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SOUTHERN AND EASTERN DIMENSION REVISITED: THE (POLITICAL) ECONOMY OF TRANSFORMATION PERSPECTIVE

PONOWNA ANALIZA WYMIARU POŁUDNIOWEGO I WSCHODNIEGO EPS Z PERSPEKTYWY EKONOMII (POLITYCZNEJ) TRANSFORMACJI

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Summary: The article presents roots of ENP in two dimensions: eastern and southern. It discusses ENP evolution in two phases, which led to its contemporary shape. It characterizes conditions in which policy is conducted and is pointed at answering question if currently the policy is national or if the EU should make an effort to withdraw from it or the opposite: engage more. Should it change the approach in which more aid is offered for more changes, what in short is called “more for more”. As a proof that policy can be effective in supporting transformation an example of the east states after 1989 is given. It is suggested that ENP should create a FTA. The article shows an important ENP aspect linked with differences: of level of development, followed by labor costs, law and institutional arrangements, and by economies’ branch structures. Attention is turned to ICT resolution, which seem to be main condition bringing together consumption patterns despite differences in development.

Keywords: ENP, transformation, free trade areas (FTA), association agreements (AA), co-operation agreements (CA).

Streszczenie: Artykuł przedstawia korzenie EPS w dwóch wymiarach: wschodnim i południowym. Omówiono w nim dwufazową ewolucję polityki, przeprowadzonych jej zmian, scharakteryzowano jej warunki i szukano odpowiedzi na pytania: Czy EPS ma obecnie rację bytu, czy UE powinna się z niej wycofywać czy bardziej angażować? Czy powinna zmienić założenia warunku KE: „więcej za więcej”? Jako dowód skutecznego wykorzystania działań UE podczas procesów transformacji podaje się przykład państw Europy Środkowej i Wschodniej. Sugeruje się rozwiązania prowadzące do utworzenia stref wolnego handlu rynków państw objętych EPS. Podkreśla się ważny aspekt EPS, jakim jest zróżnicowanie rozwoju, za czym idzie koszt pracy, inne rozwiązania prawne i instytucjonalne, a także zróżnicowanie strukturalne rynków. Zwraca się również uwagę na rewolucję w sektorze technologii informacyjno-komunikacyjnych, które stanowią jeden z warunków upodabniania się modeli konsumpcyjnych w poszczególnych państwach bez względu na ich poziom rozwoju.

Słowa kluczowe: EPS, transformacja, strefy wolnego handlu (FTA), umowy stowarzyszeniowe (AA), umowy o współpracy (CA).

1. Introduction

Conditions in both regions covered by the European Neighborhood Policy (ENP) have changed since the time when ENP was outlined in 2003 and launched after the 2004 enlargement. The ENP was reformed in 2015. The two conditions mean that there is a need to revisit both of the dimensions of ENP in the context of their effectiveness concerning reforms of the (political) economy, which in most cases is labeled as economic transformation. In general the changes of ENP follow the pattern: “more for more”. This approach is constructed upon an assumption that the EU and experts working for the European Commission know better what should be done in the two regions and states embraced by the ENP. Moreover, money financing the ENP projects will help to change the economic system in such a way that it can function without an external guidance and join the main stream of the economy. The study is pointed at finding answers to several questions: Is this assumption correct? What decides about its accurateness or incorrectness? Is it totally wrong to make such an assumption or not? Are there specific areas which need additional support and why is it so? What type of support do they need? The article is structured into four parts, from which the first one addresses the overview of the ENP, the second part deals with the new elements of the ENP the third tries to show what seems to be an advantage of the ENP in case of (political) economy of the transformation, and the fourth indicates the weaknesses of the ENP. All parts deal with the two dimensions – eastern and southern of the ENP, showing common elements and differences which can have an impact on the instruments which can be applied in both cases, priorities which help to pick and shape the projects which could win support from the EU, and finally effectiveness of the policies.

