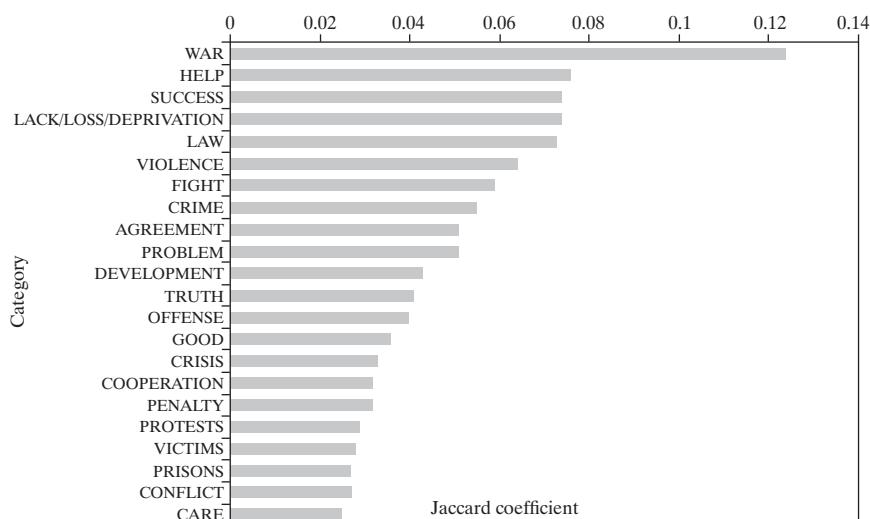
“The historical truth is not only that Poles were murdered but also that many Belarusians, Lithuanians, Ukrainians and Russians helped Poles”, said Adam Lipiński (Law and Justice) who directs the work of the committees of communication with Poles abroad’. (*Gosć Niedzielny*, 11.07.2013)

In the analysed period, Ukraine was presented basically mainly through the prism of historical events, specifically events in Volhynia. In the majority of the analysed articles, the image of Ukrainians is definitely negative, although one has to admit that more balanced and subdued voices also appear. The only slightly more positive context that appeared at the end of the analysed period are the events connected with the protests on Maidan in Kiev. It is difficult to regard them as having unequivocally positive connotations (these are violent events), but in many cases support for these protests is clearly emphasised. Once again, as in the case of Russia, the prevalence of texts on historical subject is noticeable; moreover, a more negative image of Ukraine is created by strongly conservative sources.

GERMANY

Chart 3

Germany – diagram of co-occurrence (proximity plot)



The last of the countries presented in this text, Germany, also very often occurs in a very historical context, as can be seen in the chart. Moreover,

also this neighbour of Poland is presented rather negatively in the analysed articles. The category of *Germany* co-occurs with the category of *war* in 319 sentences and a vast majority of them refer to events connected with the Second World War.

‘They know its course know only from stories. In the consciousness of many GERMANS the whole WAR can be limited to almost one event – the Holocaust’. (*Do Rzeczy*, 20.04.2013)

‘According to experts from the Greek Ministry of Finance, Greece has never received reparation for the damage suffered during the SECOND WORLD WAR and for the loans it gave to Nazi GERMANY under duress’. (*Fakt*, 09.04.2013)

Once again a regularity can be noticed that historical issues and negative actions of Germans during the Second World War are often emphasised by conservative sources such as *Nasz Dziennik* and *Do Rzeczy*, while they are much less important for titles with a more liberal profile. In *Gazeta Wyborcza* this context appeared sporadically and in most of the statements there is no strong emotional attitudes to the actions of Germans.

‘Out of the 1700 exhibits shown, almost one third comes from GERMAN museums, which were taken by the Red Army after the end of the Second World WAR to the USSR’. (*Gazeta Wyborcza*, 21.06.2013)

The remaining two of the selected 6 categories, classified as having negative emotional associations, are *loss/deprivation* and *violence*. In the category of *loss/deprivation* we can observe a relatively big number of references which do not affect the emergence or strengthening of the negative image of Germany. However, here too, a significant part of the text refers, of course, in a negative way to Germany in context of the Second World War.

‘At that time, the Nazi governor of Poland, Hans Frank, said that Poles were supposed to be so poor that they would voluntarily go to work in GERMANY without a round-up’. (*Polityka* 31.12.2013)

‘GERMANS and Russians should apologize for Jedwabne. They broke Polish border guards, surrounded and defeated the Polish army, destroyed and murdered Polish officers, police officers, prosecutors, judges and priests, they broke Polish prisons and released thousands of criminals, they rushed millions of innocent Poles to the camps, concentration camps, to the hunger bunkers, to the gallows, to the gas chambers and the pits of death. These were GERMANS and Russians who ordered and allowed Jewish criminals to kill innocent Poles and Polish criminals to murder innocent Jews’. (*Nasz Dziennik*, 21.09.2013)

The last quotation is interesting because it shows the element of martyrology of the Polish nation often present in the right-wing media and is an obvious element of constructing a black and white vision of the world: we Poles – good; others – bad.

The category of *violence*, as one might expect, often refers also to the Second World War, though there are also numerous more contemporary references, which do not necessarily represent the Germans in a negative way.

‘German Chancellor Angela MERKEL and French President Francois Hollande have called on the Egyptian parties to quell violence’. (*Gazeta Wyborcza*, 16.08.2013)

Unlike Russia, and especially Ukraine, in the case of Germany, positive emotional categories such as *success*, *help*, and *law* also occupy relatively high positions on the co-occurrence chart.

The category of *help* relatively often refers to German economic aid, both in the context of international aid and social policy (benefits):

“*Bild*” demanded from the Greeks their islands in return for billions of euros of GERMAN aid, and other newspapers savage the “lazybones from the south”. (*Do Rzeczy*, 15.05.2013)

‘Politicians in BERLIN are occupied with care allowance, parity for women, minimum wage and “no” for fracking’. (*Gazeta Wyborcza*, 29.05.2013)

However, here again, there is often a historical context showing Germans in a negative light.

‘There will be also documentation showing hostile policy of Nazi Germany towards Poles and Jews, among others, posters and announcements informing about death penalty for giving AID to the Jewish population’. (*Nasz Dziennik*, 10.10.2013).

The observation related to the next category is surprising. Even in the case of statements referring to the category of *success*, which seems to have obvious positive associations, the context of the Second World War and reference to success, e.g. of Nazis after coming to power, play an important role:

‘The point is to absolve the world brand called GERMANY, which is more and MORE EFFECTIVE in its economic and cultural expansion, from responsibility for the crimes of their fathers, people who still live and work today, many fortunes of whom were built on the blood of the victims’. (*Fakt*, 07.10.2013)

‘HITLER’s listeners got carried away with his speeches thanks to, among others, this overexpression, which is weird or ridiculous to us today. Were

rhetorical skills a key to HITLER's SUCCESS? Yes, the ability to speak was very important'. (*Do Rzeczy*, 20.11.2013)

Although Germany can be considered a country of economic success, this topic did not appear in the analysed material at all. If anything was written about success in the context of Germany, it was most frequently about Angela Merkel's election success or the success of Polish companies in Germany.

'German Chancellor Angela MERKEL WINS the Sunday election to the Bundestag – her CDU/CSU won 41.5 percent of votes'. (*Wirtualna Polska*, 24.09.2013)

"This was possible thanks to the 7-year collaboration between Cracow's EC Engineering and GERMAN company Bombardier Transportation. Participation in this project is a big SUCCESS for us, especially since we have been dealing with the most difficult engineering issues", Ireneusz Łuczak, CEO of EC Engineering, emphasises. Polish engineers designed the aluminium body of the vehicle and simulated the strength of the structure'. (*Onet*, 07.09.2013)

The only emphasised success of Germany was *de facto* the disappearance of poliomyelitis in the country, but even this topic was presented in the context of certain anxiety about the future.

'Burger has stressed that the most important thing now is to check the immunisation status of every person arriving from Syria and, if necessary, they should be vaccinated. The World Health Organization (WHO) has identified ten cases of polio in the north of Syria and twelve suspected infections with this disease. Poliomyelitis has almost disappeared from public consciousness in Germany, which is a great success and a curse, Reinhard Burger said. People think that they do not need any protection'. (*Onet*, 02.11.2013)

During the analysis of the context of the co-occurrence of the categories of law and Germany it turns out that statements that present Germany as the rule of law can be looked for in vain. In the analysed material, *de facto* only one such statement was found, in addition it was a quotation from Angela Merkel:

"GERMANY is not a country of supervision, GERMANY is a country of freedom", the chancellor stressed, adding that in GERMANY and the whole of Europe "Club LAW is not binding but the power of LAW". MERKEL said that the issue of possible breach of the GERMAN LAW by the US service was being explained in discussions with US authorities. "The government of GERMANY has sent a list of questions that have not been answered yet to the authorities in Washington", the head of government said in Washington'. (*Wirtualna Polska*, 19.07.2013)

It should be stressed that a considerable part of statements was emotionally neutral. Still a lot of them created a negative image of Germany (even in this, at first glance, positive category).

Thus, the Second World War was referred to once again:

‘During the Third Reich HITLER and his followers used the LAW to limit the activity of the democratic parties, opposed to the Nazis’. (*Wirtualna Polska*, 25.03.2013)

‘HITLER obtained votes of women, just like Saddam Hussein, who previously gave women the right to vote’. (*Onet*, 30.08.2013)

In other cases, curious, according to the authors, legal regulations in Germany were emphasised:

‘A German family will fight for the rights to their daughter from Poland. From here, the German Schandorff family is going to continue the fight for the right to the 13-year-old daughter Antonia, who has been taken away by the court and has spent 7 months in a Jugendamt shelter’. (*Onet*, 25.09.2013)

‘In 2006 the GERMAN supreme court ruled that the government could take away the right of custody over children from such parents. Polish public opinion was most shocked with the case of the Romeike family, who escaped from Germany to the USA with five children when they were threatened with losing their parental rights because of home education. They were also punished with a horrendously high fine, their children were escorted to school by the police’. (*Nasz Dziennik*, 19.10.2013)

‘A pimp can be punished only for fraud, for example, if he takes more than half of the income of a prostitute, but that is virtually impossible to prove. Sex business is the only branch in GERMANY where in all the years of the law validity there has been no single lawsuit where the subordinate would dare to pursue her “employer” for unfair remuneration. The position of pimps has increased as never before, talking about “RIGHT OF EMPLOYEES” has lost its sense. Women in the trash. Prostitution has become so banal that RTL television broadcasts a programme where different professionals advise how to furnish and run a brothel and attract customers, just as it is done to improve the image of a deteriorated restaurant’. (*Nasz Dziennik*, 21.11.2013)

In another case, the proposed amendment to the right to benefit was referred to:

‘Increasingly, the parliamentary faction is wondering whether it should cut benefits for Romanian and Bulgarian immigrants. According to journalists, the CSU Christian-Democratic Party would like the immigrants to have no

RIGHT to benefits and social aid during the first months of their stay in GERMANY'. (*Wprost*, 28.12.2013)

Moreover, problems connected with the German police were presented: 'He was tortured by GERMAN law enforcement officers'. (*Fakt*, 11.07.2013)

The case of Germany, just like the case of Russia and Ukraine, was dominated by historical references, mainly in the context of war events, building a negative image of Germans and Germany. There are, however, more cases in which the category of *Germany* co-occurs with categories interpreted as having a positive emotional context, which influences the emergence of a slightly more positive image of Germans in the Polish media. It is worth stressing, though, that when these positive statements are placed in the context, a large part of them really presents a negative image of Germany and Germans. Due to this although at first glance the image of Germany is more positive than that of Russia and Ukraine, in reality the difference is negligible.

CONCLUSION

The summary of the results of the analysis of the image of Germany, Ukraine and Russia in the Polish media in the second half of 2013 leads to four main conclusions.

First of all, we should notice a very high degree of concentration of content referring to foreign countries and nations on our immediate neighbours, in particular on bigger and more important ones, that is Russia, Germany and Ukraine (references to them constituted over 50% of all references to foreigners in the analysed material). This tendency was even stronger in the case of more conservative and Catholic newspapers and periodicals. This conclusion can be treated as an indication that the Polish textual media are quite strongly oriented towards regional content, while the global aspect is not a priority for them.

Secondly, attention is drawn to the fact that 'the rest of the world' is primarily presented in a negative context, as indicated by the quantitative and qualitative analysis of the collection of the media content. Primarily sources that are clearly conservative and Catholic excel in the creation of the negative image of other countries. In the whole analysed population for Russia, Ukraine and Germany there was a significant predominance of negative references (respectively 64% for Russia and Ukraine and 62% for Germany). This fact can be interpreted in many ways, but the following explanations

seem most appropriate. First of all, the Polish (but not only) media tend to present primarily negative information, which is more interesting to the audience, which is the result of so-called ‘sensationalism’. It seems that this is not a universal trend, as the results of studies focusing on the image of China in Zambia and Angola³⁴ as well as in Argentina and Chile³⁵ showed a noticeably lower percentage of negative references. Also our previous studies on China’s image in the Polish media³⁶ have shown that although China is one of the most positively presented countries, 57% of references could be classified as creating a negative image of this country.

Another conclusion from the analysis is the discovery of a very strong presence of the historical context in the content on Poland’s neighbours; most often, these were references to the Second World War events. It can be said that in the analysed materials issues connected with historical bygones predominated, which strongly influenced the final negative image of the analysed categories. The qualitative analysis of the content strengthened even the power of this conclusion, because it turned out that the contextualisation of statements in which the analysed key words (Germany, Russia, Ukraine) co-occurred with categories (e.g., *help*, *success*, etc.) which have a positive emotional context led to the discovery of the occurrence of historical references, presenting the neighbours of Poland in a negative light. This observation was especially valid for conservative titles such as: *Do Rzeczy*, *Nasz Dziennik* or *Gość Niedzielny*.

Fourthly, one cannot fail to mention that a very limited number of statements presented an unequivocally positive image of our neighbours. Probably the most positive references were made to protests on Maidan in Kiev, but it should be remembered that this ‘fondness’ occurred in the context of events related to the use of violence, so it cannot be reasonably assumed on this basis that the media image of Ukraine in the Polish media is positive. Nearly complete lack of references to the economic success of our western neighbour was surprising. In the aforementioned analysis of China’s image in the African media one of the dominant themes was China’s economic

³⁴ Jura, J., Kałużyńska, K., de Carvalho, P. 2015. *Events over Endeavours Image of the Chinese in Zambia and Angola*, Kraków: WUJ.

³⁵ *Perception of China and Chinese in Chilean and Argentinian media* – unpublished paper delivered on 10 Conference of European Sociological Association, Geneva, 7–10 September 2011.

³⁶ Jura, J., Kałużyńska, K., 2016. Transformation of the Dragon – China’s Image in the Polish Media. In: *China – Central and Eastern Europe Cross-Cultural Dialogue. Society, Business and Education in Transition* (working title). Kraków: WUJ (in press).

success, its investment and modernisation of its economy; on the basis of these results, it was possible to expect similar (though less frequent, due to the lower degree of economic relations) content in the case of Germany, but such regularity was not observed.

Therefore, it can be said that in the analysed period the Polish media were focused on the nearest neighbours, but mainly presented their negative image, especially in the context of historical bygones. Few statements related to the present, and references to the future – especially in the context of cooperation – were omitted.

Of course, the material we have at our disposal does not allow for far-reaching generalisations. The analysed data come from a relatively short period (second half of 2013), and we do not have enough data from other countries to relativise the results of the analysis. However, it seems that given the large number of the analysed articles, the diversity of their sources and the general observation of the Polish media reality, we can put forward a hypothesis that the conclusions of the analysis largely reflect the tendencies occurring in the Polish media.

Of course, the question arises to what extent such a, and not another, image of other countries in the media can affect the shape of international relations, or real political decisions. We must emphasise that the results of this particular analysis do not allow us to draw far reaching conclusions based on purely scientific premises³⁷. However, the comparison of the analysis results with some political decisions taken in Poland in the context of international relations allows us to note some convergences that may be the basis for the formulation and further verification of the research hypotheses.

For example, the question arises as to how much the image of other countries in the media in 2013 could express social sentiments and be a kind of indicator enabling the prediction of election results. Or, looking at it from another perspective, to what extent was it created consciously to affect the audience and influence their political choices.

Another question is how the media image can be used in the short term to predict some political decisions and to define the framework for international policy and public diplomacy. It is evident that currently in the foreign policy of Poland we can see aversion to our neighbours – especially to Germany

³⁷ Although in subsequent research projects the authors of the article intend to attempt to model the relationship between the image in the media and the shape of political or economic relations between certain countries.

and Russia. Foreign Minister Witold Waszczykowski's statement that Polish public diplomacy should be built on the basis of emphasising traditional and historical values is very interesting in the context of the analysis results as it seems to correlate to a considerable extent with the conclusions of the analysis.

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STILL MORE ABOUT HISTORY THAN ABOUT THE PRESENT – PICTURE OF RUSSIA, GERMANY AND UKRAINE IN THE POLISH MEDIA IN THE SECOND HALF OF 2013

Summary

The paper aims to present the image of Poland's neighbours, namely: Russia, Ukraine and Germany, presented in the Polish media between July and December 2013. To obtain a possibly complete final image, a database of textual news articles was created, and its content was gathered from many various on-line sources, chosen due to their popularity and wide spectrum of political views. The preliminary dataset consisted of 8096 articles. The analysis of the final dataset was conducted by applying a mixed-method methodology, employing CAQDAS (QDA Data Miner and Wordstat). The results of the analysis showed that all the Polish media were focused mainly on neighbouring countries and tended to depict them in rather dark colours; moreover, a surprisingly large share of statements mentioning Germany, Russia and Ukraine were focused on historical issues, mainly of the Second World War period. The results of the research lead to emergence of new research hypotheses: to what extent the image of foreign countries was a reflection of social moods in 2013 and an indicator of the upcoming

parliamentary and presidential election results? Was it mainly a product of the publishers aiming to influence the readers' political choices? Regardless of which of the above hypotheses is true, it can be assumed that the media image could be applied in the prediction and analysis of international relations strategies employed in particular countries. Evidence for the reasonableness of this hypothesis is provided by the analysis of the current priorities of public diplomacy in Poland.

WCIAZ WIĘCEJ O HISTORII NIŻ O TERAŃNIEJSZOŚCI – OBRAZ ROSJI, NIEMIEC I UKRAINY W POLSKICH MEDIACH W DRUGIEJ POŁOWIE 2013 ROKU

Streszczenie

Niniejsza praca ma na celu przedstawienie obrazu sąsiadów Polski – Rosji, Niemiec i Ukrainy, prezentowanego w polskich mediach w okresie od lipca do grudnia 2013. Analizie poddany został szereg artykułów (początkowo 8096), zebranych z różnych źródeł dostępnych on-line (z portali informacyjnych oraz stron internetowych popularnych dzienników i tygodników). Wyboru źródeł dokonano na podstawie ich popularności oraz w celu uzyskania możliwe szerokiego spektrum prezentowanych w nich poglądów politycznych. Analiza została przeprowadzona zarówno przy użyciu metod jakościowych i ilościowych z wykorzystaniem oprogramowania CAQDAS (QDA Data Miner oraz Wordstat). Wyniki badania pokazują, iż polskie media skoncentrowane są przede wszystkim na sąsiednich krajach, co więcej, przedstawiają je w raczej ciemnych barwach. Ponadto duża część artykułów, w których opisywane były Niemcy, Rosja i Ukraina, zawierało nawiązania historyczne, przede wszystkim dotyczące okresu II Wojny Światowej. Powyższe spostrzeżenia nasuwają kolejne pytania badawcze. Po pierwsze, na ile obraz innych krajów w mediach w 2013 roku mógł oddawać nastroje społeczne i być wskaźnikiem mogącym pozwalać na przewidywanie wyników wyborów. Albo też, na ile mógł być kreowany przez wydawców, dążących do uzyskania wpływu na odbiorców i ich wybory polityczne. Niezależnie od tego, która z powyższych hipotez jest prawdziwa, można domniemywać, iż obraz w mediach może służyć predykcji decyzji politycznych i nakreślaniu ram polityki międzynarodowej i dyplomacji publicznej. Dowodów na sensowność tej hipotezy dostarcza choćby analiza obecnych priorytetów dyplomacji publicznej w Polsce.

ПО-ПРЕЖНЕМУ БОЛЬШЕ ОБ ИСТОРИИ, ЧЕМ О СОВРЕМЕННОСТИ — КАРТИНА РОССИИ, ГЕРМАНИИ И УКРАИНЫ В ПОЛЬСКИХ СМИ ВО ВТОРОЙ ПОЛОВИНЕ 2013 ГОДА

Резюме

Целью настоящего исследования является презентация образа соседей Польши – России, Германии и Украины, представленного в польских средствах массовой информации в период от июля до декабря 2013 года. Проанализирован ряд статей (первоначально 8096), собранных из различных источников, доступных в режиме онлайн (информационных порталов и веб-сайтов популярных газет и журналов). Выбор источников определялся степенью их популярности, а также целью ознакомления с наиболее широким спектром представленных в них политических взглядов. Кроме того, исследовательский анализ был произведён путём качественных и количественных методов с использованием программного обеспечения CAQDAS (QDA Data Miner и Wordstat). Как показывают результаты исследования, польские масс-медиа сконцентрированы прежде всего на соседних государствах, более того, изображают их в довольно тёмных тонах. Кроме того, значительная часть статей, содержащих информацию о Германии, России и Украине, включала в себя замечания исторического характера, прежде всего связанные с периодом Второй мировой войны. Данные наблюдения вызывают появление дополнительных исследовательских вопросов. Во-первых, насколько картина других стран в СМИ в 2013 году могла передавать общественные настроения и стать показателем, позволяющим прогнозировать результаты выборов? И в какой степени эта картина могла создаваться издателями, стремящимися оказывать влияние на адресатов и их политический выбор? Независимо от того, какая из упомянутых выше гипотез является правдивой, можно предполагать, что картина в масс-медиа может служить прогнозированию политических решений и определению рамок международной политики и общественной дипломатии. Доказательства целесообразности данной гипотезы предоставляет в определённой степени анализ современных приоритетов публичной дипломатии в Польше.

