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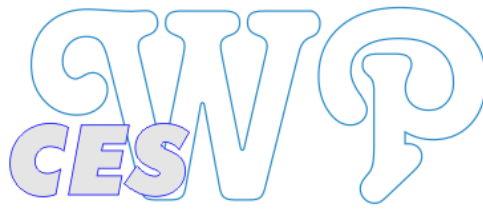
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Coronavirus - The Moment for Helicopter Money?

Bogdan Andrei TILIUȚĂ*, Ioana Raluca DIACONU**

Abstract

The coronavirus crisis has unquestionably been a challenge globally and felt like an economic and psychological shock caused by the high number of illnesses and deaths caused by the virus. The drastic measures of physical distance and isolation have led to major economic effects. In this regard, our paper is trying to answer to the question if the unconventional methods would be effective in saving the economy burdened by the pandemic crisis and especially if "launching money from the helicopter" strategy is viable for the economy. We presented a series of government measures taken by countries affected and the analysis of the literature of the concept of "helicopter money". At the same time, the article reveals the exposure of the economic consequences resulting from the application of this unconventional solution, meant to restart afflicted economies.

Keywords: helicopter money, COVID-19, financial impact, pandemics, central bank

Introduction

Probably facing the worst economic crisis in modern history, the author of the best-selling book "The Black Swan: The Impact of the Highly Improbable" (Taleb, 2007) points out that the coronavirus pandemic cannot be considered a black swan. (an unlikely and unexpected event), but rather a white one, because of the possibility of being prevented. From his point of view, the metaphor "black swan" can be associated with the terrorist attack of September 11, 2001, but this epidemic could be anticipated and does not fit the pattern. It could rather be a "gray rhino" (Wucker, 2016), a threat with an increased probability that comes directly at you, with high potential impact, with very probable consequences, but which has been neglected. In this regard, governments, authorities, and organizations should know to pay attention to signals and to anticipate the event. „Behind every Black Swan is a crash of Gray Rhinos" (Wucker, 2016, p. 243).

The massive spread of the SARS-CoV-2 virus is a major challenge for the entire health system, and all reports present a grim situation, with significant life losses. Governments' desperate attempt

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to stop/slow the spread of the virus has led to travel restrictions, the closure of restaurants, cinemas, theatres, the suspension of sporting events, and even a ban on leaving one's home. These measures have directly affected the economies of countries facing this virus by declining production and sales in many sectors where activity has partially or completely collapsed, especially during a state of emergency due to supply disruptions or declining demand due to the change of consumption patterns.

It all came to a standstill for months, and in just half a year the coronavirus pandemic wiped out several decades of global growth, from areas such as health, education, tourism to economic activities. According to Oxfam International (a confederation of 20 independent charities focused on reducing global poverty), it is estimated that by the time the pandemic will end, more than half the world's population (currently estimated at 7.8 billion people) would live in poverty.

It is known that consumption is the backbone of the economy, and to avoid the shock of a deadlock both nationally and globally it is necessary to throw a "lifeline" for the entire system, e.g. subsidizing consumption until it reaches the levels considered normal. It is important to note that once you allow the system to malfunction, the years and costs for it to recover will be much higher than the rescue system itself. The European Union and its Member States appear outdated and unable to act immediately and decisively to limit future devastating consequences, appearing to be like a hospital under siege by an unknown virus.

If no one expected and anticipated this pandemic situation, no additional prevention measures were taken and the classical procyclical measures weren't enough to face the economic and financial freezing generated by the virus. In this situation the intervention should be based on ongoing measures to limit and to manage the damages correctly. Classical theories are contested by modernists who came with nonconventional measures to defuse the situation like 'launching money from the helicopter'.

The phrase "helicopter money" seems more like a metaphor than a proposal for a monetary policy instrument. However, the idea of throwing money out of the sky is a topical issue in economic debates and is understood by some economists and the media as a real alternative to the policy of "quantitative easing" applied by the world's major central banks in recent years.

Anyway, intervention techniques should be fast and decisive, each Member State should draw up a national economic recovery plan, adapted to its particularities to allow the restoration of the European architecture, already shaken by the exit of Great Britain from the European Union. A prompt, substantial and coordinated response is needed to offset this crisis.

The issue that the paper what to clarify is if this unconventional method would be effective in saving the economy burdened by the pandemic crisis and especially if the concept of "helicopter money" is viable for any economies.

1. Helicopter money and the way to manage the crisis

There is a need for a prompt and well-targeted response from the political environment that is proportionate to the extent of the damage caused by this pandemic in order to minimize its effects. One option would be for governments to intervene and provide funds to affected companies/enterprises to support their activity, paying debts, or employees, without leaving this burden exclusively on them or governments could also reduce tax costs. This support would then take the form of a non-repayable loan and the problem would be transferred to governments that would have two alternatives: either increase taxes and fees - thus increasing the burden on households and firms or they would need capital market loans, which will lead to increasing public debt.

The concept of "helicopter money" does not refer to new banknotes dropped accidentally from an aircraft, but is a measure taken by governments to directly help people when the economy is blocked. Economists consider it a radical, even unconventional solution that central banks can use to save weak economies.

The Nobel Laureate in Economics (Friedman, 1969), in *The Optimum Quantity of Money*, shows how people would react if they experienced a unique event that will never happen again:

Let us suppose now that one day a helicopter flies over this community and drops an additional \$1,000 in bills from the sky, which is, of course, hastily collected by members of the community. Let us suppose further that everyone is convinced that this is a unique event which will never be repeated. (...) People's attempts to spend more than they receive will be frustrated, but in the process these attempts will bid up the nominal value of goods and services. Hence, the finale equilibrium will be a nominal income [that has doubled] ... with precisely the same flow of real goods and services as before. (Friedman, 1969, pp. 4-6)

There is no standard definition, but throwing "money out of a helicopter" has been associated with the idea that central banks can start printing money, and through the government, they determine the population to stimulate consumption, e.g. there is an injection of liquidity directly into the economy without the intervention of commercial banks.

Calvo (1991) showed that it is one of the most efficient methods that would lead to economic recovery because this money that reaches governments is final, involves an irreversible operation, but the liquidity thus created will remain permanent and open the Pandora's box concerning the independence of central banks and the fiscal policy. Therefore, there is no guarantee that this measure of "helicopter money" would always have the desired effect, that "it would cure the disease without killing the patient." (Croitoru, 2016)

Renowned American professor and economist Nouriel Roubini (2019), who predicted the financial crisis from 2007-2009 since 2005, supports the idea of governments launching packages with substantial financial incentives, including "helicopter money" to avoid a scenario similar to the Great Depression of 1929 - 1933.

Although the aim is to stimulate disadvantaged sectors and restarting the economy, most economists believe that the tsunami of money would cause devastating, out-of-control inflation and high government debt.

The German economist Weidmann (2016) warned that this measure would lead to a loss of credibility of central banks, that would damage their balance sheets, and ultimately governments and taxpayers would have to bear the costs. Also, the policy would fail if the citizens did not spend the money received as the money would become a 'poisoned gift'.

Another consequence, in addition to the loss of credibility of the issuing entity, would be the internal and external devaluation of the national currency, the reduction of the net asset value of the central bank, hence the need to recapitalize it by the state in whose name it acts. The devaluation of the currency harms price stability and even the stability of the whole financial system.

The Governor of the Central Bank of Ireland, Gabriel Makhlouf, recently pointed out that offering free money to citizens is not a good option to fight the pandemic, but should be given to the financial support of certain categories of citizens and only certain sectors or companies. A similar message was sent by the Swiss government, which said it would not adopt any comprehensive financial stimulus program and would not support "throwing money out of the helicopter" (Halpin, 2020).

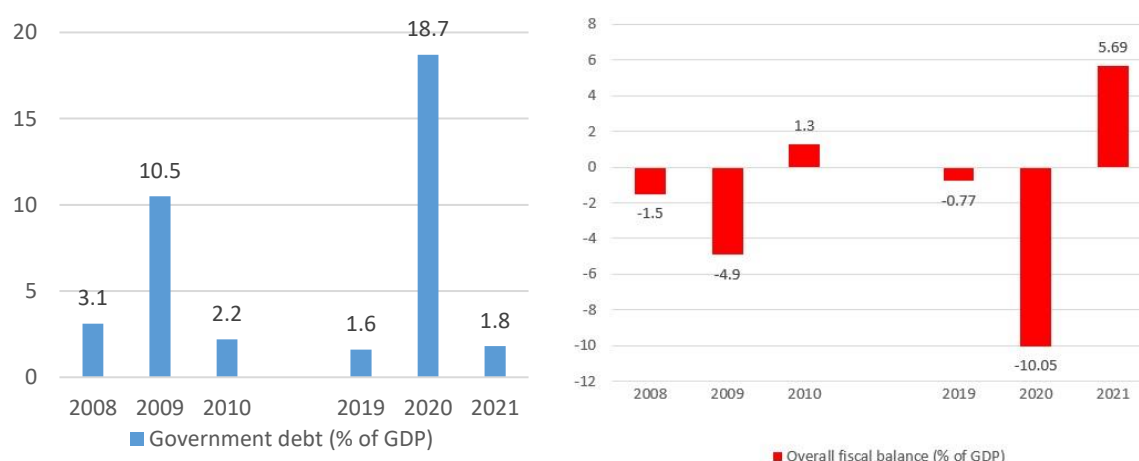
Even "fallen from the helicopter" money spreads unevenly in the economy, depending on when citizens use it. The losses of individuals who use or obtain money later are the source of additional income for those who take possession of the money earlier and buy goods and services with them before prices have risen (Cerna, 2020).

Although he highlighted the major problems that the economy may face if this method is used, Galí (2020) stated that when other options are not effective or do not produce the desired effect,

policymakers can turn to such practices: “Unfortunately, that emergency is currently upon us, provoked by the coronavirus. If ever, the time for helicopter money is now.”

The spread of the coronavirus pandemic is expected to lead to significant losses in economic and financial activities. Following a recent forecast by the International Monetary Fund (2020) at the EU level, the consequences of this pandemic are expected to far exceed the magnitude of the crisis from 2008 to 2010. Consequently, in Figure 1 we presented the public debt and budget deficit in parallel during the years of the previously mentioned crisis and an estimate based on data provided by the MFI. In the case of the 2008 crisis, public debt more than tripled from 3.1% to 10.3 percentage points, while in the case of the coronary crisis, public debt is expected to exceed 18.5 percentage points given that before the crisis the rate was only 1.6%.

Figure 1. Change in Global Government Debt and Overall Fiscal Balance (percent of GDP) in E.U.



Source: IMF staff estimate (IMF) apud (Fedeli, 2020)

Regarding the evolution of the budget deficit in the 2008-2009 period, it deepened more than three times from 1.5% to 4.9%. In the next period, a double budget deficit is expected compared to the one reached in the recession period of 2008, expecting a value of over 10%. These values are indicative, and the impact of the coronavirus crisis can only be determined after finding a cure for CoVid-19 or a vaccine and eventually putting the pandemic to an end. WHO Deputy Director Ranieri Guerra warns that the number of coronavirus infections will increase - a second wave, between September and October 2020 (Di Donato, 2020).

The economic implications will be extensive and uncertain, with different effects on supply chains, production, the labour market, financial markets and the world economy as a whole. The negative effects can vary depending on the duration and the measures that governments will take:

social distancing, border shutdown, stress caused by job losses that will lead to a high degree of uncertainty and insecurity.

The sudden slowdown of economic activity and the explosive increase in public debt as a result of high state spending related to the current SARS-CoV-2 pandemic have brought back the idea of offering a certain amount of money to all citizens for free. The aim is to increase the demand for goods and services and stimulate economic activities.

As early as 2002, the then EDF governor, Ben Bernanke, also known as "Helicopter Ben", said that this would benefit the economy in times of tension by stimulating consumption. (Bernanke 2002)

In the current situation, the US Congress has already approved a plan to save the US economy by offering a check worth \$ 1200 to each person who earns less than \$ 75000 annually. The check would have President Trump's name printed on it, and given the November election campaign, this measure appears to be a "money helicopter". Analysts believe that major liquidity injections may have a devastating effect, and the FED will lose control of the money supply, consequently leading to hyperinflation.