2. Short introduction to the ENP

The ENP is a policy which institutionalizes political and economic cooperation between the EU and Southern and Eastern Neighbors [Gstöhl, Lannon (eds.) 2015]. The tool is aimed at creating close political ties between the two regions and the EU, which is followed by economic integration enabled by approved and established ties. Some of the states covered by the policy plan to become members of the EU, others think about an association or just closer relations. What is the ENP and what does it offer? Trying to answer the two questions we need to make a few observations. Having said that we need to show what type of institutions are engaged in the ENP, what their aim is and how they are changing? The ENP leads to AA, not all the ENP states negotiate or have signed AA. The states which are beyond the ENP and in the group of CIS have not signed AA. The ENP was launched within the framework of European Foreign Policy in 2004 after the historical enlargement of the EU, strongly supported by the new member states from East and Central Europe, which were interested in solutions not creating new divisions in Europe. States strongly

supporting the policy from the group of new MS where the V-4 (Czech Republic, Hungary, Poland, Slovak Republic) and also the Baltic states (Estonia, Latvia, Lithuania). Southern dimension of the ENP was supported by the Mediterranean states from Europe (France, Italy, Portugal, Spain) and the process embraced northern part of African states. The main aim of the policy was to “avoid the emergence of new dividing lines between the enlarged EU and neighbors, strengthening instead the prosperity, stability and security of all” [ENP 2004]. In the past, EU traditionally cooperated in different forms with neighboring states, signing with them some type of agreement.

Before the ENP, all states covered by this policy, were cooperating with the EU, although the cooperation was not so advanced and took different forms: more institutionalized in case of Southern African states, less institutionalized in case of Eastern Europe. Trying to be more precise one should say that shorter was the length of the period in which mutual relations were institutionalized between the EU and states located in the East in comparison with those with the Northern Africa.

The ENP is divided into several dimensions: Eastern and Southern. We can also add Northern dimension (Russia, Norway, Iceland) as well as Balkan dimension (Albania, Kosovo, Macedonia, Monte Negro, Bosnia and Herzegovina, Serbia). Southern dimension includes such states as: Algeria, Morocco, Egypt, Israel, Jordan, Lebanon, Libya, the Authority of Palestine, Syria and Tunisia. The eastern dimension includes: Belarus, Georgia, Moldova, Ukraine. Russia was not interested in participating in the ENP, being included into specialized programs offered by the EU. PCA agreement was replaced with time passing by EU-Russia Common Spaces. Russia is included into the ENP financial instrument. This article concentrates on the first two dimensions of the ENP: the eastern and the southern one.

Table 1. Partnership and Cooperation Agreements between EU and CIS states, Enhanced PCA, ENP

State	Date of signing the PCA*	Date of enforcement of the PCA	ENP
1	2	3	4
Armenia	1996	1 July 1999. EU aspirations. Negotiations of DCFTA**. Action Plan.	–
Azerbaijan	1996	1 July 1999. Action Plan. Aspirations to EU. No FTA provisions.	+
Belarus	March 1995	Suspended PCA ratification.	–
Georgia	1996 (INOGATE)	1 July 1999, AA – Association Agreement, DCFTA, replacing ENP, AA June 2014 (ratification pending).	+
Kazakhstan	1995	1 July 1999, replaced on 17 December 2009 by New Partnership in Action, 2015 Enhanced Partnership Cooperation Agreement. Interest in ENP, discussed by EC	–
Kirgizstan	1995	1 July 1999	–

Table 1, cont.

1	2	3	4
Moldova	1994	1 June 1998, AA 27 June 2014 (ratification pending).	+
Russia	1994	1 January 1997, Four Spaces. Roadmap May 2005	–
Turkmenistan	May 1998	Not entered into life because of grave human rights concerns	–
Ukraine	1994	1 May 1998, AA 21 March 2014 (ratification pending), DCFTA, Action Plan	+
Uzbekistan	1998	1 July 1999	–

* [Żukrowska 2005, p. 39]. ** DCFTA – Deep and Comprehensive Free Trade Area, AA – Association Agreement.

Source: own arrangement based on the EU documents.

