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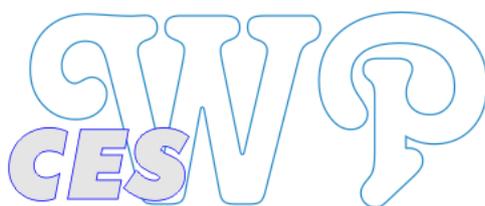
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Volume XII, Issue 3, 2020

Table of contents

Towards sustainable development in post-transition European Union states	167
<i>Laura DIACONU (MAXIM)</i>	

The concept of “normative power” of the EU as a factor in the successful development of integration processes in the Black Sea region	179
<i>Mykola POPOV</i>	

Impact of the EU Deep and Comprehensive Free Trade Area Agreements on Trade Performance of Georgia and Moldova	198
<i>Emir ETERIA</i>	

Effect of hot money on stock exchange index exchange rates and interest rates: the case of Turkey	213
<i>Gamze ŞEKEROĞLU, Melek ACAR</i>	

The territorial development of Mukachevo’s eparchy in the Middle Ages and the early modern period	228
<i>Vavrinec ŽEŇUCH</i>	

Towards sustainable development in post-transition European Union states

Laura DIACONU (MAXIM)*

Abstract

Even though the sustainable development concept has been largely debated in the literature and its essence is very clear, the way in which it is implemented differs between countries and regions. The main challenge for the European Union is to tackle the differences in the development level between and within the member states, especially in the countries that joined the EU in the 21st century. The purpose of the present paper is to analyze the challenges and opportunities of the sustainable development in the post-transition European Union states, between 2010 and 2018. Although our results show that all the investigated states have made considerable progress in achieving a higher level of sustainable development during the analyzed period, the decision makers should take a more holistic long-term approach. This would involve closer cooperation between public sector, private sectors and nongovernmental organizations in taking environmental and socio-economic decisions.

Keywords: sustainable development, post-transition European Union states, economic growth, social development, environmental protection

Introduction

The fall of Berlin Wall in 1989 and the subsequent dissolution of the Soviet Union in 1991 led to significant political, social and economic confusion, as countries transitioned to democracy, but also to optimism, since the road seemed to be open for the reunification of a divided Europe. Thirty years after the end of communism, the European Union includes eleven post-communist member states. All of them attempted to restructure their economies in the direction of free, competitive markets and democratic capitalist societies. However, they did not do this at the same speed and to the same degree. The evolution of these economies has been very different, depending on particular features of the socio-economic, political, institutional and cultural environment. Despite all the progresses they have made, the post-communist Central and Eastern European Union (CEE) members have not already reached optimal development levels, as many issues are still in need of improvement. It is considered that aspects related to social justice and environment are the key problems that have

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to be solved by these countries in developing a path towards a sustainable future (Sullivan and Briant, 2013). During the communist regime, social justice issues were disregarded, while the society was informally divided by classes: the poor ones – the majority of the population, and the wealthy people – the ruling elite (Kryshtanovskaya and White, 1996). Therefore, social equity was replaced by corruption, poverty and lack of fundamental rights (Deacon, 2000). Meanwhile, the environment was not an aspect taken into account in the communist strategy of increasing industrial output within a small time frame and at the lowest costs. Consequently, many countries confronted with water and air pollution (Bulgaria, Hungary or Romania) or with deforestation (such as Czechoslovakia and Poland). The lack of the environmental awareness added to all these negative consequences (Sullivan and Briant, 2013).

Therefore, the main challenge for the European Union is to tackle the differences in the development level between and within the member states, especially in the countries that joined the EU in the 21st century. As stated by the EU strategy, these differences are one of the largest threats for the sustainable development of the Union, since they can adversely affect its socio-economic functioning (European Commission, 2007; European Economic and Social Committee, 2019). In order to closely monitor the changes in the level of development of the member states, EU uses the Sustainable Development Indicators. They offer an overall picture of whether the European Union has made progress in achieving the objectives and targets of the sustainable development strategy.

The purpose of the present study is to analyze the achievements made in economic, social and environmental areas registered by eleven post-transition European Union countries and, based on these aspects, to identify the challenges and opportunities of the sustainable development in these member states. In order to achieve this objective, we have used a quantitative method that involved five steps, with the help of which we have analyzed the data collected for a selection of the global sustainable development indicators, for the period 2010-2018.

The rest of this paper is structured as follows: the next section briefly summarizes the literature on the sustainable development, with a particular focus on the Central and Eastern Europe (CEE) states. The third section presents the methodological approach and the last sections highlight the results of our analysis and the conclusions.

1. Theoretical background

Literature's approaches of the sustainable development concept are focused especially on the balance between three main dimensions: the pursuit of economic growth, social integration and

environmental protection, so that not to endanger the capabilities of future generations to meet their needs (Bluszcz and Kijewska, 2015).

Economic growth is one of the most important policy goals across the world (Moldan *et al.*, 2012), having a large theoretical and empirical approach. Between 1990 and 2009, most of the CEE countries had registered impressive productivity gains, driven especially by manufacturing sector. This has been accompanied by a substantial inflow of foreign direct investment to industry and by financial and business-related services (Bijsterbosch and Kolasa, 2010). Actually, even if immediately after the fall of the communism the CEE region faced large technological gaps, in the beginning of 2000's it benefited from large spillovers of foreign direct investment (FDI). Later on, the outbreak of the financial crisis has also considerably reduced the FDI inflows. Overall, the economic crisis has differently affected the CEE countries, depending on some particular conditions existing at that time and on the economic measures taken by the decision makers (Iacovoiu, 2013). Yet, most of these economies have already recovered since 2013. Some of them have even experienced a significant expansion in 2017-2018 due to private consumption, increasing fixed asset investments and exports (Coface, 2019). This was especially the case of Poland, Hungary and Latvia. Even though some empirical studies noticed that the tendency toward equalization of income levels usually occurs within homogeneous groups of countries, the evolution of the economic growth in the CEE states differed. Thus, between 1995 and 2018, the best performers in economic growth were Lithuania, Latvia, Estonia and Poland. Meanwhile, Romania and Bulgaria registered the poorest growth performance (Rapacki and Prochniak, 2019).

Together with the economic growth, environmental and social issues received a large approach in the empirical and theoretical studies focused on sustainable developed. The social dimension of the sustainable development concept has been related to various aspects: social cohesion (Penninx *et al.*, 2004), living standard, demographic changes (Stec *et al.*, 2014), issues related to health protection (Barton, 2000) or social equity (Bramley and Power, 2009). The social equity has often been regarded as equitable access to aspects of everyday life, such as education and training, public services, culture and recreation (Gordon *et al.*, 2000). In the case of the post-communist EU members, it was argued that the centrally planned system left social inequality and contributed, to a large extent, to the environmental deterioration (OECD, 1999). Moreover, between 1990 and 2000, consumption fell and income distribution became more unequal, with the lowest earnings in the Czech Republic, Hungary and Poland (Flemming and Micklewright, 2000).

Social sustainability could be regarded as a positive condition within communities and, meanwhile, a process within communities that can achieve that condition (McKenzie, 2004). As some researchers argued, social sustainability is the only foundation on which meaningful environmental

sustainability can be grounded (Dillard *et al.*, 2009). Meanwhile, other empirical studies have highlighted the relation between environmental deterioration and economic growth. Archibald and Bochniarz (2008) argued the environmental Kuznets curve on six CEE states (the Czech Republic, Slovakia, Bulgaria, Poland, Hungary and Romania), stating that environmental pollution rose as income increased, after 2000.

Therefore, achieving sustainable development in CEE states could mean a better quality of life, a cleaner environment, a higher level of social activity and more effective public governance (Cichowicz and Rollnik-Sadowska, 2018; Raszkowski and Bartniczak, 2018). According to European Commission and United Nations, EU should pay particular attention to the following aspects while monitoring the progress towards achieving sustainable development in the member states: reducing poverty, eliminating hunger, achieving food security, improving nutrition, promoting sustainable agriculture, ensuring well-being for all, providing an inclusive and equitable quality of education, promoting lifelong learning opportunities for all, achieving gender equality, promoting sustainable economic growth, ensuring sustainable consumption and production and combatting climate change and its consequences.

2. Research methodology

The sample analyzed in this article includes eleven post-communist Central and Eastern European Union members: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

The data was collected for a selection of the global sustainable development indicators, established by United Nations, corresponding to the 17 sustainable development goals, considered by European Commission in analyzing the member states' progress in the implementation of the three dimensions of sustainable development. The data was collected from Eurostat database, for the period 2010-2018. The indicators corresponding to goals 14 and 15 were not included in the research because of the absence of statistical information for the considered period.

In order to achieve the established objective, we have used a quantitative method that involved the following steps:

- Selection of the indicators. According to their nature, each indicator was considered to be stimulus or non-stimulus (see Table 1 in the Appendix part). We considered that stimulus were those variables for which an increased value indicates the desired development of the studied phenomenon. Meanwhile, non-stimulus indicators were those variables for which a decrease of

the values indicated the desired development of the studied aspect (Strahl, 1984). We made this classification in order to see the direction of the indicators' trend.

- Normalization of the variables' values in the range 0 – 1. Afterwards, we have aggregated the indicators into the three dimensions by using equal weights.
- Calculating indicators of development for three studied dimensions: social, economic and environmental, for each country, in the analysed period: 2010-2018. In order to do this, we have computed the average values of the indicators for the above-mentioned period.
- Classification of the EU countries according to the relative level of sustainable development.

For the economic dimension, four goals were considered (with the corresponding indicators): decent work and economic growth; industry, innovation and infrastructure; reduce inequalities; partnerships for the goals. The social dimension was analyzed with the help of the five indicators, namely: no poverty; zero hunger; good health and well-being; quality education; gender equality. The environmental aspect was considered from the point of view of clear water and sanitation, affordable and clean energy, sustainable cities and communities, responsible consumption and production, climate action, peace, justice and strong institutions.

3. Results and discussions

The implementation of sustainable development's dimensions did not vary much among the 11 analyzed states, as confirmed by the low value of the coefficient of variation. However, countries from the sample were highly diversified in terms of the indicator characterizing the "zero hunger" aspect.

In each subsequent year of the considered period, the countries made progresses in all three dimensions – economic, social and environmental. Yet, some goals were better achieved than others. It is the case of "good health and well-being" – for which value of the "share of people with good or very good perceived health" increased for men in seven countries and for women in six countries, "quality education" – which had positive changes in almost all the countries, for both men and women, in two indicators "tertiary educational attainment" and "employment rates of recent graduates", "affordable and clean energy" – all three indicators being smaller in 2018 than in 2010 in almost all the states, "decent work and economic growth" – the "real GDP per capita" was higher in all countries in the end of the analyzed period, "industry, innovation and infrastructure" – which registered an increase in "gross domestic expenditure on R&D by sector" in 8 countries, "sustainable cities and communities" – recycling rate of municipal waste systematically increasing, and "climate action", all states having a lower "greenhouse gas emissions". Meanwhile, unfavorable trends were noticed for the "gender employment gap" and "reduce inequalities" indicators in most of the analyzed countries.

Calculating the development indicators for the three dimensions of the sustainable development, we notice that the smallest variations in values among the analysed states were registered for the economic aspect, while the environmental and social dimensions had the highest variations. The position of the 11 countries in the three dimensions and the obtained scores can be seen in Table 2.

The analysis of all these indicators allows us to assume that the main challenges for the EU in implementing the sustainable development concept in the 11 post-transition CEE members are related to social stratification and depletion of natural resources. Among these two, social social stratification remains the major challenge for the CEE countries. Sustainable development cannot be achieved if an extensive part of society is at risk of poverty and income gaps are very high. Actually, this should be the major concern of the EU officials, since the stratification may lead to other important negative consequences, such as social exclusion, increased rate of criminality, unemployment and poverty. Another concern should be related to the resource depletion faced by CEE countries, due to the increasing demand for raw materials. Up to a certain point, it could be viewed as a normal phenomenon for the developing states that are trying to catch up with the developed world. Yet, on long term, it is important to implement rational resource policies and focus more on renewable energy sources.

Table 2. Ranking of the 11 post-transition EU states and indicators' values for the three sustainable development (SD) dimensions: social, economic and environmental, between 2010 and 2018

Ranking*	Country	Synthetic indicator of SD**	Social dimension		Economic dimension		Environmental dimension	
			Value***	Position	Value***	Position	Value***	Position
1	Lithuania	0.6033	0.48	6	0.38	4	0.95	1
2	Slovakia	0.5667	0.55	5	0.39	3	0.76	4
3	Slovenia	0.5400	0.71	1	0.42	2	0.49	10
4	Latvia	0.5333	0.40	9	0.35	5	0.85	2
5	Czech Republic	0.5133	0.66	2	0.38	4	0.50	9
6	Estonia	0.5100	0.61	3	0.44	1	0.48	11
7	Croatia	0.4933	0.45	7	0.35	5	0.68	7
7	Hungary	0.4933	0.42	8	0.31	7	0.75	5
8	Poland	0.4867	0.56	4	0.34	6	0.56	8
9	Romania	0.4733	0.35	10	0.28	9	0.79	3
10	Bulgaria	0.4300	0.29	11	0.29	8	0.71	6

Source: Author's calculation base on Eurostat Database (2019)

Notes: *The ranking was made by taking into account the value of the synthetic indicator of sustainable development;

** The synthetic indicator was calculated as a non-weighted arithmetic mean of the three sustainable development dimensions' values;

*** Indicators' values for the three sustainable development dimensions were calculated as the non-weighted arithmetic means of normalized values.

The results revealed some opportunities that can be exploited by the CEE states in the coming years. The positive changes in the field of education, in general, and in tertiary education, in particular, in almost all the analyzed states, together with increasing recycling rate of municipal waste, adopting cleaner energy and reducing greenhouse gas emissions could represent the basis for enhancing higher ecological awareness. This might be extremely important for sustainable development for several reasons. Firstly, through ecological education can be influenced the attitudes and perceptions regarding the surrounding world in the direction of respecting the environment. Secondly, an interdisciplinary approach might raise the awareness about environmental risks and their causes and effects. Thirdly, education could stimulate individual and group initiatives to protect the natural environment.

Conclusions

The analysis of this paper was focused on eleven post-communist Central and Eastern European Union members. The data was collected from Eurostat database for a selection of the global sustainable development indicators, established by United Nations, corresponding to the 17 sustainable development goals, for the period 2010-2018.

Our findings show that the dimensions of the sustainable development have registered a gradual improvement in the analyzed states, fact that might suggest a positive trend for the future. However, up to now, none of the analyzed countries is characterized by a favorable situation. Comparing the synthetic indicator of sustainable development, Lithuania is the leader of the ranking, while the last position is taken by Bulgaria.

In terms of environmental protection, Lithuania and Latvia were the leaders among the states from the analyzed sample. Meanwhile, Slovenia and the Czech Republic recorder the highest progresses in the social dimension. Slovenia, together with Estonia, also registered the highest economic growth. At the opposite pole, the worst economic situation is shown by Romania, closely followed by Bulgaria. Bulgaria is also on the last position in the social dimension ranking. Meanwhile, the lowest progress in the environmental aspect was registered by Estonia. Another important result of our study highlights that the largest differences between the eleven analyzed states were in the social and environmental dimensions. Actually, it was noticed that the main challenges for the EU in implementing the sustainable development concept in the 11 post-transition CEE members are related to social stratification and depletion of natural resources. The results of the study could motivate the decision makers to take specific actions in the CEE countries. For these economies, sustainable development should also be perceived from the perspective of an important goal in

eliminating the differences in the quality of life within and between EU states. To achieve this goal, a regulatory framework that includes key social, economic and environmental aspects play an essential role for the route towards the sustainable development in the eleven post-communist Central and Eastern European Union economies. Meanwhile, a closer cooperation between public sector, private sectors and nongovernmental organizations in taking environmental and socio-economic decisions is vital.

The results of this study can be viewed as an introduction to other research projects. One future research direction could include an analysis of these eleven CEE states by using other indicators and different research methods. Another possible direction could be related to a more complex research not only from the methodological perspective, but also from the considered sample. Depending on data availability, the future analysis can be extended to other states from the Central and Eastern Europe area, non-EU members, such as Albania, Belarus, Ukraine, Bosnia and Herzegovina, Serbia, Montenegro or Macedonia.

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Appendix

Table 1. Sustainable development goals (SDG) and corresponding indicators, for the 11 post-transition EU states

SDG	Global SDG Indicators	Indicator Type
1. No poverty	People at risk of poverty or social exclusion (%)	Non-stimulus
	In-work at-risk-of-poverty rate (%)	Non-stimulus
2. Zero hunger	Agricultural factor income per annual work unit (euro / annual work unit)	Stimulus
3. Good health and well-being	Share of people with good or very good perceived health, % of population aged 16 or over, males	Stimulus
	Share of people with good or very good perceived health, % of population aged 16 or over, females	Stimulus
4. Quality education	Tertiary educational attainment by sex, % of population aged 30 to 34, males	Stimulus
	Tertiary educational attainment by sex, % of population aged 30 to 34, females	Stimulus
	Employment rates of recent graduates, % of population aged 20 to 34 with at least upper secondary education, male	Stimulus
	Employment rates of recent graduates, % of population aged 20 to 34, with at least upper secondary education, females	Stimulus
	Adult participation in learning, % of population aged 25 to 64, males	Stimulus
	Adult participation in learning, % of population aged 25 to 64, females	Stimulus
5. Gender equality	Gender employment gap (%)	Non-stimulus
6. Clear water and sanitation	Population having neither a bath, nor a shower, nor an indoor flushing toilet in their household by poverty status, % of population (%)	Non-stimulus
7. Affordable and clean energy	Final energy consumption (million tons of oil equivalent)	Non-stimulus
	Final energy consumption in households per capita (kg of oil equivalent)	Non-stimulus
	Energy productivity (euro / kg of oil equivalent)	Non-stimulus
8. Decent work and economic growth	Real GDP per capita (euro / cap.)	Stimulus
	Employment rate, % of population aged 20 to 64, males	Stimulus
	Employment rate, % of population aged 20 to 64, females	Stimulus
	Long-term unemployment rate, % of active population, males	Non-stimulus
	Long-term unemployment rate, % of active population, females	Non-stimulus
9. Industry, innovation, and infrastructure	Gross domestic expenditure on R&D, by sector (% of GDP)	Stimulus
	Share of busses and trains in total passenger transport (% of total inland passenger/km)	Stimulus
	Share of rail and inland waterway activity in total freight transport (% of total inland freight ton/km)	Stimulus
10. Reduce inequalities	Purchasing power adjusted GDP per capita (real expenditure per capita, in PPS)	Stimulus

	Income distribution (% distance to poverty threshold)	Non-stimulus
11. Sustainable cities and communities	Recycling rate of municipal waste (% of total waste)	Stimulus
12. Responsible consumption and production	Resource productivity and domestic material consumption (euro / kg)	Stimulus
13. Climate action	Greenhouse gas emissions (in CO2 equivalent)	Non-stimulus
	Share of renewable energy in gross final energy consumption (%)	Stimulus
	Greenhouse gas emissions intensity of energy consumption (index (2000 = 100))	Non-stimulus
16. Peace, justice and strong institutions	Population with confidence in EU institutions by institution (%)	Stimulus
17. Partnerships for the goals	General government gross debt (% of GDP)	Non-stimulus

Source: Adapted from European Commission (2015), Eurostat Database (2019), United Nations (2015)

Note: indicators reflecting the economic dimension are coloured in grey, the social aspects are in yellow and those concerning the environmental dimension are in green.