Another financial incentive to help the "hard-hit" population was implemented in Hong Kong, where every permanent resident over the age of 18 will receive 10000 Hong Kong (HK) dollars, the equivalent of 1284 US dollars. The aim is to support businesses, protect jobs, stimulate the economy, and reduce the burden on citizens. Here, too, a series of measures were taken to stimulate business (low-interest loans guaranteed 100% by the government, waiving company registration fees, extending subsidies to utility bills, money to support tourism, etc.), but also in citizen support (reduction of income taxes, payment of monthly rent for those with low incomes, etc.). In a similar approach, Singapore, which was hit by both coronavirus and Dengue fever would only give the population between \$ 100 and \$ 300.

The Government of Madrid has approved the introduction of a guaranteed minimum income of € 460 per month for the poorest citizens, whose financial stability has been exacerbated by the SARS-CoV-2 pandemic, and in this category would fall approximately 2.3 million people. According to the Instituto Nacional de Estadística (INE), Spain's economy, the eurozone's fourth-largest economy, fell 18.5% this year, a record low, cancelling out economic growth over the past six years and the abruptest decline since the publication of data in 1970. The United Kingdom stated that it was considering a similar measure.

The very high cost of the coronavirus pandemic drastically changes Japan's seven-year experiment to save the Japanese economy from a time bomb (\$ 1.35 trillion, one of the largest in the

industrialized nations), while suspicion of a recession is causing more and more people to demand "helicopter money", in other words, the central bank will incur unlimited expenses.

2. Helicopter money - is it a viable policy in times of recession?

The phrase "helicopter money" seems more like a metaphor than a proposal for a monetary policy instrument. However, the idea of throwing money out of the sky is a topical issue in economic debates and is understood by some economists and the media as a real alternative to the policy of "quantitative easing" applied by the world's major central banks in recent years.

Studies conducted by van Rooij and de Haan (2019) in the Netherlands and by Mencinger (2017) in countries with advanced economies such as Germany, France, Italy, and Spain show that over 40% of potential beneficiaries of programs such as "helicopter money" would save the cash received at the expense of investments or expenses. These studies show that these revenues are spent by 31% of Dutch beneficiaries and by about 5% of beneficiaries in countries with advanced economies. The same study also highlights the fact that the percentages change radically if this "helicopter money" programs are implemented constantly (monthly). In this case, the majority of beneficiaries (over 49%) would spend the money, followed by the beneficiaries who would keep it (20%), those who would use it to pay debts 12.6% and 9.1% who would invest it. Moreover, the study shows that 36% of beneficiaries who know the purpose of the money distributed would opt for saving it (van Rooij and de Haan, 2019).

Di Giorgio and Traficante (2018) study the impact of money released from the helicopter on domestic production and inflation, demonstrating that this type of action leads to rising inflation and thus the current account deficit.

On the other hand, Jarow and Lamichhane (2020) point out that through the monetary policy promoted by the National Bank of Japan and the implementation of yield curve control measures (YCC) as a monetary policy tool, "helicopter money" would be beneficial to the economy. They conclude that in order to be viable, monetary policy must be linked to fiscal policy.

Given the above, we can conclude that an action to launch the "helicopter money" would not be useful if it were done by directly distributing funds to citizens. In this sense, in order to accomplish the main purpose of the "helicopter money", the issue of providing liquidity to the market arises, but without involving the end-users in the way of their distribution.

So we can point out the first condition that must be met for the effect of the money in the helicopter to be the expected one: it must have a non-monetary form and ensure a benefit other than

the pecuniary exchange rate. In this way, the risk of higher inflation as a result of "injections" of liquidity into the market can be reduced.

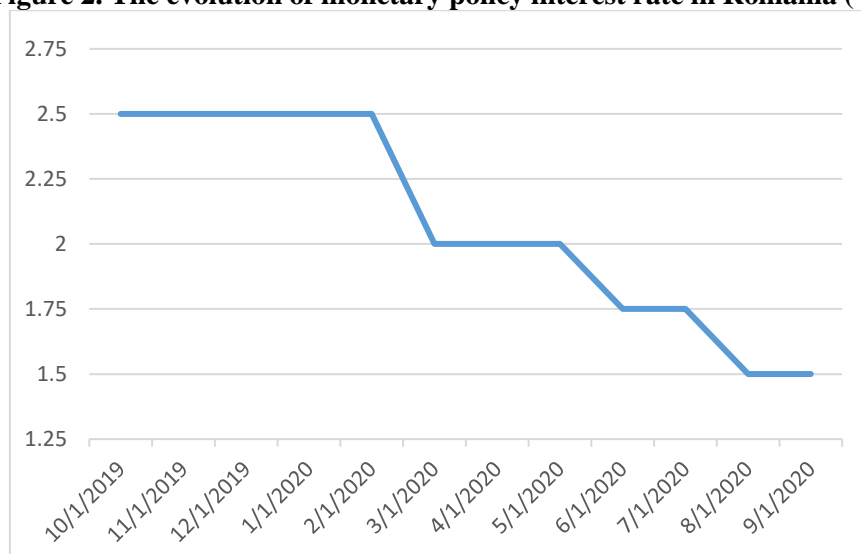
This unconventional monetary policy is applied in times of recession, and it is important to use the non-monetary form of allocating resources to the market so that there is no risk of using them for purposes other than those established. Moreover, it is necessary for the "helicopter money" to have the capacity to be used both in an environment where liquidity is very low and to have a definitive, non-refundable character, so the value is preserved over time.

Thus, we can deduce the second condition, namely the non-refundable financial/fiscal incentive to be an asset for the beneficiary, without any obligation to the issuer.

The last condition for the effect of money in the helicopter to be the expected one is that when applying this measure, the price of money must be positive.

The analysis of the timing, manner and the scope of the measure to launch the "helicopter money" must be well justified and documented, as it overlaps with the function of public finance to regulate the economy based on the Keynesian doctrine. However, one can use a mixed method of classical monetary policies (increasing public spending, lowering taxes and duties, etc.) and unconventional ("helicopter money"), a conclusion derived from Buiter's study (2003). This can reduce the side effects that many economists blame (loss of confidence in the system, destabilization of markets, etc.). Moreover, these methods can turn risks into opportunities (the risk of a recession turns into opportunities to revive the economy and even strengthen the spheres of the market in which cash flow is ensured).

Figure 2. The evolution of monetary policy interest rate in Romania (%)



Source: own processing after data provided by National Bank of Romania

Although monetary policy aims at price stability, central banks through the interest rate adjustment mechanism can correct some trends of macroeconomic indicators (inflation, GDP, etc.). Considering the current conditions in Romania regarding the monetary policy interest rate presented in Figure 2, we can observe that, if at the beginning of the pandemic period it was at the level of 2.50% (value established in May 2018 as a result of its increase from 2.25%), it gradually decreased by one percentage point to the historical minimum of 1.50% (March 2020 - 2.00%; June 2020 - 1.75%; August 2020 - 1.50%). Low-interest rates generally stimulate investment and consumption, while higher interest rates stimulate savings, limiting consumption and investment in the short term.

Analysing the evolution of inflation in Romania we can see that it is in the multi-year stationary target (to meet the Maastricht criteria), so lowering monetary policy interest was not necessary from this point of view. However, once national emergency and the shutdown of important economic sectors were declared, impulses to restart the national economy were needed, which are largely based on consumption. Moreover, the study conducted by Cocriș and Nucu (2013) highlights that the application of an easing of monetary policy interest generates effects in the economy such as the expansion of the industrial production index, the medium and long term increase of the consumer price index (CPI) as a result of the increase in market demand, the boosting of lending, as well as the depreciation of the national currency.

Contextually, the ECB's monetary policy interest rate remained at 0% given the major discrepancies between the Union's economies (e.g. Germany vs. Greece, France vs. Italy, etc.). Di Giorgio and Traficanteb (2018) highlight in their study that the financial incentive is considerably more expansive, both on production and inflation, in monetary financing than in the case of debt financing. Thus, the situation of the European Union can be assimilated with the situation presented by Friedman (1969) in order to launch the "helicopter money". However, the size of the "package" and the shock wave it causes in the economy must be taken into account.

A non-cash model that could easily be implemented as "helicopter money" is holiday vouchers. These appeared in Romania in 2015 in the form of vouchers granted to public sector employees for their recovery and relaxation in order to cover domestic holiday expenses. Their main objective is to increase the amounts spent on domestic tourism, and the associated one to increase the number of tourists and the number of authorized tourist units by reducing the underground economy. They were also thought to have an important social impact determined by the increase in the number of jobs created, as a result of generating growth in various sectors: food production and trade, public catering services, leisure services, transport, etc. Other positive effects of using holiday vouchers are:

- increase labor productivity and employee motivation, physical and intellectual energy recovery;

- improve family relationships and balancing work and personal life;
- maintain the purchasing power of employees, obtaining additional income for employees to pay for tourist stays.

An analysis conducted by Economica.net (2019) shows that only in the summer of 2019 were made 269% more payments with holiday vouchers than in the previous year. Moreover, the study conducted by Pavel (2019) shows that the state recovers about 27% of the money only from direct benefits (income 3.5%; taxation of amounts associated with salaries - 3.45%; taxation of other expenses - 7.5%; taxation of investments generated in tourism - 12.53%). Thus, out of 500 million euros allocated to holiday vouchers, the state recovers from direct benefits of about 135 million. This would be a model to support the HoReCa (Hotels, Restaurants and Café) sector in Romania which has been severely affected by the coronavirus crisis.

Another non-monetary model was implemented this time in the United States, namely in Tenino, Washington. Local authorities issued wooden plaques totalling \$ 10000 and a declared face value of \$ 25 to support community residents severely affected by the coronavirus pandemic. These plaques circulate in parallel with the money inside the community, but can also be redeemed at the town hall. With these plaques, goods and services can be bought, but also local taxes can be paid, the purpose being to support the community (people who are at a standstill), though local small businesses can use them as well.

Another way to launch money from the helicopter is to create a cryptocurrency (digital currency) with local use and only for certain areas of the economy (tourism, HoReCa, medical services, public services, food, fixed assets, etc.). In this case, restrictions may be created regarding the use of cryptocurrencies, several types of cryptocurrencies specific to economic spheres may be generated that have an exchange rate determined by the needs and magnitude of the impact of COVID on that market.

Winners and losers in Coronavirus times - Conclusions

Although there is an acute need for governments of countries affected by the coronavirus pandemic to support people in difficulty and local businesses, we draw attention to the fact that before starting the money printing machine, the risks to which the country's economy is exposed have to be considered, them being high inflation and an unlimited increase in government debt.

During the pandemic, people will tend to be more rational, calculate their financial resources more carefully and save money, which would mean that this money thrown from the helicopter will not immediately reach the market to support the economy.

Once the effects of the pandemic pass, people will start spending, but if production does not rise as quickly, goods and services will no longer be available. To cope with rising costs, people will push for higher pensions and salaries, at which point there is a tendency to re-use helicopter money, although Friedman spoke of a single such intervention, as governments may find that funding can be obtained very easy.

The question that remains is, however, whether or not the measure would be life-saving. Efficiency is questionable given that citizens would choose to save the amount of money they receive and not to stimulate consumption. But the biggest dilemma is whether the concept is economically sound. Beyond the risk of rampant inflation, the loss of central bank credibility, the amounts of money left available will be higher for the rich than for the poor, which would artificially increase inequality.

Although some developed countries promote the idea of a "free lunch" for which no one pays, neither now nor in the future, in reality, the costs will be much higher than we would expect. Accepting free lunch can only be less expensive than not taking action and repairing the entire collapsing system.

Adopting the "helicopter money" policy would lead to the need to reanalyze the entire economic theory based on the Keynesian doctrine in which money "must come to their feet" by going where they find competitiveness and economic rationality. This would eventually open up new horizons for the concepts commonly used in the market economy, including tools to ensure maximizing utility, taking into account the budgetary constraints.