East-European states have signed Trade and Partnership Agreements (T&PA) or Cooperation and Partnership Agreements (C&PA). These agreements were signed and ratified in different years within the EU's foreign policy addressed towards former republics of the Soviet Union, which created the Commonwealth of Independent States (CIS) [Parzymies 1997, pp. 171-187] and tried to liberalize regionally their economic relations within two economic groupings which were in permanent flux, changing number of states participating, moving from one grouping to another and finally altering the formula of cooperation. The first grouping called Eurasian Economic Community (EurAsEC) was founded in 2000 with five participants: Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan. In 2006 Uzbekistan joined the forum. EurAsEC was designed in form of common market following the EU model of institutional arrangements. EurAsEc was followed by Single Economic Space (2003) of Belarus, Kazakhstan and Russia. In 2006 the EurAsEc was transformed into a customs union what was followed by a change of the name of the grouping from EurAsEc to Eurasian Customs Union.

The second group is GUAM (abbreviation created by the first letters of names of the participating states – Georgia, Ukraine, Azerbaijan and Moldova). This organization was established in 1996 first as a consultation forum, further also as a military and security arrangement and finally also as a free trade agreement which headed towards development and prosperity. In their concept both organizations in a way show similarity to EEC (1957) and EFTA (1960) in Europe, as the first one was established as customs union, and the second as free trade agreement, leaving the trade policy to be decided in each member state.

It is worth reminding that Europe Agreements and Trade and Partnership Agreements concluded by the EU with countries who became in 2004/2007+ enlargement-members of this economic organization were signed in parallel with agreements establishing free trade among them. The most important

agreement of that type was CEFTA established in 1992 by the Visegrad states¹: former Czechoslovakia, Hungary and Poland. CEFTA enlarged in the division of Czechoslovakia into the Czech Republic and the Slovak Republic, which was followed by regular enlargements of Slovenia (1996-2004), Romania (1997-2007), Bulgaria (1999-2007), Croatia (2003-2013), Macedonia (2006), Albania (2007), Bosnia & Herzegovina (2007), Moldova (2007), Serbia (2007), Kosovo (2007). Free trade in the region prepares states to competition with regional partners and expands the market, making it more attractive for FDI inflows. Membership ends with the accession to the EU, when a state becomes a member of the EU and is included into the EU’s common trade policy.

The institutional ties with the EU covered different fields, what can be divided into four categories: financial support, economic integration, easier travel to the EU, technical and policy support. Defining this cooperation more precisely it can be said that budget general allocations in the former multiannual perspective for years 2007-2013 were 12 billion euro for all projects financed within the ENP. Special conditions of access to the EU market have resulted in the increase of the trade turnover, which in 2011 reached the level of 230 billion euro. An indicator of easier travels to the EU states is the number of Schengen visas which were issued to citizens from the ENP states. It was totaled to 3,2 million in 2012. The figures included youth and students. More detailed information about the allocation of the EU money covered such areas as financial support for administration building, infrastructure, supporting NGO’s and civil society, research and development, etc.

Table 2. Institutionalization of relations between EU and ENP states in North Africa

State	Agreement with the EU	Action Plan	EU aspiration
Algeria	AA, September 2005	2004	No
Egypt	AA June 2004, FTA provisions	2006	No
Israel	AA June 2000, FTA provisions	2004	No
Jordan	AA, May 2002, FTA provisions	2004	Yes
Lebanon	AA, April 2006, FTA provisions	2006	No
Libya	Negotiations of Framework Agreement started in November 2010		No
Morocco	AA March 2000, FTA provisions	2004	No
Palestinian Authority	Interim AA, July 1997, FTA provisions	2004	No
Syria	CA, 1978, updated AA initiated in December 2008, signed by EU, Syria delayed signature. Ratification pending		
Tunisia	AA, March 1998, FTA provisions	2004	No

AA – Association Agreement. FTA – Free Trade Agreement, CA – Cooperation Agreement.

Source: own arrangement based on the EU documents.

¹ Visegrad states are now referred as V-4. V-4 is focused on political cooperation of the four states in Central Europe. The most important decision of V-4 was the establishment of CEFTA. More information: [Parzymies 1997].

There is a number of regional arrangements in Africa, which were established between 1970-2005. In North Africa there is the Arab Maghreb Union (AMU) functioning since 1980, but the idea was born in the middle of 1950s. AMU embraces Algeria, Libya, Mauritania, Morocco and Tunisia. States belonging to AMU also signed the Arab Economic Community (AEC) without participating in the pillars of AEC which form multiple regional blocs, such as CEN SAD (1998), COMESA (1994), ECOWAS (1975), EAC (2001), SADC (1980), ECCAS (1985), GAFTA² (2005), CEPGL (1976), COI (1984), LGA (1970), MRU (1973).