The concept of “normative power” of the EU as a factor in the successful development of integration processes in the Black Sea region

Mykola POPOV*

Abstract

The provision underlying the reforms in the EaP countries, the concept of “normative power” was supposed to ensure their preparation for integration into the EU. But the limited results of the European integration policy in the Black Sea region indicate that the adopted strategy does not meet the conditions prevailing in the world and the capabilities of the EaP countries. The conflict of interests of the key forces, the unwillingness of the EaP countries governments to actively implement the reform policy led to review the integration policy in the region. The analysis of problems includes consideration of the concept of external management and its application in the EaP countries, the main theories designed to justify the existing EU policy in the Black Sea and the assessment of the EU integration policy through the prism of Ukrainian reforms. The results of the research made it possible to offer recommendations for changing EU policies. The possibility of applying the proposed approach is considered on the example of such a special case as the participation of Ukraine in the integration “Black Sea Synergy” initiative.

Keywords: normative power, European integration, reforms in EaP countries

Introduction

The successful development of integration processes in the Black Sea region depends on many factors, including reforms in the EaP countries based on EU norms. The basis for this is their commitment to implement the provisions of the Association Agreement with the EU. Unfortunately, the results of the reforms carried out in these countries indicate that the transition to the EU regulatory model is not always successful.

Assessing the current situation, two main reasons can be distinguished:

1. The absence in the EaP countries the institutional environment, that is necessary to start the reform process;

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2. The proposed concept of the EU regulatory model does not meet the realities that currently prevail in the region and the world.

A detailed analysis of these problems will not only establish the causes of their occurrence, but also suggest possible solutions. The traditional approach to the practice of reforming EaP countries has been the recognition of the EU as a “civilian force”, which is based on its economic potential (Manners, 2006a; Smith, 2005). The well-known definition of this approach in the form of the concept of “normative power” made it possible to justify the process of EU enlargement on the basis of the concept according to which the EU normative model can be extended to other countries. (Hyde-Price, 2006; Haukkala, 2008; Nye, 2004; Schimmelfennig and Sedelmeier, 2004).

But the evolving nature of the EU and ongoing discussions about its status and future lead to a regular change in ENP priorities and, as a result, the conditions and tasks of implementing the “normative force”. It can be argued that today there is no single, universal integration theory justifying the feasibility of cooperation between the EU and the partnership countries.

A possible alternative to such an integration theory is the concept of soft or hard “normative power”, which defines the practice of external management of reforms carried out in EaP countries. The “normative force” itself is no longer regarded as a purely political or economic factor of influence. It is assumed that it should be based on some ideas and opinions that will “form the concept of “normal” (Manners, 2006b; Manners, 2002).

But its use as an instrument of European politics in the Black Sea region is limited by the fact that countries involved do not recognize the EU as a source of any force. Therefore, the study of the theoretical justification of both the practice of reforming in the EaP countries and the justification on its basis of the priorities in the implementation of the “Black Sea Synergy” initiative is a task without which the further formation of “European identity” will be impossible.

The problem of effectively promoting European norms of democracy and law in countries that share a common border with the EU is the subject of numerous studies. Their significance and relevance, first of all, is determined by the task of implementing reforms in the sphere of public administration in the EaP countries, using the concept of “normative power” (Barbe and Johansson-Nogue, 2008; Haukkala, 2016).

The statement of this problem fully applies to the Black Sea region, which includes two countries, EU members (Romania and Bulgaria) and three countries, associated participants of the EaP program.

Recognizing that, despite all the efforts on the part of the EU, the region has not become a zone of stability and prosperity, it is necessary to answer the key question to what extent the concept of external management of ENP is in line with the trends in the Black Sea region. Indeed, the EaP

countries that signed the Association Agreement with the EU are under the increasing influence of such external factors as the conflict of interests of key forces, the need to ensure security and prevent conflicts, and increase the level of threat from Russia.

Methodology

Determining the research methodology presented in the article, the authors proposed an approach based on an empirical case study of the evolution of Ukrainian politics and institutions in the context of the development of the processes of “European regionalization” of the Black Sea region. As the main theoretical basis of the proposed research methodology, it is proposed to use the concept of “normative force”, which underlies the reforms carried out in the countries of the Black Sea region adjacent to the EU.

A feature of the Black Sea region is that it is a system, the processes in which depend on a number of factors, often not related to each other and not even having their own clear definition. To take them into account, the concept of “normative power” will be supplemented by the provisions of the relevant theories of regionalism. This will determine the general principles for the implementation of the «Black Sea Synergy» initiative for the medium term.

According to the proposed research methodology, ENP and the “Black Sea Synergy” initiative should be considered as independent components that affect the selected and dependent units of analysis or variables (assessment indicators) (OECD, 2017; Schimmelfennig and Sedelmeier, 2002).

These indicators are data on the effectiveness of reforms carried out in Ukraine.

According to the above, as the main hypothesis of the study, it is proposed to consider the thesis that the further successful development of the integration process of Ukraine and other EaP countries will be possible provided that the existing practice of carrying out reforms changes, for each country its own model is created, taking into account its specifics, the level of economic development, national traditions and attitudes towards EU regulatory practice.

To confirm this hypothesis, the following research objectives are proposed:

- assessment of the compliance of the main provisions of the modern concept of neo-functionalism with the real EU practice of supporting the processes of European integration in the EaP countries;
- determining the possibility of developing the existing approach to the EU enlargement strategy based on the expansion of programs for structural reforms in the EaP countries and the policy of countering threats from Russia;
- determination of the prerequisites and justification of the relevance of the search for new concepts of EU regulatory policy based on the rejection of the uncontested approach to the implementation

of reforms proposed by the SIGMA project and the involvement of citizens, civil society organizations, and national experts.

To solve the tasks, the planned empirical case research is proposed to focus on key aspects of the process of forming the identity of the Black Sea region, the formation of the concept of external governance of the EU. The formation of the identity of the Black Sea region will be considered as a derivative of this concept.

For this, in substantiating the prepared conclusions and recommendations, qualitative and quantitative data will be used that characterize the processes of regional identity formation, interstate and economic cooperation, and security policy in the Black Sea region. Establishing a link between the ongoing reforms in the EaP countries and the development of the processes of “European regionalization” will determine the effectiveness of the European integration policy implemented in the region.

To substantiate the results obtained, the analysis of the data will be supplemented by the conclusions obtained as a result of the study of primary and secondary sources. The list of primary sources includes EU official documents, ENP, and the “Black Sea Synergy” initiatives, specialized journals, editorials, dissertations, statistical reports. As secondary sources, synthetic studies and reference works will be considered.

1. The model of external management and the practice of its application in relation to EaP countries

The “Black Sea Synergy” initiative is being implemented in 9 countries of the region. They have a different history and level of development of democratic institutions, economies, and attitudes towards EU regulatory practice. This situation significantly limits the possibility of determining a common approach to the development of cooperation that is common for all countries of the region.

Another limiting factor is a unified and generally accepted approach to the theoretical justification of regional European politics. This confirms the review of well-known publications, which are mainly devoted to the consideration of only some aspects of the ENP, such as:

- the dependence of the EU Enlargement Strategy on the conditions of the current foreign policy;
- application of the concept of institutionalism as a justification for the development of a supranational political initiative;
- an interstate approach in which success at the EU level does not necessarily mean success at the regional level;

- the possibility of external management, as a paradigm for the formation of regional identity of EU countries with EaP countries.

For solving the problem of development and increase the efficiency of the processes of “European regionalization” in the Black Sea region, an integrated approach is needed. To determine it, the study proposes to take as a basis the external management model, as a real-life system of interaction between the region and the EU.

Today, most European countries position themselves as social state that guarantees social guarantees (Wendt, 1999). According to this concept, it is proposed that the experience gained in resolving EU internal conflicts be used to solve problems related to the foreign policy of the community. The rationale for this practice is the concept of "normative power."

The practice of “normative power” was successfully used during the enlargement of the EU in 2004 and 2007, until the conclusion of the Association Agreement between the EU, Ukraine, Georgia and R. Moldova. But the situation that has developed on the European continent by 2018 goes beyond the notion of “normal”. Active opposition to the integration process by Russia leads the EU to revise the traditional policy of expansion and the need to use other instruments. Two alternatives are being considered:

1. Continued development of the regulatory approach and diplomacy policy. Developing relations with the EaP countries, the EU continues to extend the universally accepted principles and norms to them. Thus, he attracts them to his side, while increasing his potential for the community and developing the process of formation of the European identity itself. Considering that the expansion policy may meet opposition, the regulatory approach, in this case, is proposed to be supplemented by measures providing the possibility of opposition to Russia.
2. The recognition of the insufficiency of the effectiveness of the policy of democracy made it possible to substantiate the proposal to replace it with economic instruments. It is believed that these restrictions in the economy can become a real tool in deterring external threats and aggression. For this, the instruments of economic pressure on the aggressor should be of such a level that can practically increase and ensure the security of the EU and the EaP countries. Only under such conditions will it be possible to maintain peace and ensure the dissemination of such basic European norms and values as the realization of human rights and fundamental freedoms, the rule of law, the rule of law and the effectiveness of law, pluralism, and democracy. Of course, the security of Europe should be a priority here, without which all these concepts lose their meaning.

Taking into account the specifics of the provisions of the EU Enlargement Strategy, the ENP, and the “Black Sea Synergy” initiative, the external management model should first of all have such quality as adaptability to changes in the external environment. The national characteristics of the countries and the current geopolitical situation determine not only the conditions of interdependence between the countries of the region but also the practice of extending the EU internal rules to the EaP countries.

By definition, external governance conditions define the institutional boundaries of EU norms, law and policies that are subject to distribution outside the EU. At the same time, external management takes upon itself the provision of reform policy in these countries based on the development of integration and regionalization processes. The possibility of EU membership is not considered.

“Less than the general government and more than cooperation”, external management from the institutional point of view and according to the concept of “normative power” is characterized by its horizontal character (Barbe and Johansson-Nogue, 2008). It focuses on the integration process itself. At the same time, the possibility of determining a result that a priori does not imply EU membership is based only on obligations that do not have legal status. Therefore, at the regional level, the idea of external management in the “Black Sea Synergy” initiative is limited and finds its representation only in the field of security, democratic development, environmental and energy policies. To supplement the argument for adopting the idea of external management is the opportunity for EaP countries to solve regional development problems using the political and material resources of the EU.

Taking into account the specifics of the Black Sea region, for the associated EaP countries, such external management options as hierarchical management, network external management mode and market mode can be defined (Baltag and Romanyshyn, 2011; Zygierewicz, 2018).

Hierarchical management is a formalized vertical relationship between power at all levels and the community. It is based on the mandatory implementation of the rules and regulations of supranational legislation, which in the EU is often associated with the traditional “community method”.

Formal procedures, clear rules, monitoring, and possible sanctions are considered as necessary prerequisites for the effective implementation of the strategy and the conditions of external incentives. Given its prescriptive quality, the hierarchical regime of external governance is sometimes associated with the concept of “normative power” of the EU. But the application of an external stimulation model without taking into account national specificities can lead to the fact that EU regulatory rules will “undermine the autonomy of third countries and their legislation”.

The main feature that distinguishes the network mode of external management from the hierarchical model is the formal equality of all countries, despite the asymmetry between the

authorities. An external management network is formed on the basis of a voluntary agreement when the decision process is carried out on the basis of coordination of normative acts. Thus, network management is more dynamic and adaptive to changes in the external environment than in the case of hierarchical management. An example of implementing the concept of a network mode of external management can be the “Black Sea Synergy” initiative.

In contrast to the previously described network coordination and hierarchical implementation, the market regime is based on competition between formally independent countries. Such competition can be seen as an institutionalized form of interaction in the implementation of European policies in various sectors.

Lavenex and Schimmelfennig see it as the third basic external management method (Lavenex and Schimmelfennig, 2009). It is based on the recognition of a single EU market for all countries. EaP countries should adopt and adapt its rules. In practice, regardless of the form of external governance used (or a combination of both), the EU’s ability to influence democratic changes in EaP countries in the Black Sea region depends on a number of factors that can obviously limit the effectiveness of such governance (Schneider, 2010).

First of all, this is the international context that is formed in the region in the process of interaction of the countries of the region with such external forces as the EU, NATO or, for example, the UN. The existing interdependence between the EU, EU members Bulgaria and Romania, and the associated EaP countries is also a resource contributing to the effective implementation of the ENP. At the same time, the Black Sea Synergy initiative proposed by the EU can confirm its effectiveness by interacting on competitive positions with other European and international programs, offering an integration option that has no alternative.

2. The policy and practice of implementing the ENP in the context of ensuring the security of the Black Sea region

2.1. Neofunctionalism as a theoretical platform for substantiating EU policies in the Black Sea

The proposal for reforming the sphere of public administration in accordance with EU norms and law must necessarily be based on the appropriate theoretical justification of the proposed management system and the concept of European integration.

Neofunctionalism should be considered the beginning of theoretical studies substantiating the practice of European expansion using the tools of the ENP (Jensen, 2010; Schmitter, 2005). Neofunctionalism, which considers the possibility of managing integration processes on the basis of

interstate political cooperation, is based on the priority of developing economic ties (Manners, 2002, 2008).

The effectiveness of this approach has been confirmed by the results of EU enlargement to the East of Europe in 2004 and 2007. The ENP and programs that prepared the countries of Eastern Europe for integration into the pan-European institutional sphere (Delcour, 2011; Ehrke, 2007; European Commission and High Representative, 2015). The use of the principles of general and coordinated management at the level of sectoral economic integration made it possible to optimize this process for each of the countries joining the EU.

The development of the theoretical principles of neo-functionalism, the generalization of the integration experience of 2004 and 2007 made it possible to extend the practice of EU enlargement and the implementation of the ENP to the EaP countries, The proposal to consider them as a “circle of friendly countries” is based on the signed Association Agreement with the EU, the implementation of which implies an obligation to introduce its jurisdiction and normative management model at the national level. The main motivating factor, in this case, is the economic factor, including the prospect of attracting European investment, access to the European market, the organization of new jobs and so on.

The preparation and signing of the Association Agreement with the EU and the Free Trade Area between the EU and Georgia, the Republic of Moldova and Ukraine also confirmed the effectiveness of using the concept of neo-functionalism as an integration tool. At the same time, in the process of implementing the Association Agreement with the EU, a certain discrepancy was revealed between the main provisions of the concept of neo-functionalism and real practice in the EaP countries.

However, the implementation of the ENP based on the EaP program has encountered a number of contradictions related to the fact that:

1. According to the provisions of classical functionalism, it is established that the development of regional integration processes is possible subject to the adoption of a common system of economic and social policy management. But this will be possible only if international governing bodies are formed for participants in the integration process (Merton, 2006).
2. The ENP provides for the integration of Eastern European countries into the economic zone with the transfer of sovereignty to supranational institutions. At the same time, the possibility of participation of representatives of these countries in the work of decision-making bodies at the EU level was not considered. This approach not only reduces the effectiveness of ongoing reforms. It leads to the fact that the proposed reform plan will not meet the needs of this state.
3. The level and dynamics of integration of the Eastern Partnership countries ultimately depend on the real desire of politicians and business to come closer to EU standards and norms, and

not the theoretical promises of neo-functionalism. The main factor determining the development of the integration process is the real attitude of politicians and businesses towards the adoption of EU standards and norms. Such a mismatch between the theoretical base of integration and the real policies of the EaP countries in the Black Sea region precludes the possibility of adopting a common action plan for all countries in the region.

4. An analysis of the integration processes in the Black Sea region allows us to identify several levels of their development: interaction with the EU, the level of national governments that provide reforms and assess the results of integration at the level of the population of the EaP countries. There are several levels of implementation of integration processes. At the same time, representatives of each of the levels differently evaluate their final significance and effectiveness:
 - Evaluation of the effectiveness of the development of integration processes by the EU is primarily determined by the level of its presence and impact on the region. The situation in the Black Sea region does not allow us to assert that the EU policy is decisive.
 - National governments are limited in carrying out strategic reforms that reduce the standard of living of the population with the commitments they made during the election process. A possible motivation for reform policies and the adoption of external management is the possibility of economic integration in the EU. However, since economic integration will become possible only after the completion of reforms, their implementation, which may lead to stagnation of the economy, becomes a problem that does not have a clear solution.
 - For the population, the soundness of the integration policy is associated only with possible material benefits. Their absence in the EaP countries has led to the fact that the level of support for integration initiatives is at a very low level.

These factors necessitated the search for new theoretical concepts of European integration. A possible option was the revival of neoliberalism as a basic theoretical approach to new institutionalism, including in the field of foreign policy. The possibility of using this concept to substantiate EU policies in the Black Sea and the “Black Sea Synergy” initiative will be discussed below.

2.2. Integration processes as a factor of ensuring stability and security in the Black Sea region

Numerous problems arising in the process of EU enlargement in the Black Sea region lead to the opinion that a return to the concept of neorealism is necessary. Russia's aggressive behaviour

towards EaP countries also confirms the need for them to transfer some sovereign rights to EU jurisdiction in order to have great opportunities to confront external threats.

The signed Association Agreement with the EU and the Treaty on the Establishment of a Free Trade Zone, the subsequent unification of legislation provided the opportunity for the EU to cooperate with the EaP countries in the field of economy and foreign policy. After 2017, the defence component also began to be considered. But, despite the fact that the necessary institutional base has been created, events after 2014 have shown that the concept of neorealism itself is not capable of countering the threats emanating from Russia.

The annexation of Crimea, the outbreak of war in eastern Ukraine, showed that the EU's policy did not correspond to the real situation in the Black Sea region. The first form of response from the EU was the use of the concept of "soft" power. Proponents of liberalism believed that the use of diplomacy, trade and technical assistance tools would be sufficient to solve the geopolitical problems of the Black Sea region and eastern Europe (Surguladze, 2015; Nye and Joseph, 1968; Hurrell, 1995).

However, the real events of 2014-2017 related to the aggression of Russia against Ukraine, its participation in the civil war in Syria showed that for modernization of the ENP, as a program that is positioned at the global level, following only non-functional principles will not be enough. The concept of "soft" power cannot be effective at the stage of transition from the world to military confrontation. Therefore, its alternative is the concept of "hard" power.