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European Union's pursuit of resilience in the Eastern Neighbourhood

Loredana SIMIONOV*

Abstract

Over the past decades, the EU has faced a variety of challenges and shocks that have shaken the Union up to its very core, with crisis emerging both internally and externally (i.e. the sovereign debt crisis, terrorist attacks, refugees' crisis, Ukraine crisis, Brexit, pandemic crisis). Within this context, it is not surprising that EU's resilience has become the ultimate goal across various fields and sectors. Accordingly, resilience has found its way into EU's foreign affairs and agenda particularly after the Ukraine crisis, which has emphasised the Union's inability to predict and manage crisis emerging in its near abroad. In this context, the aim of the paper is to analyse EU's understanding of resilience beyond its borders, as a pragmatic turn, away from its transformative incentives. In practice, the paper will focus on the Eastern Partnership (EaP) region, where the EU has put considerable efforts to shape a coherent approach to resilience. The argument is that, despite the EU's efforts and intensions, the pursuit of resilience abroad entails a series of contradictions and frictions between the EU's own resilience and that of the EaP countries, revolving around the dichotomy between interests and values.

Keywords: resilience, interests, values, European Union, Eastern Neighbourhood

Introduction

The series of crisis that have challenged the EU over the last decade (Ukraine crisis, refugees, Covid-19 pandemics, etc.) have gradually incited serious discussions about EU's strategic autonomy; these have helped the Union to realise that it was not enough to solely focus on its own resilience since most of the severe crisis that hit the EU have emerged outside its borders. Particularly, the Ukraine crisis has brought back into EU's agenda the geopolitical language, determining the EU to adopt a more pragmatic stance, and to export its resilience approach to its immediate neighbourhood, although focusing on its own interests.

"The era of a conciliatory, if not naïve, Europe has come of age. Virtuous "soft power" is no longer enough in today's world. We need to complement it with a "hard power" dimension, and not just in terms of military power and the badly needed strengthened European defence. Time

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has come for Europe to be able to use its influence to uphold its vision of the world and defend its own interests.” (EC, 2020)

In this regard, EU’s first clear step towards a more pragmatic approach to foreign policy has actually materialised in early 2019 when the EU took a more coherent and assertive stance towards China; hence, in its strategic outlook on China, the EU has simultaneously described it as “a cooperation partner with whom the EU has closely aligned objectives (in different policy areas), a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance” (EC, 2019b). Such approach implies a more flexible and pragmatic EU keen on enabling a principled defence of interests and values.

Within this context, the paper aims at assessing the implications of EU’s pragmatic turn in its eastern neighbourhood, by carefully examining the contradictions between protecting interests and exporting values. The first section of the paper outlines the main theoretical framework necessary to build upon the paper’s argumentation. Whereas the second section offers a general overview of EU’s resilient approach in its eastern neighbourhood, the third section of the paper goes forward by critically discussing the dichotomy between interests and values; the last section captures the paper’s final remarks and conclusions.

1. Theoretical Account

Initially, resilience emerged as a keyword in various strategic documents concerning EU’s development policy and agenda in early 2000s, thus becoming a prominent analytical tool for understanding and addressing development disparities within its member states (Béné *et al.* 2014), especially where shocks, vulnerabilities and risks are critical for the systems (Martin, 2018; Brinkmann *et al.*, 2017; Hallegatte *et al.*, 2016). The events in Ukraine (Euromaidan protests, annexation of Crimea, Malaysia Airlines Flight 17, etc.) have shifted the attention towards crisis originating abroad so that the concept has been adopted from EU’s internal policies and infused in its external actions. However, if the relevance of the concept in EU’s development policy and agenda has brought about clear actions and results, when it comes to EU’s actorness and external actions, the results are still questionable and discussed at length (Pascariu *et al.*, 2020; Korosteleva, 2018).

Particularly, the *de-facto* adoption of the resilience concept in EU’s external policies and agenda took place when the EU has launched its revised global strategy (EUGS) in 2016. Forged with the aim of enhancing EU’s own resilience and that of its partners, the EUGS has introduced a new

approach to FASP, build upon “principled pragmatism”. In this regard, EUGS represents a key moment in EU’s FASP, as it announced a major shift in EU’s modus operandi of state-building and transformation from a top-down to a bottom-up approach. In this regard, EU’s newfound paradigm emerged as a blend between a more pragmatic, realist approach (stemming from a realistic assessment of the worsening geopolitical environment), coupled with EU’s classical idealistic and normative vision of bettering the world.

Overall, the resilience concept is being portrayed in literature as the clear sign of the end of Europe’s normative power in favour of a more pragmatic, realist one (Tocci, 2019; Juncos, 2016). However, this paradigm shift does not necessarily oppose EU’s classical normative stance as it still keeps at its core the key concepts of democracy, good governance, and the rule of law. This change of approach simply highlights that due to various crisis and challenges stemming from both exogenous and endogenous factors, the EU has finally accepted its limits in mitigating external shocks and crises, so that stability beyond its borders became “the new key goal to replace the liberal peace-building” (Wagner and Anholt, 2016, 11). Since the multiple shocks and crises (of both endogenous and exogenous factors) have seriously challenged the EU’s international role in the emergent multi-order world (Flockhart, 2016), “a substantial overhaul of policy practices is still required to match the narrative turn” from the ambitious liberal approach to the more pragmatic resilience one (Petrova and Delcour, 2020).

The next section shall focus the discussion on the eastern dimension of EU’s FASP, namely on EU’s resilient approach in EU’s eastern neighbourhood.

2. Resilience beyond EU’s borders – the eastern dimension

Up to EUGS (2016), EU has been driven by its normative power when dealing with its neighbours, especially since it has been encouraged by the consecutive successful enlargements of 2004 and 2007; this has led the EU to further seek a diffusion of its norms and values and to outsource this integration logic beyond its borders (Manners 2002, Schimmelfening, 2008; Smith 2010).

Recently, the European Commission has issued its new policy guide toward the six eastern neighbours (The Eastern Partnership beyond 2020: Reinforcing resilience - an Eastern Partnership that delivers for all) which highlights once more the transformation of FASP towards a consolidated resilience approach (EC, 2020). The document clearly outlines that the EU has slightly changed the peak of cooperation from democracy promotion to stability, thus the execution of functioning democracy. The fact that the democracy concept is missing in the discourse and architecture of this

latest policy guide highlights the realist turn in EU's FASP, as the Union has given up the status of "democracy inspector" in the region. This endeavour has a variety of implications for both the EU, the EaP, and by extension for the Russian Federation.

Furthermore, resilience has overall challenged the fundamentals of top-down global governance and refocuses on the role of "the local" to make it more responsive to people's needs (Korosteleva and Flokhart, 2020). Focusing at length on the resilience - local ownership nexus within the EU's major narrative turn, Petrova and Delcour (2020) highlight that resilience-building in the EU's neighbourhood is primarily justified by the EU's own security (Petrova and Delcour, p. 342). In this regard, "EU has left little scope (if any) to accommodate the preferences of those countries seeking closer ties with the EU, when these preferences diverged from its own vision" (Petrova and Delcour, p. 354). Subsequently, EU is actually aiming at an effective governance of the EaP countries, rather than genuine empowerment of the local (Petrova and Delcour; Korosteleva and Flokhart, 2020). In this regard resilience is not only a quality of a system, but also as a way of thinking, and a process inherent to "the local that cannot be externally engineered". In order for resilience-framed governance to become more effective, the EU needs not just engage with 'the local' by way of externally enabling their communal capacity, but to deeply understand that resilience is a self-governing project. (Korosteleva and Flokhart, 2020; Korosteleva, 208, 2019).

From a conceptual standpoint, resilience represents a systemic approach designed to attain the system's "development goals, to achieve security, to build inclusive societies or to recover from shocks" (European Commission, 2017), although not by just simply coping with crisis, but also by finding a long-term systemic solution 'to tackle the root causes' of these crises, as part of a new development agenda" (Korosteleva, 2018, p. 3). Reported to EU's specific goal of enhancing "its own resilience and that of its neighbours", it is challenging, to say the least, to define the referring system, going back to Chandler's questions about resilience of what and for whom (Chandler, 2015; Nitoiu and Pasatoiu, 2020; Korosteleva, 2020). Since the EU has left behind its missionary approach and renounced the transformative scopes in the neighbourhood, it indirectly acknowledged that its system and the one(s) of the EaP differ. Hence, enhancing resilience beyond its borders implies enhancing the resilience of at least two systems (the EU and the EaP); this translates into a *a priori* convergence/ harmonisation between the capabilities, goals and needs of the two systems. Since the EU has renounced transforming, thus integrating the EaP into its model (eventually making the EaP part of its system), it simply relies on the convergence between its own needs & interests and those of the EaP.

3. The interests/values dichotomy within EU's resilience approach in the Eastern Neighbourhood

The reality check brought about by the Ukraine crisis has determined the EU to shift its focus from the fragilities that the partner countries and regions face towards its own interests, needs and vulnerabilities. Accordingly, within the Eastern Neighbourhood, the *EU's interests first* realist principle started to gain ground against its previous normative stance on diffusing European values. Subsequently, when dwelling upon the interests/values dichotomy, two major questions arise: *Is EU's gravitational attraction and values still powerful?* and *Whose interests should come first in the eastern neighbourhood?*

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EU's gravitational attraction – the power of European values

Nevertheless, the idea that European Union and its member states, in spite of all the many imperfections and complexities of its system, does hold as pinnacle the protection and human rights and the wellbeing of all European citizens, is a very powerful one. As such, through its wellbeing and way of life (especially equality) the EU will continue to be a real power of gravitational attraction for third party states. However, the attractiveness of its model is being questioned every time the EU faces a crisis, so that the Union should be wary. By giving its own model a universal value, the EU has built its ENP around the idea that all neighbouring countries will automatically aspire and strive for the European model (Simionov and Pascariu, 2019), so that the Union could assume the role of a transformative power in the region, through the means of Europeanisation. Should we look at resilience as a “human ability to adapt to various regimes of governance (including of authoritarian nature), in a struggle to survive and achieve stability” (Korosteleva, 2018), being resilient might in fact mean being “an obstacle to positive change” (Korosteleva, 2020). Since at societal level, these countries have faced a series of crisis and significant hardships over the last decades, people have grown tired and somewhat afraid of changes, thus “naturally valuing autocratic stability and strong rule over the uncertainty of democratic governance” (Bourbeau, 2013, p. 8). Consequently, EU's actorness in EaP region essentially depends on the capacity and the interests of EaP countries to assume the European model as the desirable system, thus naturally assuming its resilience and survival as being pinnacle to their own (Chandler, 2015).

EU's soft power is a real asset that has no competitor in the entire Eurasia in terms of its attractiveness (not Russia nor China are comparable to the EU). The EU is the most appealing and its power of gravitational attraction of surrounding countries lies within its economic welfare (Incaltarau

et al., 2021) and its cultural attraction. However, the latest challenges and crisis that the EU has faced over the last decade has induced additional pressure on its ability to orient and focus its resources abroad. Subsequently, a gap has emerged between the force with which the EU continues to spread its narrative outside its borders and the internal problems that highlight an apparent weakness of the EU itself.

Moreover, EU's favourite instrument in its neighbourhood - conditionality is often being perceived as a return to the past, to those missionary European powers that meddle in lesser countries' internal affairs. Furthermore, there are powerful alternative narratives within Europe and beyond that openly challenge and deny the universality of the European values, by either proposing a different hierarchy of values or even a distinct set of universal values (like Russia or China). Moreover, critics highlight that real conditionality is only and mainly imposed on the weak. This critique is entirely justifiable. The richer/stronger the countries, the less susceptible to positive conditionality, as economic interests usually trump other considerations. Moreover, it is also justifiable and in our direct security interest, to ensure that in a case like Ukraine the European financial assistance is well-spent and reforms are properly implemented. In this regard, it becomes obvious that the perspective of enhancing resilience in the region is directly dependent on the willingness and capacity of EaP countries to assume and implement reforms "in moments of abrupt change and rupture of political and social stability" (EC, 2014). This means that it is necessary to find common solutions, outside and inside, and advance better understanding of the EU's partners and of the region as a whole, by integrating a deep analysis of the local community's needs, values and behaviours.

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Whose interests come first in enhancing resilience in the Eastern neighbourhood?