Józef M. Fiszer*

EUROPEAN UNION AND CHINA IN THE TWENTY-FIRST CENTURY – PROBLEMS, OPPORTUNITIES AND THREATS

INTRODUCTION

In 2014 the Institute of Political Studies of the Polish Academy of Sciences published the first edition of the book, which I edited, entitled “*Unia Europejska – Chiny. Dziś i w przyszłości*” [‘European Union – China. Today and in the future’] which has been friendly welcomed by the readers. The great interest in this publication is evidenced by the fact that its first edition has disappeared quickly from the shelves of bookstores, which today in the age of the Internet and the crisis of readership occurs quite rarely in our country. Moreover, the book had numerous and very good reviews which appeared in prestigious scientific periodicals in Poland¹.

In this article I will try to show the current opportunities and threats for both of these actors in the international arena and their mutual relations today and in the future. In addition, I will try to verify the controversial, in my opinion, hypothesis promoted by many scholars, which assumes that the twenty-first century will be the age of Asia, that is *de facto* of China because discussing Asia in terms of power, it must be first kept in mind that China will disturb the international order most heavily, in line with Organski’s theory of the ‘transit of power’. Thousands of years of the imperial past, political culture, the worldview, the vast territory and the large population, economic

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¹ See *Przegląd Politologiczny*, no. 1/2016, pp. 205–207; *Studia Europejskie*, no. 4(72)2014, pp. 191–198; *Studia Polityczne*, no. 4(36)2014, pp. 170–174; *Mysł Ekonomiczna i Polityczna*, no. 3(46)2014, pp. 332–336.

successes so far, resilience to the global financial crisis – all of these support the thesis that China will soon regain the status of a world power lost in the mid-nineteenth century. For now, however, it is not animated by the missionary spirit, which was one of the factors motivating Western imperial ventures². Fareed Zakaria writes: ‘It is satisfied with what it is and gaining the status of a world power in a sense is fulfilling its historical role’³.

This raises the question of whether the path that China follows after Mao Zedong’s death and the reforms launched in 1979 by Deng Xiaoping are an alternative to democracy and liberal capitalism. The answer is yes and no, because democracy and capitalism, in spite of many problems, are still fine and predominate in the world, and Communist China in practice applies capitalistic principles and economic mechanisms. This has resulted in the economic foundations of the power that China lacked under dogmatic Mao Zedong: industrial foundations making China a ‘factory of the world’, and trade and financial foundations – this country has become the main exchange centre in the world. Universally open to the world, China strives to keep up with its modernity: catching up on technology, educating hundreds of thousands of students abroad and tens of millions in the country, developing multinationals, taking over foreign companies, adopting soft power techniques, etc⁴.

The Chinese economic model and impressive development affect the positive perception of the PRC. At present, China is seen as a land of prosperity, especially by people from poor countries, where the American dream seems unattainable, while the Chinese one is within reach. The Chinese example shows that the economy can develop without the functioning of liberal democracy. But such a vision of development is dangerous for the values of the West and also for the EU, because it means that economic growth and basing power and prosperity on it can be achieved without democracy⁵.

The Chinese economy is undoubtedly a carrier of soft power, but its strength also influences the development of other elements of power of China which modernises its army, especially strategic aviation and navy, and builds

² See Buhler, P. 2014. *O potędze w XXI wieku.* [About power in the 21st century.] Warszawa: Wydawnictwo Akademickie DIALOG, p. 475.

³ See Zakaria, F. 2009. *Koniec hegemonii Ameryki.* [The Post-American World.] Warszawa: Media Lazar, p. 140.

⁴ See Łoś, R. 2017. Soft Power Chin. [Soft power of China.] *Studia Polityczne*, vol. 45, no. 1, pp. 37–57.

⁵ *Ibidem*, p. 41. See also Leonard, M. 2008. *What Does China Think.* London, pp. 96–98.

modern aircraft carriers. At the same time, Beijing pursues a well thought-out and prudent strategy to minimise the inevitable negative side effects of China's power growth. Aware of the uneasiness and reactions that this fact may provoke in Asia and in the world, it takes numerous steps to demonstrate the groundlessness of the perceived 'Chinese threat'. By following Sun Tzu's recommendation – 'refuse to fight when the opponent is too powerful' – Chinese leaders avoid confrontation with the United States, which might feel the most threatened in its position as a world power, and whose military superiority is so overwhelming that it prevents any adventurism. At the same time, it systematically checks how far it can go, particularly vigorously reiterating since 2010 claims to sovereignty over maritime areas and building military installations on the illegally seized offshore islands in the South China Sea. Americans continue to patrol these waters⁶.

On the other hand, in relations with the Asian powers, especially with Japan and India, which directly feel the rise of China's power, the distribution of power is much more favourable for Beijing, which sometimes forgets about the necessary caution. Since the mid-1990s Chinese leaders have been striving to combat all prejudices against the PRC, but since 2009 they have begun to conduct increasingly assertive policies that concern not only its neighbours, but also the United States, which tries to integrate China with the existing international system still controlled by the US. Consecutive US presidents, including Donald Trump, stress the benefits it brings to China and at the same time warn it against the consequences it may face when attempting to overthrow this system. This was expressed by D. Trump at the last G7 Summit in Taormina, Sicily, on 26–27 May 2017. But Chinese leaders know that Donald Trump must change his course if he wants to 'quickly resolve' – as he promised – the North Korean problem. Without cooperation with Beijing it is impossible to do it⁷.

Today the situation in China and in the European Union and their role in the world are already different from a few years ago. There are other international realities to a smaller or bigger extent fostering cooperation between China and the European Union. The world constantly evolves and dynamically changes its face. In this way, George Modelski's theory of

⁶ See Buhler, P. 2014. *O potędze w XXI wieku. [About the power in the 21st century.]* ..., p. 477. See also Warszawski, D. 2017. Trump igra z wojną. [Trump is playing with war.] *Gazeta Wyborcza* 20 May 2017, p. 11.

⁷ See Korzycki, R. 2017. Po szczytce G7. Trump nie da rady zniszczyć klimatu. Dzięki Obamie [After the G7 summit. Trump will not manage to destroy the climate. Thanks to Obama.] *Gazeta Wyborcza* 29 May 2017, p. 17.

the hegemonic cycle, Immanuel M. Wallerstain's world-systems theory and Robert Gilpin's theory of change of the international system are justified in the international practice⁸.

Over the last three decades, China's position and role in the modern world have grown tremendously. It is connected with the dynamic development of its economy, its significant modernisation and a serious increase in defence forces. On the other hand, the European Union is experiencing a deep political, economic, immigration crisis and many other problems limiting its role in the world political arena. In the EU there has been the illegitimation of all options in opposition to which it the idea of European integration was defined: nationalism, a brutal game of power, zero-sum games, primacy of power over the law, etc. Its image in the world has faded. The hope is also vanishing that united Europe will occupy one of the central places in the newly shaped global order. But, as French political scientist and diplomat Pierre Buhler writes 'It does not mean that Europe is doomed to paralysis. Relationships between states and the Union are flexible enough to respond to situations that require a different rhythm than the rhythm of European reconciliation. Mobilisation of all is a matter of leadership, but the initiative must come from the Members of the EU which have sufficient resources and influence to lead a specific operation or policy binding in the eyes of the world. Only big states, i.e. Great Britain, France, Germany, Italy and increasingly Poland, meet these criteria (...)'⁹.

Unfortunately, the fact is that in the European Union there is also a crisis of leadership and a lack of enlightened political elites. The current EU decision makers are various types of ex-politicians, former prime ministers, ministers or party activists for whom high positions in the EU or as MEPs are just very lucrative jobs. In the context of the above I agree with the opinion of Krzysztof Szczerski who writes that: 'The crisis that has hit the European Union will not be solved by a single, wonderful decision. There is no magic

⁸ See Fiszer, J.M. 2013. *System euroatlantycki przed i po zakończeniu zimnej wojny. Istota, cele i zadania oraz rola w budowie nowego ładu globalnego.* [The Euro-Atlantic system before and after the end of the Cold War. The essence, goals, tasks and role in building a new global order.] Warszawa: ISP PAN, Dom Wydawniczy ELIPSA, pp. 13–14; Donelly, J. 2000. *Realism and International Relations.* Cambridge: Cambridge University Press; Czaputowicz, J. 2007. *Teorie stosunków międzynarodowych. Krytyka i systematyzacja.* [Theories of international relations. Criticism and systematization.] Warszawa: Wydawnictwo Naukowe PWN.

⁹ See Buhler, P. 2014. *O potędze w XXI wieku.* [About the power in the 21st century.] ..., pp. 490–491.

wand in politics, there is a need for wise leadership and a sensible vision, but it is just what is missing in the EU's decision-making elite¹⁰.

1. THE POST-COLD WAR WORLD AND ITS EVOLUTION IN THE TWENTY-FIRST CENTURY

Contrary to expectations, the world after the Cold War, which ended with the breakup of the Soviet Union and its block in 1989-1991, has become very complicated, full of new challenges and threats. New actors have appeared, including the European Union, the Russian Federation and reforming and increasingly open to the world China and other emerging powers that belong to the group of 'BRIC' countries. Already in the early nineties of the twentieth century a need appeared to redefine the international order and outline its new structure – in order to create a new international order and not to lead to an imbalance, after the years of competition between the two hostile blocks. At the beginning of the twenty-first century it was necessary to redefine mutual relations between more than two hundred participants in international, state and non-state relations and to base them on solid democratic grounds. It was necessary to build a new, democratic international system (order) based on strong foundations. Globalisation and growing global problems almost enforced specific actions (cooperation or competition), especially in relations between states.

However, the triumph of the 'free world' over communism and the breakup of the Soviet Union have strengthened the incorrect, as it has later transpired, conviction that liberal democracy is the only reasonable proposal for the creation of the economic and political order, which in practice has been supposed to strengthen the paradigm of deliberative democracy defining policy objectives in the categories of consensus and reconciliation. Advocates of this approach have argued that the world without enemies, violence and impassable conflicts has become possible thanks to the weakening of collective identities and that deliberative procedures make it possible to solve problems arising from 'democratic deficit' in international relations. But that has not happened. After the two-block rivalry between the United States and the Soviet Union the world has become largely dominated by rivalry and

¹⁰ See Szczerbski, K. 2017. *Utopia Europejska. Kryzys integracji i polska inicjatywa naprawy.* [European Utopia. Integration crisis and Polish recovery initiative.] Kraków: Biały Kruk Sp. z o.o., p. 105.

conflicts, and has not, as the supporters of the neoliberal theory have argued, become a global village based on the principles of solidary cooperation of all actors of the international scene¹¹. Professor Marian Guzek, an economist known for his critical attitude toward neo-liberalism, correctly noted that: ‘The main source of neo-liberalism has become an ideology whose popularity in the Western world, but not only in the West, has certainly surpassed the Communist ideology, for the latter has been usually imposed upon societies after the communists have taken power and exercised it autocratically. On the other hand, neoliberal ideology has been disseminated under the conditions of a democratic system implemented in all countries. And most importantly, it has been implemented without disclosing its detailed rules, but under one slogan of a free market as a synonym for economic liberalism’ and he adds that neo-liberalism is such a system in which ‘power is exercised formally by democratic state institutions but limited in their functions and competences as a result of dependence on industrial and financial corporations with great wealth potential. This system appeared in its advanced version in the United States in the early 1980s’¹². A quarter of a century later it almost led to the near bankruptcy of the United States and most European countries in 2008–2012. The European Union and to a lesser extent Russia and China have suffered the consequences of this financial and economic crisis, which is *de facto* still in progress, as exemplified by Greece.

The unprecedented economic growth of the PRC in the last three decades is certainly one of the most important processes on the planet that have changed the world. Chinese economic reforms launched in December 1978 yielded an average annual GDP growth rate of 9.8% by the end of 2012. Never in the recent history of the world has any country recorded such great successes for so long, and because it is the world’s most populous state, with a larger area than the United States or the whole European Union, the shift of wealth and power from the West to the East is unavoidable. Of course, the growing power of still communist China has had a far-reaching impact

¹¹ See Kuźniar, R. 2016. *Europa w porządku międzynarodowym*. [Europe in the international order.] Warszawa: PISM; Wojciechowski, S., Tomczak M. eds. 2010. *Mocarstwość na przełomie XX i XXI w. Teorie – analizy – programy*. [World power status at the turn of the 20th and 21st centuries. Theories – analyses – programmes.] Poznań: Wydawnictwo Naukowe Wyższej Szkoły Nauk Humanistycznych i Dziennikarstwa; Guzek, M. 2014. *Kapitalizm na krawędzi*. [Capitalism on the edge.] Warszawa: Oficyna Wydawnicza Uczelni Łazarskiego, Dom Wydawniczy ELIPSA, pp. 15–27.

¹² See Guzek, M. 2014. *Kapitalizm na krawędzi*. [Capitalism on the edge.] pp. 15–16.

on the economic order, on the geo-economics and geopolitics of the modern world¹³.

The instability of the contemporary international environment is exacerbated by numerous conflicts of various kinds: political, religious, ideological, social, ethnic, cultural, territorial and economic ones. The east of Europe, for example, has been dominated by the conflict in Ukraine, fuelled by Russia which constantly satisfies its superpower aspirations. The war in 2014–2015 raises the question of the survival of Ukraine in its present territorial and political shape. At the last NATO summit on 8–9 July 2016 in Warsaw, to which also the President of Ukraine was invited, the annexation of the Crimea was officially condemned and Russia was called on to withdraw its military and financial support for Donbas separatists, but during Petro Poroshenko's unofficial meetings with US President Barack Obama, German Chancellor Angela Merkel, French President Francois Hollande and Canadian Prime Minister Justin Trudeau Ukrainians were encouraged to grant greater autonomy to Donbas, the region controlled by separatists, and to conduct peace talks with Russia¹⁴.

The West, namely the United States, NATO and the European Union, does not want to irritate Russia, which is an aggressor and has broken all the norms of international law, and *de facto* leaves Ukraine alone at the mercy of Vladimir Putin who tries to dismantle the post-Cold War order, deeply unfair from Russia's point of view as it pushes it to the position of a regional power. The PRC, which after the end of the Cold War formally opted for a peaceful, multipolar and multi-civilisation global order, took a strange, that is ambivalent attitude towards the Russian-Ukrainian war. In the 1990s China joined several international regimes, primarily pertaining to weapons of mass destruction. It became a member of APEC (1991) and also started regular

¹³ See Góralczyk, B. 2015. W poszukiwaniu chińskiego modelu rozwojowego. [In search of the Chinese model of development.] *Sprawy Międzynarodowe*, no. 2/2015, pp. 40–41; Zamęcki, Ł., Borkowski, P.J., Wróbel, A. 2013. *Wewnętrzne uwarunkowania aktywności międzynarodowej Chińskiej Republiki Ludowej i jej relacji z Unią Europejską*. [Internal conditions of international activity of the People's Republic of China and its relations with the European Union.] Warszawa: Wydział Dziennikarstwa i Nauk Politycznych Uniwersytetu Warszawskiego, pp. 139–141.

¹⁴ See Wieliński, B.T., Wroński, P., Zawadzki, M. 2016. Ukraina bez zmian, Gruzja rozczałowana. [Ukraine unchanged, Georgia disappointed.] *Gazeta Wyborcza* 11 July 2016, p. 4; Winiecki, J. 2016. Uszczelnianie pęknięć. W Warszawie NATO musi zdecydować nie tylko jak i przed kim, ale także czego i jakich wartości chce bronić. [Sealing of cracks. In Warsaw NATO must decide not only how and against whom but also what and values it wants to defend.] *Polityka* 6–12 July 2016, pp. 12–13.

meetings with ASEAN members (1996). The China-Africa Cooperation Forum has been operating since 2000, and one year later the PRC became a member of the World Trade Organisation and became a founding member of the Shanghai Cooperation Organisation. China has also participated in meeting of the BRICS group (Brazil, Russia, India, China and South Africa since 2011) since 2006. As in the case of Africa, its relations with Central and Eastern European countries have taken the form of regular meetings (the so-called 16+1 format) since 2012. China still attaches special role to the United Nations, taking part in peacekeeping missions under the UN flag, actively contributing to the provision of humanitarian aid to countries hit by natural disasters and war. This intensified Chinese activity in international fora has gone hand in hand with the declarations by Chinese leaders in which multilateralism occupied a special place, especially in matters of security and economy. In practice though, international conflicts that weaken the West or Russia are conducive to strengthening China's international position. Meanwhile, in Vladimir Putin's plans to rebuild Russia as a global superpower, abovementioned Ukraine is supposed to play a special role¹⁵.

The situation of Ukraine is aggravated by the financial crisis, the costly war still ongoing despite the signing of the ceasefire, skyrocketing corruption and the political crisis which has been developing since the spring of 2016 and which clearly shows the failure of the governing circles, leading political parties and individual politicians backed by Ukrainian President Petro Poroshenko and their inability to fulfil their electoral promises and commitments. Many scholars point out that the level and scale of political corruption in Ukraine reached alarming proportions in 2016 and poses a threat to the very existence of the state in the conditions of Russia's 'hybrid war' and that the current political system in this country is characterised by kleptocracy, corruption, lobbying and abandoning of long-term goals. Corrupt relationships have become a dominant norm of behaviour of the elite. Under conditions of

¹⁵ See Fiszer, J.M. 2016. Geopolityczne i geoekonomiczne aspekty europeizacji Ukrainy i jej perspektywy. [Geopolitical and geo-economic aspects of Ukraine's Europeanisation and its prospects.] In: Tymanowski, J., Karwacka, J., Bryl J. eds. *Procesy europeizacji Ukrainy w wybranych obszarach*. [Processes of Europeanisation of Ukraine in selected areas.] Kijów – Warszawa: BHZ „Nacionalnaja Akademia Upravlenia”, pp. 15–39; Kuźniar, R. 2015. Ukraine – Europe's hic Rhodus, hic salta. In: Góralczyk, B.J. ed. *Europen Union on the global scene: united or irrelevant?* Warszawa: Centre for Europe, University of Warsaw, pp. 63–85; Świdler, K. 2015. *Rosyjska świadomość geopolityczna a Ukraina i Białoruś (po rozpadzie Związku Radzieckiego)*. [Russian geopolitical awareness and Ukraine and Belarus (after the collapse of the Soviet Union).] Warszawa: Instytut Studiów Politycznych PAN, pp. 181–249.

weak statehood, unstable legal order – the corruption in Ukraine becomes a specific form of relations between government and citizens. All this generates profound social divisions, limits the formation of civil society and inhibits the development of the country¹⁶.

The fear of Russia's further actions, especially of a hybrid war nature, is also evident today in the post-Baltic countries and in Poland. In connection with this, British General Richard Shirreff, until 2014 the deputy commander-in-chief of NATO forces in Europe, is now calling on the Alliance to concentrate its efforts on building the capacity to deter the potential enemy instead of focusing on assurances for the Baltic States and Poland. This is – in his opinion – essential, because we will have a war that Russia will start in the Baltic States and he adds that 'This country does not retreat from changing borders in Europe using force and develops military potential sufficient to impose its will on its neighbours. The invasion on the Crimea showed that we had underestimated and had not understood Russia's attitude'¹⁷.

In recent months also the US military expressed their opinion in a similar vein, including General Ben Hodges, commander-in-chief of US ground forces, who in an interview with the weekly '*Die Zeit*' said that Russia 'would be able to conquer the Baltic states faster than we could defend them' and confirmed Russian military evaluations according to which the Russians could conquer the Baltic states within 36-60 hours¹⁸.

The above warnings finally led to the awakening of NATO, which at the Warsaw summit decided to deploy four battalions on the eastern flank and concluded a strategic agreement with the European Union, under which both organisations committed themselves to coordinating defence exercises against hybrid attacks and to developing rules for cooperation in such crises.

¹⁶ Borkowski, K. 2016. Ukraina w kryzysie. [Ukraine in crisis.] In: Tymanowski, J., Karwacka, J., Bryl J. eds. *Procesy europeizacji Ukrainy w wybranych obszarach*. [Processes of Europeanisation of Ukraine in selected areas.] Kijów – Warszawa: BHZ 'Nacjonalnaja Akademia Uprawlenia', pp. 67–79; Bielecki, J. 2014. Zachodni sojusznicy Putina. [Putin's Western allies.] *Rzeczpospolita* 7 May 2014, p. 12.

¹⁷ Cited in: Winiecki, J. 2016. Uszczelnianie pęknięć. W Warszawie NATO musi zdecydować nie tylko jak i przed kim, ale także czego i jakich wartości chce bronić. [Sealing of cracks. In Warsaw NATO must decide not only how and against whom but also what and what values it wants to defend.] *Polityka* 6–12 July 2016, p. 13. See also: Wieliński, B.T. 2016. Nasza siła odstraszania rośnie. Rozmowa z Radosławem Sikorskim. [Our deterring power is growing. Interview with Radosław Sikorski.] *Gazeta Wyborcza* 7 July 2016, pp. 4–5.

¹⁸ See Kokot, M. 2016, Kraje bałtyckie boją się Rosji. [The Baltic states are afraid of Russia.] *Gazeta Wyborcza* 7 July 2016, p. 5.

At this summit the President of the United States emphasised that he was fulfilling his promises of 4 June 2014. Namely, after the aggression of Russia on Ukraine in a speech delivered in Warsaw on 4 June 2014 he announced that Poland and the Baltic States would not be alone. Then, for the first time, the contingents of the American army (at the start a paratroopers' company) and of other NATO countries were sent to the territories of Poland and the Baltic States. Now the decision was made about the 'permanent rotational presence' of four battalion groups (1 thousand soldiers) in Poland, Lithuania, Latvia and Estonia from 2017 onwards. In addition, the deployment of the US armoured brigade on the eastern NATO flank with the headquarters in Poland was announced. Certainly these decisions will increase the security of Europe exposed to Russia's imperial attempts¹⁹.