Complementing the policy of economic sanctions and pressure is the EU initiative to strengthen the European Security and Défense Policy. The possibility of maintaining the existing approach to the EU enlargement policy will ultimately be determined by Russia's actions in eastern Ukraine and the Black Sea region. Unfortunately, the situation in the region in 2018 and the conflict to limit shipping in the Sea of Azov lead to the need to return to the model of interstate relations based on material forces and the military factor.

As for the EaP countries, only the economic one can be the determining factor in the expansion policy. The use of such EU-traditional mechanisms as integration, prevention, mediation and persuasion has been shown to be effective. They can also be preserved in the transition to a policy of countering threats from Russia.

The EU's approach to regional integration of markets through the mutual recognition of norms and rules is an indispensable attribute of its foreign trade policy. Significant financial resources are allocated to EaP countries to solve problems and compensate for damage resulting from the transition to the EU market for the implementation of development assistance, technical assistance and structural reforms. This allows you to successfully solve various social, economic and political problems arising in the integration process.

Such assistance should provide a solution to possible internal conflicts, ensure the rule of law, the rule of law, civil administration and the protection of citizens, that is, eradicate the root causes of internal conflicts. By developing national civil society institutions, including public and non-governmental organizations, the EU ensures their constructive participation in resolving internal and external conflicts.

The traditions of adoption of regulatory characteristics by EU countries have a specific historical context (Manners, 2002; Manners, 2006b). Therefore, the condition for associates from Eastern countries to accept the concept of external management is mandatory to start a dialogue on integration. But as conflicts in 2013 in Moldova or a crisis of power in Ukraine in 2014 showed, the adoption of this condition without confirmation of economic preferences leads to a political crisis that forces them to return to Russia's sphere of interests. To this end, the EU should not only help resolve emerging internal conflicts but also ensure the protection of these countries from external threats.

2.2. Assessment of the EU integration policy through the prism of reforms in Ukraine

Events of recent years, such as the aggression of Russia and the annexation of Crimea, the military conflict in Syria and the migration crisis in Europe, the Brexit, led to the discussion at the level of individual politicians about the failure of the European integration project. An analysis of these events showed that existing theories, at best, only explain them. But the complexity of the problems that arise, often the incomprehensible interconnection of individual factors, does not allow us to propose a certain universal theory. This assertion is confirmed by the fact that European values and norms aspiring for universality encountered obstacles in the EaP countries that cannot be explained only from the point of view of theoretical analysis.

As a result, politicians in these countries began to form rejection of the ENP, the EaP program, and the “Black Sea Synergy” initiative. Criticism of the concept of external governance arising from the “normative power” of the EU has already gained the level of national discussion.

Assessing the current situation on the example of Ukraine, first of all, it should be noted that there is practically no alternative approach to reform, only that was proposed as part of the SIGMA project. Lack of understanding of the situation in the country, the requirement to carry out the planned reforms in the conditions of the economic crisis and war in the east of Ukraine, obviously had to lead to their failure. An additional factor that predetermined a decrease in the dynamics of integration processes was that the proposed strategy was limited by the level of government and state organizations. The population, as a consumer of the result of European integration, was excluded from the decision-making process.

But it should be noted that, despite the existing problems, the relevance of the reforms that are necessary for the country's integration into the EU, as a whole, finds support among the population.

The data obtained during a sociological study by the Democratic Initiatives Foundation together with the sociological department of the Razumkov Center (Ukraine) in 2019 in all regions of Ukraine indicate the following (Razumkov Center, 2019).

In June 2019, the vast majority of Ukrainians (60.5%) believed in the success of reforms in Ukraine: 16.5% were fully convinced of the success, 44% believed in the success of reforms, although there were some doubts. At the time of the study, 34% do not believe in the success of the reforms, and only 11% do not fully believe, and 23% still have a share of hope. This belief in the success of reforms appeared for the first time: in 2015, 30% believed in the success of reforms, 62% did not believe, in 2016 - 29% and 65%, respectively, in 2017 - 27% and 67%, in 2018 - 35% and 60 %

Moreover, the number of citizens who are ready to endure certain material difficulties for the success of the reforms has increased significantly: in 2018, 9% agreed to material problems, in 19%; willing to tolerate a certain time (no more than a year) - respectively, 24% and 40%. If in 2018, 62% were not ready to endure material difficulties for the sake of reforms, then in 2019 - 31%

Table 1. Assessing citizens about the government's possible responsibility for their future

	May 2018	June 2019
The state should be fully responsible for providing everyone with everything necessary.	44,1	28,9
The state must ensure that people have the same "rules of the game" in life, and then the person himself is responsible for how she uses these chances	45,1	60,7
No answer	10,8	10,4

Source: Razumkov Center (2019)

These data indicate that the majority of the population of Ukraine supports the European choice. But then, the logical question arises, why the reform program proposed by SIGMA is only partially implemented? A possible answer is to evaluate citizens' responsibility of the government for their future (see Table 1).

The conclusion from the data is obvious, citizens no longer believe in the ability of the government to solve their problems. But then the question arises which of the existing institutions is capable of ensuring success in carrying out the necessary reforms.

Unfortunately, the data obtained during a sociological study of the opinions of citizens of Ukraine indicate that there is no generally accepted opinion in society who can solve the problems of the state (see Table 2), (The Ilko Kucheriv Democratic Initiatives Foundation (DIF), 2019)

But despite a negative assessment of citizens, most experts believe in the success of reforms in Ukraine. Here, the estimates of specialists are even more optimistic than the population of Ukraine. The list of the main reform engines in Ukraine was led by public organizations, EU countries, and international financial institutions. Of course, they cannot manage the reform process, but the possibility of their support is a rather important factor. However, they are immediately followed immediately by those institutions that are really responsible for reforms, the President, the Verkhovna Rada of Ukraine and the Government.

Table 2. Responsible for implementation of reforms

	May 2018	June 2019	August 2019
The president	-	61,5%	65,6%
Verkhovna Rada of Ukraine	-	45,8%	43,4%
Government	-	42,5%	35,5%
Public organizations	24,7%	21,5%	8,7%
Citizens of Ukraine	24,9%	23,9%	17,4%
EU countries	24,7%	7,3%	5,9%
Local public bodies	10,7%	16,9%	12,0%
International Currency Fund, World Bank	24,2%	6,8%	2,5%
Bureaucracy, officials	3,0%	0,9%	0,4%
Prosecutor's Office, Courts, Police	2,9%	8,0%	2,7%

Source: The Ilko Kucheriv Democratic Initiatives Foundation (DIF), 2019

Of particular note is such a limiting factor as the fact that, in the opinion of citizens and experts, the population is not involved in the implementation of reforms. Moreover, local public administration bodies are practically excluded from the reform policy.

Additional factors limiting the implementation of reforms are:

- insufficient level of qualification both in the government and in other power structures;
- the influence of the oligarchs on the decision-making process;
- discussions that indicate the absence of a common vision of society for its future;
- the growing influence of Russia.

The situation with the reforms in Ukraine, Moldova, and Georgia, the political crisis in Europe or the revision of some EU norms in countries such as Hungary and Poland confirm the relevance of the search for new concepts of European integration. An additional argument to this may be insufficient results in the implementation of the EU integration policy and the initiatives proposed by the EaP countries in the Black Sea region.

A possible way out of this situation may be the proposal to present the EU regulatory policy not in power categories, but in terms of influence (Spaiser, 2018). The attractiveness of such a

proposal lies in the fact that its application will reduce the doctrinal approach to reform in the EaP countries and make them more flexible.

A change in the EU integration policy in the form of liberalization of requirements for the reform program should be complemented by a new approach to their implementation in the EaP countries. Authorities at all levels should determine for themselves the priorities of the reforms and form a common vision for their implementation, which will be proposed to civil society.

Discussion

An analysis of the well-known reviews of administrative theories suggests that the traditional assumptions of reforming in the EaP countries are regularly changing. In practice, any proposed theory is probabilistic, multidisciplinary, descriptive and multivariate, considering its ability to adapt as a prerequisite.

There are two main approaches to justifying the application of the concept of "normative force":

- try to develop a unified and universal theory;
- dwell on the development of individual theoretical models corresponding to the national specifics of the countries in which reforms are carried out.

In any case, the theory should first explain the cause of the problems and justify the proposed changes. The second condition is to determine the connection between the reforms of the state and public administration system and integration processes, including "European regionalization".

For this, proposed theory must go beyond the standard provisions of administrative management. In consideration, it is necessary to include the social structure of society, to take into account the dominant political forces that shape the country's policy. Particularly difficult for EaP countries is the solution to the problem of "European regionalization" due to the intercultural nature of the discipline.

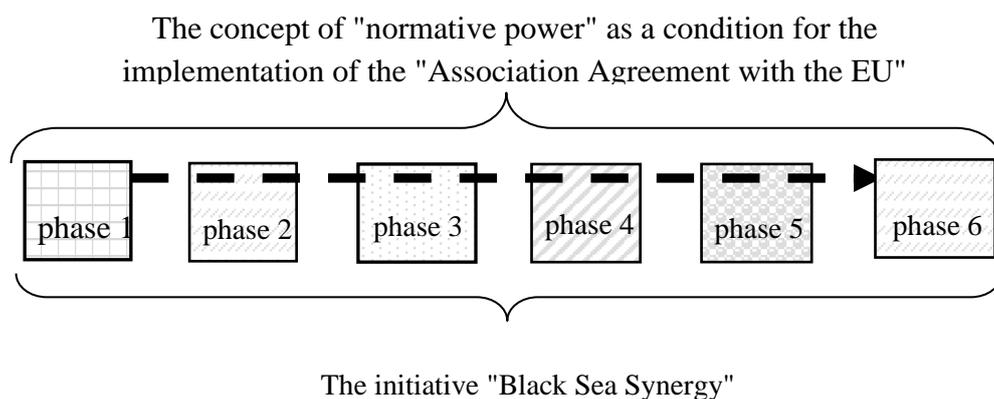
A more specific issue here may be the theoretical justification of the form of government that the countries of Eastern Europe will receive as a result of the reforms. Unfortunately, the reform methodology that is proposed, for example, to Ukraine by the main consultant of the SIGMA program does not include theoretical concepts.

A possible approach to solving the problem of theoretical justification of reform policy in the EaP countries, which determines the development of the processes of "European regionalization" in the Black Sea region, is the formation of a certain basic set of theories and models. This will allow taking into account the existing conditions for the development of the processes of "European

regionalization”: institutional, national, cultural and historical traditions. For this, when developing a reform program, it is also necessary to take into account qualitative and quantitative data characterizing the environment, principles of building the existing administrative system, traditions and culture of the local community. Moreover, the transition from mandatory effectiveness to adaptability should ensure the realism of the proposed theory.

Of course, the list of modern theories is far from limited to the presented review. Application of the proposed approach can be considered on the example of such a special case as participation in the integration “Black Sea Synergy” initiative. The following diagram presents the general structure of the algorithm for preparing the EaP country for participation in the “Black Sea Synergy” initiative, (see Figure 1).

Figure 1. Algorithm for preparing the country for participation in the initiative “Black Sea Synergy” initiative



Source: Author’s representation

According to Figure 1:

Stage 1. Identification of the main problem of regionalization: to resume the policy, it is necessary to propose priorities that exclude the mistakes of previous actions to implement the “Black Sea Synergy” initiative.

Stage 2. Determining the reasons (external and internal factors) for which the objectives of ENP and the “Black Sea Synergy” initiative were not achieved.

Stage 3. Establishing a functional dependence of the effectiveness of the process of “european regionalization” based on the “Black Sea Synergy” initiative, from the direct influence and interaction of external factors (EU Enlargement Strategy, ENP, EaP program, desire for leadership and dominance of individual countries of the region) and domestic (dynamics of reforms in the sphere of PA in the country, national traditions).

Stage 4. Assessment of the relationship between the internal structural problems of the EU, as external factors of influence, and the effectiveness of the regionalization process based on the provisions of the “Black Sea Synergy” initiative.

Stage 5. Assessment of the relationship between the internal factors of the EaP countries (dynamics of reforms in the country, national traditions), which influenced the degree of their participation in the process of “European regionalization”.

Stage 6. Assessment of compliance with the conditions of effective external governance of the EaP countries of the practice of implementing the “Black Sea Synergy” initiative.

The proposed algorithm can be the basis for preparing recommendations for adjusting the main provisions of the ENP, implemented with the help of the EaP program and the “Black Sea Synergy” initiative. bringing its provisions and implementation practices in line with the realities prevailing in the region, Europe, and the world. At the same time, taking into account the obligation to solve the problem of ensuring the security of the region, which is the object of Russia's aggressive policy, will also help to increase the effectiveness of reforms carried out in the EaP countries, to develop European integration processes and to shape the region's identity.

Conclusions

The review of the possibility of applying the concept of “normative power” of the EU as a factor determining the further development of the processes of European integration, presented in the article, showed the need to adjust its existing provisions based on the situation in the EaP countries.

As an added value of the presented study, one should consider the confirmation of the initial hypothesis of the study that the development of the ENP is possible only on the basis of creating its own model for each country, taking into account its specificity, level of economic development, national and cultural traditions. This thesis is confirmed by the results of the analysis of data characterizing the attitude to the EU normative practice on the part of the institutions and citizens of Ukraine. Only if the doctrinal approach to reforms is abandoned and liberalized will it be possible, using the support of the majority of the population of Ukraine to make the European choice, to significantly increase the efficiency of European integration processes.

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discussion for the main points of this article and in preparing recommendations for the further development of the program reforms in Ukraine.

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Impact of the EU Deep and Comprehensive Free Trade Area Agreements on Trade Performance of Georgia and Moldova

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Abstract

The paper aims to analyse the effects in the trade performance of Georgia and Moldova in light of the Deep and Comprehensive Free Trade Area (DCFTA) agreements with the EU. Hence, data for the period 2010-2019 is analysed to reveal the latest developments in the trade performance of these countries. The conducted analysis points to some positive developments in the trade of Georgia and Moldova with the EU for 2015-2019, however, compared to 2010-2014 or pre-DCFTA period the average annual growth rate of exports of both countries declined. Moreover, Georgia's success to increase exports to the EU remain relatively modest as compared to Moldova. Therefore, Moldova has achieved more deep trade integration with the EU than Georgia. Furthermore, the effect of DCFTAs on trade relations between Georgia and Moldova is not substantial, and therefore, increased economic integration between the EU associated countries is not yet evident.

Keywords: Deep and Comprehensive Free Trade Area, Trade Performance, Georgia, Moldova, EU

Introduction

The EU Association Agreements (AAs) with Georgia and Moldova including parts of Deep and Comprehensive Free Trade Areas (DCFTAs), entered into force on July 1, 2016. However, many Titles as well as annexes of these agreements including those on Trade and Trade-related Matters (Title IV related to Georgia and Title V related to Moldova) have been provisionally applied since September 1, 2014.

In both countries, the DCFTA Agreements were considered as a key instrument to boost trade, especially exports to the EU. Moreover, as it was envisaged, the DCFTAs should support the creation of the EU compatible economic system in these countries via regulatory convergence and legal approximation, which in turn would foster investments from the EU member states and increase the investment attractiveness of the country in general. As a result, an increase in investments, as well as in exports to the EU countries should be seen as significant positive outcomes of the Association

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Agreements and the DCFTAs in particular. Accordingly, after 5 years since the enactment of the Association Agreements the impact on the trade performance of these countries could be observed.

The trade data for the period 2010-2019 is analysed to examine the impact of the DCFTAs on Georgia and Moldova's trade performance. A study period is divided into two five-year periods. The first period includes 2010-2014 or 5 years before the enforcement of DCFTA and the second - 2015-2019 or 5 years after the entry into force of the DCFTA. This allows us to examine new developments in Georgia and Moldova's trade relations with the EU and gives possibilities to compare the initial impact on the trade performance of the countries in question. Moreover, trade relations of Georgia and Moldova with the Commonwealth of Independent States (CIS) for the period 2010-2019 are analysed. It is worth mentioning that CIS countries along with the EU are the largest trading partners of Georgia and Moldova. In order to reduce the impact of year-on-year data instability as well as to explore current trends, in such cases average rates are applied.

The first part of the article examines the EU's trade policy developments towards the Eastern partners in general and namely, towards Georgia and Moldova. Accordingly, this part of the paper explores the essence and major peculiarities of the EU DCFTAs. The next part is devoted to the analysis of the latest tendencies in trade performances of the countries, in particular, Georgia's and Moldova's export-import data in 2010-2019 with the EU and CIS countries is analysed.

1. Core features of the EU DCFTAs with Georgia and Moldova

Since the mid-2000s, the priorities of EU's trade policy shifted towards the expansion of bilateral trade relations based on comprehensive rather than "simple" free trade agreements (Woolcock, 2007, 2014; Koopmann and Wilhelm, 2010; Gstöhl and Hanf, 2014). Disappointment by the "Doha Development Round" of the multilateral trade negotiations within the framework of the World Trade Organization (WTO) and increased competition in the global economy were key reasons for the trade policy transformation. An increased bilateral dimension of the EU's trade policy was considered as "...easier and speedier way to advance European goals and project its values onto the global stage than multilateral forums" (Bongardt and Torres, 2018, p. 248). The importance of bilateral trade relations was underlined in the European Commission's communication "Global Europe: Competing in the world" (Commission of the European Communities, 2006). According to it, the EU should negotiate new comprehensive bilateral trade agreements with the selected countries/country groups based on economic criteria (economic size and growth, tariffs and non-tariff barriers against the EU export). Therefore, this communication focused on economics-driven trade agreements. It is clear that considering countries' economic size and trade volume with the EU,

Georgia and Moldova were not among the priority countries indicated in the communication to negotiate new comprehensive trade agreements.

The EU's trade policy priorities towards the neighbouring countries were highlighted in the communication on "A Strong European Neighbourhood Policy" (Commission of the European Communities, 2007). Along with the many areas of cooperation, the communication also explored trade-related issues and envisaged possibilities to negotiate new comprehensive trade agreements with the countries willing to have closer relations with the EU and at the same time, they were able to undertake the comprehensive reform agenda. The EU's trade policy towards the Eastern neighbours was mostly based on political considerations rather than the economic criteria, underlined in the EU's new trade strategy and therefore, it could be described as politics-driven trade agreements. Association Agreements, including DCFTAs with Georgia and Moldova "...is indicative of the political considerations underlying the EU's trade policy in its neighbourhood" (Manoli, 2013, p.52). Moreover, as Gstöhl and Hanf (2014) pointed out "The EU thus aims to combine economic interests, political values and other norms in its external relations, yet without indicating any prioritisation among these objectives" (p. 736). Political considerations behind the DCFTAs and the Association Agreements in general, also encompassed aspirations of Georgia and Moldova to achieve closer political and economic integration with the EU. Accordingly, these countries expressed readiness to implement comprehensive reforms in many areas envisaged by the new agreements. Along with the political consideration, DCFTAs have a geographical dimension as these agreements "aim to deepen economic relations between the respective neighbouring countries and the EU and focus on approximating their legislation to EU legislation, notably in trade-related areas" (European Commission, 2019b, p. 5). At the same time, the EU DCFTAs were considered as a supporting factor of economic integration among the associated countries via the diagonal cumulation between the partner countries. It is clear that all types of trade agreements have been concluded to increase trade, especially exports. Other goals of trade agreements include an increase of Foreign Direct Investments (FDIs), which along with the export should support an economic growth. Export growth and increased investments are the most important pillars of any preferential trade agreement (PTAs), so-called "pure" or "deep" free trade agreements. As a result, despite the fact that the share of Georgia and Moldova in the EU's total trade was not significant (less than 0.5%), the EU concluded Association Agreements, including DCFTAs with these countries to support their political association and gradual economic integration with the EU as well as the regional economic integration among the partner countries.