The complicated “spaghetti bowl” of the African free trade agreements, in which states plan to transform into internal single market (2019), is seen as a foundation for a monetary union in 2028. It is interesting that more economically advanced states are integrated with the EU and with one another, while less developed economies are also tightly (institutionally) linked one with another in strongly overlapping regional structures. States covered by such agreements are not scared by regional liberalization as they do not have much to trade or protect. They also represent more or less similar level of development within the groupings which they form in the created agreements. They are linked with more advanced economies and they lean on them. In general this complicated pattern of liberalization is grounded in a certain type of consecutiveness and gradualism. The existing protection resembles a frame dam, which can be raised any time in part of the states, causing better access for remaining markets. Such a decision requires a preparation of institutions, laws, infrastructure, administration and education of people. Most of the states from North Africa are reluctant to join the EU, they feel African ones, which means that they are not entitled to join the EU. The membership perspective was seen as a strong incentive in case of states which have joined the EU in 2004+. The article of the treaty stating that only a European state can become a member of the EU can be changed with strong pressure of those who fulfill the remaining membership conditions. A future member of the EU, according to the Copenhagen Criteria (1993), has to be a functioning market economy and possess capacity to face the competition and market forces on the EU market. A candidate should also retain stable institutions guaranteeing democracy, followed by the rule of law, observing human rights and respect for and protection of minorities. The future member should be able to shoulder and implement the obligations of a member. This includes the goals shaped by political, economic and monetary union. All this brings obligations to comply with the EU’s standards and rules, having consent of the EU institutions and the MS, which also implies the consent of the citizens of the MS, expressed by the approval by national parliaments or referenda.

Returning to limits which are designed by borders of Europe it should be said that currently some members of the EU break this regulation. It is enough to say that

² GAFTA covers Egypt, Libya, Morocco, Sudan and Tunisia. Four of the mentioned states participate in ENP and are associated with the EU (with the exception of Libya, which negotiates the agreement). In majority of the regional groupings FTA and custom unions are fully in force.

Cyprus lies geographically in the African latitude, as well as overseas territories of Portugal or Spain. Finally, Turkey which spreads into the Asian geographic latitude – negotiates the EU membership.

In case of the eastern dimension needs are different. People are skilled and in most cases laws and institutions are imposed. Nevertheless, they are not used for the benefit of the whole nation or state but individuals. It is not enough to introduce laws and institutions as institutions have to be used in a decent way and laws follow. Corruption seems to be a big problem in most of the newly established democracies and market economies. Most of the eastern states covered by the ENP plan to join the EU.

The ENP supplies the neighbor states with a pattern which forms frames for changes helping the state to become an effectively administered market economy and well-functioning democracy. This is achieved with the support of expertise, financial means and control. The pattern of changes is prepared by a country and submitted as the declaration of an action plan to the Commission. In the next phase plan is evaluated by the Commission, what, with the discussion of the state, leads to the adoption of the plan. With some corrections included, after some changes the plan is approved by the ENP partner. The Action Plan is designed always by an ENP state for a certain period of time. Practice shows that such plans are adopted for 3-5 years. Such spread in time when the fulfillment of the plan has to be achieved, gives some flexibility to the states as far as certain difficulties can occur during its realization. Moreover, time bracketing gives a free hand to politicians of the state concerning the dynamics of changes. If they are able to introduce planned changes in shorter time, the state can move to another Action Plan – speeding up implementation of the goals, including the development goals. When the realization takes a longer period but falls into the number of years included in brackets – nobody criticizes a performer and even applauds him/her and his/her achievements. This is done in reports prepared by ENP states and the evaluation of the achievements by the Commission in launched progress reports.

The model uses very similar methods to those which were applied in the accession process of the states which joined the EU in 2004 and after. Declarations of needs and changes, schedule of changes, its consecutiveness and timing are evaluated by the European Commission but are always seen as own, national action plans. Positive role in this respect is also played by the fact that the ENP state receives money helping it to achieve the planned goals reducing the financial burdens of such an activity which otherwise would be financed wholly by the financial means coming from the budget. Finally, last but not least, external control of what was planned and what the costs of that enterprise were, and what was achieved in the planned timing – is evaluated by the European Commission. This means that there is a type of external control – what seems to be important in case of newly born political actors in new democracies, who can follow different patterns of behavior, namely making a long list of promises which cannot be fulfilled as they are utopian, populist and

unrealistic. External evaluation helps to bring to ground such projects, what in turn increases its effectiveness.