In general, out of all the values and norms that the EU has sought to promote beyond its borders, the most contested by far was democracy and to some extent human rights. It is obviously understandable why democratisation is the most antagonistic out of all, as it does imply regime change, namely the change of those governments that the EU is dealing with and indirectly suggests them not being fully legitimate.

The conviction that [our] principles are universal has introduced a challenging element into the international system because it implies that governments not practising them are less than fully legitimate (Kissinger, 2015, p. 235).

However, the EU cannot totally abandon its normative agenda, since although we cannot change non-democratic regimes, neither must we strengthen them. In practice, EU's actions in democratising its eastern neighbourhood have been less than satisfactory to the point that the EU has

finally acknowledged and understood that democracy cannot be engineered from outside a country, but it has to naturally grow from the inside (bottom-up approach). Nevertheless, the EU cannot just abandon its democracy and human rights agenda either. First of all, such endeavour would also mean abandoning the relatively new civil societies that took roots in some countries (i.e. Ukraine, Georgia, Moldova) and who need all the support they could get from the international community in promoting democratic values and principles. In this regard, it seems that the EU needs to find an alternative solution when promoting its democracy and human rights agenda so that it does not abandon nor overemphasises them. This middle ground could consist of EU's broadening the narrative; in this regard, the latest revisions of EU's FASP and particularly its strategic documents towards the EaP countries highlight that the EU's narrative shift towards 'Pragmatic idealism' is gaining ground.

Principled pragmatism translates into promoting values and norms, but not at the expense of its interests. On the contrary, highlighting the newly recognised importance of interests in dealing with the EaP, the EU declared its intent to 'pursue its interests which include the promotion of universal values'. However, since 'not all partners aspire to EU rules and standards', 'the new ENP will take stabilisation as its main political priority' whereas the EU will continue 'to promote democratic, accountable and good governance [...] where there is a shared commitment' (EC, 2015).

Until recently, interests were not particularly emphasised in EU's foreign policy, as the focus was mainly on EU's normative agenda, thus on diffusing its norms and values. However, a glance through EU's FASP strategic documents (EUGS, 2016; EC, 2019b; EC, 2020) highlight an enhanced focus on interests against values. In Europe's Strategic agenda for 2019-2024, the fourth priority of the EU is to promote its interests and values on the global stage.

"EU needs to pursue a strategic course of action and increase its capacity to act autonomously to safeguard its interests, uphold its values and way of life, and help shape the global future [...] but to better defend its interests and values and help shape the new global environment, the EU needs to be more assertive and effective. This requires us to be more united in the stances we take, and more determined and effective in exerting our influence. It also means making more resources available and better using those we already have at our disposal. And it means giving a clearer priority to European economic, political and security interests, leveraging all policies to that end." (European Council, 2019)

Throughout the text, it can be noticed the manner in which the EU is switching the importance of its priorities from promoting its values to safeguarding its interests. In this regard, building and fostering resilience of its eastern neighbours is being a scope for as long as it supports and adds on to EU's own resilience.

Conclusions

The latest developments beyond EU's border highlight that the Union resides within an increasingly hostile world defined by enhanced competition between states and regional actors, thus a more multipolar and less multilateral world; In this regard, faced with the reality, the EUGS downgraded EU's transformation agenda of bettering the world into more realist objectives of protecting the EU's interests and ensuring its resilience to eventual external crisis. As such, the pursuit of resilience in the eastern neighbourhood brought to light EU's necessity to find the right balance between exporting democratic values and ensuring the stability of its near abroad.

As such, after examining the interests/ values dichotomy within its newfound resilience paradigm, it looks like the EU has finally prioritised and stability is more important. Should the situation arise in its near abroad when the EU must choose between safeguarding its interests or stick to its values, it is clear now which course of action shall EU choose. This normative turn equips the EU with more room of manoeuvre and brings about an additional focus on differentiation, ownership, visibility and flexibility for EU's immediate neighbours. Subsequently, the resilience turn provides the neighbours with a flexible choice to decide the depth of their relations with the EU, moving towards privileged sector-based cooperation, in which they have joint ownership.

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The impact of the brain drain process on Romania - possible solutions in order to increase resilience

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Abstract

The paper presents the implications of the brain drain phenomenon in Romania, focusing on possible solutions at European, national and local level. The consequences of the brain drain phenomenon as well as the magnitude of the problem in Romania were analysed based on a quality methodology, namely the secondary analysis of statistical data, all in correlation with other concepts such as trust, vulnerability and resilience. Although there are still no analytical indicators to accurately measure them, the conclusions and recommendations that have been made showed that a bottom-up approach to highlighting the solutions already implemented can be seen as a future model for brain drain analysis.

Keywords: brain drain, increase resilience, cohesion policies

Introduction

The brain drain process is not a new phenomenon - it has been studied longitudinally from the perspective of economic implications at European level (Baláz *et al*, 2004). The socio-political ones have also been approached (Starfield and Frayer, 2007; Carr *et al*, 2005). The term "brain drain" was developed by the British Royal Society to refer to the exodus of scientists and technologists from the United Kingdom to the United States and Canada. Nowadays, it is commonly used to refer to the emigration of the most skilled individuals of a nation. Beine *et al*. (2008) note in their entry in the New Palgrave Dictionary that it is most often used to refer to "the migration of engineers, doctors, scientists and other highly qualified professionals. For example, the 2010 economy and the crisis in Ireland led to numerous stories lamenting the likelihood of university brain drain in graduates (e.g., Fitzgerald, 2011)."

The association of contemporary phenomena with the impact that they produce at local, national and even at community level are absolutely profound, if we take into account the perspective considered in the decision-making process. Scenarios could be outlined, starting from a tactical to an

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operational level, with specific measures regarding the reduction of the phenomena associated with the magnitude of the problem. In addition to the fact that it takes place geographically, the brain drain process (migration of staff in search of a better standard of living and quality of life, higher salaries, access to advanced technology and more stable political conditions) can occur at the organizational level, with a strong impact on industries in an emerging economy, if we refer to the situation of countries with such particular situations.

Before proposing solutions, we aim to understand the magnitude of the problem in a global context, approaching it then particularly in Romania. For example, the latest United Nations statistics show that in 2019, there were 272 million migrants worldwide, which is about 3.5% of the global population, compared to 2.8% in 2000. There are several aspects that contributed to this, such as the lack of jobs, the economic underdevelopment, but also low wages, the overproduction and under-utilization of specialists, the lack of research and facilities, discrimination in employment, people's precarious existence, the lack of culture and scientific traditions and the inefficient bureaucratic institutions or the desire for recognition, all of them leading to the increase in the number of highly qualified emigrants in the last decades (Bălan and Olteanu, 2017).

Although, at European Union level two different trends can be highlighted in terms of migration of highly skilled workers. First of all, there are professionals and scientists who are citizens of the European Union and migrate, triggering the brain drain. The second trend refers to the immigration of non-EU citizens to Member States. However, besides these, there can be also identified the manifestation of an intense phenomenon of migration of highly qualified experts from central and southern Eastern Europe to Western countries, the case of Romania being eloquent in this respect, as many statistics highlight. The delayed role of globalization in Romania has been a probable cause. It was only after 1990 and through modest steps that the information society was introduced in our country. As borders have been opened up and more new rights and freedoms have become available to people, the phenomenon of migration has become more accessible to those eager to benefit from mobility. Thus, in a short period of time, Romania became a state with emigration as a mass phenomenon, its citizens leaving the national territory and choosing to live permanently or temporarily in more developed western countries. Until 2006, Romanian migration was characterized by a considerable part of temporary / permanent migration for work, being represented by individuals with secondary education. Once Romania joined the EU on January 1, 2007 the profile of migrants changed again, the migration of highly qualified and skilled people being representative, in the context of the economic crisis.

The main purpose of this paper is to analyse the impact of the brain drain process on Romania, insisting mainly on the negative implications. After this analysis, solutions will be proposed to limit the phenomenon, correlating measures with the general objectives of the European Union and underlining the role of the local level/authorities in this process (the dichotomy present between good practices and the incipient preoccupation of some institutions). *Why do talented people leave their countries and go abroad? What are the consequences of these migrations, especially on the education sector? What policies can be adopted to provoke such movements from developing to developed countries?* represent the main questions that we attempt to answer by having recourse to qualitative methodology. Hence, this paper will highlight the connection and feasibility of solutions in a current social and economic context, through various scenarios.

1. Theoretical aspects of brain drain process

The brain drain process, in one of the most comprehensive definitions (Dodani and LaPorte, 2005) refers to staff migration in search of a better standard of living and quality of life, higher wages, access to advanced technology and more stable political conditions in different places around the world. We can observe the first manifestations of the phenomenon in the field of health (Mejia, 1981), where international migration first appeared in the 1940s, when many European professionals emigrated to Great Britain and the USA.

In the 1970s, the World Health Organization (WHO) published a detailed study in 40 countries on the scale and flow of health professionals. According to this report, almost 90% of all migrant doctors have moved to five countries: Australia, Canada, Germany, the United Kingdom and the United States (Bach, 2005). The main donor countries reflected colonial and linguistic ties, with a dominance of Asian countries: India, Pakistan and Sri Lanka. By correlating the number of physicians per 10,000 inhabitants with gross domestic product (GDP) per capita, some of the countries that produced more physicians than necessary were Egypt, India, Pakistan, the Philippines, and South Korea. However, there is no reliable information in this direction. In addition, the difficulty to quantify a large - scale phenomena such as migration is obvious, if we refer to both the legislative framework (temporary, permanent records, etc.) and the social one, dominated by the emergence of other negative phenomena connected to migration. The opening of international borders for goods and labour - perhaps the tipping point of the key strategy - in the current liberal and global economy has allowed the phenomenon to emerge on a local scale initially in Central and Eastern Europe.

Thus, we are dealing with a very important and normative concept, that is trust, which represents more often the subject of studies in all parts of the world. However, researchers continue to rely on scores of amounts or averages of standard "trust in government" questions without fully understanding what the concept means or whether these measures are based on comparable ideas from all countries. Precisely because of the normative and subjective content of political trust, what constitutes a trustworthy institution is unlikely to be the same for citizens in different cultural and political contexts. Moreover, transnational research in more diverse environments improves regression analysis (Schneider, 2017).

The exploratory approach of the implications for about half of the countries analysed in the study (Scheinder, 2017) showed some variation between countries that inherited limited trust from the Soviet Union and those that were not part of Eastern or Central Europe. The indicator included citizen's trust in local, regional and national institutions. Another research group suggests a link between "social capital" that influences a wide range of economic and political phenomena. Unfortunately, confidence and recognition tend to have a positive influence, namely, when the level of recognition is low, the level of trust is low as well.

Trust is the most studied concept when it comes to governance. From a collaborative perspective, there may be joint efforts, but these will be studied sequentially. For example, Putnam (1993) uses Italian trans-regional data to show that local governments are more efficient where there is greater civic involvement. In recent years, economists have tried to identify the impact of social capital by using the attitude of confidence in the survey questionnaires. (Knack and Keefer, 1997).

Synthesizing the connection with a certain kind of social capital, the brain drain phenomenon was studied in Romania (Cotârlea and Dragolea, 2013) and the interpretations of the term based on a content analysis revealed the following results:

Table 1. Brain drain concept operationalization

| Variable | Operationalization |
|----------------|--|
| Brain overflow | Surplus of experts / specialists. Due to the large number of specialists trained in a given country, people cannot be absorbed into the national economy. It could be a solution to remove unemployment. |
| Brain export | When the "exporting" country receives certain amounts of money for well-prepared young people for several years or only once on departure. It is difficult to establish if these fees cover the tuition costs of experts and / or the benefits they may bring to the national economy during their working life. |
| Brain exchange | The exchange of experts occurs when the loss of talented young people is offset by experts from other countries. The transaction can be conducted between an underdeveloped country or between two such countries, here the exchange being positive for both parties. |
| Brain drain | The phenomenon of migration of experts from a less developed country to a more developed nation, without any compensation - vital loss of resources. |

Source: Adapted from Cotârlea and Dragolea, 2013

If we link all these pieces of information to the brain drain phenomenon, the proposed solutions bring a new contribution to increasing resilience, another new concept that is correlated with the brain drain phenomenon. Resilience and vulnerability are two distinct but interconnected concepts, useful for understanding the response of territorial systems and actors to change, shocks and unforeseen as well as slow changes, such as the brain drain phenomenon.