Both types of the EU trade agreements (economics-driven or politics-driven) were perceived as the best path to export the EU's standards and regulations in many areas to the countries willing to

strengthen trade relations with the EU. It is clear that trade agreements with developing countries gave more opportunities to the EU to consider in agreements some strict obligation on legal approximation and regulatory convergence in many areas that are directly or indirectly related to the trade. Accordingly, the EU DCFTAs with Georgia and Moldova envisage the regulatory convergence and legal approximation in many areas of the economy such as intellectual property rights, sanitary and phytosanitary measures, trade in services and electronic commerce, public procurement, technical barriers to trade, standardization, competition policy, etc. However, as Woolcock (2003) pointed out “Regional agreements can enhance market access by promoting approximation or compatibility of national regulations, standards or conformance assessment provisions (p. 27). Therefore, the EU DCFTAs with Georgia and Moldova are based on conditionality and opening of the EU market for products from Georgia and Moldova directly depends on the effective implementation of reforms, especially on effective implementation of the legal and regulatory approximation, including a dynamic approximation of legislation with those of the EU (European Commission, 2017). A final goal of DCFTAs with Georgia and Moldova, considering the scope of liberalization, regulatory convergence, and legal approximation under the supervision of joint institutions is “to arrive at a more Europe-like regulatory environment in the DCFTA countries” (Adarov and Havlik, 2016, p. 23). It is noteworthy that the areas covered by the EU DCFTAs with these countries are the same (EU-Georgia Association Agreement, 2014; EU-Moldova Association Agreement, 2014).

Moreover, it should also be noted that in case of Georgia, there was not the transitional period for trade liberalization and by September 1, 2014 “both parties have thus abolished import duties for almost all products” (Emerson and Kovziridze (eds), 2018, p. 36). In case of Moldova, there is a transitional period for trade liberalization, namely, three to five years for industrial goods and up to ten years for agricultural products (Emerson and Cenușa (eds), 2018). Consequently, under DCFTA “the EU also applies significantly more trade restrictions to Ukraine and Moldova than to Georgia” (Adarov and Havlik, 2017, p. 3).

It is worth mentioning that before signing the Association Agreements, Georgia and Moldova benefited from the preferential trade regime with the EU within the framework of the EU Generalized System of Preferences (GSP+), the Special Incentive Arrangement for Sustainable Development and Good Governance, which was granted to Georgia and Moldova in 2005. In 2008, Moldova was granted additional preferences, so-called Autonomous Trade Preferences (ATPs). After signing the Association Agreements, there was a transition period for Georgia from GSP+ to DCFTA until December 31st, 2016, and for Moldova from ATPs to DCFTA until December 31st, 2015.

The EU DCFTAs with Eastern neighbours could be described as complex, multidimensional, and far-reaching trade agreements, resulting in unprecedented transformation and modernization of

economies. Hence, considering the scope and depth of legal approximation and regularity convergence supervised by joint institutions, EU DCFTAs with Georgia and Moldova in terms of “negative” and “positive” integration¹ could be described as a scheme of positive economic integration. Accordingly, considering the areas covered by the EU DCFTAs with Georgia and Moldova, the “depth index” of these agreements is 7, the highest possible index according to data on the Design of Trade Agreements (DESTA). It is noteworthy that the DESTA measures the depth of trade agreements taking into consideration the areas (services, investments, technical barriers to trade (TBT) and/or sanitary and phytosanitary (SPS) measures, public procurement, competition, and intellectual property rights) covered under the Agreements (Dür *et al.*, 2014).

It should be underlined that according to the recent reports of Association Implementation issued by the European Commission, both countries, Moldova and Georgia have demonstrated steady progress in the implementation of AA/DCFTA related reforms. As it was highlighted in the Association Implementation Report, Moldova “...has continued making progress on implementing reforms in line with the AA/DCFTA” (European Commission, 2019a, p.1). Regarding Georgia report of Association Implementation underlined that “the implementation of commitments stemming from the AA including its Deep and Comprehensive Free Trade Area (DCFTA) has continued within agreed timelines” (European Commission, 2019d, p. 1). Nevertheless, it should be noted that the benefits from the DCFTAs are directly related to the effective implementation of obligations envisaged by DCFTAs and Association Agreements in general, which in turn is long-lasting process and requires modification of many areas of economy directly or indirectly related to trade.

2. Latest Developments in Trade Performance of Georgia and Moldova

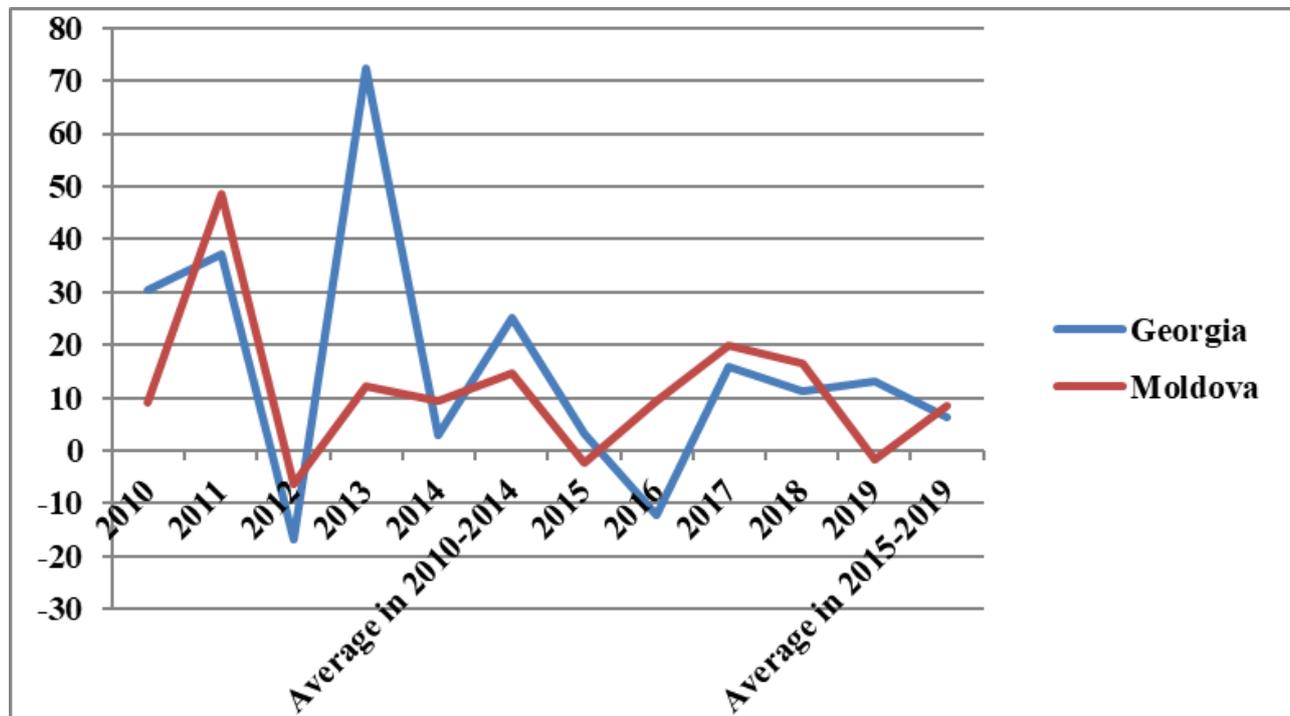
It is noteworthy that various aspects of the EU trade agreements with Georgia and Moldova have been widely analysed before, as well as after the enactment of the Association Agreements (Ecorys/CASE, 2012; Messerlin *et al.*, 2011; Dreyer, 2012; Kawecka-Wyrzykowska, 2015; Bulgari, 2015; Adarov and Havlik, 2016, 2017; Emerson and Kovziridze (eds), 2018; Emerson and Cenuşa (eds), 2018; Lupuşor and Gumene (2018); Eteria, 2019a, 2019b; Perju and Crudu, 2019).

Studies conducted before the enactment of the agreements to evaluate DCFTA’s impact on trade performance of Georgia and Moldova with the EU and particularly on exports to the EU countries were positive. According to the study, in case of Georgia “exports are estimated to increase by 9 and 12 percent in the short and long run respectively, with imports going up by 4.4 and 7.5

¹ Terms “negative” and “positive integration” coined by Jan Tinbergen (1954)

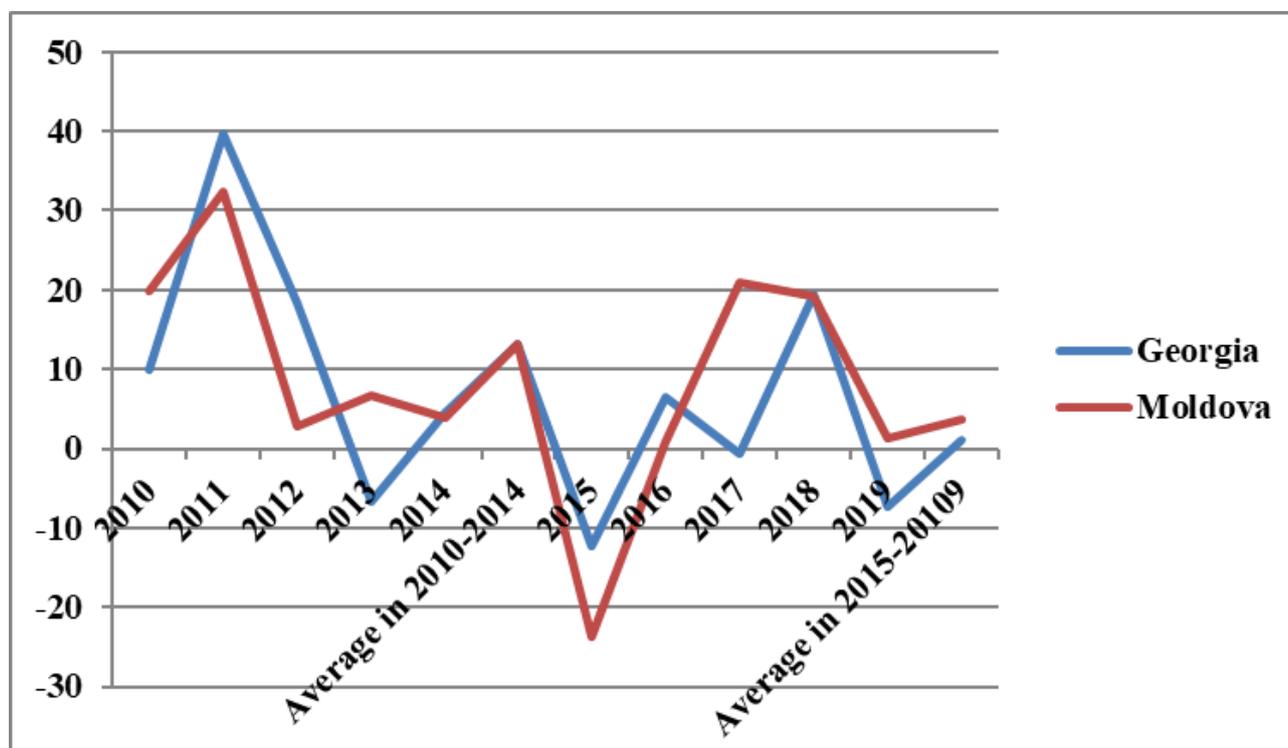
percent respectively” (Ecorys/CASE, 2012, p. A37). In case of Moldova "Exports are estimated to increase by 15 and 16 percent in the short and long run respectively, with imports increasing by 6 and 8 percent respectively (ibid, p. B33). However, according to this study, there was no clear distinction between the long-run and short-run periods. It is noteworthy that expectations in both countries were not merely optimistic. In case of Moldova, as Lupușor and Gumene (2018) pointed out “Even before the signing of the Association Agreement and the direct creation of the DCFTA, there existed many expectations, some being optimistic and other pessimistic” (p.1). In Moldova, pessimistic expectations mostly were related to the agricultural sector. In case of Georgia, according to some studies (Messerlin *et al.*, 2011; Dreyer, 2012) effects of the AA/DCFTA obligations (legal approximation and regulatory convergence) on Georgia’s export promotion and investment attractiveness of the country is vague, especially in the short run period. Nonetheless, it should be noted that the static effects of trade agreements occur in a short period after the enactment of an agreement and therefore, static effects of the EU trade agreements with Georgia and Moldova are already in place, considering 5 years since the provisional application.

For 2010-2014 the average annual growth rate of Georgia’s export to the EU was 25,2%, while the average annual growth rate of Moldova’s export was 14,6%. In contrast, for 2015-2019 the average annual growth rate of Georgia’s export drastically declined and only amounted to 6,3%, even though “throughout the first four years of DCFTA implementation Georgia started to export some new products to the EU e.g. kiwi fruit, blueberries, and honey (European Commission, 2019c, p. 99). In the same period, Moldova's export growth rate also declined, and the average annual growth rate of export was 8,4%. It should be noted that in absolute terms Georgia’s export to the EU in 2019 increased by 32,2% (from 624, 2 Mil. USD to 825,6 Mil. USD) compared to 2014, while Moldova’s export to the EU in 2019 increased by 46,9% (from 1 245,9 Mil. USD to 1 830,5 Mil. USD) compared to 2014. In 2019, export share to the EU countries in Georgia’s total exports was 21,8%, while the EU’s share in Moldova’s total export in 2019 was 65,9%. As Lupușor and Gumene (2018) pointed out “Against a difficult economic and political background, DCFTA succeeded in generating the first tangible results while the EU succeeded in strengthening its position as the main selling market for Moldova” (p. 6). It is clear that in 2015-2019 decline in the average annual growth rate of Georgia’s exports was more dramatic than in Moldova and in 2015-2019 Moldova’s exports to the EU grew significantly faster than Georgia's exports (Figure 1). Moreover, in Moldova “Contrary to concerns over the negative impact of the DCFTA on the agri-food sector, the biggest benefits of the liberalization of trade with the EU have been noted in the case of agri-food exports (Lupușor and Gumene, 2018, p.6).

Figure 1. Exports to the EU (Growth (%)) in 2010-2019

Source: Elaborated by the author based on data from the National Statistics Office of Georgia and National Bureau of Statistics of the Republic of Moldova

As the trade data indicates, in 2015-2019 the average annual growth rate of the EU imports to Georgia and Moldova significantly decreased in both countries compared to 2010-2014. For 2010-2014 the average annual growth rate of the EU imports was almost the same in Georgia and Moldova (13,2% and 13,0% respectively). In 2015-2019 Moldova's import growth rate fall to 3,7%, while Georgia's average annual growth rate of the EU imports considerably decreased and reached about 1,1%. In absolute terms, Georgia's imports from the EU countries in 2019 slightly decreased (by 0,02%, from 2 371,9 Mil. USD to 2 321,4 Mil. USD) compared to 2014, while in Moldova imports from the EU increased by 12,5% (from 2 567,6 Mil. USD to 2 889,9 Mil. USD). In 2019, the EU's share in Georgia's total imports was 25,6%, while in Moldova the EU's share was 49,5%. During the five years since the provisional application of DCFTA, in Georgia the decline in imports from the EU was observed in 3 years, namely, in 2015 (-12,2%), 2017 (-0,6%), and 2019 (-7,3%). In case of Moldova, a negative growth rate of imports was observed only in 2015 (-23,8%) (Figure 2).

Figure 2. Imports from the EU (Growth (%)) in 2010-2019

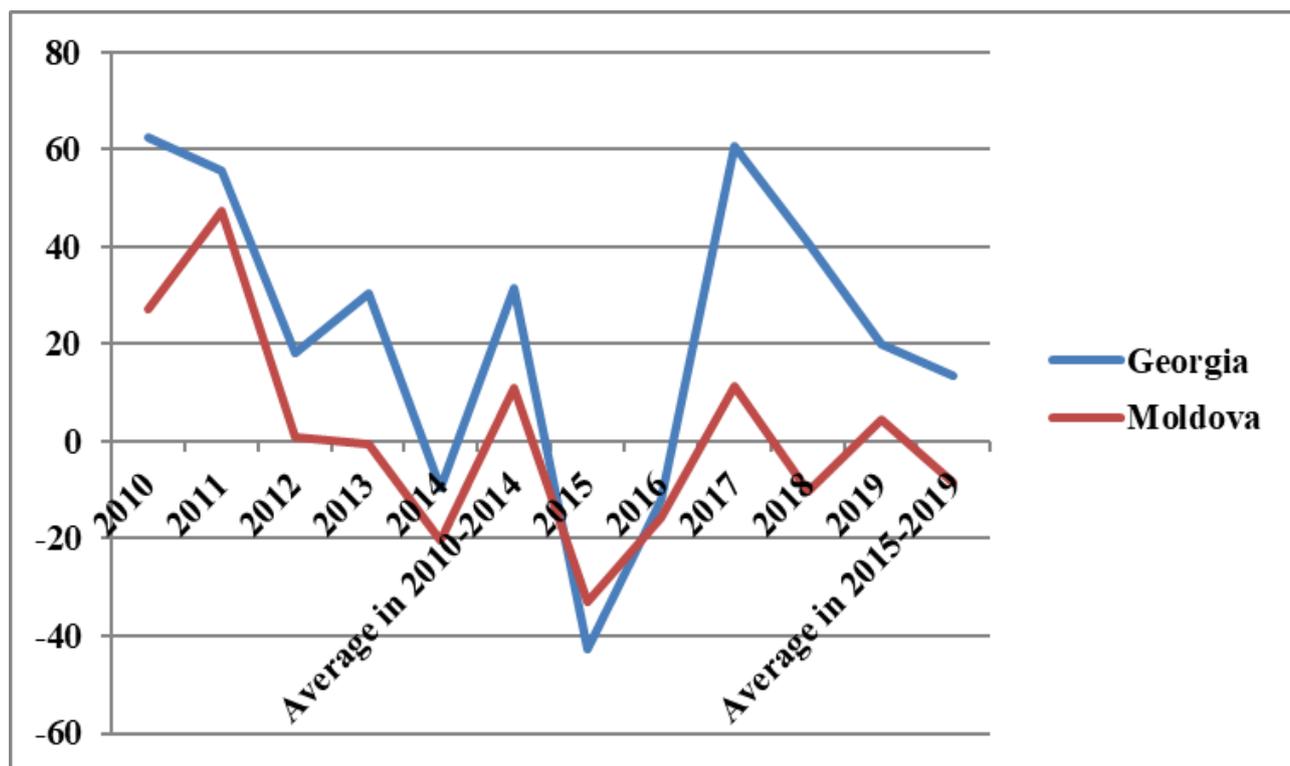
Source: Elaborated by the author based on data from the National Statistics Office of Georgia and National Bureau of Statistics of the Republic of Moldova

It is noteworthy that the CIS countries are major trade partners of Georgia and Moldova. In case of Georgia, for 2010-2014 the average annual growth rate of exports to CIS was higher (31,4%) than to the EU (25,2%). For 2015-2019 the average annual growth rate of Georgia's exports to CIS decreased but remained higher (13,3%) than the average annual growth rate of exports to the EU (6,3%). In absolute terms, in 2019 Georgia's exports to the CIS countries increased by 36,7% (from 1 465, 2 Mil. USD to 2 003,0 Mil. USD) compared to 2014. In 2019 the CIS countries' share in Georgia's total exports was 53,1%. It means that the DCFTA with the EU does not change key features of Georgia's trade relations and CIS countries remain as the key trade partners. At the same time, higher growth rates of export to the CIS countries than to the EU indicate that the CIS market is more attractive for Georgian exporting companies because of relatively low regulations. Consequently, the trade data shows that the EU-Georgia DCFTA does not support a shift of Georgia's exports from CIS countries to the EU.