On the other hand, the south of Europe and *de facto* the whole European Union is struggling with immense immigration waves resulting from the destabilisation of the situation in North Africa and the Middle East²⁰. As the current migration crisis shows, it is not possible to tackle this problem by unilateral moves such as strengthening borders and refusing to admit migrants or refugees. It should be remembered that every applicant for a refugee status has the right (in accordance with the 1951 Refugee Convention) to the examination of their application. No one can be sent back to a state where he/she is in danger of torture or his or her life may be endangered. It is therefore essential to separate refugees from economic migrants, since the obligation to provide assistance covers only the former.

Turkey's relations with Russia and with the European Union are also getting worse. Ankara, instead of coming closer to Europe, is moving further away from it when it comes to democratic standards, respect for freedom of speech and the media, and secularity of the state. Not so long ago, Turkey declared a policy of 'zero problems with neighbours' and today it has problems with each of them, including the European Union. This generates, alongside the growing international terrorism, the rise of populism and xenophobic and nationalist sentiments in Europe and the world. This, in turn, makes it difficult

¹⁹ Wroński, P. 2016. Rosja już mniej groźna. Przebudzenie NATO. [Russia is less threatening. NATO's awakening.] *Gazeta Wyborcza* 11 July 2016, p. 1; Bielecki, T., Zawadzki, M. 2016. Unia i NATO postanowiły się wzmacnić. [The Union and NATO have decided to get stronger.] *Gazeta Wyborcza* 9–10 July 2016, p. 3.

²⁰ See Szpak, A. 2015. Kryzys migracyjny w Europie a bezpieczeństwo – podłożę społeczno-ekonomiczne, zagrożenia, pomoc rozwojowa. [Migration crisis in Europe and security – socio-economic background, threats, development aid.] *Sprawy Międzynarodowe*, no. 2/2015, pp. 111–132.

to solve the immigration crisis in Europe. The disintegration processes in the European Union and the divisions in NATO are intensifying, weakening the security of the whole West and at the same time strengthening the role of China and other powers of the BRIC group in the world²¹.

Condoleezza Rice, the United States national security adviser in the era of President George W. Bush and the head of US diplomacy during his second term, and now a professor at Stanford University, visiting Warsaw recently recalled the concerns more and more frequently heard in the West, namely, that the world that emerged after the Second World War and whose NATO was the main pillar, was beginning to wobble, the symptoms of which were visible also in Poland. This global order was supposed to be guaranteed by the American military power and joint defence, according to article five of the Washington Treaty. Today this order is subjected to tests for which it has not been prepared. Among others, it is attacked by the self-proclaimed ISIS state, but also China and Russia try to take advantage of the opportunity and weaken the role of the West, and especially of the United States of America in the world, pushing them to the position of powers of the second category. European populists promote radical political, social and economic solutions of anti-systemic nature; they reject the free market and globalisation in the present shape and are against immigration and against the European Union in general²².

2. THE EUROPEAN UNION AND ITS CURRENT PROBLEMS AS BARRIERS IN RELATIONS WITH CHINA

Observing the current international situation, it can be noticed that the European Union is in a very serious crisis and that a multitude of problems that need to be solved make it impossible to resist the impression that the European project is facing a very serious challenge of its own deep reconstruction. After the successes (though rather spurious from the perspective of the present day) of the first decade of the twenty-first century connected with the introduction of the euro and the accession of post-communist Central and Eastern European countries, the European Union today has to deal with the problems that are emerging as a consequence of

²¹ See Radziwinowicz, W. 2016. Odwilż rosyjsko-turecka. [Russian-Turkish thaw.] *Gazeta Wyborcza* 7 July 2016, p. 10.

²² See Winiecki, J. 2016. Uszczelnianie pęknięć [Sealing of cracks] ... p. 13.

the global financial and economic crisis and recently also very disturbing events in the international arena, whose effects are strongly felt both inside the Union and at its borders, from the refugee waves and the result of the UK referendum to the proliferation of terrorist attacks within the Union. The situation in Ukraine at the eastern borders of the EU, as well as a new set of forces that is shaping in the international arena after swearing-in of the new president of the United States, are also not conducive to the stabilisation within the EU and the Euro-Atlantic structures. In addition, these issues, in a sense, overlap with problems existing in the EU earlier, making them more prominent. Many analysts of the European integration process have for years been pointing to the problem of legitimacy deficits of the European institutions, the excessively elitist nature of the idea of integration, and the not transparent European procedures, pointing to them as the causes of the current megacrisis of the Union²³.

Apart from the financial, economic and immigration crisis, the European Union is experiencing at the same time the worst political and structural crisis in its history. It has a growing problem with democracy. There is a decrease in solidarity with the weaker, the problems with the implementation of European law are increasing, which contributes to its enforcement under political and economic pressure. The politicisation of the European Commission and the free interpretation of EU law by this institution are growing. This weakens the credibility of European institutions and law, which have so far been the foundation for integration in Europe. For the first time one of the largest EU countries – Great Britain – has decided to leave the European Union. Brexit is interpreted as a rebellion of society against the establishment and its liberal economic policy. And while it benefits the UK, it does not spread evenly among the public. Today in the European Union and also in the United Kingdom there is a growing group of losers – the elderly, the less well-educated, the ones from outside big metropolises. They voted for Brexit. The effects of Brexit can be catastrophic for the European Union, as it may be the beginning of its end. Similar tendencies are becoming more apparent in other Member States, among others, in France, the Netherlands, Hungary, the Czech Republic and Germany. According to a recent Pew Research Center

²³ See Heise, M. 2014. *Europa nach der Krise. Die Währungsunion vollenden*, Wiesbaden: Springer VS Verlag; Abbas, N., Förster, A., Richter E. 2015. (Hrsg.) *Supranationalität und Demokratie. Die Europäische Union in Zeiten der Krise*, Wiesbaden: Springer VS Verlag; Szymańska, A. 2016. *Europa dziennikarzy. [Europe of journalists.]* Kraków: Wydawnictwo Uniwersytetu Jagiellońskiego, p. 19–20.

survey, as many as 61% of French people have a negative opinion of the Union and only 38% a positive one²⁴.

Brexit, the financial, economic and migration crises have exposed many other weaknesses of the European Union, especially the powerlessness of the technocratic management of EU policies, and have revealed the real centres of power in the complex EU political system in which daily activities do not always point at the first glance to key decision-making centres. First and foremost, they have revealed the decision-making weakness of the leading transnational body of the European Union, that is the European Commission. These crises, unprecedented in the recent history of Europe and the EU, have also shown the weakness of the intergovernmental factor and the divisions, egoisms and particularities still present in the European Union. In most European countries, citizens have lost their trust in it and the process of disintegration is intensifying. It is happening because there have not been charismatic leaders, visionaries or eminent politicians in the UE for a long time. Today, it is managed by bureaucrats and party activists, separated from citizens and their needs, and its political system is imperfect and requires a deep modernisation, and not only cosmetic changes. It needs to change as soon as possible. If the European Union wants to survive, it has to evolve towards a civil and social state²⁵.

Despite increasing Euro-scepticism and populism, the Europeans – a vast majority of them – still want peace, prosperity, democracy, equality and stable economic development, but are able to sacrifice less to obtain these goods. European solidarity and mutual trust have been – as I have already mentioned – seriously undermined, and yet these are values whose construction takes a long time, but if they are established, they constitute serious potential for the development of beneficial cooperation. On the other hand, their serious

²⁴ See Grosse, T.G. 2016. Kryzys po Brexicie. [Crisis after Brexit.] *Rzeczpospolita* 15 July 2016, p. A11.

²⁵ See Fiszer, J.M. 2014. Czy państwo demokratyczne może być wzorem dla przyszłej Unii Europejskiej? [Can a democratic state be a model for the future development of the European Union?] *Myśl Ekonomiczna i Polityczna*, no. 1(44), pp. 101–125; Ruszkowski, J., Wojnicz, L. eds. 2013. *Multi-Level Governance w Unii Europejskiej. [Multi-Level Governance in the European Union.]* Szczecin-Warszawa: Instytut Politologii i Europeistyki Uniwersytetu Szczecińskiego, Instytut Europeistyki Uniwersytetu Warszawskiego; Wierzchowska, A. 2016. *Wpływ modernizacji i kryzysu na dynamikę zmiany w Unii Europejskiej. [The impact of modernisation and crisis on the dynamics of change in the European Union.]* Warszawa: Dom Wydawniczy ELIPSA; Żakowski, J. 2016. Czas satrapów i nielotów. [Time of satraps and flightless birds.] *Polityka* 27 July–2 August 2016, pp. 12–14.

questioning results in a long lasting modification of mutual relations. The European Union has just come into such a state of mutual distrust and weakened spirit of solidarity. As Anna Wierzchowska rightly points out: ‘The systemic crisis has seized many areas of co-operation and spirals negative phenomena in the process of integration. It also hampers the prospect of effective modernisation efforts that have to “break through” obstacles, restrictive solutions introduced in connection with anti-crisis management and, finally, a decline in confidence in European integration growing among the citizens. The dynamics of change is clearly falling, especially if we look at the modernisation component that co-creates the change in the European integration process. The result is a modification of integration process management. The prevalence of the crisis phenomena imposes remedial actions that are often short-termed or involve a selected group of countries at risk of crisis’²⁶.

In order to stop the disintegration tendencies, the European Union should convert the existing neo-liberal policy into pro-social policy and revise its savings policy as well as increase the scale of investment in less developed or crisis-stricken countries. In addition, it should finally solve the problem of democratic deficit in Europe, i.e. introduce full democratisation in the EU by establishing a federation of democratic national states, or returning EU powers back to the Member States, where there is democratic control over the power. Unfortunately, both directions of change are unlikely in the coming years as rich countries are reluctant to increase financial transfers to small and medium-sized countries and at the same time they reject the idea of a federation and favour intergovernmental cooperation of EU countries. European Union leaders also reject the possibility of revising the EU treaties. As a consequence, further economic and political regimes will probably be tightened up, especially those that benefit the strongest EU Member States, i.e. Germany and France after the UK’s exit. This will entail an expansion of EU law, but without the need to change the existing treaties. This is also the direction of proposals by French and German Foreign Ministers – Frank-Walter Steinmeier and Jean-Marc Ayrault, sent shortly after Brexit to other EU members. They postulate the deepening of integration in some

²⁶ See Wierzchowska, A. *Wpływ modernizacji i kryzysu na dynamikę zmiany w Unii Europejskiej* [The impact of modernization and crisis on the dynamics of change in the European Union] ..., p. 449.

areas, among others, in defence and migration policy and the strengthening of the euro area²⁷.

There is no doubt that it will take the United Kingdom, Europe, and the whole world a long time to survive all the consequences of the Brexit referendum. The deepest implications of Brexit will of course depend on the European Union's response to Great Britain's withdrawal. It is worth citing here the opinion of Professor Joseph Stiglitz, recipient of the Nobel Prize in economic sciences, who writes: 'Every EU government must now regard improving ordinary citizens' wellbeing as its primary goal. More neoliberal ideology won't help. And we should stop confusing ends with means: for example, free trade, if well managed, might bring greater shared prosperity; but if it is not well managed, it will lower the living standards of many – possibly a majority – of citizens. (...) There are alternatives to the current neoliberal arrangements that can create shared prosperity, just as there are alternatives – like US President Barack Obama's proposed Transatlantic Trade and Investment Partnership deal with the EU – that would cause much more harm. The challenge today is to learn from the past, in order to embrace the former and avert the latter'²⁸.

3. THE EUROPEAN UNION IN CHINA'S INTERNATIONAL POLICY

Modern international relations in the dynamically changing world in which there is a return to the times of multipolarity and multilateralism abound in numerous and multifaceted threats to international peace and security. The hitherto top guards of the global status quo, especially the United States and the European Union, immersed in a leadership crisis and losing global hegemony to emerging powers, are unable to guarantee security to themselves and the world. In the era of rapidly growing conflicts (especially asymmetric ones, such as international terrorism), no state, even the most powerful United States or China, is able to cope with these dangers. That is why today the need for closer international cooperation is a priority for all international, state and non-state actors. It is up to the international community when it fights for peace and security, whether it will choose joint

²⁷ See Grosse, T.G. 2016. Kryzys po Brexicie. [Crisis after Brexit.] ..., p. 13; *Ein starkes Europa in einer unsicheren Welt von Jean-Marc Ayrault und Frank-Walter Steinmeier* – website of Germany's Ministry of Foreign Affairs.

²⁸ See Stiglitz, J. Lekcja angielskiego. [English lesson.] In: *Obserwator finansowy.pl*. Available at: <https://www.obserwatorfinansowy.pl/tematyka/makroekonomia/lekcja>.

action or competition which, as history of international relations shows, sooner or later leads to increased conflicts and international chaos and to the war of 'all with all'.

The position, place and role of a state or another entity, for example the European Union, in the international system is determined by its system, potential and conducted foreign policy, and many other factors influence its quality, attractiveness and effectiveness. However, strong, large states, colloquially called empires or powers, have greater possibilities in this respect. They *de facto* conduct the most offensive foreign policy and create the international reality and play a major role in the international arena. They also ultimately determine the shape and nature of emerging international systems (orders). It is expressed, among others, in bilateral and multilateral international contacts, active participation in international organisations, membership of international alliances and undertaking initiatives for the international community. The scale, scope and nature of this participation in international life differ, as the reasons, interests and possibilities of individual countries are divergent²⁹.

In the context of the aforementioned theoretical assumptions, modern China, in my view, has a great chance of finding itself among the world's greatest powers which today co-create a new international order, and in the future will govern it. Today, the PRC has a prominent position in the international arena and plays an important role in the process of building a new international system, alongside the United States and the European Union³⁰.

The authorities in Beijing are aware that after many failures at the turn of the twentieth century, the current policy may turn out to be a historic success for the PRC in the international arena. Rich in experience China wants to take advantage of the moment that fate has given it and in this unique period make radical changes in the economic and social structure to catch up with Europe, Japan and the United States. Guided by its own national interests

²⁹ See Łoś-Nowak, T. 2011. Polityka zagraniczna w przestrzeni teoretycznej. [Foreign policy in theoretical space.] In: Łoś-Nowak T. ed. *Polityka zagraniczna. Aktorzy, potencjały, strategie*. [Foreign policy. Actors, potentials, strategies.] Warszawa: Wydawnictwo Poltext, p. 17.

³⁰ See Maddison, A. 2011. *The Word Economy: A Millennial Perspective*. Paris: OECD; Rowiński, J. 2008. Chiny: nowa globalna potęga? Cień dawnej świetności i lat ponizejnia. [China: a new global power? Shadow of old glory and years of humiliation.] In: Rotfeld, A.D. ed. *Dokąd zmierza świat?* [Where is the world going?] Warszawa: PISM, pp. 350–351.

and international aspirations, China wants to overtake these countries in every way and at the same time to prove the superiority of the Chinese socio-political, economic and cultural model to its own society and to the world. It quietly dreams of gaining the status of a global superpower that would be able even if not to take control of the world, at least to co-govern it with other superpowers and actors, such as for example the European Union. Is this a real dream? It seems so. Although a few dozen years ago this scenario seemed impossible to realise, today it is well known that a strategy based on consistent implementation of the assumed priorities meets the expectations of its authorities. We are witnessing the ‘re-birth’ of the Chinese empire and gaining by China of the leading role in the world.

There is no doubt that for China the twenty-first century will be marked by a stronger engagement in the global economy and, as a consequence, an increase in the capacity to have an impact first on the regional scale, then on the global one. The financial and economic crisis, which started in 2008, has accelerated this process, making it clear to both Beijing and all its partners that the PRC is on the right path to achieving the status of a world power. In many respects, China today is the second, largest power following the United States, it is supposed to become the first economy in a decade. Its plan is to become more prosperous and gain a dominant position in Asia and beyond.

Dynamically developing China and the growing competitiveness of its economy are and will be a major challenge for the current leaders of the world economy in the coming years. It seems that, just like so far, the tools of trade policy will be an important instrument for building the economic superpower of China. The coexistence of multilateralism and bilateralism will undoubtedly continue to characterise the country’s trade policy, and the advantage of one or the other strategy will result from the possibility of its effective use in order to achieve China’s economic goals.

The rise of China’s position in the world economy is undoubtedly an important challenge for the current economic powers. Undeniably, China’s economic success and its position in the world economy are the result of reforms successfully implemented since the late 1970s and its opening up to the world economy. China is an example of a state that has made the most of the effects of the globalisation process initiated by highly-developed countries. Today, economic relations between China, the United States and the European Union deserve special attention. The relationships between these actors affect their economic and political situation. Both the European Union and China together with the United States have reached the status of

key actors in international relations and will do everything not to lose it in the twenty-first century.

However, the European Union could play a greater role in the rivalry between the United States and China for world domination. Meanwhile, the EU has taken a very cautious stance towards tensions in the South China Sea caused by China's expansive activities in recent years, as I wrote earlier. This attitude of the EU reflects its general policy towards Asia, which focuses mainly on economic and trade matters, and in the sphere of security is primarily limited to promoting peaceful settlement of disputes and respect for international law, and engaging in politically uncontroversial areas such as piracy, help for victims of disasters or strengthening peace. This position of the EU is also determined by the differences of opinion within the Community itself.

For the European Union, immersed in the internal crisis and facing serious threats in its immediate vicinity, the growing tensions in the South China Sea can only apparently seem to be only of secondary importance. In reality, however, the situation in this region, despite its geographical remoteness, may adversely affect the EU's strategic interests, even to a greater extent than many of the inflammatory points on the outskirts of Europe or in its immediate vicinity, which draw the attention of the Community on a daily basis. In today's globalised world, geographical distance is not necessarily the most important factor determining the scale of the impact of processes or events, including conflicts. Much more important is their economic significance for the regional as well as the global economy, and the geopolitical significance which is manifested, *inter alia*, by the strong involvement of the powers.

No wonder that many experts openly criticise the EU for its lack of ambition in its approach to the matters of security in Asia, while proposing a number of measures that would significantly increase the role of the Union in this area of the world and beyond. However, ignoring the long list of challenges within the EU and around its borders, these opinions often overestimate the potential of the EU as an actor in the international arena while underestimating the changes taking place in Asia, especially in the South China Sea region. For many years the EU's policy towards Asia has been based on the premise that China is a 'satisfied' or moderately revisionist power in the context of the current world order. It has been assumed that since China's further development heavily depends on favourable international relations, it will limit its territorial ambitions, or at least postpone their fulfilment. According to this vision, the United States and the EU have tried to support the construction of the Asian legal-institutional order around the

ASEAN association, with reference to the post-war experience of Europe in this regard, assuming that Beijing would not undertake any action that would be contrary to the established rules.

Meanwhile, China's politics is becoming more and more involved in the processes and events portending the declining role of rules and institutions that characterise the liberal international order. This order, among others, due to the activity of revisionist powers such as Russia, China and Iran and the crisis of the Western world, is currently in retreat. The place of law and international organisations is being overtaken by a geopolitical game characterised by unilateral actions and counterattacks by the superpowers. According to many observers, three states: the United States, China and, despite its intrinsic weakness, Russia will play the leading role in this global game in the coming years³¹. Unfortunately, the EU, despite being the largest economy in the world, is not in this group due to its internal problems and limited ability to act as a single actor internationally. Especially if geopolitical rivalry is prevalent today in this arena. Nevertheless, the EU will have to adapt to this new situation. Its policy must, however, be correlated with the actions of other players, both powers and smaller states, and in this respect today there is a very large number of question marks. The most important of these are President Donald Trump's policy towards Asia, especially China, future relations of Asian states, including ASEAN, with Washington and Beijing, and China's further actions.

CONCLUSION

Spectacular economic successes and attainments in other areas of life achieved by the PRC in the last decades of the twentieth and twenty-first centuries, on the one hand, are worthy of admiration and, on the other hand, cause fears in the international community, especially among the current superpowers, including the United States. They raise many questions about China's future and its role in the new international system. They are not indifferent to Europe and the European Union speaking in the international arena on its behalf. Therefore, the issue of relations between the European Union and China today and in the future is so popular among political

³¹ See Kamiński, A.Z., Szlajfer, H. 2016. Śmiertelnie niebezpieczny trójkąt. [Deadly dangerous triangle.] *Rzeczpospolita* 20 October 2016; Trenin, D. 2016. Three powers will shape future state of Word. *China Daily* 31 October 2016.

scientists, economists, sinologists, historians, European scientists and scholars of contemporary international relations. Many publications have already appeared around the world on China and its role in the international scene and its relations with the European Union, but we still do not know where China is really heading and whether the European Union will not fall apart in the twenty-first century. There are also doubts about the Chinese ‘turn towards multilateralism’. According to some scholars, it is completely apparent and has hidden goals as the PRC has always used bilateral rather than multilateral strategies in its foreign policy. However, this practice became visible in a special way in the twenty-first century, after 2012, i.e. after Xi Jinping assumed supreme authority in China. This pertains to both the normative and practical spheres. Xi abandoned the ‘policy of playing second fiddle’ inherited from Deng Xiaoping and explicitly calls for a global reach that is no longer based on the ‘democratisation of international relations’. Xi stated at the outset that China was a global power and not, as previously called, ‘a partial power’³².