Resilience, according to some authors (Miller *et al.*, 2010, Pike and Tomaney, 2010), is associated to the assessment of the degree of adaptability and transformability of social and / or economic systems. Having a multidimensional and differential character, they depend on the scale of analysis and are quite dynamic from the perspective of the system in which they operate. Resilience is more often defined as the ability to return to the initial, desirable state, following the manifestation of risk-induced crises with various origins. Even if it is quite difficult to analyse the resilience in correlation with the brain drain phenomenon, the preliminary analysis of some statistical data can generate the necessary conclusions and recommendations regarding some scenarios.

2. The migration and brain drain phenomenon in Romania

For some Member States, the phenomenon of immigration is relatively recently compared to other countries, which have been facing this phenomenon for a long time. In both cases there is a challenge to integrate immigrants, either by developing and implementing mechanisms and policies for the integration of immigrants, or by reviewing existing mechanisms and policies (Popescu and Toth, 2009, p. 7).

The share of immigrants from Europe has grown rapidly over the last four decades, with one out of three immigrants from all over the world moving to Europe. Intra-regional migration is also high in Europe and Central Asia, with 80% of migrants choosing to move to other countries in the region. However, the opposition to migration is often strong, as the benefits tend to be long-term, while the costs - including travel and unemployment - are immediate and concentrated on certain groups (The European Way, 2019). According to Eurostat, the indicator of the number of emigrants in relation to the population of the states can give a certain characteristic to the brain drain process. Emigration is defined as the action by which a person who previously had his or her habitual residence in the territory of a Member State ceases to have his or her habitual residence in that Member State for a period of time that would be or is expected to be at least 12 months.

According to Database on Immigrants in OECD and non - OECD Countries (2015) on immigration, 40% of migrants in the OECD area come from only 10 countries. There are several

OECD countries with large migrant populations in other OECD countries. These include Germany (3.4 million), Poland (3.3 million), the United Kingdom (3.3 million) and Turkey (2.6 million). The main countries of non-OECD origin are, on the other hand, China (3.8 million), India (3.6 million), the Philippines (3 million), Romania (2.8 million) and Morocco (2.6 million).

We are interested in the trend regarding the number of emigrants. In Romania, the highest rate was recorded in 2008, a rate of about 2% of the entire population. The trend, on the other hand, is upward, as evidenced by recent but gradual increases (approximately 200,000 residents leaving the country). Statistical indicators are absolutely relevant - from a strategic perspective they would be used as a preliminary basis in shaping public policies.

According to Eurostat data (2019), compared to 2008, the number of Romanians with a faculty, doctorate or master's/ BA, MA or PHD degree living in another state than the one in which they were born was 144% higher in 2017. The number of Romanian high school and vocational school graduates living in 2017 in another EU country increased from 806 thousand people in 2008 to 1,437,000 people, a percentage of 78.18%. Those with a primary and secondary education level also mark almost have doubled their number. We are talking about 933,300 Romanians in 2017, an increase of 90.2%.

However, at the methodological level, there are studies that focus on consequences, starting from the trends of phenomena such as migration or quality of life (and that could give the phenomenon a certain association). For example, according to the 2018 Eurobarometer, approximately seven out of ten Romanians still support the free movement of EU citizens who can live, work, study and do business anywhere in the EU (69%). The upward trend recorded in 2017, which reflected the positive attitude of Romanians towards the European community, is maintained in 2018, but rather in terms of the enlargement of the European Union to include other countries in the coming years. This priority is the second most important among Romanians (65%), but the last in the top of the priorities mentioned at European level (43%). According to the same Barometer, for Romanians, the European Union means the freedom to travel, study and work anywhere in its territory, and this fact is mentioned by over half of the respondents surveyed in 2018 (53%). In fact, 69% of Romanians say they are in favour of the free movement of EU citizens, who can live, work, study and do business anywhere in the EU. At the same time, at EU level, citizens in the Member States mentioned unemployment (23%), rising prices, inflation, the cost of daily living and immigration (21%) as the main problems at local level.

Similarly to the internationalization processes of the phenomenon, Soros Foundation (2011) published a study on the implications of the brain drain process on Romania taking into consideration the field of public health, with some examples from the history and initiatives undertaken. Therefore,

calculations show that, in 5 years, at a rate of 2,000 doctors who migrate annually, the Romanian society will become extremely vulnerable, because it will lose 20% of the trained workforce which is a survival resource in the national community. The emphasis is progressive, as there are several phases of accelerating the process. In an ideal perspective, a state should note that the migration of doctors, which is a specific phenomenon of the fourth wave of migration in Romania, does not have the same "lucky" features as the previous waves, from which the entire Romanian society benefited. Moreover, this new dimension of migration management strategy requires specialized knowledge of the phenomenon that is completely missing at present. The situation in Romania involves a fairly careful analysis of the exodus of young people - here the phenomenon of unemployment is significant, especially in small and medium-sized cities. The modern trend is to speed up the process through various policies that do not facilitate the access of young people to education and then to a job. Hence, there seem to be no advantages for the country of origin. (The relationship between the country of origin and the foreign one is quite weak in terms of advantages for the first one.)

Romanian analysts concerned about the phenomenon of migration of educated people have reached the following conclusions. From a financial point of view, for every migrant who graduated from a university, Romania loses approximately 50,000 dollars / person. This amount represents the cost of 16-20 years of schooling, money that cannot be recovered by the Romanian society. Paradoxically, at the Government level, no importance is given to this topic, being generally debated as part of the labor shortage, without any solutions.

3. Solutions regarding the decrease of the phenomenon in Romania and the increase of resilience

Solutions to counterbalance the migration of the most valuable people, by encouraging them to stay in their country or by motivating their return to Romania, must try to remove the causes that determine migration. Therefore, the analysis of national education must look at some clear performance indicators. Solutions could be correlated with intrinsic and extrinsic activities. Research funding is a current problem and could be solved by increasing the percentage of GDP allocated from the state budget according to the minimum value provided by law of 0.8%. These measures could increase the research potential and then take it into account by developing high-tech, value-added industries; this measure can play an important role in the economic healing of the country. The main factors that give realism to concrete actions to be taken are also worth mentioning, as it follows:

- At *government level*: Consistent investment in education in general and higher education in particular;
- At the *tactical level*: A qualitative informational and technological base;
- At the *operational level*: High levels of government spending associated with research and development;
- At the *legislative level*: Effective laws regarding the protection of intellectual property that will support research and development;

The key challenge for empirical effort is to identify the plausible source of exogenous variation either in migration opportunities or in the yield and receptivity of human capital.

At European level, the issue can be debated at its roots. As already explained, the brain drain phenomenon does not activate in a unitary way, but it is maximized by a certain more or less favourable context. For example, the European Committee of the Regions (CoR) is an EU advisory body made up of representatives from the 28 Member States, elected at local and regional level. Through the CoR, they can directly express their views on EU legislation that has an impact on regions and cities. Basically, the representatives are the key factors with regard to the timeliness and feasibility of solutions. Regional and local authorities, associations, NGOs, experts and academics can participate in online surveys, consultations and events. The importance of the CoR is vital - we can think that the reporting of neuralgic problems (such as brain drain in Romania) could be debated from several perspectives, with national and community implications. Within the CoR we could see the importance of solutions from other countries in terms of European issues on growth and jobs, development and subsidiarity, combating climate change and cross-border cooperation. A clear, sustained and well-argued project can be launched in a plenary session in this respect. The Union is committed to diversity and operates on the principles of reciprocity.

As it is known, most initiatives are capped when the financial factor is disputed. One third of the EU budget, is allocated to the EU cohesion policy, which reduces regional disparities, creates jobs, opens up new business opportunities and addresses major global issues such as climate change and migration. Consequently, the brain drain phenomenon can be approached sequentially in the Committee and financially supported. In addition, the actors who could implement the solutions (Romanian regional universities for example) could participate in consultations, emphasizing the phenomenon from its roots (academic communities are the biggest connector in the analysis of this phenomena).

In the form of *#CohesionAlliance*, public campaigns, exchanges of international practices and local visibility through non-governmental organizations may be initiated. Further, with regard to

youth policies, the Erasmus+ program has always facilitated an exchange of good practices among the young population. Funding for this project could be much more visible given the fact that more and more young people are interested in finding perspectives and a high level of quality of life in Western European countries.

At the national level, as we identified in the analysis section of the phenomenon, the concept was only considered as integrated in various measures of employment strategies or of vulnerable groups' integration. The most important measure can work on the incentive-reward relationship, prohibiting measures being irrelevant in the context of European principles on the economy and free movement of citizens. Therefore, there are a number of other solutions that could be implemented, such as:

- Granting fiscal facilities for employees or for companies operating in the country. Information technology is the key strategic factor especially in the North-West and West region of Romania. The IT-C sector is operational, an example being the multitude of IT clusters that have been materialized and that function efficiently. The IT sector is perceived as the engine of the development of some cities (such as Cluj-Napoca) and could expand in the coming years due to the specialization and vitality of the cities that have a University. Developers are exempt from paying payroll tax and companies are encouraged to develop their activities through tax facilities such as the single tax rate. In other areas considered a priority, large companies negotiate directly with the state certain tax facilities (currently *Mital Steel* and *Renault*). Financial measures could work as an incentive, but do not guarantee a certain sustainability. In addition, the issue needs to be addressed nationally, due to real centralization.
- "Ignoring the phenomenon" in the idea that the lack of departed specialists will be filled by specialists from even poorer countries. It is not a fair policy, but it could work for some underdeveloped regions or small communities. In the absence of initial capital, specialists could bring the financial resource, the human resource being much more connected through these networks.
- Encourage technical assistance. We know that nowadays the public sector is quite oversized and the work in the administration is quite standardized. For example, there are programs that would facilitate specialists (such as internship programs) or even public-private partnerships. The critical point could be public health, the area with the most acute crisis in terms of staffing and underfunding. The disparities in the field of public health are very obvious, the quality of services not being correlated with current trends. For this reason, a cut could be achieved by

additional funding or by ensuring a public-private partnership, which would include more specialists.

- Encouraging professional connections between specialists in the country and their compatriots who have migrated leads to a better understanding of the conditions in the host country. In this section, the phenomenon could be amplified due to a rather strong intragroup social capital.
- Identifying sectors where industrial development is significant and the need for schooling is under-dimensioned. Thus, certain government policies could facilitate, in some active cities, sources (creative industries, food industries, etc.) and their correlation with university tuition. The role of local universities could increase, providing local expertise and recognition. The expansion of university education in highly trusted university centres could seek to cover teaching activity in small and medium-sized cities, where educational infrastructure exists.
- Increase funding in the research and development sector. Financing the activity in this economic classification is crucial. Statistics show a share of less than 1% of R&D funding in GDP (last positions in the European Union), which is a wrong approach, in a sector that deals mostly with the problem of the brain drain phenomenon. Hence, in the absence of infrastructure and funding, you cannot be encouraged to perform.
- Visibility and internationalization. For example, in the 1990s and 2000s, more than 900,000 highly educated people entered the US labour market as a result of a temporary visa program. Germany has adopted a green card work permit system that allows educated immigrants and their families to stay in the country for 5 years. In Romania, young people who graduated but could not find a job would enjoy this measure. Such a program could be initiated in Romania for specialists from other countries. A new approach in a fairly uniform culture could change perceptions and it would be appropriate to carry out a pilot program. After the feasibility analysis, such a measure could be included for Romanian citizens, but with an emphasis on the final destination and the creation of facilities also through public-private partnerships. Absorption is the most difficult indicator to achieve, but not impossible if the feasible measures are adopted.
- Promoting the *Start - UP Nation* program. The *Start - UP Nation* program is a program which encourages and stimulates the establishment and development of small and medium enterprises (SMEs), implemented by the Ministry of Business Environment, Trade and Entrepreneurship. The granting of *a minimis aid* under the Program is a real catalyst for communities and a real financial support for the applicant specialists. The program is in

accordance with EC Regulation no. 1407/2013 on the application of Articles no. 107 and no. 108 of the Treaty on the Functioning of the European Union to *minimis aid*. The main objective of the *minimis aid* is to stimulate the establishment and development of small and medium enterprises and improve their economic performance, with priority in less economically developed geographical areas, where the density of SMEs is low, compared to the European average. The advantage of this program is that it covers the 8 development regions, testing creativity and, at the same time, the bureaucratic work in a community interest. An adopted policy that would facilitate the reduction of fees for them could also be essential as a promoter for project submission. Romania and Cyprus had the lowest share (below 3%) of fast-growing companies of over 12%, according to the latest EU report on SMEs (EU SMEs 2016/2017). It would also be beneficial for certain support and consultancy schemes (specialists with experience in regional workshops) to provide public expertise in an area that is not at all friendly in terms of funding. These SMEs could have results in terms of employability and reduced migration, especially in those communities where high unemployment rates are recorded.