Such an approach used as a criterion of sovereignty is designed in such a way that in all stages of preparation of the action plan there is an external reader and evaluator involved in the project. Nevertheless, the final outcome of such a discussion which accompanies the preparation of the action plan is not perceived as dictatorship but rather as a piece of advice, which helps to focus on the main problems and pushes the administration to fulfill the prepared plans. The second problem worth stressing here is the report of realization of this what was planned. In other words the external body controls how money from the EU general budget was spent, what was done and what is left behind and how this can be achieved. It also shows if the financial instrument was properly spent (according to the laws which show that bills have to be reasonable). If the action plan is fulfilled – the Commission is ready to approve the next action plan in a similar way the next action plan. The procedure is repeated.

The method applied here resembles the pattern which was used in case of CEFTA states within their process of accession in 2004. If properly applied – it led to new crediting and approval of the next action plan.

3. New elements of the ENP

Important events had influence on the ENP. The ENP was launched in 2004, after the EU's historic enlargement by 10 states. It was revised in 2011 in reaction to the Arab Spring Uprising. Next changes came in 2015, adjusting the ENP to new conditions which included the global strategy of the EU. Currently the ENP covers such areas as: (1) good governance, democracy, rule of law and human rights; (2) economic development for stabilization; (3) security; (4) migration and mobility. The applied policies followed by specific solutions are recently oriented on flexibility, which helps to adjust it to new circumstances and priorities. The ENP works in a simple way. Cooperating states prepare projects shaped with the use of the priorities of the ENP. The projects, if they get approval, get also financing. Partners of the ENP report what they have done and when the reports are accepted so they get more money to continue the projects. The idea is that the EC monitors the activities declared by partner states.

The projects financed by the European Neighborhood Policy Instrument (ENPI) help to build institutions, support their effective functioning, assist in law harmonization, etc. They are also aimed at changing the environment for companies to function effectively. In details this includes such areas as: (1) financing; (2) energy; (3) health; (4) small and medium companies; (5) sanitary and phytosanitary regulations; (6) public and finance management; (7) public procurement; (8) competition; (9) customs; (9) taxes; (10) agriculture; (11) consumer protection; (12) statistics; (13) civil protection; (14) climate change; (15) environment; (16) intellectual property rights; (17) space; (18) education, youth, culture; (19) employment and social issues;

(20) information society; (21) mobility/justice and home affairs; (22) research [[https://eeas.europa.eu/...](https://eeas.europa.eu/)].

This list shows that the European Commission tries to cooperate in most of the fields, which leads towards the creation of background for properly functioning democratic state with a relatively well established market economy. Originally the process of the creation of such conditions lasted decades with external support of the experts who knew how to prepare such changes. Nowadays the process is more effective and needs less time. Such a model of changes eliminates also most mistakes (loopholes and lack of precision) as it incorporates the experience of those states which have already gone through all problems. The ENP has offered a model of external support for partner states, which was built upon a simple assumption of “more for more” [[http://eu-med.blogspot.com/...](http://eu-med.blogspot.com/)]. This means that if a country does more, it can obtain more in the financial transfers. Supported activities prepare a partner country to become an attractive market for FDI. This incorporates changes in all the sectors: public, economic, finances, banking, infrastructure, etc. Aid money is not the only source of financing available on the market which can be used to stimulate development. Aid in all international relations is replaced by the investments of external capital. This model works following a simple approach: one can create jobs and reduce unemployment with the use of foreign savings – not having own savings, those foreign savings are transferred from one market into another one in a form of the FDI. To attract the FDI a market needs to have reliable policies, convertible (stable) currency, qualified labor force, effective administration and developed infrastructure (roads, communication lines, internet). The EU offers support to built such capacities. Not always such an offer is approved in full by a partner country. Moreover, not always it is used in full available capacities. The partner states not always have worked out sufficient capacities to use all the offered potential of development cooperation. Moreover, states are often suspicious what is hidden behind such generous offer. More often they see exploitation behind such a model of cooperation than simple human support. Having the past experience with some of the EU Member States they are suspicious of any help and conditions which accompany this model of international cooperation. They have limited knowledge of success of such a model in East- Central Europe. The complexity of cooperation areas, which also include academic exchange, R+D, twinning of institutions – all seem to change this attitude. Nevertheless, this is a very slow process.