Xi Jinping has set himself ambitious goals and he wants China to become a global power, surpassing the United States in every way. In political terms, he tries to recreate a militarised party-state as an effective builder of national sovereignty. In economic terms, he seeks to develop China top-down instead of creating an individualist and innovative society based on sustainable legitimacy-based institutions. In foreign policy he strives for based-on-power neighbourhood policy in which China subordinates small states to its sphere of influence and establishes ‘great power’ relations with the United States and Russia. Interestingly, demanding a ‘great power’ relationship with the United States, Xi calls Russia ‘the most important strategic partner’ for China (China and the United States do not call their relationship ‘a strategic partnership’). It follows that President Xi wants to combine nineteenth-century geopolitics with twentieth-century Leninist politics to gain an advantage in the globalised world of the twenty-first century. This raises the question of whether in this concept the European Union will become a ‘strategic partner’ of China, or a secondary role has been assigned to it, as a market for the Chinese industry and trade?

³² See Godement, F. 2016. *Czego chce Chiny? [What does China want?]* Warszawa: Wydawnictwo Akademickie DIALOG, p. 243; Kwieciński, R. 2016. Bilateralizm i multilateralizm w polityce zagranicznej Chińskiej Republiki Ludowej. [Bilateralism and multilateralism in the foreign policy of the People’s Republic of China.] In: Marszałek-Kawa J. ed. *Chiny i świat zewnętrzny. [China and the outside world.]* Toruń: Wydawnictwo Adam Marszałek, pp. 9–28.

Relations between the European Union and China are also very popular in our country, especially after the visit of Chinese President Xi Jinping in Poland on 19-21 June 2016³³. The Chinese want Poland to open up markets across Europe for them, and the Poles would like China to help build our infrastructure and provide capital for investment after 2020 when the EU funding is over. Poland is treated by the Chinese not only as a market, but also – in the context of the construction of the New Silk Road – as a business stop on China's way to the European Union.

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³³ See Winiecki, J. 2016. Chiński podział Europy. [Chinese division of Europe.] *Polityka* 22–28 June 2016, pp. 46–48; Maciejasz, D. 2016. Biznes z Chinami na jednym szlaku. [Business with China on one road.] *Gazeta Wyborcza* 21 June 2016, p. 13.

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EUROPEAN UNION AND CHINA IN THE TWENTY-FIRST CENTURY – PROBLEMS, OPPORTUNITIES AND THREATS

Summary

Today, EU and China – along the US – undoubtedly play a key role in the international arena. They have established strategic partnership in their bilateral relations and strive to develop cooperation in all areas. Yet, they also dissent on many important issues. In this article, I investigate the premises of EU-China bilateral relations, as well as opportunities and threats to both parties as far as their status on the global stage is concerned. Moreover, I test the thesis I deem controversial, which claims that the twenty-first century will be Asian century, and *de facto* the era of China. The literature on contemporary China, on the role it plays in the international arena and on its relations with the EU is abundant. However no definite answer has been given yet as to where China is heading and whether the EU will break up in the twenty-first century. China's 'turn to multilateralism' is questioned, with some researchers claiming that it simply serves to conceal China's long-term goal, i.e. taking control over the world in the second half of the twenty-first century.

UNIA EUROPEJSKA I CHINY W XXI WIEKU – PROBLEMY, SZANSE I ZAGROŻENIA

Streszczenie

Nie ulega wątpliwości, że zarówno Unia Europejska, jak i Chiny odgrywają dziś – obok Stanów Zjednoczonych – główne role na arenie międzynarodowej. We wzajemnych relacjach mają status partnerów strategicznych i starają się rozwijać współpracę we wszystkich dziedzinach, ale też występują między nimi różnice zdań i stanowisk w wielu istotnych sprawach. W artykule próbuję pokazać przesłanki, szanse i zagrożenia dla obu tych aktorów na arenie międzynarodowej oraz ich wzajemne relacje dziś i w przyszłości. Ponadto usiłuję zweryfikować kontrowersyjną – moim zdaniem – hipotezę, lansowaną przez wielu badaczy, która zakłada, że wiek XXI będzie wiekiem Azji, czyli *de facto* Chin. Na temat współczesnych Chin i ich roli na arenie międzynarodowej oraz stosunków z Unią Europejską ukazało się już dużo publikacji na całym

świecie, ale wciąż nie wiemy dokąd tak naprawdę Chiny zmierzają i czy Unia Europejska nie rozpadnie się w XXI wieku? Istnieją też wątpliwości odnośnie chińskiego „zwrotu w kierunku multilateralizmu”. Zdaniem niektórych badaczy ma on całkowicie pozorny charakter i służy tylko do kamuflowania dalekosiążnych celów ChRL, czyli przejęcia przez nią kontroli nad światem w drugiej połowie XXI wieku.

ЕВРОПЕЙСКИЙ Союз и Китай в XXI ВЕКЕ – ПРОБЛЕМЫ, ШАНСЫ И УГРОЗЫ

Резюме

Не вызывает сомнения тот факт, что, как Европейский Союз, так и Китай исполняют сегодня – наряду с Соединёнными Штатами – главные роли на международной арене. В своих взаимоотношениях они имеют статус стратегических партнёров и стараются развивать сотрудничество во всех сферах, однако между ними также имеют место разногласия и несовпадение позиций по многим существенным вопросам. В статье предпринята попытка указать на предпосылки, шансы и угрозы для упомянутых участников игры на международной арене и их взаимоотношения в настоящее время и в будущем. Кроме того, автор пытается подвергнуть критической проверке спорную – по его мнению – гипотезу, согласно которой XXI век будет веком Азии, или *de facto* Китая. О современном Китае, его роли на международной арене и отношениях с Европейским Союзом появилось во всём мире уже много публикаций, однако мы по-прежнему не знаем, в каком направлении действительно идёт Китай и не развалится ли Европейский Союз в XXI веке? Имеют место также сомнения относительно китайского «возврата к мультилатерализму». По мнению некоторых исследователей, он имеет совершенно очевидный характер и служит исключительно для камуфлирования далеко идущих целей, таких, как, например, установление контроля над мировым сообществом во второй половине XXI века.

Tomasz Grzegorz Grosse*

GEOPOLITICAL STRATEGY OF SMALLER STATE: THE CASE STUDY OF POLAND'S PRESENCE IN THE EU

INTRODUCTION

The aim of the article is to analyse strategic choices made in international relations by a smaller state that does not have the status of a great power, and is involved within the structures of regional integration. The analysis will focus on the country that has low international standing, because of its geographical location and its small geopolitical potential. It seems that Poland, because of its relatively small geopolitical (economic, demographic, military, etc.) potential, and because of its location on the eastern border of the European Union may be regarded as an example of such a state. The specific, to some extent peripheral location of Poland is underscored by the fact that it is situated on the border of two geopolitical blocks, i.e. between the West (whose core members are the US and the biggest EU countries) and Russia and its sphere of influence. Poland's location is also adjacent to other peripheral countries that are the scene of rivalry between Russia and the West (among these countries, Ukraine is the most important case in point.)

Studies of international relations often focus on the role of great powers, as these countries obviously have the greatest impact on shaping the international order and geopolitical relations. Scholars pay much less attention to smaller countries, especially those considered to be peripheral. In the theoretical part of this article, I will offer a survey of selected academic approaches that focus on the role of states in the international order. In

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particular, I will endeavour to show how the selected theories present the differences between the role of powers and of smaller states, and whether individual theories present the relationships between them as hierarchical or relatively equal. Another element of my analysis is an attempt to answer the question what strategic choices are made in the area of foreign policy that can boost the influence of smaller states in the geopolitical order and improve their autonomy in relation to regional and global powers. Finally, I will also offer an overview of the situation in regional integration in Europe. I will consider whether the EU is a special case that requires a separate theoretical approach, or whether the situation in the EU can be viewed as a confirmation of the tenets of existing international relations theories. After these theoretical considerations, I will move to analyse Poland's presence in the EU in the light of the considerations outlined above. I will analyse Poland's geopolitical strategy in recent years¹, starting from the country's accession to the EU in 2004 and ending my analysis at the end of 2015. In analysing Poland's geopolitical strategy, I will be interested primarily in evidence of long-term actions in relations with Poland's most important allies both within the EU and beyond, with the main geographical directions

¹ For the purposes of this article, **strategy** is defined as a direction and mode of action which a state (or another international relations actor) intends to adopt in the long term, in order to achieve its goals and gain political advantage. Strategy therefore involves long-term actions taken on the international arena in response to changes in international relations, to ensure the country's long-term survival and improvement of its international standing. The term **geopolitics** is used in the literature in two meanings: either to denote a theoretical approach to international relations, or to refer to applied actions taken by different actors in the wider social, economic or international context. In the latter usage, the classical geopolitical approach involves references to geography and international politics, and thus to the spatial development of relations between countries and the role of geographical location in international relations. In more general terms, it refers to power and broadly-conceived political actions that involve e.g. the realm of ideas, culture, identity, ecology, economics and international relations. In this article I use the term geopolitics primarily in relation to the concept of power in international relations and in the context of various types of strategic actions that can enhance the autonomy of smaller or peripheral states, and improve their position within the international system. More on this subject in: Flint, C. 2012. *Introduction to Geopolitics*, New York, London: Routledge, pp. 31, 39; Tuathail, G.Ó. 2006. General Introduction. Thinking Critically about Geopolitics. In: Tuathail, G.Ó., Dalby, S., Routledge P. eds. *The Geopolitics Reader*. New York, London: Routledge, pp. 1–14; Agnew, J. 2003. *Geopolitics. Re-visioning world politics*. London, New York: Routledge, pp. 86–93.

and objectives of Poland's foreign policy, as well as with the biggest threats defined by decision-makers.

AN OVERVIEW OF SELECTED THEORIES PERTAINING TO GREAT POWERS AND SMALLER AND PERIPHERAL COUNTRIES

Among theories of international relations there are essentially two main approaches: realist and liberal. The former approach focuses primarily on large countries, referred to as great powers, i.e. countries that have the greatest geopolitical potential and a leading role in the geopolitical structure². They guarantee the peace and security of the geopolitical system (either regional or global)³. At the same time, they seek to maximise their own influence (as posited by the offensive realist approach), or to defend the *status quo* (as posited by the proponents of defensive realism). Representatives of the realist approach usually devote much less attention to smaller or peripherally located states. However, it is clear that within this paradigm, smaller states are seen as objects of domination or influence of great powers. Smaller countries must be subordinated to the rules of the international order outlined by great powers⁴. If the category of power is introduced into the study of international relations, we can assume that some actors have power over others, and thus can influence their actions according to their own interests⁵. States which have greater geopolitical potential will thus have more power in international relations. We can therefore talk about both hierarchical and direct *relational power* of stronger countries over weaker ones, or about voluntary adjustment of weaker countries to stronger countries' preferences, which is referred to as *structural power*⁶.

² Waltz, K.N. 1979. *Theory of International Politics*. New York: McGraw Hill; Mearsheimer, J.J. 2001. *The Tragedy of Great Power Politics*. New York – London: W.W. Norton & Comp., pp. 2–3, 19, 21.

³ Bull, H. 1977. *The Anarchical Society: A Study of Order in World Politics*. New York: Columbia University Press, p. 202.

⁴ Waltz, K.N., *op. cit.*; Mearsheimer, J.J., *op. cit.*, pp. 3, 5.

⁵ One could apply Robert Dahl's classical definition here: the **power** of one entity over another means that the latter takes actions that it would not otherwise take without the pressure of the former entity. Cf. Dahl, R.A. 1969. The Concept of Power. In: Bell, R., Edwards, D.V., Wagner R.H. eds. *Political Power: A Reader in Theory and Research*. New York: Free Press, pp. 79–93.

⁶ Strange, S. 1987. The Persistent Myth of Lost Hegemony. *International Organization*, vol. 41, no. 4.

According to Kenneth Waltz, the primary objective of all countries, including smaller ones, it is to preserve sovereignty. He defines sovereignty in an utmost way, as the desire to maintain the state's independence (or simply, statehood, as seen from the formal and legal standpoints.) But Waltz's approach can also be modified towards a more nuanced perception of sovereignty, so as to include the notion of political autonomy (or the actual scope of the country's sovereignty in the sphere of domestic affairs or foreign policy)⁷. All countries seek to enhance their position on the international scene, although smaller ones have a worse starting position, are more heavily punished for making mistakes, and have a smaller risk margin in relations with stronger players⁸.

It is safe to assume that in realist terms, 'the tragedy of small states'⁹ lies in the fact that they are pawns in a power game between great powers. The decisions that weaker countries are allowed to make often boil down to choosing the lesser evil or a more liberal patron, which will give them more benefits and more autonomy in internal or international affairs. At the same time, they have much less leeway for making mistakes and a greater risk of losing independence.

On the other hand, in the liberal approach, the role of political rivalry, and the hierarchy of power between great powers and smaller states loses much of its importance¹⁰. Countries are no longer perceived as the sole actors in international relations. The role of 'big business' or corporations is more pronounced, and there is more research into the role of international networks of social and economic connections that influence and moderate the logic of international rivalry. Another factor mitigating the hierarchical relationships between states is the growing role of economic interdependence and of international institutions and international law in containing geopolitical conflicts¹¹. Within the liberal paradigm, internal conditions in individual countries play a considerable role¹², with special emphasis on democracy,

⁷ Czaputowicz, J. 2013. *Suwerenność. [Sovereignty.]*, Warsaw: PISM.

⁸ Waltz, K.N., *op. cit.*

⁹ This sentence paraphrases the title of John J. Mearsheimer's seminal monograph. Cf. Mearsheimer, J.J. *op. cit.*

¹⁰ Doyle, M. 1986. Liberalism and World Politics. *American Political Science Review*, vol. 80, no. 4.

¹¹ Friedman, T.L. 1999. *The Lexus and the Olive Tree: Understanding Globalization*. New York: Farrar; Mansfield, E.D. 1994. *Power, Trade, and War*. Princeton: Princeton University Press.

¹² Some realists (especially the proponents of the classical theory) also take into account the role of internal conditions for the actions on the international arena. Cf.

the rule of law and respect for human rights¹³. Within this paradigm, the abovementioned factors are credited with reducing the tendency to increase the hegemonic influence of superpowers (or great powers) at the expense of smaller states.

It should be noted, however, that even analyses written by the representatives of the liberal approach tend to contain some references to hierarchy of power in international relations and to the division between dominant and weaker countries¹⁴. In the liberal perspective, great powers are seen as providers of stability and security in the international system. Smaller countries need to abide by the rules of the game, outlined by dominant actors. In this way, smaller countries lose at least a part of their autonomy in exchange for increased security. They also receive some unquestioned benefits, e.g. the possibility to allocate funds earmarked for defence spending to other public policy objectives. The authority of great powers is one of the key categories within the liberal paradigm. It pertains to the powers' right to lead other countries, legitimised by the international community. The leadership of powers is seen as beneficial for the stability of the entire system and it also helps to uphold the respect for international law¹⁵. There is also the possibility of 'sharing sovereignty' in such a way that smaller countries retain their autonomy in internal affairs, and surrender to great powers in the area of foreign policy¹⁶.

Some liberal scholars also refer to the concept of the geopolitical spheres of influence, in which smaller countries are subject to the domination of world or regional powers. Great powers can be seen as maintaining and cultivating their separate spheres of influence. This model was especially pertinent to the bipolar world order between 1945 and 1989, but its traces are also perceptible after the end of the Cold War. This approach posits that powers seek to establish and expand their exclusive spheres of influence¹⁷. Within this model, weaker states have a limited choice of a possible patron,

Kirshner, J. 2015. The Economic Sins of Modern IR Theory and the Classical Realist Alternative. *World Politics*, vol. 67, no. 1.

¹³ Fukuyama, F. 1992. *The End of History and the Last Man*. New York: Free Press; Brown, M.E., Lynn-Jones, S.M., Miller S.E. eds. 1996. *Debating the Democratic Peace*. Cambridge: MIT Press.

¹⁴ Lake, D.A. 2014. Status, Authority, and the End of the American Century. In: Paul, T.V., Larson, D.W., Wohlforth, W.C. eds. *Status in World Politics*. Cambridge: Cambridge University Press, p. 251.

¹⁵ Lake, D.A. 2009. *Hierarchy In International Relations*. Ithaca: Cornell University Press.

¹⁶ Lake, D.A. 2014. Status, Authority, and the End of the American Century, p. 253.

¹⁷ *Ibid*, p. 254.

and their possibilities of manoeuvring between competing powers are also severely limited. It is great powers which divide the spoils, and which can decide to establish a zone of common influence or designate some territories as neutral or exempt from the unequivocal domination of one power.

In order to better understand the fate of small countries with a peripheral status, one should also refer to the concept of the world system, related to the Marxist paradigm. In accordance with Marx's precepts, this concept emphasises the dominance of economic interests over geopolitical ones. The representatives of this approach assume that big capital from central areas (or central states) seeks to expand its dominance on a global scale, spreading its influence to subordinate and exploit peripheral areas¹⁸. The geopolitical clout of great powers serves these goals, which in practice leads to the development of hierarchical relationships between central and peripheral countries. The founder of this approach, Immanuel Wallerstein, argues that geopolitical might of great powers allows them to impose asymmetrical rules of the game on peripheral states. This leads to uneven distribution of costs and benefits in relations between the centre and the peripheries. The practices of dominance include forcing the opening of internal markets in peripheral countries to foreign investors, which gradually leads to the demise of local companies which cannot hold their own against more competitive rivals from central countries, who also have access to bigger reserves of capital¹⁹. Even when they have some resources, peripheral countries do not accumulate wealth, but allow external actors to exploit them. The attitudes of local elites, which bow to foreign political and economic pressure or are actually under direct influence of great powers, play a key role in this process. It is accompanied by a cultural domination of the centre over the peripheries, which may be visible in the spheres of language, social values, political traditions, etc.

These recurring mechanisms of centre-periphery relations also caught the attention of sociologists and political scientists²⁰. Whereas scholars from these disciplines do not focus on the international scene (concentrating instead mainly on internal relations), their findings are still pertinent to the case in hand. They tend to show that peripheries are most often subordinated, administratively and politically, to the centre, and are at the same time dominated on the economic level. The local economic model

¹⁸ Wallerstein, J. 2004. *World – System Analysis. An Introduction*, Durham – London: Duke University Press.

¹⁹ *Ibid*, pp. 28, 55.

²⁰ Rokkan, S., Urwin, D.W. 1983. *Economy, Territory, Identity. Politics of West European Peripheries*. London: SAGE Publications, pp. 2, 19.

is frequently exogenous, and therefore it is conditioned by decisions taken in the metropolis or by business entities that have external ties. Overall, it is a perfect exemplification of the classic geo-economic relationship in which the distribution of costs and benefits in an economic exchange is determined by political power²¹. Local elites retain administrative functions but instead of making decisions in the interest of local communities, they rely on recommendations and suggestions proposed by the centre. The centre's decisions shape 'the structure of opportunities', or the potential for success for peripheral populations. That 'structure of opportunities' determines who among the locals will be offered a chance to join the power elite or achieve a financial and professional success. The domination of the centre over peripheries is exacerbated due to provincialism, increased cultural marginalisation and stronger and stronger cultural hegemony of the centre. Stein Rokkan and Derek Urwin, who study the issue of peripheral identities in Europe, demonstrate the existence of a very clear distinction between the centre and peripheries. Western Europe is clearly the centre, whereas peripheries include the southern and eastern areas of the continent²². In this perspective, Poland is classed as a peripheral country that has been historically dominated by the centre (mainly the West, but in some periods also the East, i.e. Russia).

THE RELATIONS AMONG GREAT POWERS AND SMALLER STATES IN INTEGRATING EUROPE

Regional approaches to international relations promise to be a fruitful academic framework for the analysis of relationships between great powers and smaller states in integrating Europe. The regional approaches are frequently eclectic in nature. For example, Barry Buzan and Ole Wæver²³

²¹ Luttwak, E.N. 1990. From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce. *National Interest*, no. 20 (1990 summer); Moisio, S., Paasi, A. 2013. From Geopolitical to Geo-economic? The Changing Political Rationalities of State Space. *Geopolitics*, vol. 18; Blackwill, R.D., Harris, J.M. 2016. *War by Other Means. Geoconomics and Statecraft*. Cambridge: Harvard University Press; Grosse, T.G. 2014. Geoeconomic Relations Between the EU and China: The Lessons from the EU Weapon Embargo and from Galileo. *Geopolitics*, vol. 19, no. 1.

²² Rokkan, S., Urwin, D.W., *op. cit.*, pp. 20, 43.

²³ Buzan, B., Wæver, O. 2003. *Regions and Powers. The Structure of International Security*. Cambridge: Cambridge University Press, pp. 34–36.

follow the tenets of realism when they assume that great powers have the biggest influence on the development of regional governance and that smaller countries only adapt to the rules laid down by the powers. On the other hand, Buzan and Wæver also adhere to some liberal tenets, which is visible in the close attention they pay to internal conditions and the ways in which these conditions create preferences and influence behaviour in foreign policy. Another liberal inspiration in their analysis is the belief in the increasing role of European institutions for the development of regional governance. Yet another liberal trait is Buzan and Wæver's insistence on the role of economic interdependences and on the growing importance of business entities and economic stakeholders for the functioning of the regional order.

Buzan and Wæver's eclecticism is very pronounced in their analysis of the role of smaller countries in Europe. On one hand, pursuant to the liberal paradigm, they tend to play down the rivalry between regional powers for leadership in the region. They argue that the EU creates a community in which internal war is inconceivable²⁴. This situation naturally guarantees a higher level of security for smaller states, and potentially gives them a higher degree of autonomy, and even a greater measure of influence on the external policy of the EU itself. On the other hand, the same scholars perceive Europe as a centre-peripheral structure composed of concentric circles of influence. The heart of this system is Western Europe, namely the team of France and Germany. The Member States of Central and Eastern Europe and the South make a secondary, less influential circle of integration. On the outside of this concentric system there are the states subjected to the influence of the EU, including some former Soviet Union republics, which are simultaneously included in the Russian sphere of influence. The concept of concentric circles involves hierarchical relationships between European countries, whereas peripheral states have significantly less impact on the geopolitical order. It is especially true for the countries belonging to the outermost circle that are not formally members of the EU.