At the local level we can opt for small initiatives but with a strong impact, especially in the field of exchange of practices. An example of good practice is represented by Belgium. The BEWARE Fellowships Industry scheme aims to enable Walloon SMEs or accredited research centres in the Walloon-Brussels Federation to benefit from the expertise of highly qualified researchers and, consequently, to encourage an innovation process within the Walloon host. The program lasts five years. BEWARE Fellowships Academy is a scheme focused on technology transfer. It allows researchers (between 18 and 36 years) to carry out a research at a university of the Walloon-Brussels Federation, with 25% of the time to be spent in a Walloon company. Here the approach is one of collaborative governance (Nabatchi *et al.*, 2018) in which the increase of the integration of specialists relies on a collaboration, thus reducing the phenomenon by encouraging expertise. In Romania it is absolutely feasible because the research centres would benefit from an important expertise from the private environment and the corporate responsibility policies could be directed in this respect.

Another successful initiative is Copenhagen Capacity. In 2014, Copenhagen Capacity launched the “Ambitious Talent Strategy for the Copenhagen Region 2014-2017”. The strategy involves the participation of 12 members of the group (mayors from regions near Copenhagen, representatives of universities and companies established in the region). The ESF-funded Talent Bridge project and the Capital Region for the Growth Forum aimed to maintain the region as a leading metropolis in Northern Europe. One project stood out then - “We will strengthen your career in Copenhagen”. This

initiative consists of running "Cluster Campaigns" through the digital channel. These campaigns are aimed at potential foreign jobseekers interested in settling in the region. According to the Greater Copenhagen (Copenhagen Capacity website) analysis of the potential budgetary impact of incoming international talent, each foreign worker is likely to bring EUR 96,000 / year to the regional budget (EUR 295,000 / year if the worker has a family).

In line with the national approach, Hungarian cities have also begun to consider ways to stop the brain drain at the local level. In 2015, the Nagykanizsa Local Council and the Local Urban Group, made up of talented young people, NGOs and representatives of social institutions, joined *CHANGE!*, a 3-year URBACT project (2015-2018). A joint dialogue was organized in the form of regular meetings with experts from their area of activity. This was followed by an analysis of needs and strategic points, the solutions being proposed by participants.

In Romania, the initiatives are quite limited, but identifiable especially in the cities of growth poles in the North-West region and in the South Region (Bucharest). *Cluj - IT* is a cluster-based organization made up of organizations active in the field of information technology: service providers and software solutions, universities and research institutes, public bodies and other catalytic organizations. Established in October 2012, Cluj IT is an innovation-based value chain network of Romanian IT companies and related organizations whose purpose is to increase the competitiveness and growth of IT services and products on international markets and to create a strong sustainable public-private partnership in order to improve the quality of life of the community. The ecosystem became visible and allowed the expertise of young people involved in the ClujITKnowledge platform, thus finding job opportunities and visibility. At the strategic level, for the coming years the construction of an Innovation City, where job opportunities and the functionality of a modern city are indicators for the vitality represents the main aim. Even if the initiatives seem to be taken only in certain regions, funding opportunities are accessible, through the European Structural Fund and through the European Regional Development Fund, meeting therefore the priorities and policies of the European Union in the concerned countries.

Conclusions

Free movement of workers, one of the fundamental rights enjoyed by European citizens, has facilitated intra-EU labour mobility. However, in some regions ("sending regions") this freedom has led to a significant migration of highly educated labour to the benefit of other regions ("receiving

regions"). This is driven by a growing competition for talent on the one hand, and the limited ability of sending regions to create attractive conditions for its workers, on the other hand.

Local and regional authorities (LRAs) in sending regions have to deal directly with the socio-economic effects caused by the significant loss of talent or brain drain. Addressing these effects may require the formulation of appropriate policies and / or measures to retain, attract or regain a high level of educated workforce. As we have pointed out, the deepest causes are revealed by the fact that the analyses were carried out only at the stage of existence and no concrete measures were adopted, as evidenced by regions in Northern or even Central Europe.

As a first recommendation, it is essential for local and regional authorities to be aware of the problem of brain drain. They should also identify the talent they want / need to retain, attract or regain. Information can be obtained even after a preliminary data analysis. For instance, establishing a dialogue with the involved talent and a collaborative approach seem to be essential, in a context where collaboration is the key. This is especially true for young talent/people.

A second recommendation concerns the need for player coordination and resource synergy on which to focus talent-based growth strategies. Both circumstances arise, for example, when there is a smart specialization strategy. Coordination between relevant players is also envisaged to improve local / regional correspondence of talent supply and demand. Similarly, the aim is to strengthen a region's capacity to produce talent by nurturing its talented youth - the role of universities as a catalyst.

A third recommendation is related to the opportunity to identify key leadership sectors for retaining / attracting talent. Examples show that targeting promising sectors by local authorities can definitely contribute to the competitiveness of the region.

A fourth recommendation is to stimulate the absorption of outside talent. This could be achieved by attracting international talent and / or regaining such talent that has previously moved. It may involve the creation of specific or medium-term projects or strategies, as well as brand initiatives aimed at rewarding talent.

The last recommendation would be to reduce some potential legislative barriers (for example, laws that facilitate and not necessarily burden the beneficial intent of young talent). Shared solutions in exchange for the European best practice could be the key to a solution and an incremental approach. Strategic directions are essential and the measure of impact and evaluation will restore the predictability and sustainability of actions. Even if it tests the regions in Romania, the brain drain phenomenon plays a certain dynamism in local relations, the promoters of bottom-up initiatives that would provide the best results over time. Nelson (2017) proposes an analysis model that would reflect a certain intensity in the local and regional policies undertaken. The pressure factors that favour the

brain-drain phenomenon could have an intrinsic cause. Why are young people's skills and qualifications not recognized? What are those causes and the vicious circle? How could the solutions be implemented? Following the scheme, the model would present a reference for the particularization of the phenomenon in Romania. Retention or a certain culture of resilience could be a predictor in order to minimize it. Even if the infrastructure and technical assistance are, at the beginning, the proven initiatives are sustainable and can be easily integrated into Romanian culture.

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The importance of health status for the financial sustainability of the pension system. A case study of Romania in the context of the EU

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Abstract

Based on the need for a prosperous economy, it is important to increase the quality of life of the active population in particular, but also of the inactive, in order to reduce the consumption of free and/or reimbursed medicines. In this regard, social security and protection systems need to consider improving working conditions, expanding the network of medical services, creating medical, social and professional recovery systems, continuously improving the material and medical situation of people, in order to increase the time of productive activity. This study aims to analyse the evolution of pension categories in Romania for the period 1990-2018, as well as the correlation between health and financial sustainability of the pension system, with an emphasis on healthy life expectancy. In order to develop the case study, the authors consider the evolution of this system in the last decade in Romania, following the average number of people retiring early, as well as people receiving disability pensions.

Keywords: economy, health, financial sustainability, pensions

Introduction

The need for individual and collective security has always existed, and people, since ancient times, have begun to ensure both their own protection and that of those in their care against events such as famine, pandemics, or other types of danger. One of the main elements that contribute to the creation of optimal living conditions, by ensuring the strict necessities of people's lives, is social protection, which completes the social infrastructure.

Social protection, also called social security, is part of the area of the social economy, based on social policies. The term “social security” was first used in the United States as the title of a law

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passed by Congress, the Social Security Act of August 14, 1935 (Ghimpu *et al.*, 1998, p. 8). Retirement initially appeared as a form of social protection, given the existence of welfare in the state; with roots in antiquity, by including the elements of protection in Roman law, the authors notice the appearance of the first forms of social protection between the thirteenth and fourteenth centuries, when, nearby monasteries were built social assistance settlements for the poor, old and sick. The concept of social protection was first introduced by Galbraith (1982) who defines the policy of protecting disadvantaged groups of the population, through measures aimed at aligning them to a decent standard of living. In this sense, the most urgent measure is considered to be “the provision of the right of those who cannot find a job to ensure themselves a guaranteed or alternative income” (Galbraith, 1982, p. 59).

One of the most important concerns in the European Union is the social policy issue, namely its financial sustainability and in this regard, the Member States and the European institutions are constantly working for a complex approach to this issue and the modernization of social protection systems. So, they respond positively to the requirements of a flexible and dynamic economic and social system.

We focused on this topic because the pension issue is an important matter for any state because it directly affects the economy. This article aims to highlight that one of the biggest challenges facing virtually all nations is the economic and fiscal turmoil in the public pension system, caused by the demographic change of their population. Society is interested in the workforce, avoiding to consider the fact that without healthcare securities they are in danger of faster exhaustion due to hard labour, thus, as a consequence, the state will have to pay a high amount of money for the medical care and, at the same time, not benefit from the workforce of the active population. All these points of view publicly expressed and debated can contribute to the careful prospecting and understanding of the role of the state in all sources of well-being but also to the analysis of the impact that state decisions have on the labour market in general.

The research methodology is based on the qualitative analysis, mainly the analysis of the specialized literature, in the idea of highlighting the evolution of the implementation of the pension system, as well as the financial sustainability of this sector.

The authors also relied on quantitative analysis to analyse the evolution of pension categories in Romania. For the qualitative analysis, the authors consulted the literature, respectively books and articles, and the necessary data for the quantitative analysis were collected from the Romanian National Institute for Statistics and The European Commission: www.insee.ro, www.ec.europa.eu.

1. Main stages of the pension system evolution

Retirement initially appeared as a form of social protection, of the social economy, in view of the existence of welfare in the state; with roots in antiquity, by including the elements of protection in Roman law, the authors notice the appearance of the first forms of social protection between the 13th and 14th centuries, when nearby the monasteries social assistance settlements were built for the poor, old and sick.

At the European level, starting with 1948, it was allowed, the introduction of sickness pensions, which represented financial aid granted to people unable to find employment. These pensions were granted to both those employed as well as to those unemployed, without distinction. From 1958 to 1962, the Law on Social Protection and Pension Plans required the granting of sickness pensions on the basis of annual sickness records; decisions to grant this type of pension were taken by the Department of Labor and Social Protection. Since 1962, this system has been changed, with crimes such as embezzlement, giving and taking bribes for pensions (McGill *et al.*, 1996, pp. 30- 32).

The invalidity pension was first introduced in 1966, in the United Kingdom, which was granted only to employed persons; however, no clear differentiation was established between the pension to be granted to persons who had suffered an accident during work and the rest of the persons suffering. In the 1970s, a number of retirement schemes were also designed to provide benefits to offset the additional costs incurred by people with disabilities in the form of income for careers. In 1971, a type of allowance was granted for people who had difficulty moving and who requested personal assistance. The 1972 Reform introduced the invalidity allowance, representing a sum of money in addition to the invalidity pension, granted mainly to young people. Also, in 1976, a care allowance was introduced for those who could not work because they had to stay home to care for a disabled relative (Banks *et al.*, 2011, pp. 6- 7). The transition to the Employee Retirement Income Security Act of 1974 (ERISA), a federal law that sets minimum standards for most pension plans and health plans voluntarily established in the private industry to provide protection to the suffering people, represented a reference event in the evolution of pensions, marking the transition to a period of much more active government regulation (Schieber, 2005, pp. 11- 50). In 1975, the conditioning of the invalidity pension from the previous employment was eliminated, offering, in addition, a benefit of 60% of the value of the pension for single men and women. In 1977, this type of pension was extended to married women who were “unable to meet their normal household obligations”, but with a lower amount than the invalidity pension for people who were employed. This type of pension was replaced

in 1984 to stop discriminatory attitudes against women. Subsequently, in 2001, it was eliminated (Banks *et al.*, 2011, pp. 6- 8).