4. Advantage of the ENP in case of political economy of transformation

ENP advantages are clear as they supply neighbors of the EU with sources which can be used in changing the economy, infrastructure, its institutions, laws, model of functioning. Cooperation with the EU is also seen by third states as a form of enablement. ENP partners can benefit from the expertise of EU experts, who include

also experts from countries which already went effectively through system changes or institutions such as EBRD, OECD, ECB, etc. ENP offers a list of priorities which are helpful to choose what is more important in changes in different phases of transformation advancement. ENP uses a number of solutions which are helpful in practice and effective in checking how planned things are being coined into practical applications. On the one hand states prepare their own projects which they plan to apply as part of their system change, stating also the timing of the project, while on the other hand, they agree to use co-financing of the projects offered by the EU, work with the EU experts and agree to go through external control of what is done and how the money is spent. Such an external control helps to keep the dates and increases effectiveness of use of the financial sources, as well as is supportive in keeping the track of the planned reforms [Żukrowska 2010b, pp. 19-43]. Without such external leverage a chance increases that after a start to reforms, national politics will guide the reforms towards less effective solutions, chosen according with the short-sighted goals of ruling politicians. This clearly shows advantages of long-sighted goals which domestically always compete with short-sighted ones.

ENP is a useful tool which can be applied in a process of effective multi-level management of changes. External control, in this specific case, increases effectiveness of the process, lowering the costs, reducing the period in which changes are introduced, eliminating a number of mistakes, which would be made in specific areas without support of experts. Having said that, one needs to say that, the same features are seen as source of criticism of the ENP. Those who are against conditionality and external actors participating in the process of shaping process of change of a system, see in the mentioned features of ENP or any other type of external support foreign interference in the internal affairs of a country. In such circumstances, for people with such knowledge and vision of external forces participating in changes, ENP can be seen as a tool which works in benefit of external environment and foreign players, which is a wrong vision, built upon limited knowledge of economics and particularly development economics.

ENP should be directed by similar steps as those directed to all African economies in their new development strategy. The core of those steps, the main philosophy is similar to the one that was applied in transformation strategies of the East Central European states [Żukrowska 2010a, pp. 270-273]. There is only one difference, which is clearly articulated now. This new element is linked with the social standards. From the very beginning of transformation social issues were under control but this fact was not openly articulated. Now it is and it can be seen in case of both dimensions of the ENP: eastern and southern. The six steps formulated for Africa are following [*Future Development* 2017]: (1) creating free regional trade agreements, (2) continuing four liberties in the FTA's, (3) creating channels for communication of land-locked territories, enabling them to participate in trade by giving them access to transport routes (trains, roads, sea, air); (4) bringing security and stability into the region; (5) supporting governance of process of market and democratic changes; (6) introducing

control over migration and mobility, supporting such areas as cultural, educational, research, scientific and professional training. It becomes also important that on top of specific solutions made within the neighborhood areas also partner states should be included in the model of cooperation, that is aimed at stimulating growth and changes. This new aid effort should be addressing social services improvement (education, medical care, free time, human capital, infrastructure, banking services, housing, communication, information services, etc.). Partners should allocate increased financial support for the development of ITC infrastructure with specific attention paid to electric, health, water supply followed by development of roads, railways, ports, transport links, etc. Finally the partner states should continue to keep a preferential access of the catching-up economies to their developed markets. This should be done without following the strict rules of origin or eligibility criteria. The list shows that on one hand there is a list of priorities that have to be fulfilled in case of the ENP states but there are also specific obligations on the side of partner states. Each of the partners needs to take his/her own time and pick own dynamics of changes but the selection of own strategy needs to take into account the fact that the partner states have vast experience in international cooperation stimulating growth and self-financing of changes, which start with the seed capital from abroad.