A simultaneous analysis on both the regional and the global level is highly beneficial for the regional approach in international relations²⁵. Naturally, on the regional level, one can primarily observe the rivalry between regional powers. Apart from *centred* regions (i.e. regions that are firmly under the influence of one regional power), Buzan and Wæver also distinguish *standard*

²⁴ *Ibid.*, p. 57.

²⁵ Lake, D.A., Morgan, P.M. 1997. *Regional Orders: Building Security in a New World*. University Park: Pennsylvania State University Press.

regions, where, in pursuance of the mechanism of balance of power, several regional powers vie for control. The situation is made even more complicated by the fact that some regions are also affected by the actions of great powers that aspire to the role of global superpowers and which seek to extend their influence beyond their own regions. In turn, regional powers seek to maintain their exclusive spheres of influence and thwart the world powers' aspirations in their regional spheres of interest²⁶. This mechanism explains for example the US's attempts to influence the situation in East and South-East Asia, and the actions of China trying to reduce the geopolitical and economic influence of the US in its neighbourhood. In a similar way, the United States tries to extend its influence to Eastern Europe and Central Asia, where Russia is endeavours to thwart the American attempts and maintain its sole influence over these areas. The scramble for influence over Ukraine can therefore be seen as a natural clash of interests between a superpower and a former superpower with trans-regional ambitions.

In the case of the European Union, the regional analysis has to take into account the external influence of the USA, both on the internal policies of the organisation, and (even more strongly) on its external policy. The US plays a particularly large role with regard to the defence and security of the EU. The influence of the US is mostly indirect, realised primarily through NATO²⁷ and through some EU Member States which are America's most faithful allies. Russia endeavours to exert similar influence over the EU, but manages to succeed to a much lesser extent²⁸. It is worth noting that the regional analysis assumes that smaller countries are simultaneously under the influence of larger EU Member States and external powers. This fact often increases the possibilities of manoeuvre for smaller or peripheral countries, as they can choose with whom to ally themselves. It also leads to differentiating spheres of influence (e.g. a country can have a closer relationship with a world power on the geopolitical plane and at the same time maintain a stronger cooperation with the largest EU Member States in the economic sphere).

²⁶ Lake, D.A. 2014. Status, Authority, and the End of the American Century, p. 269.

²⁷ Buzan, B., Wæver O., *op. cit.*, pp. 344, 373.

²⁸ Some researchers, e.g. Buzan and Wæver completely disregard such influence of Russia in their analyses. But Russia's attempts to influence political parties in the EU are well-documented, as is evidenced e.g. by this report: Political Capital Policy Research & Consulting Institute. 2014. *The Russian connection. The spread of pro-Russian policies on the European far right*. Budapest. Available at: www.riskandforecast.com/useruploads/files/pc_flash_report_russian_connection.pdf [Accessed: 29 January 2016].

But in terms of the regional analysis, the most compelling question is whether apart from the abovementioned external influences, the EU is also an area of rivalry between the largest Member States. Perhaps, as a result of growing institutionalisation, the EU will become a new type of regional power? According to Buzan and Wæver, the situation in Europe is ‘a halfway house’ between the two models. Many scholars of European integration pay great attention to the development of distinct European identity in external policy, which is oriented towards peaceful and diplomacy-based resolution of disputes and towards strict adherence to international law²⁹. They also recognise the growing role of EU institutions in shaping the EU foreign policy. Meanwhile, the experience of the Ukrainian crisis, which started in 2013, shows that the main actors are still the largest Member States and that EU institutions and their representatives still act on their behalf, and EU institutions’ own agency is only of secondary importance. Moreover, in this conflict, even the largest European countries seem to cede centre stage to external actors: on the one hand, they appear to lose the initiative to the US and its global ambitions, on the other hand, they also succumb to Russia and its agenda to protect the *status quo* and safeguard its own geopolitical standing³⁰. While France and Germany were negotiating a truce between Ukraine and Russia in Minsk in February 2015, but on the eve of these negotiations Chancellor Merkel had consulted with US during her visit to Washington.

WHAT ARE THE POSSIBILITIES OF INCREASING THE AUTONOMY OF SMALLER COUNTRIES?

There are various factors to consider in order to analyse ways in which smaller states can increase their autonomy. In realist terms, the stability of the geopolitical system is of the fundamental importance. The more stable the system, the higher the security of subordinated states, but also the lower their political autonomy. Signs of weakening of the leading powers

²⁹ Manners, I. 2002. Normative Power Europe: A Contradiction in Terms? *Journal of Common Market Studies*, vol. 40, no. 2; Sjursen, H. 2006. The EU as a ‘normative power’: how can this be? *Journal of European Public Policy*, vol. 13, no. 2.

³⁰ Mearsheimer, J.J. 2014. Why the Ukraine crisis is the West’s fault: the liberal delusions that provoked Putin. *Foreign Affairs*, no. 93/5; Sarotte, M.E. 2014. *1989: the struggle to create post-Cold War Europe*. Princeton: Princeton University Press; Sakwa, R. 2015. The Death of Europe? Continental fates after Ukraine. *International Affairs*, vol. 91, no. 3.

or of rising influence of other, aspiring actors can be seen as symptoms of destabilisation. In structural terms, the evidence of this process would be a change of geopolitical potentials between great powers, leading to a reconfiguration of power relations between them, or even to replacing the old system of international institutions with a new one. A period of destabilisation would potentially create a window of opportunity when hitherto dominated countries could increase their autonomy, but it would also increase the risk of war and other costs resulting from the change in the international order. Such a change most often allows small or peripheral countries to emancipate themselves from the control of one power only to fall under the spell of another power. Therefore, it would not necessarily lead to a substantial increase of international autonomy of smaller countries.

Some realists argue that a bipolar order is always more stable than multipolar³¹. In turn, the proponents of the liberal paradigm emphasise the need to introduce durable legal regulations and stable international institutions in order to ensure the stability, security and the increasing autonomy of smaller states. The European Union, with its high level of institutionalisation, is deemed to play a special role in this process. International organisations (whether active on the regional or global scale) do not operate in a geopolitical vacuum. They require support of leading powers (or of groups of allied powers), including prevention of geopolitical and economic crises, and covering the costs of the stabilisation and maintenance of the international system.

In turn, the proponents of the world-systems perspective argue that it is the notion of semi-periphery that plays a crucial role for the autonomy of smaller countries. The *raison d'être* of semi-peripheries is their defence against degradation to the status of peripheries that would be fully dependent on the economic and political centre³². These countries also seek to minimise their distance to the centre, and thus increase their autonomy in international relations. The key to success lies primarily in economic development. A booming economy gives an opportunity to increase geopolitical potential. According to Wallerstein, growth within this paradigm can only be achieved if a country abandons the exogenous model of economy³³. This includes

³¹ Waltz, K.N., *op. cit.*; Mearsheimer, J.J., *op. cit.*, p. 5.

³² Wallerstein, J., *op. cit.*, p. 29.

³³ Economic exogeneity in this article is defined as a given economy's dependence on external funds, technologies or aid in order to achieve growth. A country thus becomes dependent on strategic decisions made by external actors: either centres of political power or foreign investors. Cf. Grosse, T.G. 2012. Europeanization of development

strengthening protectionist support for national businesses in order to help them effectively compete on global markets. By the same token, a semi-peripheral state, and the efficiency of its administration and economic policy become the main stimuli of growth and competitiveness of the local economy and of the local accumulation of capital. In essence, this approach is thoroughly geo-economic, because it implies that the government's economic policy should increase the country's autonomy on the international scene. Likewise, according to Rokkan and Urwin³⁴, economic growth, treated as a primary factor of political advancement, is crucial for increasing the autonomy of peripheral areas. The scholars also point to other important internal conditions, among which the cultural potential is prominent, and especially the ideological invigoration of the local community, based on its shared identity, history, language and customs. Rokkan and Urwin also point to the role of local elites who can seek paths of promotion and advancement not on the basis of connections with the metropolis, but on the basis of the country's autonomy, at the same time building the power of local communities.

At the conclusion of the above discussion on relevant theoretical approaches, one can posit that the crucial decisions pertaining to the international order, and thus to the fate of smaller countries, are taken by great powers, especially those aspiring to world leadership. Nevertheless, smaller states can still enjoy a modicum of autonomy in their decisions. Different scholars point to various factors that allow these countries to increase their autonomy, including the growth trajectory of the local economy, the quality of the state apparatus and administration, qualifications and career models prevailing among the local elites and qualities of the local culture. Regrettably, an analysis of all these factors goes beyond the scope of this text. However, in the following part of the article, I am going to refer to one key element, namely, strategic choices. In this context, I would like to consider what options of geopolitical strategy are available to the elites of smaller countries.

SELECTED STRATEGIES OF SMALLER COUNTRIES

International relations scholarship contains many analyses of geopolitical strategies, though admittedly such analyses mostly focus on great powers. In the case of choices faced by smaller or peripheral states, only some

policy in Poland: comparison with the Chinese model of endogenous growth. *Zeszyty Naukowe WSEI EKONOMIA*, no. 4 (1/2012), pp. 33–53.

³⁴ Rokkan, S., Urwin, D.W., *op. cit.*, pp. 124–129.

strategies available to great powers are practicable (and usually they need to be substantially modified.) It seems that the most productive strategy for smaller states is *bandwagoning*, i.e. attaching oneself to a great power in exchange for support and protection³⁵. This strategy is not unlike the historical institution of patronage. The patron, i.e. a dominant regional or world power, offers its client some share of benefits resulting from the power's privileged position in the international order. Two examples of this type of strategy are the close relations between Poland and the US after 1989 (especially on the geopolitical plane) and between Poland and Germany within the EU (mainly in the economic sphere, in the period 2007–2015). The main threat to this strategy is the asymmetrical relationship between the two parties. It can result in the exploitation of the potential of the peripheral country by the dominant partner, or forcing the former to bear the costs in return for relatively minor economic benefits. It can even lead to the deterioration of the overall safety of the weaker partner, especially if the dominant partner pursues an expansionary or aggressive policy on the international arena. It should be remembered that in an era when great powers possess nuclear weapons, smaller and peripheral countries can easily become the battleground of a military conflict between major powers.

Another basic strategy in international relations is called *balancing*. It is usually defined as an attempt to balance the influence and geopolitical clout of an overly strong actor³⁶. This strategy can be pursued e.g. by means of alliances designed to balance the geopolitical potential of threatening powers. In the case of smaller states, the balancing strategy can be applied in two situations. A smaller state can apply it in a situation of choice between two competing powers or geopolitical systems. However, according to the realist theory, this type of action is possible for smaller states only in exceptional circumstances and usually for a relatively short period of time. Alternatively, a context for using balancing strategy can also arise from escalating rivalry between the powers, or from a change of the international system. An example of this scenario is the situation of Ukraine after the collapse of the

³⁵ Labs, E.J. 1992. Do Weak States Bandwagon?, *Security Studies*, vol. 1, no. 3; Walt, S.M. 1987. *The Origins of Alliances*. Ithaca: Cornell University Press; Mearsheimer, J.J., *op. cit.*, pp. 162.

³⁶ Jervis, R., Snyder, J. eds. 1991. *Dominoes and Bandwagons: Strategic Beliefs and Great Power Competition in the Eurasian Rimland*. Oxford: Oxford University Press; Haas, E.B. 1953. The Balance of Power: Prescription, Concept, or Propaganda? *World Politics*, vol. 5, no. 4; Morgenthau, H. 1973. *Politics among Nations: The Struggle for Power and Peace*. New York: Knopf, ch. 11; Mearsheimer, J.J., *op. cit.*, p. 156.

Soviet Union, and the country's attempts to balance the conflicting influences of the US and the EU, on the one hand, and Russia, on the other. It appears that this policy could only be implemented temporarily, and it led to the geopolitical conflict that broke out in 2014. If solutions of this type should achieve any durability, they must be based on an agreement of the rival powers that divide their zones of influence in a specific area or agree to create a geopolitically neutral zone that would be free from the unequivocal dominance of either power. An example of such a scenario would be the case of Finland during the Cold War.

Another variant of balancing strategy available for smaller or peripheral countries is an attempt to build an *alternative geopolitical core*, composed of smaller countries in the region. An example of this strategy are various groups and agreements in Central Europe, aimed to boost agency and autonomy of the region. The risk of this strategy lies in the ephemeral nature of cooperation between countries that individually have only small geopolitical potential. Because every member of the group is continually tempted to throw in its lot with some great power (which would potentially give the country more economic or political benefits), smaller states enter into regional cooperation with similarly-sized countries in an instrumental way, treating such links as a bargaining chip in other international negotiations, and only rarely perceiving such relationships as permanent and binding within the region.

A slightly changed variant of this geopolitical strategy is an attempt to 'bind' powers. This strategy was used through history with respect to powers which attempted to conquer or dominate smaller actors. Powers can be 'bound' in a framework of institutionalised international cooperation, preferably on a regional scale. An example of this strategy is the development of European integration, in particular the creation and development of European institutions and European law, which will 'bind' smaller countries and great powers in the same degree. The existence of these institutions may thus serve as a way to limit the natural hierarchy of power occurring between stronger and weaker countries. An application of this strategy to the sphere of Polish-Russian relations would involve an attempt to promote close cooperation between Russia and European institutions, especially those shaping the EU Eastern policy. The biggest threat to this strategy would lie in a scenario in which the largest states seize too much control over international institutions and organisations or attempt to use these bodies to reinforce the hierarchical relationship between central and peripheral countries.

Another important geopolitical strategy is *buck-passing*, which involves pushing responsibility to others. It is somewhat similar to maintaining

neutrality in geopolitical rivalry³⁷. This attitude seems to be completely at odds with the observable behaviour of Polish policy-makers on the international arena. In truth, Poland's attitude can be seen as the opposite of buck-passing, at least after 2003. In fact, Poland was often proactive and 'punched above its weight', particularly when honouring its commitment as a US ally in the face of the conflict between Russia and the West. The buck-passing strategy is especially effective in periods of mounting tension between rival powers, or in situations of an outbreak of armed hostilities between them. The possible benefits of this strategy bring to mind a Polish proverb: 'Where two are fighting, the third wins'³⁸. The application of this strategy involves a waiting game: the smaller country must hope that the rivalry between the two powers will result in weakening of their potentials, which will lead to an increase of geopolitical importance of smaller, or even peripheral, states. The history of Poland in the early twentieth century provides a perfect illustration of this strategy, in the shape of the conflict between the powers who had partitioned Poland in the late eighteenth century. The First World War weakened the potential of all combatants, including Russia, Germany and Austro-Hungary, which had orchestrated the three stages of partitions of Poland in 1772, 1793 and 1795. As a result, in 1918 it was possible for Poland to reunite and regain independence, and even win a war with the Soviet Russia shortly after that (1919–1920).

Yet another geo-political strategy is *appeasement*, which involves giving in to the demands of the dominant state, which pursues an aggressive or revenge-driven policy on the international arena³⁹. The aim of appeasement is finding an amicable solution, and thus ending a conflict without incurring significant costs of war. Appeasement is an especially practicable policy in the case of conflicts with countries that have decidedly more substantial geopolitical potential, and in a situation where war could result in the loss of sovereignty of the weaker state. A textbook example of appeasement are the concessions made by the Czech Republic in answer to the demands of

³⁷ Olson, M. 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge: Harvard University Press; Olson, M., Zeckhauser, R. 1966, The Economic Theory of Alliances. *Review of Economics and Statistics*, vol. 48, no. 3; Mearsheimer, J.J., *op. cit.*, pp. 157–162.

³⁸ John Mearsheimer also calls this strategy 'bait and bleed', cf. Mearsheimer, J.J., *op. cit.*, pp. 153–154.

³⁹ Gilpin, R. 1981. *War and Change in International Politics*. Cambridge: Cambridge University Press, pp. 193–194; Rock, S.R. 2000. *Appeasement in International Politics*. Lexington: University Press of Kentucky; Mearsheimer, J.J., *op. cit.*, p. 163.

Nazi Germany in 1938 (which met with the approval of other great European powers).

Yet another viable geopolitical strategy for smaller states is simply the accumulation of wealth⁴⁰, by means of encouraging the growth of the national economy and strengthening the economic potential, which over time could result in an increase of the country's international position. A necessary condition for implementing this strategy is focusing on the endogenous potential of the local economy and reducing excessive economic dependence on external actors. Another condition is continued geopolitical stability and the existence of a stable international order that would facilitate economic exchange.

Some scholars also enumerate other factors that can increase the autonomy of a smaller state, e.g. the possession of nuclear weapons⁴¹. However, the process of acquiring such weapons is very time-consuming and costly (and also likely to encounter many obstacles from the countries which already possess them). Another possible approach is focusing a country's foreign policy actions on a coherent ideological message, e.g. one related to the country's historical heritage, highlighting the need for compensation for previous wrongs perpetrated by great powers. This strategy was applied by Poland during its membership negotiations with the EU⁴².

AN OVERVIEW OF POLAND'S GEOPOLITICAL CHOICES

Following the political and economic transformations in Central and Eastern Europe initiated in 1989, the cornerstone of Poland's geopolitical doctrine has been Atlanticism, i.e. basing the country's foreign policy on a close alliance with the USA. Scholars indicate that Poland's strategy was characteristic of bandwagoning⁴³. Joining the camp of America – the

⁴⁰ Wallerstein, J., *op. cit.*, p. 29; Mearsheimer, J.J., *op. cit.*, p. 143; Grosse, T.G. 2007. *Innowacyjna gospodarka na periferiach? [Innovative economy on the peripheries?]* Warsaw: ISP; Grosse, T.G. Geoeconomic Relations Between the EU and China.

⁴¹ Kuź, M. 2013. Dlaczego potrzebujemy broni jądrowej? [Why do we need nuclear weapons?] *Nowa Konfederacja*, no. 9. [Online] 5–11 December 2013. Available at: <http://www.nowakonfederacja.pl> [Accessed 27 April 2015].

⁴² Schimmelfennig, F. 2001. The Community Trap: Liberal Norms, Rhetorical Action, and the Eastern Enlargement of the European Union. *International Organization*, no. 55.

⁴³ Kuźniar, R. 2008. *Droga do wolności. Polityka zagraniczna III Rzeczypospolitej. [Road to freedom. Foreign policy of the Third Republic of Poland.]* Warsaw: Scholar, p. 297;

undisputed winner of the Cold War – made sense, especially when one takes into consideration America's important position in European geopolitics and its high impact on the EU. The majority of Polish scholars and the public opinion have perceived the alliance with the US very positively. In spite of this, some Polish political scientists register their negative opinions of this alliance. They point to the fact that the relationship is highly asymmetrical, and that the US reaps virtually all the benefits, whereas the Polish *raison d'état* is not sufficiently protected or promoted. The critics of the alliance state that Poland does not receive its fair share of political or economic benefits from the relationship. The alliance is in fact based on the assumption of Poland's unquestioning loyalty, which significantly weakens the country's negotiation position every time when a divisive issue occurs. What is more, this strategy proves to be costly, and sometimes leads to a decrease of national security and to the worsening of relations with the EU partners, including Poland's allies in Central Europe⁴⁴. An example of this attitude was the support for the US's successive actions in the Middle East (in Iraq, Afghanistan, and in 2016-2017 also in Syria), which required the involvement of the military and political support without the expected benefits, such as promised economic contracts or the visa waiver for Polish citizens going to USA. Furthermore, these actions led to acute disputes with some EU countries, for example with France and Germany in 2003, as well as the increased threat of terrorist attacks.

Moreover, Poland's strategy leads to excessive dependence on the US, accompanied by the complete lack of influence over America's policy⁴⁵. Its obvious result is the 'lack of strategic agency and the demotion of Poland to the ranks of America's satellite states'⁴⁶. For some scholars the continued pursuance of bandwagoning strategy proves that Poland is not adept at defining its own strategic interests, formulating a comprehensive and coherent foreign policy or implementing strategic thinking. It also shows that it is impossible for Poland to 'maintain a serious, non-partisan debate about foreign policy objectives that would be autonomous, and free from external influences'⁴⁷.

Zajac, J. 2009. Bandwagoning w polskiej polityce zagranicznej. [Bandwagoning in Polish foreign policy.] *Przegląd Zachodni*, no. 3.

⁴⁴ Bieleń, S. 2014. Rozważania o polskim interesie narodowym. [Considerations on Polish national interest.] *Stosunki Międzynarodowe – International Relations*, vol. 50, no. 2, p. 65; Kuźniar, R., *op. cit.*, pp. 251–253.

⁴⁵ Kuźniar, R., *op. cit.*, p. 298.

⁴⁶ Brzeziński, Z. 2000. Sojusznik to nie satelita. [An ally is not a satellite.] An interview. *Polska Zbrojna*, no. 14, (March 2000).

⁴⁷ Bieleń, S., *op. cit.*, pp. 68, 69.

The scholars prove that the shallowing of the strategic vision primarily to bandwagoning to the US has been a permanent element of Polish foreign policy after 1989, that can be associated with all successive governments and virtually all top-ranking officials and policy-makers⁴⁸. It can be linked to the model of peripheral state. In such a setup, the initiative is usually shown by the leading powers and the role of smaller countries is often reactive and dependant on the great powers' policy demands. In the reported model a smaller state can have its own strategic objectives but most important of them could be implemented only with the support of the great power. Geopolitical projects undertaken by the Polish government on the international arena are often inspired by the US as the political patron, or at least are greenlit by the Americans⁴⁹. For this reason, the calculation of benefits and costs of the alliance is skewed in favour of the USA. Poland's actions as a loyal ally do not always seem aligned with the country's best interest. According to the scholars⁵⁰, Polish foreign policy shows a marked tendency for grandstanding and swagger, without taking into account the country's real geopolitical standing or potential. An example of these conflicting tendencies are the relations with Russia, wherein Poland's actions often do not take into account the obvious difference of geopolitical potentials between the two countries. Since the escalation of the conflict in Ukraine in 2013, Poland's support for Ukraine has resulted in increasing economic losses and geopolitical risk.