In 1980, the number of sickness pensions was related to the income of the person during the period in which he was employed, the employer having the possibility to grant a private pension to employees who suffered an accident during work. Kruse (1995), in the article “Pension Substitution in the 1980s: Why the Shift towards Defined Contribution Plans?” (1995), compared the number of applications submitted for private sickness pensions between 1980 and 1986 to estimate the number of employers who provides such a pension, as well as the number of sick pensioners who were employed. His general conclusion was that, during that period, there was an increase in the files for granting the private pension in case of illness of the persons who were employed and thus contributed to the pension fund (Kruse, 1995, pp. 218 – 241).

Between 1983 and 1986, the status of “pay illness” was in force, meaning the possibility for people suffering from minor illnesses to be employed, for a part of the sickness pension to be covered by the employer, under the form of a private pension, from which the employee could benefit every month or which could be deposited in an account. Employers were also to receive certain facilities from the state, such as exemption from several taxes and duties. In this regard, Papke (1999), in the article “Plans Replacing Other Employer-Provided Pensions? Evidence from Panel Data” examines employers in the United States who offered a private pension to people suffering from various ailments, comparing employers' offers for this type of labour market retirees and the granting of private pensions between 1985-1992. The number of pensioners in employment and those who received such pensions was not significant (Papke, 1999, pp. 346-368). Papke *et al.* (1996) examine the patterns of substitution of pension plans in the period 1986-1990, using in the study 43 employers of people with various diseases. In this study, 45% of respondent companies indicate that the company wants another pension plan for people with mild illnesses. The survey also found that 17% of employers reported an increase in private pension applications from employees (Papke *et al.*, 1996, pp. 219- 239). In contrast to these findings, Ippolito and Thompson (2000) examine the “survival” rates for 249 private pensions under the program from 1987 to 1995. After a thorough monitoring they found that about 7% of plans were terminated (Ippolito and Thompson, 2000, pp. 228- 245).

The 1995 reform of the England allowance on invalidity allowance replaced the allowance adopted in 1972; thus, new applicants received a less generous and taxable pension, granted based on a diagnosis by a regional commission and not by a personal physician; these actions were aimed at stimulating and employing people. Since 1992, the living allowance for people with disabilities has remained in force only for people who became disabled before the age of 65, while the disability pension was kept for those over 65; this measure was adopted because the total expenditure on this

type of pension was the largest transfer to people with disabilities in the UK. According to Banks (2011), in the period 2006-2007, this type of pension accounted for 9 billion pounds, spending about 0.7% of national income; if we add the sum of £ 4 billion to assist disabled people who have not been employed and £ 1.2 billion to accompany people with disabilities, the cumulative amount is more than 1% of national income. Since 2008, a package of reforms has been introduced consisting of financial incentives both for people retiring due to illness, to return to their old job or to find another job, and for employers to hire retirees in case of illness, or to receive, in another position, former employees who have suffered an accident at work (Banks *et al.*, 2011, pp. 6- 8).

A study by Thorsen *et al.* (2015), “Sickness Absence in the Nordic Countries” clearly highlights a correlation between occupational status, socioeconomic status, and the absence or presence of certain conditions. Thus, the more physically or mentally demanding the occupation and the lower the socioeconomic status, the higher is the predisposition for certain types of diseases. In this session, some countries apply different rules for the remuneration of employees affected by various diseases, depending on the status of workers: civil servants, managers, and doctors, for example, may benefit from longer periods of paid leave, compared to other workers. By contrast, workers in the industry usually have to deal with less favourable working conditions for their health. The study, based on data provided by the UK Office for National Statistics 2014, also refers to accidents at work and work-related health problems during 2013. The results of the named study show that there is very little difference between the management category and the workers on self-reported health problems caused by the nature of the work, 7.3% respectively 8.2%. In contrast, the study also shows that there are differences in the level of education and work-related health problems. For example, 52.3% of people with primary education report an occupational health problem, which results in sick leave, while only 40% of people with higher education have such problems. Data on the narrower categories of employment show that in the UK in 2013, care and health care workers lost 3.2% of their working hours due to various ailments, for which they need sick leave, and those in “basic occupations” 2,5%; on the other hand, there are managers and senior officials, who lost only 1.3% of their working time due to illness (Thorsen *et al.*, 2015, pp. 9-14). These results can only be considered as a partial explanation, as the employed population categories are very numerous.

Table 1. The evolution of the pension system

| | |
|----------------|---|
| 1935 | Social Security Act |
| 1948 | Introduction of sickness pensions in Europe |
| 1958 - 1962 | Law on social protection and pension plans |
| 1962 | Amending the Law on Social Protection and Pension Plans |

The importance of health status for the financial sustainability of the pension system

| | |
|-----------|--|
| 1966 | Disability pension was introduced in Great Britain |
| 1970 | Series of retirement schemes |
| 1971 | Type of allowance for people who had difficulty moving |
| 1972 | The 1972 reform introduced the invalidity allowance |
| 1976 | Care allowance for a disabled relative |
| 1974 | Employee Retirement Income Security Act (ERISA) |
| 1975 | Elimination of the conditioning of the invalidity pension |
| 1977 | Pension for married women who have been “unable to fulfill normal household obligations” |
| 1984 | This type of pension was replaced to stop the discriminatory attitude against women; in 2001 it was eliminated |
| 1980 | Private pension for employees who have suffered an accident during work |
| 1983-1986 | Wage disease |
| 1995 | The reform of England's invalidity allowance will replace the allowance adopted in 1972 |
| 1992 | Disability pension maintained for those over 65 years of age |
| 2008 | Financial incentives for people who retire due to illness, to return to their old job or to find another job. |

Source: authors' representation

2. The evolution of the pension categories in Romania

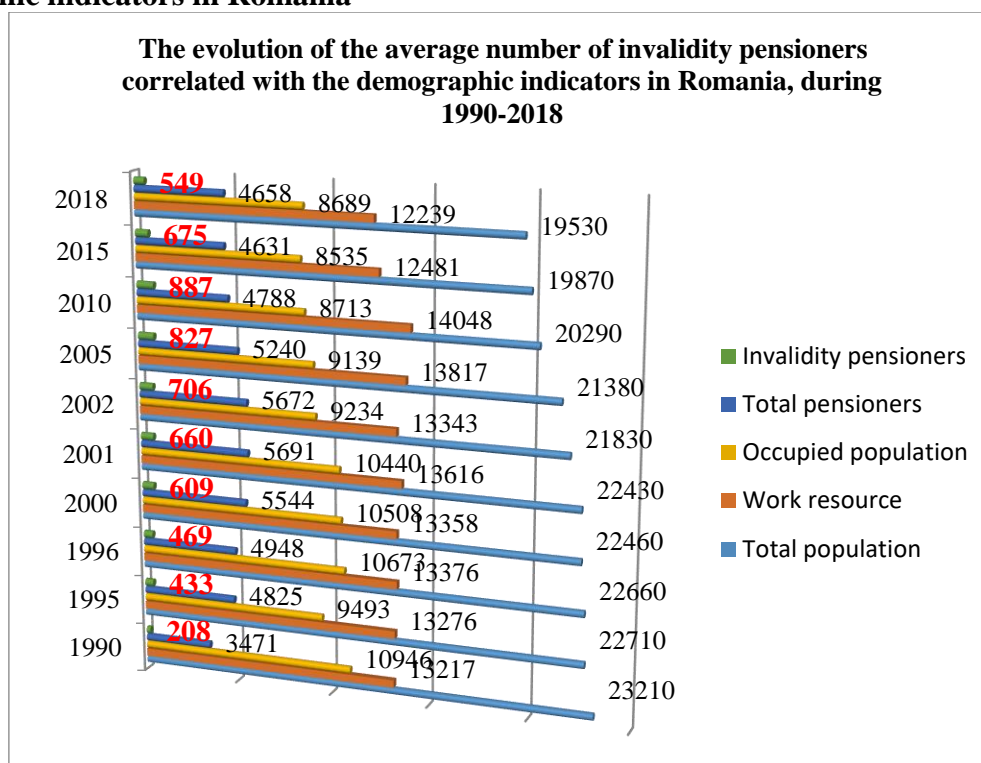
The Organization for Economic Co-operation and Development (OECD) published a study in 2010 in which it points out that low-skilled workers have a higher risk of becoming ill in retirement compared to higher-skilled employees. The study also proposes as a possible explanation for this phenomenon that the link between socio-economic status and education, has important repercussions on health, through unhealthy habits such as smoking, lack of exercise, alcohol consumption, and eating habits. Although the correlation between occupational status, socioeconomic status, and the presence or absence of disease is complex, comprehensive prevention programs, through behavioural therapy, rehabilitation, and employment, have been shown to be useful for the economy. In addition, identifying and monitoring health problems is essential to avoid retirement due to illness (OECD, 2010, pp. 23-34).

The Romanian society, after 1989, entered a process of transition from a multilaterally developed socialist society to a capitalist society, which presents itself as a democratic society, oriented towards the market economy. The process of transition from the political, economic, social, cultural model of socialist type to the capitalist one, can be achieved by the complex reformation of the whole society, in all fields. The end of the transition will mark the achievement of the state of normalcy in the Romanian society, recognized both in the national and in the international context. The transition, thus the modernization steps, involve certain costs, of great economic, political, social,

cultural impact, etc., and the costs of the modernization program produce different effects on the members of the society.

In Romania, retirees have a significant share in the total inactive population, although, after 2010, their number was on a downward slope, in 2019 registering 518 thousand fewer retirees compared to the number ten years ago, according to the National Institute of Statistics (National Institute of Statistics, 2020, p. 14).

Figure 1. The evolution of the average number of invalidity pensioners correlated with the demographic indicators in Romania

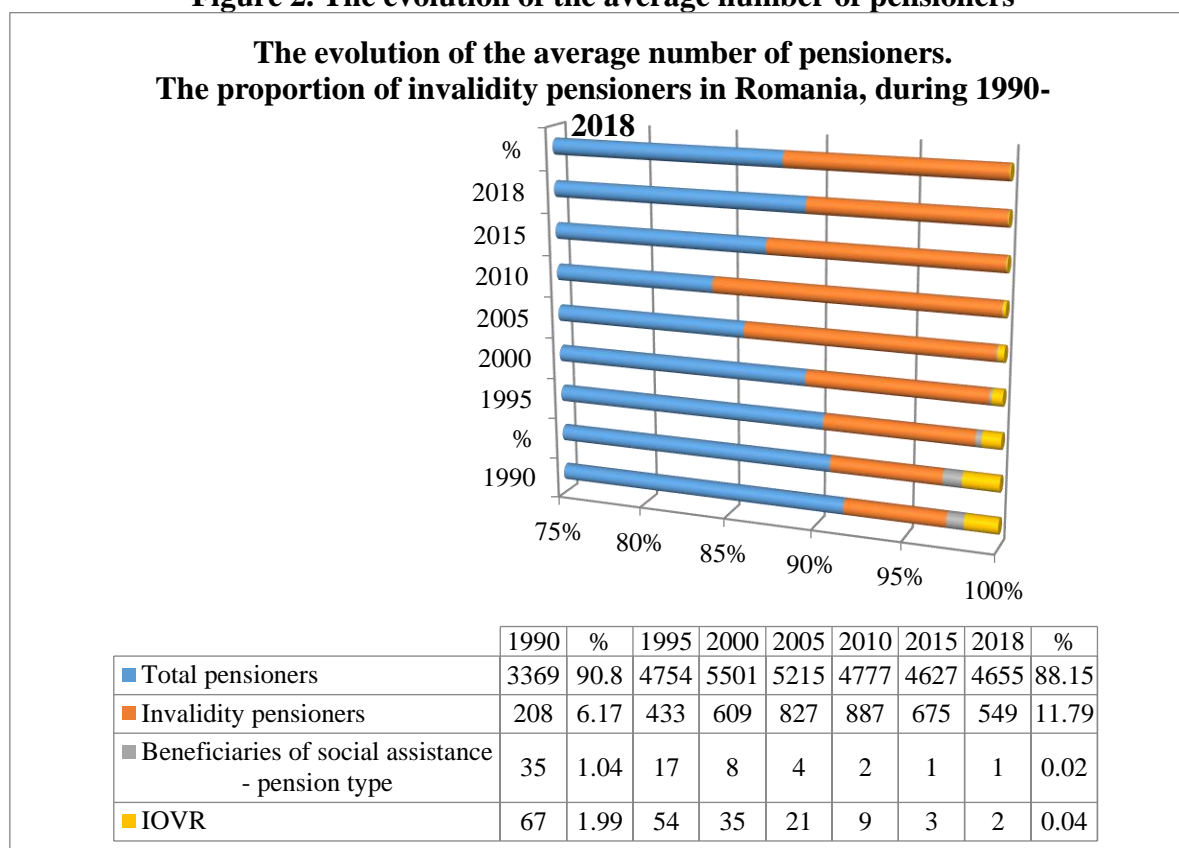


Source: authors' representation using data from the Romanian Institute for Statistics, <https://insse.ro/cms/ro/tags/comunicat-numarul-de-pensionari-si-pensia-medie-lunara>