5. Weaknesses of the ENP today

Weakness of the ENP seen today is linked with the problem of comprehensive and pervasive populism, which rejects liberalism and democracy, what is accompanied by criticism towards conditionality and engagement of international structures. This means that a model of transformation which was approved in 1989 and by a number of states used as guidance and stimulator of changes, today has a strong competitor built upon national solutions, centralized political power and self-reliance.

The EU points at creation of a democratic model. This is not the only experience in the world. The EU has a strong “competitor” in China, who also offers financial support but at the same time does not give priorities, does not control what is done with the offered money, finally does not use conditions in granting financial support. China and Vietnam are both examples of success stories of states who changed their economies but stayed with an unchanged political system. This shows the partner states that perhaps there is another model of changes not leading towards democracy and market economy built and achieved in parallel processes, but a type of hybrid system, more centralized and by that more effective. This vision gains support especially when one compares the two Asian big states: China and India. First a communist regime, which has built a strong, powerful economy, which brings big surpluses on the current account and enables accumulation of reserves, causing need to invest abroad. Second, India, a relatively well established democracy, but performing with much less successes than China. Nevertheless, current rules, current government in India, tries to ruin such a vision, showing that also in a catching-up or

emerging economy democracy and market building in parallel processes is possible and can be effective [Sliding Modi's Premium 2015].

Two different approaches: the Chinese and European towards external and development aid are different and bring about more hesitations into the subject concerning how external aid should look like. China offers the construction of administrative buildings, support development of infrastructure at the same without any specific conditions in return. Europe offers money but demands from partners to use them in specific (although numerous) fields following specific priorities and guidelines. Finally the realization of the project agenda is in its case controlled, as the EU checks if the declarations are followed and timing is kept. The two approaches are clearly different, the second one can be seen as an attempt to intervene from outside what, when and how has to be done. The other reflects a typical donation behavior from a supporter to a beggar, showing that there are no specific ties attached. China is now trying to escape from a quick accumulation of capital in reserves, which otherwise would stimulate the appreciation of the Chinese Yuan and in consequence lower price competitiveness. This is not all, China is doing the investments in African, Latin American or Asian states, seeing in them future business partners.

Europe finances aid from taxes. The interest is simple here. Europe creates conditions in which partner states could rely more on their own policies in the future. The ENP projects are not the only ones which are pointed at development. Europe also offers advantageous conditions of access to its markets. This is done within free trade access for the less developed markets. This is also offered in a set of free trade agreements for remaining markets. Such policy is often criticized as economists say: Europe offers access to its own market to economies which do not have anything to export. Nevertheless, such access is also one of the attractions for investors and their capital. They may come and invest into those emerging markets because they have access to the EU market. This is an indirect effect of such a policy. The other thing is that capital is not interested to come and to invest, when the exchange rate of the local currency is unstable and shaky, when administration changes often rules for the business (taxes, location, approval of FDI, state-private ownership, etc.).

Often emerging markets remember that export from developed economies is carried out with better terms of trade than the exports from developing economies. Such a theory was presented in the 1960's by H. Singer and R. Prebisch. Nevertheless, current practice does not support this vision much [Żukrowska 2010c, pp.11-30]. Nevertheless, old knowledge lasts longer before it is replaced by the new one. Next problem is a flexible approach applied by the EU currently, concerning the membership in GATT/WTO before signing an agreement on free trade [Zajączkowski 2016, pp. 85-104]. Until the last two decades the EU demanded membership in GATT/WTO before signing an agreement liberalizing trade with a partner. This was a good practice which is not followed recently and the EU should return to that condition as WTO membership changes a number of solutions on trade and presence of the state in the economy, which increases predictability of behavior of a country in its foreign relations and solves quite a lot of legal arrangements.

Seeing the two approaches and knowing what, why and when is preferable by the partner states and what, why and when is needed – the EU and China should join their forces and work together on development economics.