The relationship between the US and Poland, as described above, has numerous ramifications for Poland's position and behaviour on the EU arena. It is not a coincidence that Poland is perceived by its European partners as America's staunch ally in all matters related to EU policies. A case in point is primarily Poland's strong support for fostering transatlantic relations between the EU and America, including the presence of NATO and American troops in Europe. Poland has repeatedly voiced an opinion that NATO plays a leading role in maintaining security of the EU. Poland has also been working in order to bring about the expansion of both NATO and the EU to the east, in order to incorporate such countries as Georgia, Ukraine, Moldova, and the Western Balkans⁵¹. Precisely because of loyalty

⁴⁸ Kuźniar, R., *op. cit.*, p. 300; Bieleń, S., *op. cit.*, p. 63.

⁴⁹ Schweiger, Ch. 2014. Poland, Variable Geometry and the Enlarged European Union. *Europe-Asia Studies*, vol. 66, no. 3, p. 394; Bieleń, S., *op. cit.*, p. 68.

⁵⁰ Zięba, R. 2010. *Główne kierunki polityki zagranicznej Polski po zimnej wojnie*. [Main directions of Polish foreign policy after the Cold War.] Warsaw: Wydawnictwa Akademickie i Profesjonalne, p. 136; Kuźniar, R., *op. cit.*, p. 319.

⁵¹ Schweiger, Ch., *op. cit.*, pp. 412–414.

towards the US, Poland was also initially reluctant towards the development of the Common Security and Defence Policy⁵², especially since the project was interpreted as an attempt to increase the autonomy of the EU in its relations with NATO and the United States. Incidentally, Poland eventually performed a complete U-turn and became an active proponent of this policy, treated as a European 'pillar' of NATO⁵³. Another important consequence of the Polish-American relations is Poland's Eastern policy, and especially Poland's attempts to influence the EU policy in this direction⁵⁴.

Poland's accession to the EU in 2004 was a fundamental decision that had multiple geopolitical objectives. Its most important result was naturally forging stronger ties with the West, including further strengthening of cooperation within NATO, and deepening the alliance with the US, which was the cornerstone of Polish foreign policy. Joining the EU was also meant to stabilise relations with Germany, Poland's neighbour but also its long-time historical rival. Now the two countries would forge closer ties in the broader context of EU institutions. Finally, in a more long-term perspective, Poland's objective was to use the EU potential and institutions in order to shape EU's Eastern policy in line with Warsaw's geopolitical agenda. The Eastern policy is one of Poland's priority interests in the EU, which was evidenced by the launch of the Eastern Partnership, a joined initiative of Poland and Sweden, adopted by the EU Council in 2008. The goal of the Eastern Partnership is to utilise the EU instruments in order to influence Poland's Eastern neighbours, and bind them more closely to the EU, creating an outermost circle of influence and a buffer zone between the EU and Russia⁵⁵. The EU uses soft means of influence, including fostering economic relations, creating investment incentives, offering aid, and promoting Western political ideas and European regulations.

The launch of the Eastern Partnership was undoubtedly a success of Polish diplomacy, even if its effects are somewhat superficial⁵⁶. From the point of view of the Eastern partners, the benefits of the Partnership are not sufficiently attractive, as it does not constitute a track to EU membership.

⁵² Before signing the Treaty of Lisbon, it was called European Security and Defence Policy (ESDP).

⁵³ Zięba, R., *op. cit.*, pp. 117, 125–127, 136; Kuźniar, R., *op. cit.*, p. 206.

⁵⁴ Schweiger, Ch., *op. cit.*, p. 411.

⁵⁵ Copsey, N., Pomorska, K. 2014. The Influence of Newer Member States in the European Union: The Case of Poland and the Eastern Partnership. *Europe-Asia Studies*, vol. 66, no. 3, p. 423.

⁵⁶ *Ibid.*, p. 426.

The volume of financial aid is also relatively small⁵⁷. While it can be said that the possibility of accessing the EU internal market is an attractive incentive for Eastern business entities, they can only do so if they adhere to EU regulations (which is discouraging for many). Additionally, fierce competition on the EU market means that this possibility is not as attractive for Eastern actors as it might have been. The implementation of the Eastern Partnership actions, including the negotiation of Association Agreements, proceeded extremely slowly, and the final stages were only achieved in 2014, after the outbreak of the Ukrainian crisis. Regardless of the sluggishness the Polish administration (even though the launch of the Partnership was a Polish suggestion), it has soon transpired that other countries have an axe to grind in this matter. For various reasons and in various degrees, Germany, France and Russia are generally hostile towards the Partnership⁵⁸. The case of the Eastern Partnership illustrates great powers' actual level of influence over EU initiatives that could potentially have important geopolitical implications.

One should also remember that the EU Eastern policy promoted by Poland, treated by the Kremlin as an intrusion into Russia's geopolitical domain of influence, has contributed to the weakening of the relationships between the EU's Eastern neighbours and Russia. The Eastern policy proposed by Poland has been inspired by the thought of Jerzy Giedroyc and Juliusz Mieroszewski, according to whom Poland's strategic objective should be to weaken Russia. To this end, Warsaw should try to 'prize' its neighbours from the Russian sphere of influence and bind them to Poland (in the case of the Eastern Partnership, this would be done using the EU instruments)⁵⁹. As one scholar claims, the post-1989 Poland 'has not formulated any comprehensive Eastern doctrine other than the Promethean vision outlined by Giedroyć'⁶⁰.

⁵⁷ Lavenex, S., Schimmelfennig, F. 2008. Relations with the Wider Europe. *Journal of Common Market Studies, Annual Review*, no. 46.

⁵⁸ Copsey, N., Pomorska, K. 2014. The Influence of Newer Member States in the European Union, pp. 435–437.

⁵⁹ Such ideas were proposed and promoted e.g. by government think tanks (The Polish Institute of International Affairs (PISM) and The Centre for Eastern Studies (OSW) and by some political scientists. Cf. Gil, A., Kapuściak, T. eds. 2009. *Polityka wschodnia Polski. Uwarunkowania, koncepcje, realizacja.* [Poland's Eastern policy. Conditions, concepts, and actions.] Lublin – Warsaw: Instytut Europy Środkowo-Wschodniej; Kolegium Europy Wschodniej im. J. Nowaka-Jeziorańskiego. 2013. *Polska polityka wschodnia.* [Poland's Eastern policy.] Wrocław.

⁶⁰ Kowal, P. 2012. *Miedzy Majdanem a Smoleńskiem.* [Between Maidan and Smolensk.] Kraków: Wydawnictwo Literackie, p. 153.

The fundamental weakness of Poland's Eastern strategy is its complete disregard for the actions and objectives of Russia, which remains the region's biggest power. It is also difficult to imagine that Poland could pursue its policy in relations with Russia without incurring significant costs, especially as the geopolitical potentials of the two countries are completely disproportionate. For this reason, a more productive strategy for Poland would be seeking to stabilise the situation beyond its borders, and in the long-term, attempting to 'bind' Russia with Europe and integrate it closer with the EU structures. Poland could also try to use the Russian market as an outlet for Polish products, thus fostering its own economic growth and increasing the geopolitical importance of Warsaw. The currently pursued policy of weakening the Russian sphere of influence, thus reducing Russia's geopolitical status, seems too ambitious and well beyond Poland's present capabilities. What is more, Poland's agenda is perceived as threatening or as being out of line with the EU interests by many European Member States (even in Central Europe). But, it seems to be consistent with the strategy of Washington, at least after 2010 (when Putin was elected President for a third term). All in all, Poland's Eastern policy is the absolute opposite of *buck-passing* (i.e. maintaining passivity and pushing the responsibility to other actors). It also does not have the marks of a *balancing* strategy, wherein Poland would try to balance the power of Russia by binding it more and more closely to the European Union. It seems that Poland pursues a *bandwagoning* strategy, binding itself very closely to America as its dominant partner.

Some scholars argue that the dominant strategy of the Member States on the EU forum is a flexible exchange of temporary alliances, which are forged around a particular issue, and then disband⁶¹. This policy could be useful in the first period of Poland's membership, when Polish decision-makers had a stance that was not only pro-American, but was also characterised by a marked distrust of Germany and a reluctance against deepening the integration with the EU (and hence was sometimes explicitly called Eurosceptic)⁶². However, since 2007 (and until 2015), Polish government pursued its EU policy in close cooperation with Germany⁶³, endeavouring

⁶¹ Wallace, W. 2005. Post-Sovereign Governance. In: Wallace, H., Pollack, M.A., Young, A.R. eds. *Policy-Making in the European Union*. Oxford: Oxford University Press, p. 502.

⁶² Schweiger, Ch., *op. cit.*, p. 399; Kuźniar, R., *op. cit.*, pp. 207, 282.

⁶³ The cooperation effectively ended after the change of government in 2015. Copsey, N., Pomorska, K. 2014. The Influence of Newer Member States in the European Union, p. 433.

to maximise Poland's influence in the EU, but also becoming a supporter of the German agenda within the European Union⁶⁴. Again, Poland's actions seem to follow the bandwagoning strategy (this time with Germany as the dominant partner). Poland's cooperation with Germany was focused solely on internal EU issues and economic matters, and seems to be only of secondary importance for Poland's decision-makers in comparison with the all-important American alliance.

Another geopolitical development are the attempts to shape alliances in Central Europe. The most important of these is the Visegrad Group, which dates back to 1991. The obvious goal of stronger cooperation in Central Europe was strengthening the role of Poland both in the region and on the European arena⁶⁵. However, Poland's instrumental approach to fostering regional cooperation has often been jarring for smaller states, which have accused Warsaw of a dearth of real commitment to the region's future and of being too forceful in promoting its own agenda. Two ideas Warsaw insists on are harnessing the Visegrad Group into supporting Poland's vision of Eastern policy, and widening the regional cooperation to include more countries such as the Baltics and countries participating in the Eastern Partnership⁶⁶.

Scholars point out that the effectiveness of the Visegrad Group (the so-called V4) has been startlingly low. Over the years the Group has managed to cooperate on a range of issues (including the EU cohesion policy and foreign and defence policies), the level of cooperation has been usually relatively low, and tended to be limited to political rhetoric and declarations⁶⁷. The interests of the V4 countries have been diverse, and this fact has been often used by great powers, when they wanted to destroy the Group's unity for their purposes. Some partners also have raised objections to what they have perceived as excessive pro-American or anti-Russian stance of the Polish government. As a result, Poland's attempts to build a regional geopolitical core in order to balance the influence of the biggest regional powers has turned out to be quite unsuccessful. This strategy has also been of secondary importance, as *bandwagoning* has taken clear precedence.

⁶⁴ For example, Poland's presence in the Weimar Triangle was often perceived as a boost of Germany's position in relation to France. Cf. Schweiger, Ch., *op. cit.*, p. 398.

⁶⁵ Törő, C., Butler, E., Grüber, K. 2014. Visegrad: The Evolving Pattern of Coordination and Partnership After EU Enlargement. *Europe-Asia Studies*, vo. 66, no. 3, p. 372; Schweiger, Ch., *op. cit.*, p. 400.

⁶⁶ Törő, C. et al., *op. cit.*, pp. 376–377.

⁶⁷ *Ibid.*, pp. 366, 378; Bielenś, S., *op. cit.*, p. 62.

Yet another initiative taken on the geopolitical plane were the attempts to counteract divisions within the EU, mainly opposing the processes of differentiated integration between the euro area and the rest of the Member States. According to Polish elites, such division could lead to further strengthening of the European centre and sealing other countries' peripheral status. Therefore, such attempts can be regarded as manifestations of the balancing strategy. Initially, Polish government announced that it was going to put the country on the fast track to the monetary union (in 2008, the Prime Minister Donald Tusk unexpectedly announced Poland's readiness to enter the eurozone in 2012). However, the deepening economic crisis in Western Europe put a check on these ambitious plans. The government decided to postpone the decision on entering the euro area, and at the same time was trying to be involved in the initiatives undertaken during the crisis, whose goal was to reform and strengthen the monetary union. Such actions can collectively be described as 'leaving one's options open'. The Polish authorities joined all subsequent anti-crisis initiatives (the Euro-Plus Pact, the Fiscal Comact, the Banking Union, etc.). In 2012, the Polish government adopted a resolution saying that Poland will enter the common currency system only when both sides are ready. In other words, Poland will not enter the eurozone until the country's economy has shown symptoms of increase in competitiveness, and until the euro area has recovered from the crisis⁶⁸. It should be also noted that Berlin supported the strengthening of Poland's ties with the euro area and Poland's attempts to become part of the subsequent anti-crisis initiatives, even though the Polish government was postponing its final decision to adopt the common currency. Poland's policy of 'keeping its options open' has been actually feasible thanks to the strong support of Germany, and therefore – thanks to *bandwagoning*. Once again, this geopolitical strategy has proved its effectiveness. Other Polish geopolitical actions can either supplement it or are of only secondary importance.

CONCLUSION

The new right-wing government after 2015 elections has come into sharp conflict with the European institutions over the compliance with the EU values, including the rule of law and democratic principles. It also has a completely different vision of the future of the EU from the most

⁶⁸ Schweiger, Ch., *op. cit.*, pp. 405–410.

of other Member States. It wants to reduce and re-nationalise EU powers instead of further advancement of integration. Against this background, the relationships between the Polish and the German governments have cooled considerably. In these conditions, the Polish government's policy aims to strengthen cooperation within the Visegrad Group and to reinforce the transatlantic relations. In addition, the Polish government has sought to strengthen the Three Seas Initiative, a new version of regional cooperation in Central Europe extended to twelve EU Member States.

The alliance with the USA has been the cornerstone of Poland's foreign policy since the 1989 transformation, and the *bandwagoning* strategy in relation to America as the dominant partner has taken centre stage, and overshadowed all other strategic actions. It has been by far more important than the alliance with Berlin and intermittent attempts to build a regional geopolitical centre of power in Central Europe. As I said above, before 2015 Poland treated the Visegrad Group rather instrumentally, and used its leading role in the Group often as a tool to boost its own international standing, without too much concern for the Group's future. Smaller countries in the region resented this attitude, and for this reason they sought alternative political alliances, either bilateral or region-wide (but without Poland). An example of such an initiative is the Slavkov Triangle – an alliance of Austria, the Czech Republic and Slovakia, the launch of which can be seen, among others, as a result of dissatisfaction with the confrontational attitude of the Polish authorities with regard to the conflict in Ukraine⁶⁹.

In conclusion, Poland's reliance on the bandwagoning strategy can be seen as moderately successful, but it also comes at a price, and may lead to increased risks to national security. Poland's actions show no evidence of employing other geopolitical strategies, such as *buck-passing* (maintaining passivity and pushing the responsibility to others), or *appeasement*. To a small degree, it utilised *balancing*, but Poland's balancing actions were only of secondary importance, and they were always subordinated to the primary geopolitical strategy. Polish decision-makers seem to neglect one of the most promising strategic actions that can be implemented by smaller or peripheral states, namely geoeconomic support for the domestic economy in order to strengthen the country's geopolitical potential. Poland's economic policy has relied on creating incentives for foreign investors and on the absorption of EU aid in the spheres of agricultural policy and cohesion. Even though this policy

⁶⁹ Kalan, D. 2015. The Slavkov Triangle: A Rival to the Visegrad Group? *The Polish Institute of International Affairs Bulletin*, no. 19(751) 16 February 2015.

has resulted in GDP growth and a boost of domestic demand, it has not led to deep structural changes and a sustainable increase of the competitiveness of the Polish economy. To the contrary, it has contributed to increasing economic dependence on the external inflow of capital and technology and reliance on the European centre⁷⁰. In addition, the economic advantages of low production costs in Poland can run out over time, especially when wages or energy costs increase⁷¹. A sign of this trend may be the weakening of productivity of the economy and the growing threat of the so-called 'middle income trap'⁷².

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⁷⁰ Grosse, T.G. 2014. The golden straitjacket of Poland's membership in the EU. *Yearbook of Polish European Studies*, no. 17; Nölke, A., Vliegenthart, A. 2009. Enlarging the Varieties of Capitalism The Emergence of Dependent Market Economies in East Central Europe. *World Politics*, vol. 61, no. 4; Epstein, R.A. 2014. Overcoming 'Economic Backwardness' in the European Union. *Journal of Common Market Studies*, vol. 52, no. 1.

⁷¹ Orenstein, M.A. 2014. Poland. From Tragedy to Triumph. *Foreign Affairs*, vol. 93, no. 1.

⁷² The middle income trap is a economic development situation, where a country which attains a certain income (due to given advantages and development) will get stuck at that level.

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GEOPOLITICAL STRATEGY OF SMALLER STATE: THE CASE STUDY OF POLAND'S PRESENCE IN THE EU

Summary

The aim of the article is to analyse strategic choices made in international relations by a smaller state that does not have the status of a great power and is included within the structures of European integration. In the theoretical part of this article a survey of selected academic approaches that focus on international order is presented, with special reference to regional integration. The aim of the analysis is to show how the selected theories present the role of smaller states and their basic geopolitical strategic choices. In the empirical part Poland's geopolitical strategy is analysed, with particular significance of the role of regional integration in that strategy.

STRATEGIA GEOPOLITYCZNA MNIEJSZEGO PAŃSTWA: STUDIUM PRZYPADKU OBECNOŚCI POLSKI W UE

Streszczenie

Celem artykułu jest analiza wyborów strategicznych dokonanych przez mniejsze państwo, które nie ma statusu wielkich mocarstw i wchodzi w struktury integracji europejskiej. W teoretycznej części artykułu przedstawiono wybrane podejścia akademickie, które koncentrują się na sytuacji państw w ładzie międzynarodowym, ze szczególnym uwzględnieniem integracji regionalnej. Celem analizy jest pokazanie, w jaki sposób wybrane teorie prezentują rolę małych państw i ich podstawowe strategiczne wybory geopolityczne. W części empirycznej analizowana jest strategia geopolityczna Polski, ze szczególnym uwzględnieniem roli integracji regionalnej w tej strategii.

ГЕОПОЛИТИЧЕСКАЯ СТРАТЕГИЯ МЕНЬШЕГО ГОСУДАРСТВА: ТЕМАТИЧЕСКОЕ ИССЛЕДОВАНИЕ ПРИСУТСТВИЯ ПОЛЬШИ В ЕС

Резюме

Цель статьи – проанализировать характер стратегического выбора, сделанного малым государством, которое не обладает статусом великой державы и входит в структуру европейской интеграции. В теоретической части статьи представлены выбранные академические теории, которые концентрируются на ситуации государств в условиях международного порядка, с особым учётом региональной интеграции. Целью статьи является демонстрация того, каким образом выбранные теории освещают роль малых государств, а также особенностей их главного стратегического выбора. В эмпирической части исследования представлен анализ geopolитической стратегии Польши, с особым учётом роли региональной интеграции в данной стратегии.

R E V I E W S

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JUDYTA ZBIERSKA-MOŚCICKA

BELGIEM BYĆ.

FIKCJA I TOŻSAMOŚĆ WE FRANCUSKOJĘZYCZNEJ LITERATURZE BELGII

(OD KOŃCA XIX DO POCZĄTKU XXI WIEKU)

TO BE BELGIAN.

FICTION AND IDENTITY IN FRENCH-LANGUAGE BELGIAN LITERATURE

(FROM LATE NINETEENTH TO EARLY TWENTY-FIRST CENTURY)

UNIWERSITAS, KRAKÓW 2017, PP. 426

Scholarly works devoted to complicated Belgian reality rarely appear on the Polish publishing market. One of them is a newly published book entitled *Belgiem być. Fikcja i tożsamość we francuskojęzycznej literaturze Belgii (od końca XIX do początku XXI wieku [To be Belgian. Fiction and identity in French-language Belgian literature (from late nineteenth to early twenty-first century)])*, prepared by one Belgian and three Polish authors. Its title already promises an ambitious attempt at looking at the problem of the complex identity of citizens of the Kingdom of Belgium through the prism of literature, in this case French-language literature. I will try to answer in this review whether this attempt was successful or not. At first, however, I will present some basic data about the structure of the book. It consists of six substantive chapters and a foreword, a preface, an annex, a chronological table, a bibliography, notes about the authors and an index of names. Belgian author Marc Quaghebeur is the author of „Słowo wstępne” [‘Preface’] and the chapter „Język, historia, literatura, Belgijskie pas de deux” [‘Language, history, literature, Belgian pas de deux’], Renata Bizek-Tatara prepared the texts „Między Flandrią, Walonią, Brukselą i Francją. Wielokulturowość a literatura” [‘Between

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Flanders, Wallonia, Brussels and France. Multiculturalism and literature'] and „Nieznanego oblicza znanego. O literaturach niemimetycznych Belgii” [‘Unknown faces of the known. About Belgium’s non-mimetic literature’], Judyta Zbierska-Mościcka wrote the chapters „Literatura, społeczeństwo, tożsamość. Między wspólnotą a jednostką” [‘Literature, society, identity. Between community and individual’] and „„Piórkiem i pędzlem, czyli związki literatury i malarstwa” [‘With a feather and a brush, that is, links between literature and painting’] and Joanna Teklik prepared the text „Historia Belgii i jej (nie)obecność w literaturze” [‘History of Belgium and its (non)existence in literature’] and wrote the annex entitled „Wokół belgijskiej tożsamości, czyli Belgoi sami o sobie, swoim języku i literaturze” [‘Around the Belgian identity, that is Belgians about themselves, their language and literature’]. It is worth mentioning that the publication was financed by the National Science Centre, the reviewer of the work was Professor Wiesław Malinowski.