Analysis of Moldova's trade relations highlights different trends. In 2010-2014, the average annual growth rate of Moldova's exports to the CIS countries was 10,9%, lower than the export growth rate to the EU (14,6%). Even though in 2015-2019 compared to the previous period, Moldova's average annual growth rate of exports to the EU decreased (from 14,6% to 8,4%), the

export growth rate remained positive. In contrast, the average annual growth rate of Moldova's exports to CIS countries in 2015-2019 drastically declined from 10,9% to -8,5% as compared to 2010-2014. In absolute terms, Moldova's exports to CIS countries in 2019 decreased by 40,8% (from 735,6 Mil. USD to 434,9 Mil. USD) compared to 2014. In 2019, the share of CIS countries in Moldova's total exports was 15,6%. Accordingly, as Lupușor and Gumene (2018) pointed out, in case of Moldova "The comparative analysis by destination of exports shows a much more stable evolution of them towards the EU compared to other destinations" (p. 8). It is clear that since the enactment of the DCFTA, Moldova, compared to Georgia, successfully managed to redirect exports, especially export of some agri-food products from the CIS countries to the EU and "Thus, a reorientation can be noticed regarding the exports from the CIS countries to the EU due to the restrictions imposed by the Russian Federation on the one hand and the new opportunities offered by the DCFTA, on the other hand (Lupușor and Gumene, 2018, p. 13) (see Figure 3).

Figure 3. Exports to CIS (Growth (%)) in 2010-2019

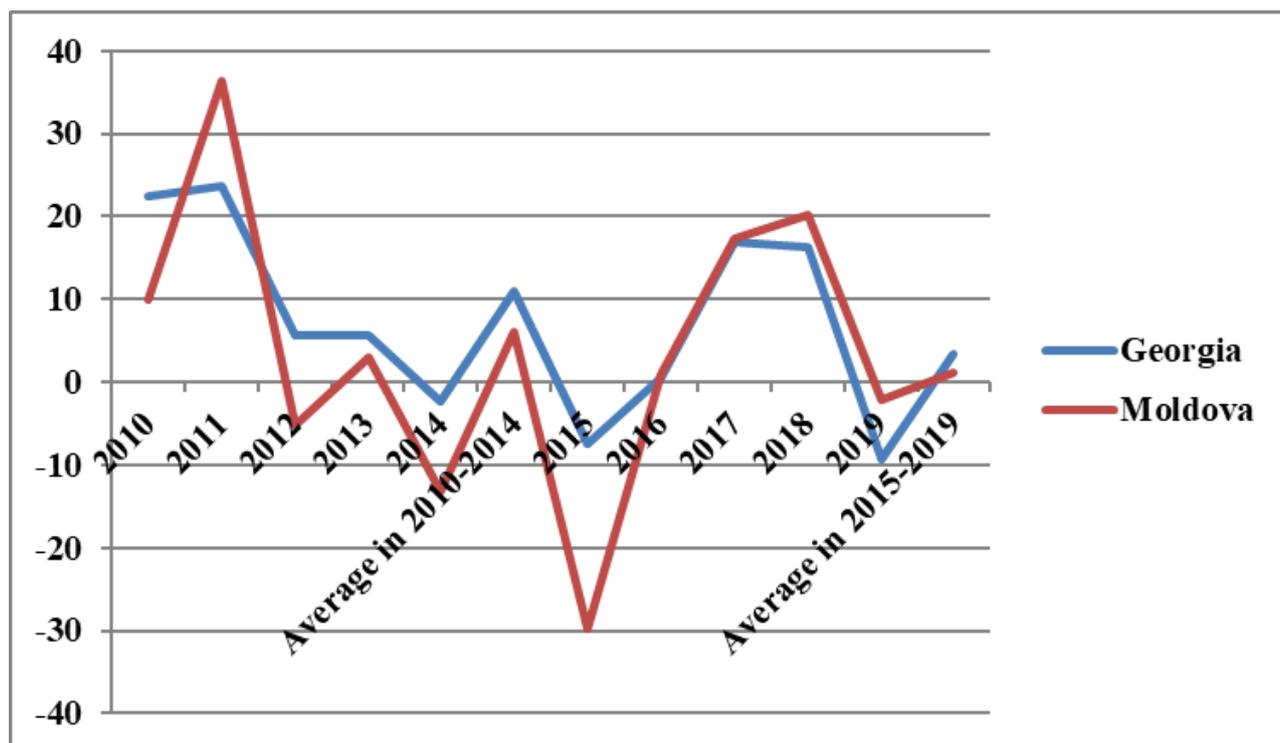


Source: Elaborated by the author based on data from the National Statistics Office of Georgia and National Bureau of Statistics of the Republic of Moldova

It is worth mentioning that the average annual growth rates of imports of both countries from the CIS countries significantly decreased for 2015-2019. In case of Georgia, the average annual growth rates of imports decreased from 11% in 2010-2014 to 3,4% in 2015-2019. However, in absolute terms, in 2019 Georgia's imports from CIS countries increased by 14,6% (from 2 127,4 Mil.

USD to 2 438,5 Mil. USD) compared to 2014. In 2019, the CIS countries' share in Georgia's total imports was 26,9%. The average annual growth rates of Moldova's imports decreased from 6,1% in 2010-2014 to 1,2% in 2015-2019 (Figure 4). In absolute terms, Moldova's imports from CIS countries in 2019 slightly decreased (by 0,02%, from 1 449,2 Mil. USD to 1 416,5 Mil. USD) compared to 2014. In 2019 the CIS countries' share in Moldova's total imports was 24,2%.

Figure 4. Imports from CIS (Growth (%)) in 2010-2019

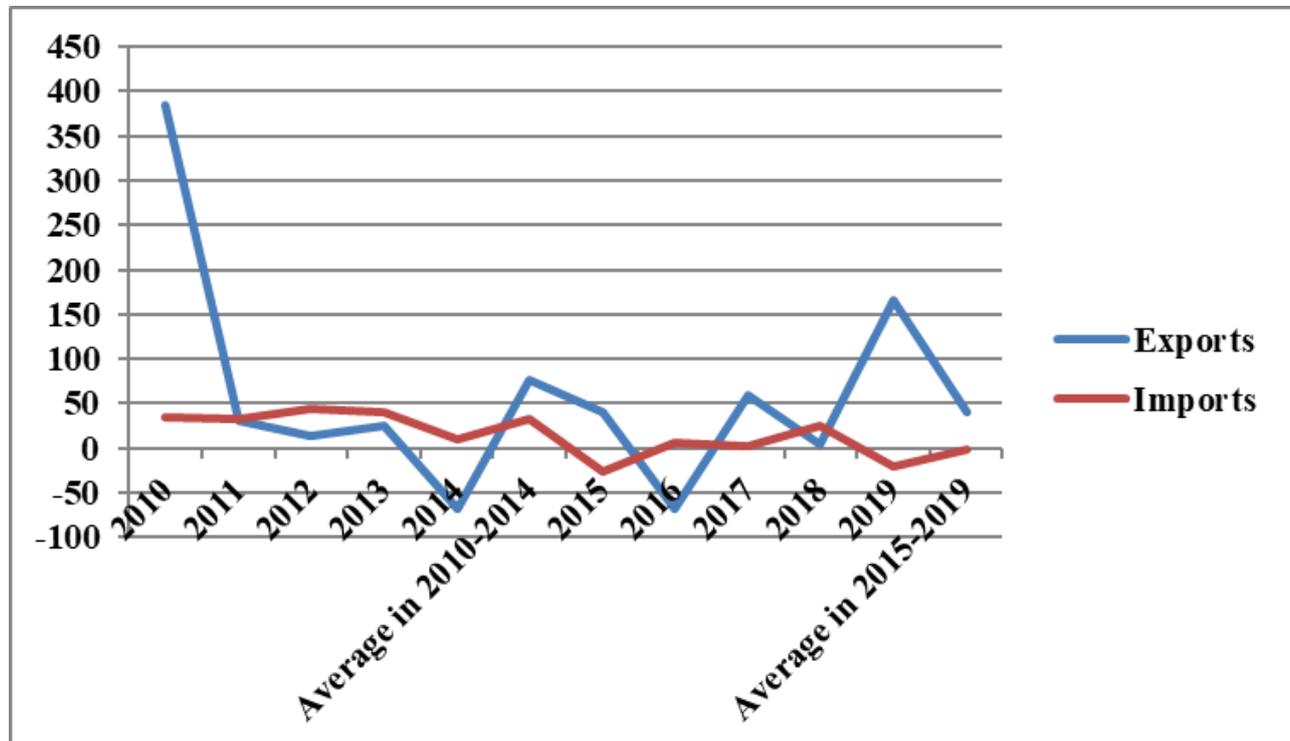


Source: Elaborated by the author based on data from the National Statistics Office of Georgia and National Bureau of Statistics of the Republic of Moldova

The EU DCFTAs along with increased trade opportunities with the EU was also considered as a key instrument to strengthen trade relations among the EU associated countries. However, in case of Georgia and Moldova, data on trade relations between these countries throughout the post-DCFTA period do not demonstrate such upward trends. In 2010-2014, the average annual growth rate of Georgia's exports to Moldova was 77,3%, while average annual growth rate of imports from Moldova to Georgia was 32,2% in the same period. For 2015-2019 average annual growth rate of Georgia's exports significantly decreased to 39,9%, while average annual growth rate of imports from Moldova decreased drastically to -2,0%. In absolute terms, in 2019 compared to 2014, Georgia's exports to Moldova increased by 93,4% (from 4, 6 Mil. USD to 8,9 Mil. USD), while Georgia's imports from Moldova decreased by 17,6% (from 13,6 Mil. USD to 11,2 Mil. USD). Consequently, there is no

solid evidence for the positive impact of the DCFTAs on trade relations between Georgia and Moldova (Figure 5).

Figure 5. Georgia's Exports-Imports with Moldova (Growth (%)) in 2010-2019



Source: Elaborated by the author based on data from the National Statistics Office of Georgia

It is noteworthy that after five years since the provisional application of the EU DCFTAs with Georgia and Moldova, the impact of these agreements on the trade performance of Georgia and Moldova still remains uncertain. In case of Georgia, the growth rate of exports to the EU remains positive but is lower compared to the pre-DCFTA period. At the same time, for 2015-2019, Georgia's exports to the CIS countries increased at a faster rate than to the EU countries. Moreover, after five years since the signing of AA/DCFTA with the EU, the CIS countries' share in Georgia's total exports remain high (53,1%), which indicates that the EU's standards and regulations make the EU market less attractive for Georgian exporting companies than less regulated market of CIS countries. In contrast, Moldova succeeded to redirect exports from CIS countries towards the EU and as Lupușor and Gumene (2018) concluded "Despite the difficult economic and political circumstances during the first years of DCFTA implementation, we notice the first obvious positive effects" (p. 30). Moreover, the EU DCFTAs with Georgia and Moldova do not significantly change trade relations between Georgia and Moldova and accordingly, DCFTA's impact on deepening regional economic integration is not yet obvious.

Conclusions

The EU DCFTAs with the Eastern partners, namely with Georgia and Moldova, and taking into consideration Georgia's and Moldova's minor share in the EU's trade, could be described as politics-driven rather than an economic-driven trade agreement. For 2015-2019, despite some optimistic developments, especially for Moldova, the DCFTA's positive impact on the trade performance of these countries is still limited, especially in case of Georgia. In contrast to Georgia, Moldova succeeded in the reorientation of exports from the CIS countries to the EU and accordingly, Moldova's trade integration with the EU is higher. In the long run, considering effective implementation of all reforms envisaged by the agreements, the DCFTAs could become the best instrument available to Georgia and Moldova towards gradual economic integration with the EU as well as to strengthen economic integration among the EU associated countries. However, it is clear that dynamic effects related to the DCFTAs will occur only in the long run, and only after effective implementation of all obligations imposed under these agreements. Moreover, positive dynamic effects are directly related to the interaction of the legal approximation and regulatory convergence with those of the EU, on the one hand, and investment attractiveness and increase of exports to the EU of these countries on the other hand. An increase of investments from the EU countries to Georgia and Moldova attracted by the same regulatory system due to legal approximation would support to enhance the positive impact of the Association Agreements and the DCFTAs in particular. The trade data of 2015-2019 shows that the positive impact of the DCFTAs on trade relations with the EU is still ahead for Georgia and Moldova. Accordingly, Georgia and Moldova should effectively continue reforms in all areas as envisaged by the Association Agreements/DCFTAs.

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The effect of hot money on stock exchange index exchange rates and interest rates: the case of Turkey

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Abstract

Hot money flows refer to short-term foreign currencies entering the country's economies through short-term loans and portfolio investments. The purpose of the study is to determine the impact of hot money flows in Turkey on stock exchange index, exchange rates and interest rates. For this purpose, BIST-100 Index closing values, US dollar exchange rates and five-year Treasury bond interest rates were considered to explain hot money data. The data are in an annual frequency and the analyses were made for the period between 1989 and 2019. The structural equation model was applied in the study. The model fit index values that helped to determine the success rate of the established model was examined before passing on to the analysis. According to the model fit index values, it was determined that the model was compatible with the data. It was found that hot money has a positive effect on the stock exchange index and a negative effect on interest rates and exchange rates.

Keywords: hot money, exchange rate, interest rate, stock exchange index, structural equation model

Introduction

The foreign capital investments needed for the development of countries have also caused disagreements for years due to the possibility of dragging the economy into a downturn. While it seems advantageous for national economies to attract foreign capital by some segments, some see it as objectionable, especially if foreign capital comes suddenly and contributes to economic welfare and then leaves the country within a short term again. This causes the economic balance to deteriorate. Therefore, what is important here is that both long and short-term foreign capital investments should be allowed to enter the country at a level that does not harm national economic policies.

Hot money flows refer to short-term foreign currencies entering the country's economies excluding exports, tourism revenues and direct investments (Bulut and Aykırı, 2018, p. 541). Hot money flows, which are an important part of the financial liberalization policies implemented in the world economy after the 1980s have a significant impact on the macroeconomic variables in the countries. It is known that hot money investments, which became more attractive with the high

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interest and low exchange rate policy implemented with the effect of liberalization, affect many variables such as current account deficit, inflation, stock exchange indexes, loan volumes, exchange rates, foreign trade, growth, confidence indexes and interest rates.

Hot money flows are also very important for the economies of the country (Chari and Kehoe, 2003, p. 1275). Because a large portion of the hot money investments in Turkey is known to be in stock, it is possible to say that hot money has a significant impact on the stock exchange. Foreign exchange rates are also affected by this situation as foreigners convert their foreign currency into Turkish Lira (TL). It is also possible that hot money flows, especially towards countries with high interest rates, may have an impact on interest rates at the end of the short-term investment period. In this context, the purpose of the study is to determine the impact of hot money on stock exchange index, exchange rates and interest rates for the period covering the years 1989-2019 in Turkey. In line with this purpose, firstly, information was given about hot money and its economic effects and the relevant literature was summarized by examining the studies on the subject. The data set and the methodology for the structural equation model to be applied in the study were explained in detail and the findings obtained were evaluated.

Most of the studies on hot money are aimed at examining the impact of hot money flows on economic crises. These studies were generally conducted to theoretically examine macroeconomic variables on which hot money is effective, and to interpret the relationship between them. On the other hand, the number of studies on hot money flows supported by empirical findings was found to be few. In addition, only one study was found on the relationship between hot money and stock exchange index. Since this study covers a long period of 31 years and is supported by empirical analysis, it is believed to make an important contribution to the literature. For future studies, it could be suggested that factors affecting hot money and factors affected by hot money can be evaluated together and comparisons can be made between countries.

1. Hot Money and Its Economic Impacts

Countries meet their foreign financing needs through direct and indirect foreign capital investments. In the long term, foreign direct investments, which express the investments of investors in the form of real estate acquisition, establishment of a new factory, becoming a partner in an existing factory and thus creating production, employment and added value, are preferred by both developed and developing countries. On the other hand, indirect foreign capital investments, which are short-term and include portfolio investments such as the purchase of stocks and bonds, are one of the

methods used to overcome the foreign resource deficit of especially developing countries (Turan, 2011, p. 2).

Hot money differs from short-term capital movements in terms of its high mobility and rapid entry into the market and exit from the market (Turan, 2011, p. 2). Although it does not have a generally accepted definition, the concept of hot money is defined as expected return rates and capital flows that react immediately to changes in risks. Therefore, unlike short-term capital movements, hot money includes portfolio investments consisting of stock and government debt securities as well as net errors and omissions, and are calculated as shown in Figure 1 (www.tcmb.gov.tr):

Figure 1. Components of hot money

Hot Money	=	Portfolio Investments		<ul style="list-style-type: none"> • Foreigners' domestic stock purchase / sales, • Foreigners' buying / selling domestic government debt securities. 	
		+			
			Short Term Capital Movements		<ul style="list-style-type: none"> • Short-term loans extended abroad by banks, • Short-term loans used by resident banks and non-banking private sector from abroad, • Change in short-term deposits held by foreigners in resident banks.
			+		
		Net Errors and Omissions			

Source: Central Bank of the Republic of Turkey, www.tcmb.gov.tr

Common cause of crisis in Turkey such as 1994 interest rate crisis, 2000 financial crisis, 2001 crisis called black Wednesday and the 2008 crises is the high rate of capital outflows from the country. Hot money flows constitute an important part of these capital movements. Reduction of the interest rates without favourable conditions after the removal of the obstacles to capital movements caused the 1994 crisis, while the increasing risk of both interest rates and exchange rates caused the 2000-2001 crisis and high-rates of capital outflows are seen as important reasons of the 2008 global crisis. Thus, the first effect of liberalization on Turkey's economy was the need for borrowing and basing its financing on hot money flows (Bulut and Aykırı, 2018, pp. 542-543). It was seen that hot money fled from Turkey in the recent 2018 exchange rate shock² and during the 2020 pandemic crisis. It is

² Exchange rate shocks is a term used to describe when the value of one currency spikes relative to another in an extremely short period of time. Exchange rate shocks have a significant impact on inflation, interest rates, and trade, just to name a few (www.nasdaq.com). As a result of sudden changes in exchange rates, the exchange rate shock was experienced in Turkey in August 2018.

noteworthy that especially with the pandemic process, from the beginning of 2020 until the middle of August, foreign investment from the stock and the bond market amounted to approximately 12.5 billion US dollars. Their share in the stock market fell below 50 % and plummeted to historical lows in government debt securities with 4 % (www.dunya.com).