Current situation requires coordination of action of different actors who are engaged in supporting development. First of all this includes the two mentioned bodies: the EU and China inclusion of additional states like the USA, India, Russia – with such a construction of the agreement that it would be open to those willing to join and support development in the two regions in question. This should and partially does include the UN family of organizations devoted to development: this embraces the International Bank for Reconstruction and Development (IBRD, known also as the World Bank), the International Finance Corporation (IFC), the International Development Association (IDA), the International Centre for Settlement of Investments Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA). Total lending capacity is approximately 120 bln USD. Activities are focused on governance and laws, which is accompanied by development aid and low interest crediting. Activities conducted in the early stages prepared for bigger FDI inflows, prepare the ground for foreign investors [World Development Report 2017]. Remaining, mentioned agencies and states show interest in financing development. Current stage of international relations brings back interest of the developing states in approving aid offered by states, which seems to be a new feature. In the past the country's support was replaced by aid offered by international organizations as direct financial relations between two states were seen as ties making the recipient dependent on the donor. It happened when donors represented developed states. Currently states-donors represent emerging economies, which have been successful in development and their development has been quick and done in current conditions characterized by globalization, liberalization and regional free trade agreements. The new donors are not demanding, do not give priorities but offer opportunities. Looking into explanations offered by the World Bank one can get the whole picture of development strategy, which shows that the mentioned offers of China, the EU and the World Bank are not competing but supplementing one another [Żukrowska 2008, pp.75-85]. According to the EU there is need to develop infrastructure and Chinese initiative of One Belt One Road creates railway infrastructure connecting different states and their economies between China and Europe. The responsibility of the state, which lies on the road, is to connect the hubs on the One Belt One Road with their agglomeration centers. Proper, effective use of the available money needs good governance, reduction and elimination of bribery, effectiveness of use of the sources and a good plan connecting available initiatives. Those who will see the available solutions in such a complex way can have a chance to use them according to their own national interests stimulating development. Those who will be suspicious or unable to use the offered opportunities can lose a chance which is given at this specific point of development. Misuse of money works in two ways: the donors become disappointed and change their policy from more flexible approach to more

restrictive one and the recipients stop to believe that aid money can be used to their advantage, bringing wealth. Success has political support, failure gains criticism and withdrawal of support.

6. Conclusions

The ENP can be seen as an important initiative and interesting concept. Nevertheless, reality often shows that good concepts turn to be too idealistic in confrontation with the realities. It also happens in case of the ENP, despite the fact that the policy itself from the period it was invented and launched has been adopted to new, changing conditions forming background for the cooperation. There are no doubts that experts in the EC know what has to be done in the partner states, but the partners have to follow the guidelines and this is problematic. Recently it has become clear that the EU has to look for some new partners for the ENP policy and coordinate moves applied to the neighboring states. This is not an easy task but seems to be necessary in order to obtain expected effects of development changes and wealth in the economies covered by the ENP. The concept is not built upon the visions that there should be more actors engaged in the financing of the applied policy in which the EU takes the lead saying what can be done with the available funds. The idea is simple here: there are some more actors who try to support the development of the two regions covered by the ENP. Those namely are: the IMF, the World Bank with its regional branches (the EBRD – in case of eastern dimension and the World Bank Development Group with the United Nations Development Group), the USA, China, India and Russia. Without coordination of moves of the mentioned actors, the results in the region can be poor, which means that they will not lead towards expected results [Żukrowska 2016, pp. 257-300]. It becomes clear that developed, OECD states prefer to do business with emerging and developing economies than to increase taxes and pump the money into developing economies repeating that this is done because of the humanitarian reasons. Doing business requires deep changes in the economic and political systems of the emerging markets. It is beneficial to states which are developed as well to those which are in the process of catching-up. Without such changes the catching up economies will increase their dependence on the rich ones and this will be accompanied by the lack of internal changes bringing development and creating employment.

Globalization has its requirements but brings also big opportunities. Some economies profit from that while others lose. Researching case studies illustrating both success stories and failures, best conclusions and advice for own practices that can mark the trajectory of change for a country can be drawn. The full list of things to do embraces internal policies, which include convertibility of currency, liberalization of economy, stable and predictable laws, well-functioning institutions, responsible administration, which knows what it wants to do and how to achieve the goal step by step with the available sources. In external relations the country

should institutionalize its relations in the region, between regions and globally. The two levels of changes should be intertwined, the moves have to be done in specific consecutiveness in order not to bring chaos into the state and its economy. This means that on top of global institutions the country should be engaged in regional and interregional agreements.

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