The authors are basically literary scholars and represent various universities. Renata Bizek-Tatara works at the Department of Romance Literature of the Institute of Romance Philology at Maria Curie-Skłodowska University in Lublin, Marc Quaghebeur is a literary historian and director of et Musée de la Littérature in Brussels, Joanna Teklik is a staff member of the Department of Literature Comparative Studies at the Institute of Romance Philology of Adam Mickiewicz University in Poznań, Judyta Zbierska-Mościcka is a staff member of the Institute of French Studies at the University of Warsaw. The authors represent three outstanding state universities with a great tradition of research in French-language literature. The reviewer would like to find in this book chapters written by representatives of the Institute of Romance Philology of the University of Wrocław or the Department of Romance Literature of the Institute of Romance Philology of the Jagiellonian University, because the book was published by the Society of Authors and Publishers of Scientific Studies *Universitas* in Kraków. The preface does not contain an explanation for such a selection of authors and does not reveal as a result of what (a project, a grant?) this book was written. Due to the absence of a separate chapter summarising the work we do not have any insight to its broader context and the conclusions from its publication. This is not a complaint, but the curiosity about the reasons for such a selection of authors for this valuable work.

The author of this review is not a literary scholar but a political scientist and a historian, for many years dealing with this region of Europe, which is currently the area of three states: the Kingdom of Belgium, the Kingdom of the Netherlands and the Grand Duchy of Luxembourg. In the preface the

authors make an important remark: ‘Belgian French-language literature is one of relatively young literatures, as it appeared at the beginning of the nineteenth century. It is also Francophone literature, which means that it is in the French language, which is shared with other nations, primarily with France. This situation caused the formation of certain mechanisms and cultural attitudes in the nineteenth century, aimed at constructing a separate identity and defining own specificity’ (p. 7). Specificity defined in this way has induced me read this book as I have been studying issues related to the Belgian identity from the Flemish and the Dutch language perspectives for years.

The Kingdom of Belgium is a federal state, where the dividing line is determined by belonging to one of three regions (the Flemish Region, the Walloon Region and the Brussels-Capital Region), one of three communities (the French Community, the Flemish Community and the German-speaking Community) and four linguistic regions (the French-speaking region, the Dutch-speaking region, the German-speaking region and the bilingual region of Brussels. French and Dutch are official languages in the latter region¹. The federal state consists of autonomous parts, but having a common (federal) government. Its essential feature is that in political and administrative terms it is not a unitary entity, it consists of territories of federated entities deprived of the right to participate in international relations. The constituent parts can have their own legal and judicial systems. There is dual citizenship and every citizen in most states is a citizen of the union and of the corresponding part of the federation. The Parliament is bicameral; the higher chamber represents the interests of the federation entities. The framework of the federal state was adopted in the Kingdom of Belgium as a result of six systemic reforms and a compromise between the societies inhabiting them. This is a necessary introduction to the further argument. Those interested in the details of the federal structure of Belgium may refer to numerous publications, including the text previously published in this periodical².

¹ Żelichowski, R. 2011. Crises in the Brussels-Capital-region. Will Belgium survive. In: Historical Regions in the Structures of European Union. *Region and Regionalism*, no. 10, vol. 2; Żelichowski, R. 2009. Co z tą Belgią. [What about Belgium?] In: Fiszer J.M. ed. *Polska w Unii Europejskiej. Aspekty polityczne, międzynarodowe, społeczno-gospodarcze i wojskowe. [Poland in the European Union. Political, international, socio-economic and military aspects.]* Warszawa: ISP PAN.

² Żelichowski, R. 2015. Flandria w XXI wieku. Region państwa federalnego, czy państwo konfederacji. [Flanders in the 21st century. A region of a federal state, or a state of a confederation.] In: *Mysł Ekonomiczna i Polityczna*, no. 4, p. 294, ff.

The Kingdom of Belgium covers the area of 30.5 thousand km² with the population of 11,267,910 people³. Wallonia with the area of 16.844 km² is inhabited by 3,602,216 people, Flanders with the area of 13.521 km²⁴ is inhabited by 6,477,804, Brussels with the area of 32.61 km² has 1,187,890 residents. The German-speaking population amounts to 75,222 people⁵ and lives on the area of 854 km². These figures may vary depending on the cited source. This short description of the Kingdom of Belgium shows us the demographic inequality of these three ethnic groups, two of which (French and Dutch-speaking) in fact decide about the present and future shape of the state they are citizens of. Véronique Philips and Peter Vermeersch wrote about an disproportionality feature of the Belgian federal system. The borders of the Regions do not overlap with the borders of the Communities or with the borders of the language regions. ‘For example, the German-speaking Community lies in the Walloon Region, and its competences in the Brussels Region are realised by the French and Flemish Communities. Thus, the country is divided according to two different criteria: once in accordance with the territorial criterion that leads to “federalisation” based on three Regions ... this is in line with the demands of French-speaking inhabitants of the country), and next – according to the criterion of cultural affiliation leading to the creation of the two Communities, as the Dutch-speaking citizens wished. (The German-speaking population of only 70,000 people has no specific ambition in this respect.’ the quoted authors wrote⁶. Thus, over two thirds of the population of the Kingdom of Belgium are associated with Germanic culture and one third with Romance culture and the French language area. In this context, the question about the Belgian national identity reveals how difficult it is for researchers to try to define this specificity as a result of the triple identity – Francophone (due to the neighbourhood and spiritual and linguistic affinity with France), Dutch (as in the case above but in proximity to the Netherlands) and Belgian. The authors of the peer-reviewed book seek answers to this question from the perspective of French-language literature published in the United Kingdom of the Netherlands and then the Kingdom

³ As of 1 January 2016. Available at: https://www.belgium.be/nl/over_belgie/land/bevolking

⁴ Flemish Region 13.521 km², Flemish Community 13.684 km². Available at: <http://www.wikipedia.org/wiki/Flanders>; www.vlaanderen.be [Accessed: 2 August 2017].

⁵ In 2010. https://www.belgium.be/nl/over_belgie/land/bevolking [Accessed: 2 August 2017].

⁶ Philips, V., Vermeersch, P. Belgia: geneza i organizacja państwa federalnego. [Belgium: origins and organisation of a federal state.] PDF document, p. 70.

of Belgium independent since 1830. In order to understand the processes taking place in the lands of the new kingdom, the authors refer to history.

Joanna Teklik focuses on this topic in the chapter „Historia Belgii i jej (nie)obecność w literaturze” [‘History of Belgium and its (non)existence in literature’] (p. 19–58). Especially two subsections have drawn my attention: „Podwaliny i powstanie niepodległego państwa” [‘The foundations and rise of an independent state’] (pp. 20–21) and „Meandry niepodległości: frankofoński kraj z flamandzka przeszłością w tle” [‘Meanders of independence: Francophone country with Flemish past in the background’] (p. 21, ff.). The author does not feel secure in historical literature, so she flashes with some lightness over this subject, writing about evolution, revolution, and uprising, referring to some thought of ‘state separateness’ sprouting in Belgium ‘much earlier, already in the seventeenth and eighteenth centuries’ (p. 20). Reaching for the basic works of Józef Łaptos would help the author avoid simple pitfalls⁷. It is surprising that works of this excellent expert on Belgian history were cited in the whole work only once and in the context of European integration (!)⁸. The seventeenth and eighteenth centuries, the author writes about, are the period of the Southern Netherlands (also of the Habsburgs and then Austrian) and the period 1815–1830 is the United Kingdom of the Netherlands. The name Belgium has been established in the consciousness of the inhabitants of the Southern Netherlands since the end of the eighteenth century. During debates on the future shape of the new state in the historical lands of the (Southern and Northern) Netherlands, the anti-napoleon allies used various forms of the name Belgium, mainly referring to the Southern Netherlands⁹. In publications of that period the Brabant revolution was called the Belgian revolution. ‘The period of the first revolutions of 1787/9–1792 strengthened the Belgian identity or that of the (southern) Netherlands, which concerned ten principals’ Lode Wils wrote¹⁰.

⁷ Łaptos, J. 2010. *Belgia*. [Belgium.] Warszawa: TRIO; Łaptos, J. 1995. *Historii Belgii*. [History of Belgium.] Wrocław: Ossolineum-Bellona, or to this period: Balicki, J., Bogucka, M. 1989. *Historia Holandii*. [History of the Netherlands.] Wrocław: Ossolineum.

⁸ See p. 57, footnote 61.

⁹ E.g. ‘Gallia Belgica’, ‘la Bourgogne de pardeça’, ‘Belgium dat is Nederlandt’, ‘de BelgischeNederlanden’ or ‘Pays-Bas belgiques’. Dubois, S. 2005. *L’invention de la Bellicus. Genesen du Etat-Nation 1648–1830*. [Belgian invention: genesis of the nation state 1648–1830.] Brussels: Racine, p. 437.

¹⁰ The author refers to ten of seventeen historic provinces (lands) of the Netherlands. Wils, L. 2007. Wanneer en hoe ontstond België? [When did Belgium come into being?]. In: 1830: van de Belgische protonatietaar de natiestaat. [1830: from the Belgian proto-nation to the nation state.] In: *Wetenschappelijketijdingen*, R. XVI, p. 200.

When it turned out that two parts of the Netherlands were to be under one sceptre, a synonym for the name of the new state was sought to connect their inhabitants. Apart from the French name *Pays-Bas*, also the terms *Néerlande* and *Néerlandais* were used. In the biography of Willem I Jeroen Koch wrote that the terms Belgian and Netherlander meant the same for the rulers of the state. In the coronation speech delivered in Brussels on 21 September 1815 the king used the phrase ‘Monarchy of the Netherlands’ (in Dutch: *Monarchie der Nederlanden*) and in the French version the Belgian Monarchy (*Monarchie des Belges*)¹¹. In the latter case there were fears and hot protests that this name only concerned Belgians and was not associated with Hollanders (*Hollanders*). In 1815–1818 Pierre François Van Meenen¹² from Leuven campaigned against using this name in the influential liberal daily ‘*Observateur*’. It should be remembered that although the King Willem I wanted to unify the country in terms of the language, he himself spoke French with officials in Brussels and Flemish and Dutch elites.

It is worth adding that the concept Belgian used by the sixteenth and seventeenth century scholars using Latin was broad and encompassed all inhabitants of the Burgundian Netherlands. Due to more than two hundred years of division of these lands, the inhabitants of the Southern Netherlands were called Belgians and of Republic – Netherlanders (*Nederlanders*, less often *Hollanders*). Making Belgians and Netherlanders equal in the period of the United Kingdom of the Netherlands (1815–1830) had a deep political meaning. The point was to heal historical divisions and merge lands into one state under the sceptre of one monarch.

King Willem I refused to acknowledge the Belgian state until 1839, when he had to give up under the pressure of superpowers and in (another) Treaty of London recognised the independence of the Kingdom of Belgium. Parts of the historic lands of Flanders remained in neighbouring countries. Thus, the western part of Flanders remained a part of the Nord and Pas-de-Calais departments, while the eastern part remained in Zeeland Flanders (the Netherlands). In this context, we should talk about the struggle for the unification of all political forces around the king in the fight for the recognition of the so-called ‘Belgian fact’ by the contemporary world and

¹¹ Koch, J. 2013. *Koning Willem I 1743–1843*. [King Willem I 1743–1843.] Amsterdam: Boom, pp. 411–412.

¹² Pierre-François Van Meenen, (1772–1858), Belgian lawyer, philosopher, member of the National Congress (*Nationaal Congres*) in 1830 forming the legislative framework of independent Belgium and then its first Parliament. In the years 1852–1857 he was the chairman of the Court of Appeal.

politicians and therefore for the acceptance of Belgium as a permanent subject of international relations.

On the margin of these remarks I would like to add that in the Polish literature of the twentieth century the incorrect names of the state as the Kingdom of Holland and the language as Hollandic were used. This name was also used in national official documents until 1997, in which, as a result of the efforts of philologists and diplomats, the proper name – the Kingdom of the Netherlands – was restored¹³. Attempts to start using the term ‘niderlandzki’ language (Dutch) were made slightly earlier in Poland¹⁴. The author of this review has postulated for years to researchers to refer the name of the Kingdom of Holland and its resident Dutch only to the historical description of this state closing in 1814–1996¹⁵. Fortunately, however, there is no doubt that the Flemish people live in Flanders and Walloons in Wallonia.

The term ‘francophone country with Flemish past in the background’, which the author perfectly describes on the example of Charles De Coster¹⁶, is intuitively accurate (pp. 25–26). An example of this ‘tangled identity’ is the national epic *Przygody Dyla Sowizdrzała [The Glorious Adventures of Tyl Ulenspiegl]* by Charles De Coster, half Fleming, half Walloon, the author of the first French-language work in Belgian literature, whose hero was Flemish, and his adventures were described in Belgian French. As Jerzy Falicki rightly points out, the need to emphasise the historical tradition of the state created

¹³ From Netherlander Koninkrijk der Nederlanden, in short Nederlanden. For proper name of the state see Orlowski, T. 2005. *Protokół dyplomatyczny. Ceremoniał & etykieta. [Diplomatic protocol. Ceremonial & etiquette.]* Warszawa: Akademia Dyplomatyczna MSZ, p. 149.

¹⁴ Majewicz, A.F. 1989. *Języki świata i ich klasyfikowanie. [World languages and their classification.]* Warszawa: PWN, p. 34.

¹⁵ See Żelichowski, R. 2014. *Stosunki polsko-holenderskie w Europie poaltańskiej. [Dutch-Polish relations in post-Yalta Europe.]* Warszawa: Instytut Studiów Politycznych Polskiej Akademii Nauk.

¹⁶ Charles De Coster, full name Charles-Théodore-Henri de Coster (1827–1879), a son of a Walloon mother and a Flemish father, Belgian novelist, writing in French. His works contributed to stimulating Belgian national consciousness and are considered the beginnings of Belgian literature. His most important work is (in French) *Légende et les aventures héroïques, joyeuses, et glorieuses d'Ulenspiegel et de Lamme Goedzak au pays de Flandres et ailleurs.* Polish edition: Karold de Coster, *Legenda jako też bohaterów, wesołe i sławne przygody Dyla Sowizdrzała i Jagnuszka Poczciwca w krajach flamandzkich i gdzie indziej. [The legend of the glorious adventures of Tyl Ulenspiegel in the land of Flanders and elsewhere.]* 1st edition in 1914, re-edition, among others, Warszawa: Państwowy Instytut Wydawniczy Biblioteka Arcydzieł: Najsławniejsze Powieści Świata. 1978, pp. 496.

in 1830 resulted in the formation of works containing the nouns ‘chronicle’ or ‘history’, which were intended to give them the character of historical monographs, though in reality they were rather novels¹⁷.

Renata Bizek-Tatara writes about it in an interesting way in the chapter „Między Flandrią, Walonią, Brukselą i Francją. Wielokulturowość a literatura” [‘Between Flanders, Wallonia, Brussels and France. Multiculturalism and literature’] (subsection „Stworzenie mitu nordyckiego” [‘Creation of the Nordic myth’], pp. 69–74). The literature is embedded in local realities, ‘draws on old Flemish and German legends by the handful (...) as well as from the customs, traditions and folklore of the Flemish’ (p. 71). In the early 1880s a group of French-speaking Belgian writers was formed. Most of them were born in the north of the country, wrote on Flemish subjects in the language that diverged from standard French. Émile Verhaeren¹⁸ was their national bard. Much attention was devoted to this writer in the book. French-speaking Belgian writers contributed greatly to Belgium’s legitimisation.

The polarisation of the Belgium society initially consolidated around a king and a unitary state in the second half of the nineteenth century was caused by several phenomena – the creation of the Flemish Movement, the so-called language question and the birth of the trade union movement and political parties. The universal suffrage Act of 1893 gave every person over the age of 25 the right to vote in Parliament elections¹⁹. The effects of the rivalry of new political forces came quickly. The adoption of the universal suffrage Act of 1893 struck a mortal blow to the unitary Belgian state and gave it the dynamics that directed Flanders and Wallonia to different development paths²⁰.

Renata Bizek-Tatara refers quite enigmatically to the Flemish Movement in the subsection „Upadek mitu nordyckiego i emancypacja Flandrii” [‘The fall of the Nordic myth and the emancipation of Flanders’] (pp. 80–84). She calls this dynamically increasing in power Movement ‘nationalist “policy of

¹⁷ Falicki, J. *Historia francuskojęzycznej literatury...* [History of French-language literature...], pp. 122–123.

¹⁸ Verhaeren, Émile Adolphe Gustave (1855–1916), a Belgian poet writing in French.

¹⁹ Glowacki, A. 1997. *System konstytucyjny Belgii*. [Belgium’s constitutional system.] Warszawa: Wydawnictwo Sejmowe, p. 7.

²⁰ Van Velthoven, H. 2011. De barst in België. [Start of the explosion.] In: *Waarheen met België?: van taalstrijd tot communautaire conflicten: een selectie uit 35 jaar wetenschappelijk onderzoek*. [From language battles to community conflicts, Selection from 35 years of scientific research.] Brussels: ASP (Academic and Scientific Publishers) NV, p. 129.

small steps” which led to ‘changes in many laws deepening the break-up of unitary Belgium’ (p. 81). It is a too far-reaching simplification. The Flemish Movement (in Dutch: *Vlaams Beweging*) played a great role in shaping Flemish national consciousness²¹. Its aim was to protect, support and develop Flemish culture. At first it developed mainly in the bourgeois environment and avoided accentuating political problems. It is worth emphasising here that the Flemish Movement at that time was still extremely moderate in its demands. It respected Belgian institutions, tried not to criticise the new state. It based its activity on peaceful measures and used petitions, brochures and leaflets to draw attention to existing problems and ‘politely requested interventions’, Els Witte wrote²². When Francophones reacted negatively to this activity, more radical participants of the movement made their voice heard. It was clear that the language issue had the potential to cause a serious political conflict.

The author is right when she writes that ‘the emancipation of Flanders is perceived by Wallonia as a threat’ (p. 81). Also the national consciousness of Walloons was born in the nineteenth century. The first groups that engaged politically in Walloon matters were created in Brussels in the 1880s, to a lesser extent in the French-speaking ‘pockets’ in Flanders, and finally in Wallonia. This is understandable because Brussels was historically a Flemish city and as a capital it attracted political, economic and cultural elites from all over Belgium and these elites were French-speaking, at least in public life. Meetings at so-called congresses between 1890 and 1893 were limited to protecting government careers for single-language (French-speaking) citizens and propagating the abrogation of certain language regulations. Apart from Brussels, the main centre of Walloon activity was the industrial city of Liège. The Walloon League (in French: *Ligue Wallonne de Liège*, 1897–1919), created there, was a co-organiser of two major Walloon Congresses in 1905 and 1912. Also Jules Destréé’s famous letter to king Albert I of 1912 saying: ‘Sire, there are no Belgians, but Walloons and Flemings’²³ was a part of this trend although he did not really mean complete break-up of Belgium, but the differences and belonging to different cultures (Latin and Germanic),

²¹ See more on this topic in Rajman, B. 1992. *Język i polityka językowa we Flandrii. Historia i teraźniejszość. [Language and language policy in Flanders. History and the present.]* Wrocław: Uniwersytet Wrocławski, Acta Universitatis Wratislaviensis. no. 1165. Germanica Wratislaviensis, pp. 105–107.

²² Witte, E. 2009. Freedom of Language, Gallicisation and the Resistance of Language Lovers. In: Witte, E., Craeybeckx, J., Meynen, A. eds. *Political history of Belgium from 1830 onwards*. Brussels: ASP, pp. 58–59.

²³ Translation: Łaptos, J. 1995. *Historii Belgii. [History of Belgium.]*, p. 193.

which would function better in a federal state under distinct authorities. Józef Łaptos accurately sums up the actions of Walloon organisations: ‘When analysing the programmes of the societies as well as subsequent publications such as Walloon Catechism by Albert du Bois, it is difficult to escape from a ambivalent feeling, accompanying the Walloon movement for a long time, that the revindication of autonomy or federalism (...) were merely a camouflage for the main pursuit of maintaining at all costs the supremacy of the French language in the unitary Belgian state’²⁴.

In the chapter „Kres myśli narodowej: pierwszy konflikt światowy” [‘End of national thought: the first world conflict’] (p. 37–40) Renata Bizek-Tatara also refers to a difficult problem of the cohesion of the state during the First World War, called Great at that time. So-called Flemish policy (*Flamenpolitik*) pursued by Germans led to a rupture within the Flemish Movement, the emergence of the movement of activists who supported the rapid implementation of the programme of the movement. During the war they were induced to cooperate with the occupier, who met some of the demands of the Flemish. The creation of the Flemish Council, the proclamation of Free Flanders in January 1918, and other activists’ actions badly influenced the Flanders-Wallonia relations in post-war Belgium for many years. They triggered a wave of hatred for the Flemish Movement. The most significant result of the activity of the ‘activists’ was, however, the collaboration of Flemish nationalists during the Second World War.

Young Léon Degrelle, with his movement colloquially called rexism, excited a great furore in Brussels and Wallonia. The name of the movement came from the Catholic student club ‘Rex’ (*ChristusRex*) centred around the periodical ‘20th Century’ (*XX Siècle*). The Catholic, clearly anti-establishment character of the movement, opposed to corruption and the financial and political elites, and above all, the promise of ‘cleaning the stables of Augyan’ brought it an electoral success and twenty-one seats in the Parliament in 1936²⁵.

In the 1930s, the influences of the Communist Party (in French: *Parti Communiste de Belgique, PCB*), became stronger in Belgian society, and in 1936 won nine seats in the Parliament. The accession of the PCB to the Comintern and the slogan of the world revolution in cooperation with the Soviet Union constituted a greater threat for the ruling elite than the fascist

²⁴ *Ibidem*, pp. 192–193.

²⁵ *Lexicongeschiedenis van Nederland en België. [Lexicon of the history of the Netherlands and Belgium.]* 1994. Utrecht-Antwerpen: Kosmos Z&K Uitegeverij, p. 288.

movement²⁶. The conclusion of the Russian-German Non-Aggression Pact resulted in a situation in which communists were considered the greatest enemy of the country, not exists or Flemish nationalists.