Hot money is also expressed as the money that adds momentum to the event in a volatility situation and causes the movements/flows to gain strength. If there is a negative change in the risk perception of the investors, the foreigners try to get the hot money abroad immediately, and this causes the economy to become vulnerable to foreign impacts. Therefore, the increase in political and economic risks in a country may cause hot money to leave the country rapidly, and this situation may cause instability in financial markets and with its effect in all markets. (Özyıldız, 2017; Eğilmez, 2014). Hot money movements that can lead to instability and even crises in the markets also refer to the flow of capital from one country to another in order to catch the short-term profits in the interest rate or the expected changes in the exchange rate. According to this definition, with high interest rates and low exchange rates, hot money entering countries affects exchange rates and interest rates, stimulating stock markets and providing resources to economies (Martin and Morrison, 2008, pp. 1-3).

Since the acceleration of capital mobility reduces the predictability of financial crises, regulators are working on various measures such as the Tobin tax to reduce the rate of capital change. Although the Tobin tax brings various questions regarding its implementation, it is regarded as a solution to prevent sudden exchange rate fluctuations by controlling short-term speculative movements. It is emphasized that macroeconomic stability could be achieved by applying this tax in the same way and rate all over the world (İnam, 2014). Therefore, policies of hot money are among the economic issues that should be evaluated carefully for countries. Indeed, the amount of hot money, used especially in financing the current account deficit in Turkey between the years 2010 and 2014, ranged between 155 billion Dollars and 131 billion Dollars, whereas it declined to an average level of 20 billion Dollars in 2016 and 2017 (www.dunya.com; www.tcmb.gov.tr). On the other hand, it was observed that there were more hot money outflows in 2015, 2018 and 2019 and they surpassed hot money inflows.

2. Literature Review

Hot money flows have been the subject of numerous studies since the 1990s. Although the number of studies examining the relationship between hot money and economic crises are high in number, the relevant literature is presented below briefly.

Corbo and Hernandez (1996) investigated the capital movements of four Latin American and five East Asian countries in the period between 1986 and 1993 in order to reveal their effects on the economy theoretically. As a result of the study, it was emphasized that short-term capital movements caused instability and crises in the economy. It was stated that when necessary, restrictions could be imposed on short-term capital inflows to countries. Agenor *et al.* (1997) studied the relationship between monetary policy, real exchange rate and capital movements in Turkey in the period covering the years 1987 to 1995 using the vector autoregressive (VAR) method. They concluded that the real exchange rate gave a meaningful response to positive shocks in interest rates and capital movements. In addition, it was stated that capital inflows to the country occurred when there was deterioration in the fiscal balance and an increase in interest rates. Kara (2001) analysed the economic effects of hot money flows for the period 1980-1997 using a stepwise multiple regression estimation method. In the model, Gross Domestic Product (GDP) was taken as the dependent variable, whereas annual foreign credit utilization, total foreign exchange income and current balance were considered as independent variables. As a result of the study, it was stated that the financial liberalization process, which provides high revenues to hot money holders in the short term, has serious negative effects on macro economy.

Berument and Dincer (2004) studied the impact of capital flows on Turkey's macroeconomic performance in the period between January 1992 and June 2001. As a result of the study, in which the VAR model was used with monthly data, it was determined that short-term capital movements positively affected the amount of output and money supply, and negatively affected prices and interest rates. İnandım (2005) investigated the interaction between short-term capital movements and real exchange rates for the periods 1995-2001, 2001-2005 and 1995-2005 using Kalman and HP filtering methods, Granger causality test and regression analysis. Although the findings obtained did not support the proposition that capital movements caused excessive deviations on real exchange rates, it was found that the deviations obtained from the HP filter were affected at anticipated levels by hot money flows in the period 1995-2005 and by short-term capital movements in the period 1995-2001. The findings of the study revealed that short-term capital movements are not the exact reason for the appreciation of the Turkish Lira. Barışık and Açıkgöz (2007) investigated the relationship between interest rates and international capital flows to Turkey and the Istanbul Stock Exchange (ISE)100 Index using the VAR model for the 1992-2005 period. As a result of the study, it was determined that capital movements in the form of direct and indirect foreign capital investments had a decreasing effect on the interest rates on deposits and government debt securities. In addition, it was found that short-term capital movements positively affected the ISE and that Granger causality test verified this effect.

Özbilen (2007) analysed the financial and economic problems that emerged in Turkey's economy after the January 24 economic measures package in 1980. It was stated in the study that large amounts of hot money began to enter the country following the 1989 liberalization process due to the rising inflation rates and the state's prioritizing domestic and foreign debts. While hot money provided its investors with interest rate and exchange rate arbitrage, it increased the short position in the Turkish economy. Şimşek (2007) examined the impact of short term capital movements on Turkey's economy the period between 1992 and 2005. According to the results of the Granger causality test conducted in the study using GDP, foreign trade deficit and real exchange rate data, it was found that the data were co-integrated with each other and that there was a bidirectional causality relationship between short-term capital movements and the other variables. Duasa and Kassim (2009) aimed to examine the effect of hot money on the economic performance of Malaysia. For this purpose, Vector Error Correction (VECM) model was applied by using quarterly data for the period 1991-2007. In the study, where GDP was used as a measure of economic performance, it was concluded that hot money, especially from England and Singapore, contributed positively to Malaysia's economic performance.

Erataş and Öztekin (2010) aimed to determine the impact of real interest rates and nominal exchange rates on short-term capital flows for the 1995-2009 period in Turkey. As a result of the study, in which the Autoregressive Distributed Lag Bound Test (ARDL) was used, it was found that as the real interest rates increased, so did the short-term capital flows coming to Turkey. In addition, it was stated that nominal exchange rate had a negative effect on short-term capital flows. Bildirici *et al.* (2011) examined the impact of hot money into the Turkish economy for the period covering the years 1997 to 2010. The variables of the study, in which MSVAR-VECM and TAR co-integration methods were used, were determined as interest rate, budget deficit, net foreign purchases in the ISE, current account deficit, exchange rate and industrial production index. The findings of the study indicated that hot money flows to the country continued due to high interest rates, but this situation did not reduce real interest rates. In addition, it was emphasized that the increase in exchange rates would increase foreign exchange flow to the country. Thus, it was concluded that as imports became cheaper, exports became more expensive thanks to the foreign exchange effect, while the foreign trade deficit and thus the current account deficit grew. Turan (2011) theoretically examined the effect of hot money flows on economic crises. He emphasized that the increase in short-term capital mobility in developing countries might cause great economic losses leading up to crises. Therefore, it was reported that sudden cessation of hot money inflows or occurrence of sudden money outflows after 1990 had significant impacts on the crises that took place in Turkey.

Aslan *et al.* (2014) conducted Granger causality test and impulse-response analysis in their study. They examined the relationship between short-term capital movements in Turkey and economic growth and the exchange rate. As a result of the analysis, a one-way causal relationship was found from short-term capital movements to GDP whereas bidirectional causality was identified between the short-term capital movements and the real exchange rate. Bulut and Karluk (2016) investigated the effect of hot money flows on crisis indicators in Turkish economy for the period 1991-2014 using the VAR method. The findings obtained as a result of the study indicated that hot money flows had a negative effect on the current account deficit and foreign trade deficit, which are indicators of pre-crisis. In addition, it was stated that hot money flows caused instability in growth and inflation indicators. Koç Aytakin (2018) examined the economic effects of hot money flows within the scope of international capital movements. It was stated that with the globalization process, hot money flows within the scope of international capital movements reached high volumes with the effect of developments and advances in information and communication technology, and investors were more oriented towards developing international markets. In addition, it was commented that the rapid inflows and outflows of short-term capital movements negatively affected economies of countries, thus leading to crises.

Bulut and Aykırı (2018) investigated the relationship between the consistency of components of hot money movements and economic growth in Turkey for the period 1998-2017 with the help of quarterly data. The Zivot-Andrews unit root test, the ARDL boundary test approach and the Toda-Yamamoto causality test were used in the study. Components of hot money movements were taken as portfolio investments, other investments and net error-and-omission variables, and GDP data were used with the expenditure method as an indicator of economic growth. According to the results, a long-term equilibrium was observed between components of hot money movements and economic growth. Ifeoluwa *et al.* (2019) examined the effect of hot money inflows and monetary system on Nigeria's economic growth using the structural vector autoregressive (SVAR) method. The findings obtained from the research revealed that economic growth was positively and significantly affected by hot money inflows through the monetary system. The authors suggested that policies to attract more short-term capital inflows should be followed without compromise.

3. Data and methodology

The dependent and explanatory variables used in the study and the abbreviations are given in Table 1.

Table 1. Variables used in the study

Dependent Variables	Abbreviation	Explanatory Variable	Abbreviation
Stock Exchange Index	SEI	Hot Money	HM
Exchange Rate	ER		
Interest Rate	IR		

Among the data in Table 1, the stock exchange index consists of the closing prices of the Borsa Istanbul (BIST) 100 Index, the exchange rate variable consists of the US dollar / Turkish lira exchange rate and the interest rate consists of the five-year Treasury bond interest rates. The BIST-100 closing prices were obtained from Borsa Istanbul official website (www.borsaistanbul.com), whereas the US dollar rate and bond interest data were obtained from the official website of Central Bank of the Republic of Turkey (CBRT) (www.tcmb.gov.tr). Hot money values were obtained by collecting portfolio investment data on the World Bank official website (www.worldbank.org) and short-term capital movements and net errors and omissions on the CBRT official website. The data frequency was taken on an annual scale for 31 years covering the period 1989-2019.

Structural equation model (SEM) allows testing of more than one dependent variable at the same time and is superior to the classical regression method. It is a multivariate model used to test direct and indirect relationships between dependent and explanatory variables. In addition, SEM, which enables solving linear equations at the same time and covers different techniques such as regression and factor analysis, has two basic components, namely measurement model and path analysis (Stein *et al.*, 2012, p. 495; Lam and Maguire, 2012, p. 1).

Instead of using ANOVA and regression analysis, it is preferred to use the structural equation model separately in the testing of models containing many variable sets and relationships. Because the structural equation model enables to see the relationships that are difficult to notice between variables. Moreover, it can easily test models that are difficult to solve. In addition, the biggest difference of SEM from methods such as analysis of variance, MANOVA, factor analysis and regression is that it can examine the relationship between many variables in the form of models (Ayyıldız and Cengiz, 2006, p. 64). The SEM application was performed using the AMOS 19 package program in the study, in which multiple explanatory variables were analysed.

The hypotheses of the study, which aims to determine the effect of hot money on the stock exchange index, exchange rate and interest rate, were formulated as follows:

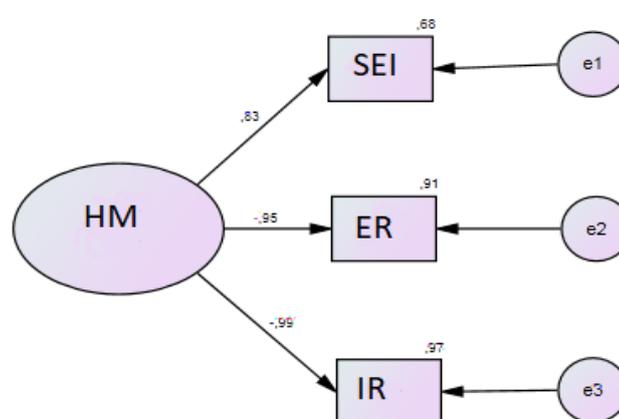
H₁: Hot money has a positive effect on the stock exchange index.

H₂: Hot money has a negative effect on the exchange rate.

H₃: Hot money has a negative effect on the interest rate.

The structural equation model established to test the hypotheses is shown in Figure 2.

Figure 2. Structural equation model



4. Empirical Findings

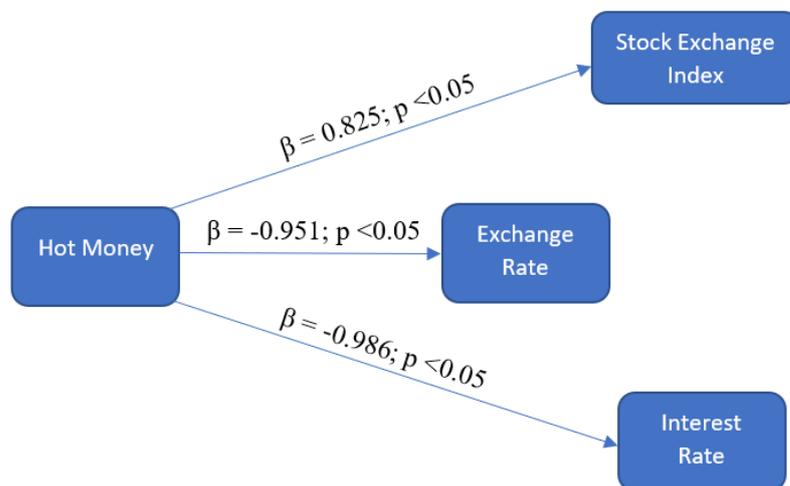
Based on the findings obtained from the study, it was determined that the model fit index values were within acceptable limits. According to this, CMIN / DF, which is considered to be very good if it is less than 3, but for which values below 5 are also accepted for model fit, was found to be 4.288. In addition, it was observed that the NFI value, which needs to be above 0.90, is below that value with a slight difference of 0.879, but the CFI value is above the normal value at 0.902. Moreover, it was found that the RMSEA value, which is an important indicator of model fit indices, was 0.032 and below the acceptable value of 0.10. As a result of these findings, the model can be interpreted to be compatible with the data.

After the evaluation of the fit indices, the coefficients were examined to determine whether the hypotheses were supported or not. Figure 3 contains the model and beta coefficients of the model established to test the hypotheses.

According to the model coefficients in Figure 3, the effect of hot money on the stock exchange index ($\beta = 0.825$; $p < 0.05$) was determined to be significant, so hypothesis H₁ was supported.

Likewise, the effect of hot money on exchange rate ($\beta = -0.951$; $p < 0.05$) and interest rate ($\beta = -0.986$; $p < 0.05$) was found to be significant and therefore hypotheses H₂ and H₃ were also supported.

Figure 3. Coefficients of the model



The standardized regression coefficients of the model established to determine the effects of hot money on the stock exchange index, exchange rate and interest rate are given in Table 2.

Table 2. Regression coefficients of the model

	Constant	Standard Deviation	β	R ²
HM ---→SEI	1,002	0,018	0,825***	0,681
HM ---→ER	-0,019	0,003	-0,951***	0,905
HM ---→IR	0,089	0,000	-0,986***	0,973

Note: *** $p < 0,05$

According to Table 2, it is seen that hot money has a significant effect on all explanatory variables at 0.05 level. In addition, it has been determined that hot money has a positive effect only on the stock exchange index, whereas it has a negative effect on the exchange rate and interest rates. It has been found that hot money has the highest explanatory power with 97.3 % for the interest rate. The explanatory power of hot money for stock exchange index and exchange rate is 68.1 % and 90.5 %, respectively.

The positive effect of hot money on the stock exchange index can be explained as follows: Stock exchanges, which are one of the most valuable indicators in terms of their place and importance in the economies of countries, are among the most preferred investment tools of both domestic and

foreign investors. Foreign investors that enter stock exchanges taking into account factors such as risks of countries, political and economic conditions, credit default swaps (CDS) premiums and exchange rate volatility have had a higher share in Borsa Istanbul than domestic investors for many years. Consequently, the influence of foreign investors on Borsa Istanbul indices is also quite high. Therefore, capital inflows from foreigners to the stock exchange generally increase the prices of capital market instruments and this situation contributes to the orientation of more buyers to the market. Thus, stock exchange index values increase in parallel with the number of investors. While these short-term capital inflows stimulate the country's economy along with the stock exchanges, it should be noted that the withdrawal of foreigners from the market may have adverse effects on economies.

Another finding reached as a result of the study, namely the effect of hot money on reducing exchange rate is in line with the literature. According to the general opinion expressed in the literature, foreigners tend to invest in countries with low exchange rates. As they convert their foreign currencies into TL when they make these investments, the hot money entering the country will cause a demand for Turkish Lira, and thus will cause a decrease in exchange rates. In other words, as a result of the investors' selling foreign currency and buying TL will gain in value, whereas the exchange rate will enter a downward trend. In a period when countries base their economic policies on hot money, the high cost of domestic goods decreases exports and increases imports, as national currencies become overvalued. The increasing competitive power in imports due to the economic movements resembling the links of many interconnected chains brings the current account deficit problem with it. As a consequence of this situation, which is seen as one of the reasons of the 2008 global financial crisis in Turkey in particular, fixed capital investments were preferred over hot money in financing the current account deficit in order to change the import-dependent structure over time. Therefore, as the decreasing amount of hot money will affect the export-import balance, there will be an increase in exchange rates.

Finally, the following evaluations can be made for the negative effect of hot money on interest rates. Firstly, it is known that foreign capital inflows are directed towards countries with high interest rates. High interest rates, which are important in terms of increasing savings and attracting investors, may cause the competitiveness of international markets to decrease. As they will increase imports in the country after a while and reduce exports. Consequently, thinking that this situation will harm the economic situation to such an extent as to result in a crisis, central banks decide to lower the interest rates and take steps to ensure financial stability. As a result of the falling interest rates, hot money is out of the country and many economic indicators are also balanced.

The current economic situation of Turkey needs to be evaluated in order to explain the effect of hot money on the decrease in interest rates. Turkey experienced a severe economic crisis at the beginning of the 2000s, but the IMF program that was implemented proved successful and the country achieved an economic recovery. While a total of 5 billion dollars of foreign capital entered the country between 2001 and 2004, this figure increased to 72.1 billion dollars with the start of full membership negotiations with the European Union in 2005. This great increase in foreign exchange inflows caused serious increases in the current account deficit as a consequence of the overvaluation of TL. Turkey is still faced with structural problems due to high inflation and high current account deficit. The underlying reason for this is that the country is a consumption-based economy. As production cannot meet the demand, prices are constantly increasing which triggers imports. Imports increasing more than exports cause deterioration of current transactions and current account deficit. The high savings deficit resulting from the decrease in savings rates causes the economy to become increasingly dependent on foreign savings in order to reach the desired investment levels, which renders the economy more vulnerable to foreign capital movements. Unfortunately, as the risks increase in Turkey, which is heavily dependent on external financing, so increase the exchange rates. Exchange rate increases are usually translated into inflation in the country. The reflection of the increase in the exchange rate on prices is due to the significant use of imported inputs in production. 60 % of the export items consist of imported inputs such as raw materials, semi-finished products, fuel and energy. The rise in exchange rates causes the input costs to increase, which in turn raises the prices, and the cost inflation follows an ascending trend as a result of the increasing prices. Therefore, nominal interest rates are increasing in order to maintain the attractiveness of TL in Turkey, which is obliged to meet the current account deficit and short-term debt with the hot money. The inclination of households and real sector companies towards substitution money to protect themselves against high inflation is also very strong.

Conclusions

Foreign capital movements required for the growth of economies and the development of countries are realized as direct investments in the long term and hot money in the short term. The orientation of foreign capital from developed countries to developing countries in the 1990s was undoubtedly due to the higher interest rates in developing countries compared to other countries. Because the mechanism of capital movements works in this way. If the interest rates of a country are higher than others, there is a foreign capital inflow to that country. Because the short-term capital

profitability of investing in this country will be high. In the reverse case, this situation causes capital outflow from the country.

After financial liberalization process in 1980s, hot money flows between countries started to increase gradually and this situation significantly affected the macroeconomic variables in the countries where hot money entered. The impact of hot money on Turkey has been discussed for years, and particularly areas of capital movements were tried to be determined. Since hot money flows in Turkey are known to be in the direction of government debt securities and stocks, the purpose of this study was determined as investigating the effect of hot money on stock exchange index, interest rates and exchange rates. The analyses were made for the period between 1989 and 2019. As a result of the study, it was determined that the effect of hot money on the stock exchange index was positive and significant, whereas its effect on exchange rates and interest rates was significantly negative. Therefore, all of the hypotheses were supported. In addition, the ability of hot money to explain the stock exchange index was determined as 0.681, its ability to explain exchange rates as 0.905, and its ability to explain interest rates as 0.973.

When the findings of the analyses and the results of the studies in the literature are compared, the finding by Berument and Dinçer (2004) and Barışık and Açıkgöz (2007) that hot money has the effect of lowering interest rates supports the conclusion reached as a result of this study. On the other hand, the finding obtained by Bildirici (2011) that hot money does not reduce interest rates contradicts the finding of this study. In addition, İnandım (2005) concluded that hot money could not be proposed as the exact reason for the appreciation of the Turkish Lira, and this is in concordance with the finding of this study. Namely hot money has a decreasing effect on the exchange rate. However, the finding that hot money has a positive effect on the stock market index coincides with the result reached by Barışık and Açıkgöz (2007).

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The territorial development of Mukachevo's eparchy in the Middle Ages and the early modern period

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Abstract

The history of each ecclesiastical territory unit affected its region. The origin of Mukachevo's eparchy is unique especially since it is the eparchy which was not governed by any ecclesiastical or state nobility. This matter shapes it into the distinctive model of the formation of an autonomous ecclesiastical unit. The forming of parochial and structure is related to Wallachian colonisation and following development of this region in modern times. The goal we established is an analysis of first events, which related to the formation of Mukachevo's eparchy title, later we follow the development of the title of the eparchy itself as long as its jurisdictional territory until the year 1771.

Keywords: Mukachevo's eparchy, Orthodox people, ecclesiastical administration, Greek Catholics, Hungary

Introduction

Current eparch of Mukachevo resides in Uzhgorod in Ukraine even though his residential historical city is Mukachevo. The Mukachevo eparchy is the mother eparchy of various eparchies in Slovakia (Prešov, Košice, Bratislava), Czech Republic (Prague), Hungary (Miskolc, Nyíregyháza, Hajdúdorog) or in the USA (Pittsburgh, Parma, Passaic Phoenix, Toronto). The most of those eparchies create their church structure Sui Iuris but historically they report to Mukachevo. The eparchy has a moved history. Since it was not a Catholic diocese, it was deprived of the benefits which belonged to other church institutions in the Hungary until the year 1771. From historical texts we can conclude that neither eparchy nor the eparch had property similar to the Catholic bishops, which would have served as the material security of the bishop as well as his mansion. The mansion itself or we can say the residency was the Basilian monastery, which was situated near Mukachevo. The local Vladika was usually a part of the monastery or he became one after he had been elected bishop. The first mentions about the eparchy or the eparch are from the later Middle Ages. They are

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rather torsional information. At the time of reformation and recatholization the amount of information increased. Today we know this eparchy and its inheritors as the Greek Catholics. The church unions or the change into Catholics had not begun until the 17th century, when the recatholisation was taking place in the region of the north-eastern Hungary. In that time at the instigation of the landowner Druget the first union dialogues started, and they resulted in the church union in Krásny Brod in the year 1612. The union was not accepted by the Mukachevo eparch but by the presbyters and folded into the hands of the Polish bishop. The Orthodox eparchy was further led by the eparch of Mukachevo but this situation was a stimulus to confessionalisation of the Orthodox in Hungary. The Mukachevo eparchs were still under the strong influence of the landowners of Mukachevo. After the Rákoci family became the landowners (1627), the influence of the reformed Church to the Orthodox intensified in this region. The whole situation escalated in the year 1646, when 82 presbyters joined the Church union in Uzhgorod. Afterwards, one of them became the bishop of Mukachevo, which caused a gradual change of the Orthodox presbyters to the Catholic priests. Since the Catholic church territorial organisation has different rules than the Orthodox one, this question caused big questions in the function of the Uniats. The bishop of Mukachevo as well as the presbyters were subordinated to the Latin bishop of Eger and the bishop of Mukachevo became the ceremonial vicar of the Latin language. This suspension caused numerous problems and a pressure between the bishop of Eger and his vicar. The Catholic church structures were careful towards the bishop from Mukachevo. The big problem was also the ambiguity of the canonical existence of the bishop of Mukachevo. The time after the year 1646 was full of significant changes, which led to the gradual catholicisation of the presbyters as well as the Orthodox. The changes had an impact also on the everyday life and helped to increase the education of the inhabitants and the Uniats presbyters transformed into the prominent Catholic theologians. In Mukachevo a seminary was established and later also a school for the teachers. These changes aimed to the emancipation of the presbyters as well as the bishop of Mukachevo, who wanted to break free from subordination to the bishop of Eger. The aspirations culminated in erigation of the diocese of Mukachevo in the year 1771.

There has been a polemic lead for a long time about Mukachevo Orthodox eparch and Mukachevo's eparchy in the historiography. In this relation we can conclude the results of the historiography into two primary questions: Did Muckachevo's eparchy exist before the year 1771? If so, who is the first eparch? The whole discussion has its origins and has continued for more than two hundred years. Most of the authors start with an existence of documents which were supposed to be published by Mukachevo eparch or they should have been addressed to him. In the historiography the eparchy is inextricably linked with the Monastery of St. Nicholas in Mukachevo, where this eparch

resided (The selective historiography, which opens this topic: Vasil', 2000, pp. 86-87, 89-92; Fenich, 2016, pp. 5-34; Coranič, 2014, pp. 32-35; Žeňuch and Vasil', 2003, pp. 250-251; Bazilovič, 2012, p. 19; Šturák, 1999, pp. 11-13; Lacko, 2012, pp. 29-32; Vegseő, 2011, pp. 13-16). The important question is “Who legally established it?” or “Was it even being legally established?” However, nobody answered our questions. The monastery was established in the 15th century next to a hill Chernec, which got its name due to monks (Hodinka, 1911, pp. 1-2; Bazilovič, 2012, pp. 30-31). The monastery did not origin as the first one in a territory of north-eastern Hungary nor did it possess a dominant position. To understand the first Orthodox ecclesiastical territorial-legal status in this territory of Hungary[‡] it is necessary to perceive the Byzantine-Slavic rite in a context of constant changes and effort to adapt flexibly to conditions and possibilities.

1. Genesis of Eparchy

The arrival of the Byzantine-Slavic rite to a territory of Subcarpathia relates to the arrival of inhabitants after the invasion of the Tatars in the years 1241-1242, where inhabitants from Ukraine and Romania came to a sparsely populated area of the northern Hungary (Kónya, 2014, p. 54).

The incoming residents had their own cultural and rite identity. The first Orthodox presbyters in the Slovak territory is possible to document only after the year 1437 in a village Koromľa (Uličný, 1995, p. 311). The first administrative and legal centre of the Orthodox was established in the followed territory on the 13th of August in 1391 in Hrushovo (Грушово, UA) (ANRS/C/G Nr. 1, f. 1-3; ŠAZO/151/25, 11 f. 3-4; Mihályi, 1900, pp. 109-111). In Hrushovo there was an Orthodox monastery, which was established in the 14th century and its patron was St. Michael Archangel. In the mentioned year, the Patriarch Anton of Constantinople granted it special rights and privileges, which had an administrative character. The monastery became a spiritual and cultural centre of Subcarpathia region. An archimandrite administers counties Szatmár, Bereg, Ugocsa, Bihar and Máramaros (ANRS/C/G Nr. 1, f. 1-3; ŠAZO/151/25, 11 f. 3-4; Mihályi, 1900, pp. 109-111). This territory is often defined by properties of genus Sas. For instance, M. Lučkaj quantified the territory into thirty-four municipalities (Vasil', 2000, p. 35). This number cannot be perceived as binding. From later realia we assume that an administrative outreach was far more extensive since the territory cannot be defined only by a relevant genus. The archimandrite disposed also of episcopal ordination and that is the reason why he became the closest auxiliary bishop of the Greek rite in this territory (Žeňuch *et al.*, 2018, pp. LXXV 15 – LXXVI 25). The bishop had a right not only to sanctify the

[‡] or the territory from a source of the river Tisza to river Uh, from northern borders to the flow of the river Tisza.

presbyters but also to verify a document (a form of a credible place). The bishop should have dressed appropriately, kept a distance from women's surroundings and had an obligation to confirm the presbyters in new localities. Moreover, he was supposed to pray for the local church entrusted to him and respect an organisational hierarchy (Žeňuch *et al.*, 2018, pp. 47-48).

In Hungary each bishopric had to be subordinated to the Bishop of Esztergom, who was *Primas Hungariae* (Cherrier, 1839, pp. 234-238). As it was the monastery with a special privilege where a post of archimandrite was connected to a title of bishop, we cannot state that the eparchy in Hrushovo was duly established. The title of bishop was granted to the archimandrite *ad personam*. Naturally, the eparch used the title according to his residency but the local was an archimandrite in the first place, so he used the title that located him to the monastery even though he could sign as an eparch. From the preserved period writing we can assume that the monastery as well as the eparchy were incorporated into the former Hungarian ecclesiastical administration. The benefits are tied to the monastery, it gained a dominant position in the region. The monastery in Hrushovo was multiple times endowed with a king and in its surroundings the Orthodox presbyters were exempt from paying taxes already in the year 1479 (MNL-OL/Q316, 13687; MNL-OL/Q316, 13688; ŠAZO/151/25, 10 f. 1-16; ŠAZO/151/25, 12 f. 1-4). The King's gifts were properties which brought a regular profit. These privileges helped to make a local centre of the Orthodox ecclesiastical administration from Hrushovo, but it was not the only monastery in the mentioned territory.

2. Transition to Mukachevo

As we have already mentioned, Mukachevo's monastery was established in the 15th century. In the year 1458 the rights for presbyter Luke, who resided in *Monastier* near Mukachevo, were confirmed by a royal decree. The King Matthew approved him benefits from villages *Bobovishte* ((Бобовище, UA) and *Lauka* (Лавки, UA). The whole thing should have been supervised by premonstrates from Leles convention (Hodinka, 1911, pp. 1-2; Bazilovič, 2012, pp. 30-31). The document can be viewed as the first fund for Mukachevo's monastery, which was just being established at those times. This suggests also the Luke's title as a presbyter and *Monastier* as a parish residency. The document from the year 1488 informs us about a monastery and it also mentions past presbyter Luke who is titled in it as a monk (ŠAZO/151/25, 14 f. 1). The content of the document states property disagreements, which later had a significant importance for a context of the first bishop in Mukachevo. The paper from the year 1491 states a position of the monastery in Mukachevo. A lot of authors have interpreted the paper as the first mention of the Mukachevo's bishop, therefore

bishopric (Vasil', 2000, p. 86-87, 89-92; Fenich, 2016, pp. 5-34; Coranič, 2014, pp. 32-35; Žeňuch and Vasil', 2003, pp. 250-251; Bazilovič, 2012, p. 19; Šturák, 1999, pp. 11-13; Lacko, 2012, pp. 29-32; Vegseő, 2011, pp. 13-16). This misinterpretation originated by an uncritical interpretation of the archival documents and taking conclusions from older historiography. The monastery in Mukachevo had its territory; however, as it follows from the content of the document, the monastery was subordinated to an archimandrite with an episcopal ordination, who resided in Hrushovo (Hodinka, 1911, pp. 5-6; Bazilovič, 2012, pp. 32-35).

In this time the king issued two decrees. The first one was dedicated to a monastery in Mukachevo, where eparch John was not titled by any title. In the second one a residency of the previously mentioned eparch in Hrushovo is mentioned (ŠAZO/151/25, 11 f. 1-2; ŠAZO/151/25, 15 f. 1-2; Hodinka, 1911, pp. 5-6; Bazilovič, 2012, p. 32-34). As it follows from the preserved archives, this eparch moved to Mukachevo. The eparch did this according to common belief, which states that an overthrown eparch should not act intrigue, but he should retire to a monastery (Žeňuch *et al.*, 2018, pp. XCIV 7-20). The change in eparch's attitude started due to property. Already in the year 1493 the bishop moved to Mukachevo and afterwards he started an argument about properties, which was held from the year 1488. As the argument had started before a transport, the eparch had to meanwhile reside maybe somewhere else or he stayed in Hrushovo.

Paradoxically, until the year 1493 we can date also the first mentions about Koriatovych's donation, which was claimed to be a forgery by a modern historical writing. In relation to Koriatovych's donation eparch John addressed a new landowner of Mukachevo – John from Hunadso he could confirm him privileges which confirmed a right of the monastery to benefits from villages Lauka, Bobovishte and Oroshveg (Mukachevo -Rosvigovo, UA). The eparch acted in this was because a Latin priest Dionysus was against a fact that his -Catholic- believers, who lived in the mentioned villages, should have paid taxes to Orthodox eparch's. The landowner perceived the document handed by the bishop as a forgery and after a comparison with various documents of Teodor Koriatovych he proclaimed it to be the forgery. Moreover, the bishop asked for more than the original fund of King Matthew – benefits from a village Oroshveg. The landowner finally declared a compromise to the document and the village Oroshveg became a part of the fund even though the choice of tithing was limited to the believers of the Eastern rite (Bazilovič, 2012, pp. 94-96; Hodinka, 1911, pp. 7-9).

In years 1493-1494 there was a dispute between a bishop John who moved from Hrushovo to Mukachevo and a new archimandrite of the monastery in Hrushovo. The king Władysław III of Poland issued a binding regulation and determined that an eparch title belongs to John from

Mukachevo and a post archimandrite to Hilár (ŠAZO/151/25, 11 pag 4; ŠAZO/151/25, 18 f. 1-2). The new archimandrite did not have an ordination, which is a reason why he did not sign or be named as an eparch. The eparch from Mukachevo began to demand subsequently all benefits, which had belonged to him as a former Hrushovo's archimandrite and eparch.

Due to his behaviour the eparch in Mukachevo got into an argument, which was resolved by king Władysław III of Poland. The king proclaimed that the eparch John had misunderstood his previous letter and appropriated not only the eparch rights but also the pensions of the monastery. According to king's decision he had to stop acting like this (ŠAZO/151/25, 19 f. 1; Hodinka, 1911, pp. 9-10). In the year 1498 the title eparch in Mukachevo as Mukachevo's Bishop (*eppus de Monkach*) appeared, but this title was not used in the following centuries (Hodinka, 1911, p. 10; ŠAZO/151/25, 20 f. 1-2). From the documents we can state that the eparchy was not established. The title Bishop from Mukachevo as *Mukachevo's* is an advanced localization of his settlement. After all, he was an emigrate from Hrushovo to Mukachevo and neither the monastery in Hrushovo nor the one in Mukachevo were the residency of the eparch. A situation was *modus vivendi* for the eparch as well as for an archimandrite since it was necessary to do an act of ordination (an ordination of presbyters) and secure an administrative document. The archimandrite still had a high status. Monasteries were also spiritual centres, especially in Hrushovo a lot of manuscript books originated, which implicates that the Orthodox monasteries fulfilled the role of scriptoriums and educational institution as well. The preserved manuscript records reflect a resilience of the local administration as well as an educational activity in the monasteries.

2.1 Naming the Eparchy in 16th century

In the 16th century a toponymal designation of a bishop, which declares his residency, disappeared from the documents. In this context we cannot talk about residential eparchs or eparchy. During the century we can follow various descriptions of the eparch from Mukachevo. In *urbariums* benefits are being transferred in the 16th century to the *Ruthenian bishop from monastery* (*Episcopi Ruthenici ab monasterij*) or he is titled as the *Ruthenian Bishop* (*Episcopo Ruthenorum*) (MNL-OL/E156, fasc. 097/No. 029 f. 33-35). Also decrees issued by monarch Ferdinand referred him as a *Greek Bishop from the temple of St. Nicholas* (*eppus Græcæ religionis præfatae b. Nicolai*) as well as a *Bishop from Ruthenian's in the monastery of St. Nicholas* (*eppus Ruthenorum in clastro b. Nicolai*) or simply as *the Bishop in the monastery of St. Nicholas* (*eppum in clastro b. Nicolai*) (ŠAZO/64/1, 4 f. 13; Hodinka, 1911, pp. 12-14; Bazilovič, 2012, pp. 35-37). At the same time next

to the eparch in Mukachevo acted the eparch in Hrushovo. In Mukachevo in the 50s of the 16th century the eparch Ladislav operated. In this time (a year 1556) the eparch Hilár acted in Hrushovo who was referred in the documents as the *Ruthenian Bishop from the monastery of St. Michael* (*eppum Ruthenum, ut claustrum s. Michælis*) (Hodinka, 1911, p. 16). The eparch Hilár operated in Hrushovo until the year 1558, when he transferred to Mukachevo (ŠAZO/151/25, 25 f. 1; Hodinka, 1911, pp. 16-17). From the preserved documents we can assume that the labelling which had been used in the 90s of the 15th century was not used anymore. None of the bishops was a resident bishop only a member of a monastery. Isabelle – a wife of John Zápolya- referred Hilár as *Episcopi ex cæterorum Fratrum Monachorum in Claustro Ruthenorum Divo Nicolao*, so as *the Bishop from brothers monks of Ruthenian monastery of Divo Nicolao*, thus she did not referred to him as a resident bishop in Mukachevo (ŠAZO/151/25, 25 f. 1).