There is also a difference in perception of French and Dutch-speaking collaborators. ‘The former – as Helen Grevers wrote – considered themselves good patriots. In their opinion, they meant only the good of the country. The matter looked different in the case of Flemish nationalists; they never perceived themselves in this role. They did not recognise this homeland. Unlike Dutch and French-speaking Belgians they saw an alternative for the nation-state, namely the creation of an independent state – Flanders (...)’²⁷.

The repressions that the collaborators were subjected to after the war again divided Belgians deeply. Both sides of the barricade felt guilty for collaborating.

In a subsection entitled „Trudny powrót do belgijskości” [‘Difficult return to being Belgian’] Renata Bizek-Tatara writes that ‘After fifty years of assimilation with France, blurring in universalism and the erosion of the Belgian pedigree the time comes when Belgians realise the absurdity of renouncing their origin and the blind pursuit of integration with France. (...) They feel a profound change in their attitude to their home country, to themselves and their identity (...) The revolutionary belgitude movement, initiated in the second half of the 70s (...) becomes an expression and a tool of great discussion on the problematic cultural affiliation of Belgian writers, their attitude to their homeland and “the difficulty of being Belgian”’ (pp. 98–99).

At a time when this theory was developing, Wallonia was experiencing a true renaissance of culture. In 1983 Walloon intellectuals published the ‘Manifesto [on] Walloon culture’ (in French: *Manifest pour la culture wallonne*). They placed the blame mainly on the French Community of Belgium (*Communauté Françoise de Belgique*), which, in their opinion, negated the values contributed by Wallonia (except for the language). The author discusses these problems in an interesting way in the aptly titled subsections „Emancypacja Walonii” [‘Emancipation of Wallonia’], „Od kłopotliwej belgitude do pogodnej belgité”

²⁶ de Wilde, M. 1985. *België in de Tweede Wereld Oorlog. De Kolaboratie*, part 5. [Belgium during the Second World War. Collaboration.] Kapellen: Uitgeverij de Nederlandsche Boekhandel, p. 8.

²⁷ Grevers, H. 2012. Voorbij Bijltjesdag? Recente werken over de bestraffing van collaboratie na beide wereldoorlogen in de Lage Landen. [Is the hour of vengeance gone? Current work on the settlement of collaboration in the Low Countries after both world wars.] In: *BMGN – Low Countries Historical Review*, no. 127/1, p. 326.

[‘From troublesome belgitude to serene belgité’], „Rehabilitacja belgijskości” [‘Rehabilitation of being Belgian’] and „Ku niefrasobliwej wielokulturowości i tożsamości à la carte” [‘Towards laid-back multiculturalism and identity à la carte’] (pp. 104–111).

In the chapter entitled „Literatura, społeczeństwo, tożsamość. Między wspólnotą a jednostką” [‘Literature, society, identity. Between community and individual’] Judyta Zbierska-Mościcka notes that ‘since the beginning of the nineteenth century the Belgian identity has been shaped in accordance with two tendencies: a tendency to community and a tendency to individualisation’ (p. 115). Although this is not a typical Belgian phenomenon, however, the author notes that it took place in a short, precipitous time, from 1830 until the turn of the 1970s-1980s and shifted from a unitary ideology serving to consolidate the nation to federalism, and thus to individualism. The author writes that ‘we should not forget that Belgium is not a homogeneous country and soon, because precisely in the interwar period, this coveted inner cohesion will turn out to be fragile because the Germanic element of the “Belgian soul”, the Dutch-speaking part of Belgian society, has been marginalised since the beginning of the sovereign state. The dominance of the French-speaking ruling elite, also widespread in science, education and culture, with the majority of the Flemish people, opens space for the ongoing conflict’ (p. 116).

In the sixth chapter entitled „Język, historia, literatura, Belgijskie pas de deux” [‘Language, history, literature, Belgian pas de deux’] (p. 259) Marc Quaghebeur discusses the problem of the linguistic identity of Belgians. The subsections „Narodowe imaginarium wobec dylematu: Paryż czy emancypacja?” [‘National imagination towards the dilemma: Paris or emancipation?’], „Trzy postawy wobec norm francuskich” [‘Three attitudes towards French standards’], „Różnica trwała, ale trudna do utrzymania” [‘Durable difference, but difficult to maintain’], „Model francuski a różnorodność” [‘French model and diversity’] and „Umocnienie pozycji i autonomizacja literatury” [‘Strengthening of the position and autonomy of literature’] (pp. 260–269) introduce the reader to the detailed problems of the language and Belgian literature in today’s reality of French-language literature. Let these words of Marc Quaghebeur serve as a punch line: ‘Everything thus indicates that the native language of Belgians, and especially ways of expressing it are no longer a taboo. The French language descended from the monument and, given that the Belgian super-ego resides within reasonable limits, one can simply enjoy the language’ (p. 316).

The book *Belgiem być. Fikcja i tożsamość we francuskojęzycznej literaturze Belgii (od końca XIX do początku XXI wieku)* [To be Belgian. Fiction and identity in French-language Belgian literature (from late nineteenth to early twenty-first century)] is very important not only for Francophones or people dealing with the area of French-language culture. For national identity literature is a mirror that perfectly reflects the ‘state of mind’ of the Belgian population from the beginning of the establishment of the independent, unitary state to the federal state. The most important achievement of the authors is that they showed the dynamics of the process of searching for their own identity by French-speaking Belgians against the overwhelming influence of culture and language of neighbouring France. Showing the existing differences, and especially the context in which they have arisen, will have a great cognitive value for many readers. Today the Kingdom of Belgium and its capital Brussels are the heart of the European Union and a place where Poles travel on business or privately. They also work there. The book helps to understand why Belgians have a ‘tangled’ identity. Many of them are educated in French and Dutch, live in bilingual families, work in federal offices.

The authors rightly point out the lack of publications on this subject. They are, however, in a privileged situation. French is a world language and a language of elites in other countries. In the case of a historical, social and even psychological analysis of the ‘Belgian soul’, it can be a burden. More than two-thirds of the population of the Kingdom of Belgium are related to Germanic culture and speak Dutch. The creation of the federal state in which Flemings, after many years of striving for language equal rights, are ‘at home’ and Flanders is its constituent state (in Dutch: *Deelstaat*), does not facilitate the understanding of the processes that occur there. The creation of a confederation is in the programme of the party New Flemish Alliance, which has great electoral successes. Not revolutionarily, but as it is in this country, evolutionarily (a decades-long battle of Flemings for their language caused no casualties!). Will it be possible to think about the common identity of Belgium in a different from a historical sense in the case of a confederation (a loose union of states), without the monarchy bonding the whole? Will we notice when it has happened? The first part of the title of the reviewed book – *Belgiem być* [To be Belgian.] – says a lot about the disproportionate knowledge of the processes taking place in the Kingdom of Belgium. It is impossible to understand the complex identity of Belgians without similar publications from the perspective of the Dutch language. Of course, hundreds of discussions on this topic have been published in this language, but they are

not the subject of this review. Also, this is not an objection to the authors of this book.

As a political scientist and historian I have not been able to refrain from referring to certain contexts that were only superficially treated in the published texts. Since most authors refer to similar conceptual shortcuts, I have concentrated on those who first used them. This may give the impression that just these authors have become the subject of my special inquisitiveness. It has not been my intention. I have thought that perhaps these remarks will be important for the reader who will take the peer reviewed book and will refer to wider literature on this subject that also takes into account the Flemish point of view, reflected, for instance in the texts by Józef Laptos cited here. Simplifications necessary for the narration of the individual chapters may irritate the non-Francophone, but they do not change the validity of the theses contained therein. Hence, I would like to emphasise that the book is very important, contains many interesting analyses, and the authors try to avoid risky, simplified valuations with respect to non-French-speaking Belgians. This publication is worth recommending to readers who want to broaden their knowledge of European literature written in the language of Honorius Balzac.

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UTOPIA EUROPEJSKA. KRYZYS INTEGRACJI I POLSKA INICJATYWA NAPRAWY
[EUROPEAN UTOPIA. INTEGRATION CRISIS AND POLISH RECOVERY INITIATIVE]
WYDAWNICTWO BIAŁY KRUK SP. Z O.O., KRAKÓW 2017, PP. 255

In the light of the realistic theory, the European Union (EU) is not a state, but a subject of international law and a subject of international relations. It is a voluntary union of sovereign and democratic states, a specific international organisation. In the light of the neo-functional theory, the European Union is a self-propelling mechanism whose essence is that every stage of its development entails the need for further steps (spillover), i.e. the enhancement of its competence (deepening of integration). This leads to constant tensions caused by the scope and pace of the changes, the definition of national interests and the perception of democracy and sovereignty. This is primarily a political issue, and to a lesser extent a legal one. However, in international relations there is no world parliament, courts or government and their creation in the future is unlikely. The formation of such institutions is only possible with the treaty consent of all states, and it is the case, but only in a materially or geographically limited scope¹.

On the other hand, from the perspective of the game theory (multilevel games), the Union is internally conflicted because the governments of the Member States are dependent on national actors and therefore put forward different demands pertaining to its domestic and foreign policies. This is one of many causes of crises that have been paralysing the European Union for years and inhibiting the integration of Europe. As a result, we are dealing

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¹ Finkelstein, L.S. 1995. What is global governance. *Global Governance*, no. 1, p. 368; Czaputowicz, J. 2007. *Teorie stosunków międzynarodowych. Krytyka i systematyzacja. [Theories of international relations. Criticism and systematisation.]* Warszawa: Wydawnictwo Naukowe PWN, pp. 354–358.

today with a mega-crisis in the EU, which consists of the financial and economic crisis, the crisis of axiology, the crisis called ‘democratic deficit’, the crisis of European integration, the immigration crisis, the crisis of leadership and the crisis caused by Brexit. The result of the referendum of 23 June 2016 in which by the majority of votes 51.9% to 48.1% UK citizens decided to leave the European Union, means that Article 50 of the Treaty on the European Union (TEU) was launched for the first time in the history of European integration. The results of the British referendum surprised almost all political analysts and observers, including the voters themselves and me because I was convinced that pragmatic British would vote in favour of remaining in the European Union. It turned out, however, that both the public and some politicians opting for leaving the EU, did not think that this would happen. In the first polls after the referendum, when Brexit became a fact, as many as 84% of Britons were in favour of staying in the structures of the European Community².

Brexit may turn out to be a turning point in the history of the EU, either the beginning of its collapse or a reverse process that will speed up a reform and modernisation of the Union. In my opinion, at the beginning Brexit will weaken the European Union and hamper the integration process in Europe, but later it will extort deep reforms and contribute to further enlargement and deepening of the EU. There will be an increase in the number of anti-EU and Euro-sceptic sentiments, consisting in criticism of the European Union and strong opposition to it, especially by political elites. Already today, a growing lack of unity and solidarity among EU countries is evident. However, common sense and concern for Europe’s security and unity against external threats will appear later. After 60 years of integration, Brexit shows that Europe has run out of binders and its foundations have been fragile. Deep divisions are accumulating and the idea of European solidarity and cohesion is being contested and at the same time the effectiveness of the EU as an active player in the international arena is decreasing³.

² Borońska-Hryniwiecka, K. 2016. Brexit a władza ustawodawcza: rola parlamentów Zjednoczonego Królestwa w procesie wychodzenia państwa z Unii Europejskiej. [Brexit and legislative power: The role of the parliaments of the United Kingdom in the process of leaving the European Union.] *Sprawy Międzynarodowe*, no. 3, pp. 62–77; Kaczorowska, M. 2016. Krajobraz polityczny po Brexicie. [Political landscape after Brexit.] *Sprawy Międzynarodowe*, no. 3, pp. 39–61.

³ Zielonka, J. 2014. *Koniec Unii Europejskiej? [End of the European Union?]* Warszawa: Polski Instytut Spraw Międzynarodowych, pp. 27–32; Schulz, M. 2014. *Skrępowany*

Critical events in Kiev, Crimea and Donbas as well as in Syria, Iraq and the recent terrorist attacks in Paris, Nice, Berlin and Stockholm have highlighted numerous shortcomings of the European Union and undermined its prestige in the world. The European Union is facing many new political, economic and social challenges due to which it is necessary to modernise its structures and mechanisms of management and decision-making. The global financial crisis has been particularly dangerous and severely affected both for the EU and its Member States – especially those in the euro area. It has shown the political weakness of the Union, raising the question about its cohesion and solidarity. Michael Spence, an American economist, recipient of the Nobel Prize, says that the eurozone is exhausted because globalisation, debts and obsolete internal legislation have done a great deal of harm to it. He stresses that the Union urgently needs deep reforms and greater unification in fiscal, financial and banking matters and increased dynamics of mutual investment, capital mobility, greater investment in the knowledge-based economy⁴.

The European Union is facing a difficult and extremely important dilemma: to further develop and deepen integration or to reduce it, to make it shallower and, consequently, to reduce its importance on the international arena. Important decisions that cannot be postponed include strategic issues such as the pace of the enlargement of the Union, the future of the internal market, energy security, demographic problems, including migration of people and refugees, the security of citizens and the guarantee of democratic freedoms⁵. Today an urgent challenge is the need for close cooperation between the EU Member States in order to overcome the negative effects of the financial and economic crisis and the so-called refugee crisis. It would be ideal to create efficient and effective mechanisms protecting the EU from similar problems in the future. This was reflected in the ‘Declaration of Rome’, adopted on 25 March 2017, at the summit of 27 EU countries on the occasion of the 60th anniversary of the signing of the Rome Treaties. This document mentions ‘unprecedented challenges’ for the Union – from

OLBRZYM. Ostatnia szansa dla Europy. [The chained giant. Europe's last chance.]
Warszawa: MUZA SA.

⁴ Stodolak, S. 2017. Europejska gospodarka dusi się w politycznym pacie. [The European economy is suffocating in a political stalemate.] *Obserwator finansowy.pl* [Online] 25 April 2017, p. 6. Available at: www.obserwatorfinansowy.pl.

⁵ Ministry of Foreign Affairs. 2012. *Priorytety polskiej polityki zagranicznej 2012–2016.* [Priorities of Polish foreign policy 2012–2016.] Warszawa, pp. 3–5; Skrzypek, A.A. 2016. Kryzys Unii, idei, polityki? [Crisis of the Union, idea, politics?] *Politeja*, no. 43, pp. 5–41.

terrorism, through increased migration pressures and protectionism, to social and economic inequalities. EU leaders pledged to build secure Europe (among others, with well-protected external borders), prosperous, social (e.g., combating discrimination, social exclusion and poverty) and ‘stronger Europe’ in the global context (among others, strengthening defence in cooperation with NATO). ‘Europe is our common future’ – the last sentence of the ‘Declaration’ says⁶. Unfortunately, the declaration does not contain any specific reforms and the time will show if it will remain a purely occasional document or whether its commitments will be filled in with specific content.

Summa summarum, deep changes and reforms of the European Union are necessary and essential, but we will have to wait for them till the September election in Germany. Let us hope that after this election Union’s leaders and the biggest capital cities of the Union will finally devote their attention to scenarios for further integration and the future of Europe presented on 1 March 2017 by the President of the European Commission⁷. In the foreword to ‘the White Paper on the Future of Europe’, published at that time, Jean-Claude Juncker writes: ‘There are important challenges ahead of us, for our security, for the well-being of our people, for the role that Europe will need to play in an increasingly multipolar world. A united Europe at 27 needs to shape its own destiny and carve out a vision for its own future. (...) As we decide which way to go, we should remember that Europe has always been at its best when we are united, bold and confident that we can shape our future together’⁸.

Professor Krzysztof Szczerski writes in the peer-reviewed book about all these pains and problems that the European Union is facing today, its chances and threats, and how to save it from disintegration. The author of this excellent monograph does not need to be introduced here because he is well known both in the scientific community and among political elites. He has successfully combined research with political practice for years, fulfilling many functions that allow him to analyse the situation in the EU, its internal policies and activity on the international forum in an objective way. Krzysztof

⁶ Deklaracja Rzymska. [Rome Declaration.] *Gazeta Wyborcza* 27 March 2017, p. 9. Cf. also: Bielecki: T. 2017. Rzymska wiosna w Unii Europejskiej. [Rome’s spring in the European Union.] *Gazeta Wyborcza* 27 March 2017, p. 9.

⁷ European Commission. 2017. *The White Paper on the Future of Europe. Reflections and scenarios for the EU27 by 2025*. Brussels.

⁸ *Ibidem*, p. 3. Cf. also: B. Góralczyk: Po 60 latach integracji Europei zabrakło spoiwa. [After 60 years of integration, Europe has run out of binders.] *Obserwator finansowy.pl* [Online] 25 March 2017, pp. 1–6, Available at: www.obserwatorfinansowy.pl.

Szczerski is an eminent political scientist, Europeanist, politician and publicist and author of many valuable scientific books devoted to the foreign policy of Poland and the European Union.

The reviewed monograph consists of a short ‘introduction’, written by the professor, MEP Zdzisław Krasnodębski⁹, a prologue entitled „Europa – z jaką Unią?” [‘Europe – with what kind of the Union?’] and ten chapters, divided into numerous subsections. Although the book has two ‘introductions’, it does not have a concluding chapter, and rightly so, because despite numerous threats and problems, the EU is still on its way, and European integration is continuing, because it is a process that is irreversible, despite appearances. It was written in a problematic order and can also serve as an academic textbook, very useful for students and PhD students in many fields of study, especially European studies, political science and international relations.

In the introduction to the peer-reviewed work, Krzysztof Szczerski acknowledges that the original versions of some of its chapters have appeared ‘in my publications published over the last few years (...), but for ‘the needs of this book have been thoroughly worked out, gaining a new form and content’ (p. 27) and stresses that: ‘Today the work of repairing the process of European integration has to be undertaken. In subsequent chapters of this book I wanted to present first various aspects of the contemporary crisis of the European Union, often using categories taken from the science of politics, and then to outline the pathways to its repair’ (p. 24).

Thus, in the first chapter, entitled „Historyczne źródła kryzysu integracji europejskiej” [‘Historical sources of the crisis of European integration’], the author analyses the development of the international situation in Europe after 1989, i.e. after the fall of communism and tries to show the causes of the growing crisis in the process of European integration. He advances a thesis, promoted also by other authors, as well as by the author of this review, that ‘Since the beginning of European unification after the Cold War period, we have been dealing with a flaw that has made this process imperfect and increasingly divergent in ideological sense from the roots of post-war integration. This has been sustained by the phenomenon of material domination of the western countries over the countries seeking admission. Due to this a number of political decisions about co-operation have led to the consolidation of external domination in the Central European countries, for

⁹ On page 9 in footnote 5 Z. Krasnodębski refers to Martin Schulz’s book and quotes its title in the original, that is in German. I would like to point out that this book was also published in Polish. See Schulz, M. 2014. *Skrępowany OLBRZYM. Ostatnia szansa EUROPY. [The chained GIANT. Europe's last chance.]* Warszawa Muza SA.

example in the sphere of ownership, or the opening up of our own market, on very unfavourable conditions, for Western corporations with a much stronger tendering position, which has resulted in the practical elimination of domestic entities from many areas of the market. It had to bring political consequences' (pp. 31–32).

The second chapter entitled „Władza a rynek” [‘Power and the market’] and the corresponding third chapter entitled „Jak rozumieć obecny europejski kryzys?” [‘How to understand the current European crisis?’], devoted to the economic aspects of European integration and economic preconditions of the crisis in the European Union, are also very insightful. According to the author, the political elites of integrating Europe have put too much emphasis on economic cooperation, neglecting the ideological and political sphere. As a result, it is now justified to define the EU as an economic power and at the same time a political dwarf. Krzysztof Szczerski advances an interesting thesis here, according to which: ‘We are dealing in Europe not so much with a catastrophe but rather with deep and at the same time extensive systemic instability that requires the reconfiguration of all essential functional subsystems such as law, institutions, norms and patterns, and social order. This is a moment of reconstitution of the European Union, which can take the form of reintegration of Europe according to new rules’ (p. 71).

In the next, fourth chapter of the peer-reviewed work, entitled „Rekonstytucja, czyli nowa integracja” [‘Reconstruction, or new integration’], the author explains what the ‘reconstitution’ of the European Union should be based on. He writes here directly: ‘The notion of reconstitution in political science means making changes not in order to question (destroy) what was before – we call it a revolution – but it pertains to such a change which will preserve the continuity of political institutions, with a simultaneous change of parameters of their operation. It also means the establishment of new intermediate targets while maintaining the ultimate goal: European unity. The point is to find new political equilibrium that would fulfil the basic aims and principles the institution in question was formed for and restore its functional efficiency. The European Union needs such a change is today’ (p. 93).

In the next, fifth chapter of the reviewed monograph, Krzysztof Szczerski tries to answer the question of why the EU is not recovering from the crisis, and in the sixth chapter there are interesting reflections on the essence and the new understanding and functioning of sovereignty in common Europe. In the seventh chapter, however, he writes about Europe’s place in the world order and the need to strengthen it.

In my opinion, the subsequent chapters, that is the eighth chapter entitled „Trójmorze: nowa rola i miejsce Europy Środkowej” [‘The Three Seas Initiative: new role and place of Central Europe’], the ninth chapter „Europa wg nauczania św. Jana Pawła II” [‘Europe according to the teaching of Saint John Paul II’], and the final, tenth chapter entitled „Rekonstytucja Europy – założenia programowe” [‘Reconstruction of Europe – programme assumptions’] deserve special attention. They contain the author’s conceptions and ideas as well as numerous hypotheses and theses, with which I do not always agree, but they compel a reflection and stimulate new thinking about Poland, Europe and the European Union. This is the biggest added value of the peer-reviewed publication.

To sum up the above comments on the peer-reviewed book, I would like to emphasise that this is a unique and important publication on our publishing market. Taking into consideration the original and linguistically alluring form of this work, I think that this book will be thoroughly analysed and discussed in the coming years, both by researchers and politicians as well as journalists.

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