This state points to a persistence of the privilege which was granted by the Patriarch of Constantinople to a monastery in Hrushovo. Wilfulness by which the bishops moved to Mukachevo, where they brought and applied a mentioned privilege, points to a peripheral influence of the Patriarch of Constantinople as well as other patriarchs, for example in Kiev. According to the Patriarch Anton of Constantinople´ privileges from the year 1391 the status of a prior of monastery in Hrushovo was connected to the episcopal ordination (ANRS/C/G Nr. 1, f. 1-3; ŠAZO/151/25, 11 f. 3-4; Mihályi, 1900, pp. 109-111). The documented reports show that archimandrites in Hrushovo continued to receive the ordination and they did it also in Mukachevo. In the year 1498 the eparch John proceeded autonomously in relation to the prior of the monastery in Hrushovo (ŠAZO/151/25, 19 f. 1; Hodinka, 1911, pp. 9-10). The explanation of the basilian monks and their choice of the bishop among themselves points to this autonomy. Since the year 1569 monks have written about a method of the choice of eparch while his successor is picked by the old eparch (Hodinka, 1911, pp. 21-23). The following development in the 17th century changed this principle and an eparch started to be picked by a landowner of the castle in Mukachevo (Žeňuch and Vasiľ, 2003, p. 252).

2.2 Situation in 17th century

The 17th century brought significant changes in the lives of the Orthodox, who were under the authority of the bishops from Mukachevo and Hrushovo. A rioting that surrounds a whole 17th century also affected the monastery in Hrushovo. The monastery was reconstructed in the year 1607 and the bishop who lived there was not named by an aristocratic predicate from Hrushovo. The eparch from Hrushovo was titled as *Eppo Valachico*, thus the *Wallachian bishop* (ŠAZO/151/25, 36 f. 1;

ŠAZO/151/25, 37 f. 1; ŠAZO/61/5, 16 f. 11 =“*olàh pǒspökök*”). The eparch from Mukachevo was at the beginning of the century referred as *eppum Rutenorum ritus Græci in monasterio prope Munkacz*, thus as the *Ruthenian Bishop of the Greek rite in the monastery near Mukachevo* (Hodinka, 1911, p. 43). All the mentioned expressions can be found in a file and after the century a phrase *Mukachevo's bishop* (*eppus Munkachientis*) appears again. The reasons behind this arrival relate to a continuous administrative development in the Orthodox church (Hodinka, 1911, p. 44). In the year 1623 the territory of the Greek union (a territorial association) was established and it included presbyters from a territory of counties Bereg, Ung, Sabolcs, Zemplén, Máramaros and Sáros (Hodinka, 1911, p. 53; ŠAZO/64/1, 4 f. 2-3). Its definition points to a process of establishing a territorial division according to the example of the Catholic church. However, it was not a definition of the territory of eparchy but autonomous part, since after two hundred years of autonomous development and intensifying of reformation pressure, the territory needed to be strictly defined. A territorial community was internally divided into districts. It is suggested by a mandate issued from the year 1624 by Paul Rákóczi in which he granted freedom to presbyters from Makovica. It was later a separate district (ŠAZO/151/25, 45 f. 1; Hodinka, 1911, pp. 56-57).

Since the year 1627 the Greek union has not been mentioned subsequently with a sole mention of eparch in Mukachevo and Máramaros. These titles were connected. The new eparch was marked in the documents as a Bishop of Mukachevo and Máramaros (*eppo Munkacsiensi et Maramorosiensi*) (ŠAZO/151/25, 52 f. 1-3; Hodinka, 1911, pp. 57-59). The bishop was named by a landowner of Mukachevo, Gabriel Bethlen, who chose him as the right person for this position. Administratively he named him as the eparch of Mukachevo and Máramaros, which again defined its jurisdiction differently. It is clear from this that a post of the bishop in Máramaros was not filled. The eparch John Gregorovič had his jurisdiction determined in the territory of Greek union from the year 1623 to which a county Szatmár was connected to. The right to a free movement in the territory, which was defined by counties Bereg, Ung, Sabolcs, Zemplén, Szatmár and Máramaros, was granted to him as well (ŠAZO/151/25, 57 f. 1). The canonical organisation of the Diocese of Eger, where the Orthodox and previously mentioned eparchs resided, also affected the administrative and legal definition. The territory which was entrusted to him extended from the northern and eastern borders of Hungary to a western boarder of Eger diocese. The southern boarder can be defined by boarders of counties Máramaros, Szatmár, Sabolcs and Zemplén. The territory of these counties cannot be perceived in the whole since it can be only a part of the territory where the Orthodox parishes resided in its jurisdiction. From the content of appointment decree, we can assume that the Orthodox eparchs were under the authoritative influence of reformatives seniors. By this change we can look at a convergence

of these two religions especially at an administrative level (ŠAZO/151/25, 52 f. 1-3; Hodinka, 1911, pp. 57-59).

The eparch Bazil Tarasovič became a bishop based on the will of the eparch John Gregorovič and the choice of the monks with a help of reformed seniors (Hodinka, 1911, p. 64; ŠAZO/151/25, 61 f. 1-3). It was done by a method (choice), which was written by monks in the document from the year 1569. The choice was significantly influenced by a recommendation of a previous eparch. The eparch from Alba Iulia gave an ordination to Tarasovič (Hodinka, 1911, pp. 63-66; ŠAZO/151/25, 62 f. 1-3). The jurisdiction of eparch Bazil was connected to counties Bereg, Ung, Sabolcs, Ugocsa, Szatmár and Máramaros. His jurisdictional territory was not defined in Rákóczi's certificate of appointment issue. However, he was granted a passport for previously mentioned territories, which allowed him a free movement for the purpose of visitations of parishes (Hodinka, 1911, pp. 66-67; ŠAZO/151/25, 64 f. 1.). From the preserved documents and seals follows that even the eparch himself was titled as *the Bishop of Mukachevo and Máramaros* (ŠAZO/151/25, 67 pag 1-4). The reason why Bazil Tarasovič used this double title is not known. In the Máramaros's territory the eparch Dozitej and later Demeter operated. The territory Máramaros was mentioned in the report written by Bazil after the synod from the year 1639 (Lacko, 2012, pp. 72-73). Paradoxically, the existence of other eparchs did not stop from using their titles or connecting of jurisdictional territories. It relates to a crisis, which affected a byzantine ceremony from Mediterranean to Carpathians (Lacko, 2012, p. 72; Baán, 2012, 320 pp.). The eparch Bazil decided to join the union with the Catholic church. The Congregation for the Spreading of the Faith did not know how to localise where the eparch had his residency, he was even mistaken to be a patriarch (*Ruthenorum Patriarchæ*) (Lacko, 2012, p. 198). Later he was localised in Moldova since about the existence of bishopric in Mukachevo they did not have any reports. It follows from the correspondence that a jurisdictional situation was known to the Congregation but the bishopric in Mukachevo or the one in Máramaros did not perceive it as existing (Lacko, 2012, pp. 85-87). It is confirmed by a reluctant confirmation of the bishop Peter Parténus as well.

3. After union in Uzhhorod

The first ceremonial vicar of the united Ruthenians, Peter Parténus, was confirmed after four years from his ordination. His title was a Bishop of the Ruthenian Nation of Mukachevo and the whole territory of Hungary (*eppiscopum Ruthenorum degentium Munchák, et in alijs locis Hungarie*) (ŠAZO/151/1, 23 f. 1; Hodinka, 1911, p. 178). A lot of authors perceive this information as a formal

confirmation about the existence of Mukachevo's eparchy (Vasil', 2000, pp. 86-87, 89-92; Fenich, 2016, pp. 5-34; Coranič, 2014, pp. 32-35; Vegseő, 2011, pp. 13-16). The formulation of the papal throne was reluctant. It did not localise its residency but the nation who he administered. Only an emperor appointed him for a Bishop of Mukachevo, who exercised his apostolic right in Hungary and appointed Peter for the Bishop of Mukachevo (ŠAZO/151/1, 25 f. 1).

It is clear that the territory Máramaros did not belong to the administration of Peter Parténus. The ordainer of Peter, the eparch Stefan Simonovics, used a title of the eparch of Máramaros by himself (Hodinka, 1911, p. 158). Later (after the year 1665) in Máramaros an Orthodox bishop operated there and he was an opposite to the Bishop in Mukachevo (ŠAZO/151/1, 111 f. 1). During the uprising of Francis II. Rákóczi the monastery in Hrushovo disappeared and the Orthodox eparch operated in this locality until the year 1735 (Kónya *et al.*, 2010, p. 111; The end of the administrative merger is evidenced by the complete transposition of the administration of the Máramaros area in 1735. Compare ŠAZO/151/1, 534 f. 1-3; ŠAZO/151/1, 536 f. 1-2; ŠAZO/151/1, 537 f. 1-2; It states that the bishops of Marmaros were under the faithful influence of the Prince of Transylvania. ZSatkovics, 1909, pp. 14-15.).

It follows from the documents that the territory administered by a vicar in Mukachevo was changing. It primarily related to an acceptance of the union and secondary with a king's reaction to the events in the north-eastern Hungary. The jurisdiction of the bishop Parténus was very specific, he was a ceremonial vicar at the territory of the diocese of Eger and also a visitator of Szepes in the territory of Esztergom diocese (Hodinka, 1911, pp. 159-160). It did not implicate an acceptance of the Orthodox believers or the clergy. The vicar managed pastoral travels and particular presbyters, or archimandrites professed his acceptance as their bishop. In the year 1664 also the archimandrite of Mukachevo's monastery Theofil accepted Peter Parténus and he informed of this fact the Bishop of Eger. Until this time the bishop resided in Uzhgorod. It follows from the documents that he administered the territory of counties Ung, Zemplén and Sáros, after the year 1664 also Bereg (ŠAZO/151/1, 39 f. 1; Hodinka, 1911, pp. 203-204). In the year 1654 the archbishop Lippaj subordinated the Serbs of Greek rite in the territory of Esztergom and Győr diocese under the jurisdiction of Peter Parténus (Hodinka, 1911, pp. 168-174). During the administration of Theofanis Mavrogorgatos in the year 1677 there was a territory of counties Bereg, Máramaros, Zemplén, Sáros, Szepes, Komarno[§], Szatmár and Ugocsa under his administration (Baán, 2012, pp. 260-261). In the year 1689 the territory of vicarage was defined in the bul of Alexander VIII. by counties Sáros (103

[§] M. Lacko assumed that the believers from Komárno were not mentioned in the report written by the Bishop in Mukachevo. Compare Lacko, 2012, p. 158.

parishes), Zemplén (130 parishes), Abaúj (15 parishes), Borsod (6 parishes), Sabolcs (31 parishes), Szatmár (92 parishes), Máramaros (135 parishes), Ugocsa (29 parishes), Bereg (77 parishes), Ung (57 parishes), Szepes (11 parishes), Gömör (1 parish) and Torna (3 parishes). The whole vicarage consisted of 690 parishes, 858 temples and 145 107 believers (ŠAZO/151/1, 1 f. 5; ŠAZO/151/1, 90 f. 1). In the year 1690 the territory under administration of the vicar included also Bihar, Borsod, Heves and Szolnok (Hodinka, 1911, p. 299). Szepes was a part of a vicar's report in Mukachevo until the year 1711, when political changes appeared in the monarchy that related to the ending of uprisings of the states in the country. The territory of the vicar was in the year 1699 expanded to a territory of Cluj county (ŠAZO/151/1, 139 f. 1). After the year 1711 the whole vicarage was reduced to the territory of Eger diocese.

The bishops continued to be titled by themselves. The bishop Parténius gave himself a title the Bishop of Mukachevo, Krásny Brod, Szepes and of all his territories (*Eppus Munkacsiensis, Krasnobrodensis, Scepusiensis et omnium Diotionum suæ*) (ÖSA/HHUSA/UA/SF274, fol. 9-10; Hodinka, 1911, p. 183). In two localities – Mukachevo and Krásny Brod there were the Orthodox monasteries, which points to an acceptance of the local structures. The Uniats' bishop Jozef Vološanský titled himself in the year 1674 as the Orthodox Bishop of Mukachevo, Krásny Brod, Makovica, Máramaros, Szepes and all the territories of Hungary (*Pravoslaenêj Ep̄ps Mukaèæskñj, Krasno Brodckñj, Makoæeckñj, Mari&mori&skñj Spi&skđj n& vseì zemln& Ougrskñi*) (ŠAZO/151/1, 62 f. 1). In the year 1690 John Joseph De Camelis used the title Bishop of Sebaste, Mukachevo, also of Máramaros, Krásny Brod, Makovica, Szepes, Komárno, etc., the apostolic vicar of the inhabitants of the Greek rite of Hungary (*eppo Sebastensi, Munkács., nec non Marmar., Krasnobrod., Makovicz., Scepus., Komaranensi etc. Vikaro aptolico populorum r. gr. in tota Ungaria*) (Hodinka, 1911, p. 300). He used it so he could show his jurisdiction over various territories that he administered. Extracting exact locations points to a variability as well as an ambiguity of the vicariate's boundaries. After all, these are not the boundaries of one Latin diocese. Even the ecclesiastical administration on the basis of the Ninth Constitution of the Fourth Lateran Council did not allow one jurisdictional territory to have more bishops, the second should have always been a vicar (Zubko, 2016, p. 7).** The vicar was always bound to the particular diocese where he should have had his scope (locality, ethnicity, rite). The mentioned vicars belonged to the Greek rite, which

** Medieval or modern church practise did not recognise a status of an auxiliary bishop. It always has one territory, one resident bishop. The other bishops could be appointed as titular bishops, but it does not mean that they had to be ordained. In terms of mass a titular bishop, abbot / provost, or other church prelates (canonists) had the right to serve a pontifical service. In terms of administration only a resident bishop had jurisdiction over a diocese. A vicar had a limited jurisdiction on particular rite, language, ethnicity, territory even only to the diocese where he held his post.

is declared by the unifying element. The vicar would have to be appointed in each diocese. Such practices were not preserved.

Conclusions - was the eparchy erigated (before 1771) or not?

After the year 1711 a vicar in Mukachevo was titled by the royal office as the Bishop of Mukachevo. From the church point of view, it was a vicar of the Bishop of Eger and a titular bishop (ŠAZO/151/1, 227 f. 1; ŠAZO/151/1, 250 pag. 1-5). The whole situation was finished by a canonical erigation of the Mukachevo's diocese of the Greek rite, which was established in the year 1771 (ŠAZO/151/1, 2206 f. 1-7). The establishment of the diocese had a major impact on the historical development of the believers of the Byzantine rite. The diocese became a cultural and educational centre for Ruthenians in Hungary. The specific culture of Greek Catholics developed already in the territory of the vicariate and later in the diocese.

The origin of the eparchy is generally debatable, but the geopolitical relations helped to preserve a ceremonial affiliation of the believers. We can clearly state that the eparchy was not erigated by anyone and it was established gradually on the basis of the transfer of forming archimandrite from Hrushovo to Mukachevo. Mainly the significance of Mukachevo as a dominion helped to preserve the eparchy even in exchange of its transport. After the first residences of bishops, that were aristocratic predicates not the signs for a functioning residence, the eparchy started to be established in the 17th century. It was not an eparchy defined on the basis of the territory, but the main element was religion. This phenomenon that the main element is not the border but the faith, makes from the eparchy/bishopric a unique jurisdictional case. The origins of ecclesiastical administration's formation are debatable but the heritage which it left behind testifies to the diversity of problems as well as an ability to adapt.

The erigation of the diocese had a bigger impact than the origin of a new Church territorial unit in Hungary. The Mukachevo diocese was established as Latin (Roman catholic) dioceses with a supplement that it belongs to a Greek rite. Its territory was not surrounded by Latin dioceses, but they overlapped. This caused violation against common paradigm of Latin church, which was based on conclusions of the fourth Lateran council from its ninth constitution. On its basis two dioceses were not allowed to overlap territorially since this fact was explained through a prism of a body (=diocese) and a head (=bishop). Each body should have only one head, thus each territory is allowed to have only one bishop. Precedence from the church development in a relation with Mukachevo diocese influenced various Catholic structures in the world.

Especially the consequences were palpable in a relation between the bishop of Eger and his former vicar. The bishop Esterházy, who was a residential bishop of Eger, asked his priests to be supportive towards presbyters of Greek rite, not to calumniate and receive doses from them (Kónya *et al.*, 2010, p. 210). A lot of them decided to ignore this regulation and this is the reason why numerous disputes between the presbyters and priests ended on capital courts. Often the disputes rose from the different liturgical calendar and holidays. In this relation Maria Theresa made a move when she pushed to the Greek Catholics in Hungary with the unification of the holidays by the Latin Church. The Pope, however, limited the effort of the Queen and established an abundance of holidays for Hungarian Greek Catholics identical with the Orthodox church. These disputes ended often similarly as the situation between the clergy, on the capital courts.

The origin of the bishopric had another important consequence which was related to a denial of the historical memory. As we mentioned above, the bishop operated in Mukachevo for more than three hundred years. Gradually he started to be titled as Mukachevo's eparch or a bishop. Although the erection of the bishopric meant a victory of vicars' efforts of independence from Eger Episcopal See, it caused a discontinuity in the historical memory. That is the reason why the question about the existence of Mukachevo's bishopric in the past was still present, the mythical existence of Koriatovych's donation, which the bishop Battyany proved wrong in the time of the erection of the bishopric (Bazilovič, 2012, p. 112). The historical memory was constantly culminated and multiple times misinterpreted. In the 19th century the Mukachevo diocese reports even in the official schematisms to the existence of Mukachevo orthodox eparchy and the mentions about the bishops are interpreted as the Episcopal period. Naturally, the bishops after the year 1771 are detached without clear interpretation. In this context, the memory eliminated all negative aspects and information which would not confirm this condition (the nonexistence of the Cathedral church, the nonexistence of bishop's properties, the ambiguous origin of the bishopric). It influenced the development of the Ruthinian national revival in many ways as well as their national story. From the documents it is clear that the territory of Mukachevo orthodox eparchy in the Medieval time was connected to today's territory of Romania. This connection was close even in the modern age, when the candidates for the bishop chirotony went to Alba Iulia. The relations towards the bishop in Hrushovo are still unexplored in many ways and he was even labelled as the Wallachian bishop and later his territory was incorporated into Mukachevo bishopric.

By referring to the roots of Mukachevo diocese as well as to the first mention from Hrushovo we detached a romanticizing historical memory from a demonstrable history again. Today's eparchy based in Uzhgorod has turbulent history; its roots are related to the Wallachian colonisation of

Hungary and its history (especially the year 1771) influenced the whole Catholic world. We believe that even this text will be a stimulus for further (critical) reassessment of history also in relation to the bishoprics in Romania and Moldova.

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