According to statistical data (Figure 1), it can be seen that the total number of pensioners decreased during the analysed period. Between 1990-2015 the number of invalidity pensions increased significantly, but in the period 2015-2018, the number of this type of pensions decreased. Between 1990 and 2000, the sustainability of the public pension system was severely affected, as measures were taken which doubled the number of pensioners (reducing the average real retirement age), halved taxpayers in the public pension system, the increase social insurance contributions from 14% in 1990 to 35% in 2002 and the significant erosion of the pension/salary ratio. For the period 2001-2005, the implementation of a complex reform of the pension system has started; in 2005-2010, the multi-pillar pension system was implemented (pillar 1 being PAYG state pensions, pillar 2 of

privately managed pension funds, and pillar 3 of private voluntary pensions); introduction of the guaranteed social pension; the spectacular increase of the pension point and implicitly of the average pension in the years 2007-2009, which practically doubled in real terms. The decisions of 2007-2008 will have a dramatic impact on the sustainability of the pension system, given its structural weaknesses and the short- and long-term impact of the global economic crisis of 2008-2009. The period 2010-2011 focused on the sustainability of the pension system in the conditions of the financial constraints generated by the global economic crisis from the years 2008-2009, of the economic constraints specific to Romania, and the demographic structural constraints.

Figure 2. The evolution of the average number of pensioners



Source: authors' representation using data from the Romanian Institute for Statistics, <https://insse.ro/cms/ro/tags/comunicat-numarul-de-pensionari-si-pensia-medie-lunara>

According to the analysed data (Figure 2), the total number of pensioners decreased in Romania, from 90.8% in 1990 to 88.15% in 2018; thus, the percentage of disability pensions increased from 6.17% in 1990 to 11.79% in 2018; beneficiaries of social assistance-pension type decreased from 1.04% in 1990 to 0.02% in 2018; also, pensions for orphans and war widows (IOVR) decreased from 1.99% in 1990 to 0.04% in 2018.

According to statistics, in 2016, 14.7% of people aged at least 65 were at risk of poverty, meaning that they had less than 60% of the average income of the country where they live, compared to a percentage of 17.9% registered for the rest of the population. However, poverty rates differ from country to country, for example, from 5.7% in Slovakia to 40.2% in Estonia. On average, at the EU level, the poverty rate for people aged 65 and over was 16.5% in 2015, which shows that the average income of older people was 83.5% from the national poverty line (European Commission, 2020, p. 2).

The average number of pensioners in Romania, during 2019, was 5157 thousand people, decreasing by 50 thousand people compared to the previous year, according to the National Institute of Statistics. In comparison, the same period, the number of pensioners decreased by 11.0%, and for those of state social insurance by 0.3%. Social security pensioners hold the majority share (99.9%) in the total number of pensioners. State social insurance pensioners represent 90.6% of the total social insurance pensioners. By categories of pensions, the number of pensioners for old age is predominant (77.4%) among social insurance pensioners (National Institute of Statistics, 2020, p. 15).

3. The link between health and financial sustainability of the pension system

Total healthcare costs should be approximately equal to the population's contributions, given that not all people who contribute to the system need healthcare. However, the costs for this sector have increased in recent years at rates that exceed revenue growth, a difference that is a prominent problem for many countries. The causes come, on the one hand, from the less healthy lifestyle of some people and, on the other hand, from the lack of investments in prevention. The key factor in this is low national incomes, which do not improve the lifestyle of each individual and also do not allow investment in a quality health system that can cover all the needs of the population.

The sustainability of this system refers to the existence of a fiscal and financial balance between income and obligations (and to the ratio between the number of workers/contributors and the number of pensioners/beneficiaries) within the pension systems. To be sustainable in the long run, public pension systems must be able to absorb the impact of the aging process without destabilizing public finances. Pension costs account for a large share of public spending; in 2013 they accounted for 11.3% of the Union's GDP, ranging from 6.9% in the Netherlands to 16.2% in Greece, and are an extremely important factor for the current and medium- and long-term budgetary situation. At present, in Romania, the share of pension expenditure in GDP is just over 7%, well below the EU average of almost 13%. The financial sustainability of Europe's pension systems faces the need to ensure adequate retirement income. The main objective of pension systems is to protect the elderly against

poverty, as well as to ensure conditions that allow them to enjoy a decent standard of living and economic independence in old age (OECD, 2015, p. 1). Thus, the financial sustainability of pension systems is an indispensable mean to this end.

Pensions have a significant impact on public budgets and the labour market, and these effects must be considered in public pension policies. The main objectives of these pension and retirement policies are: (1) to ensure an adequate income in old age while ensuring (2) the financial sustainability of this system and (3) employment for as long as possible (through incentives to supports the stability of the career path informal work, as well as longer professional life (European Commission, 2020, p. 1). Managing the challenges of an aging population requires pension reforms that (1) ensure a balance between contributions and entitlements; (2) reduce early retirement and (3) increase the retirement age (European Commission, 2020, p. 1). However, in order for any attempt to increase the financial sustainability of the pension system to be supported, these measures are not sufficient if they are applied separately and if the level of population's health fails to increase.

In the case of most Member States which increased the retirement age, this was linked to life expectancy, to increase the financial sustainability of this system; thus, thanks to the reforms already adopted or planned in most EU Member States, the medium and long-term sustainability of spending on public pension systems has improved significantly. However, in many EU countries, the financial sustainability of this system remains a cause for concern. Some countries may even face short- and medium-term sustainability issues. Six Member States (Belgium, Germany, Luxembourg, Malta, Slovenia and Slovakia) still face significant increase in spending on public pension systems (European Commission, 2020, p. 12). In this tension, investments in the health of the population might also contribute to the improvement of the pension system; thus, healthy people will be able to be employed, avoiding early retirement and a large amount of money spent on disability pensions. Such reforms would help the population to stay employed as life expectancy increases, along with retirement age. However, in the absence of a balanced state of health, there is an increasing risk of exacerbating the pressure on the health and social care system, as people will not be able to work until older retirement ages. In the EU Member States, where the costs of public pension schemes are declining (Croatia, Denmark, France, Italy, Latvia), the private pension scheme is expected to cover a large part of any gaps. On the other hand, developing cost-effective pension savings instruments continues to be a challenge in many of these countries.

In Romania, the public deficit has risen sizably, driven by current expenditure. The public deficit continued to increase, above the 3% of GDP Treaty threshold in 2019, driven by current spending. It is projected to widen further, in particular due to a 40% pension indexation scheduled for September 2020. As in previous years, the rules of the national fiscal framework have not been

complied with. A high public deficit and increasing ageing costs result in high fiscal sustainability risks. The economy continues to grow, albeit at a slower pace. Real GDP growth remained robust in 2019 at 4.1% on the back of private consumption, with investment providing support. Growth is forecast to ease to 3.6% and 3.3% in 2020 and 2021 respectively, due to weaker industrial production and a softening external demand (European Commission, 2020, p. 4).

In Romania, in order to benefit from the old-age pension, a person must have reached the standard retirement age and must have contributed to the public pension system for a certain minimum period of time. On January 1, 2019, the standard retirement age for women was 61 years and this will gradually increase to 63 years by January 2030; for men, the standard retirement age is 65. Also, in compliance with the specific conditions provided by law, reductions in the standard retirement ages are granted to politically persecuted persons, the blind and the disabled. Non-contributory periods, such as the period of granting the invalidity pension or the allowance for temporary incapacity for work, the period of taking full-time courses at a higher education institution (subject to graduation), the period of compulsory military service or the period during which a person was enlisted, mobilized or taken prisoner in war, are taken into account in the calculation of the old-age pension and the low standard old-age pension¹⁰.

From 1960 to the present, health care spending has doubled worldwide as a share of GDP. Thus, during the 1960s, the countries that recorded average annual health care costs of 3.5% per capita, in the period 1990-2001, the costs of these services increased by about 50%. The main causes of the increase in health care costs are medical technology, human resources in the system, treatment, price inflation and an aging population. Continued growth in health spending may be unsustainable, especially in light of current and projected budget deficits. In this regard, governments have sought appropriate solutions to finance increased health care costs, given the increasingly constrained collective resources (Paolucci, 2011, pp. 14- 15). Maintaining mandatory universal access to basic services, the continuous improvement of technical efficiency and medical staff, the low financial resources of the population, which leads to a less healthy lifestyle, as well as the dynamic nature of this type of services, are factors that contribute to the continuous increase of costs in this sector.

4. The importance of active retirement for the economy

One of the biggest challenges facing virtually all nations is the economic and fiscal turmoil on public pension systems caused by the demographic change of their populations. In this sense, we

¹⁰ Find out more at <https://ec.europa.eu/social/main.jsp?catId=1126&langId=ro&intPageId=4754>

encounter two major evolutions, responsible for the existence of this phenomenon; firstly, a constant improvement in healthcare and medical progress, leading to an ever-increasing life expectancy; secondly, the low fertility and the substantial decrease in the birth rate, which appeared in the late '60s. Both effects lead to a significant change in the age structure of the population, which has put increasing pressure on existing public pension systems in Europe. While the first effect increases the number of retirees, the second reduces the aggregate workforce and the number of taxpayers in the system. Although the consequences of these facts are observable today, they will become much more dramatic shortly. Therefore, a simple adjustment of contribution rates or pension payments could only change the burden between taxpayers and beneficiaries, but could not solve the demographic problem (Hillebrand, 2008, p. 2). Thus, the share of people aged 65 and over will increase dramatically about the employed population, between 15 and 64 years. In the European Union, the retirement rate by age is projected to rise from a current level of 24% to 49% by 2045, an increase that is much stronger than in the United States. Therefore, the share of targeted transfers from the working-age population to the elderly must double in the coming decades if future retirees are to do so to maintain their standard of living. However, for the reasons described above, it is unlikely that this increase in intergenerational transfers can be achieved by doubling contribution rates. Other measures need to be considered to address the consequences of demographic aging for national pension systems (Schludi, 2005, p. 15). One solution would be to employ retirees, but for this to be possible, they need a balanced state of health, which allows them to be employed until an advanced age.

In this sense, as early as 1870, the first forms of active retirement appeared, associated with the pensions paid by employers in the United States, in the railway field, due to the industry's concern about the continuous employment of retired workers. Thus, the railways initially redistributed older workers to nightguard posts or other jobs that minimized risks to public health or safety. Often, such reallocations have been accompanied by a pay cut, representing reduced responsibilities (Graebner, 1980, p. 14). In 1874, the first private retirement plan was established in Canada, in which retirees were still active; the plan aimed at maintaining an efficient workforce, encouraging older people to work, and withdrawing them from the workforce only if they were no longer able to perform light tasks. In 1875, American Express represented the first private retirement plan in the United States, which provided financial assistance to workers who were injured or could no longer be employed. In 1880, another active retirement plan was established by the state, as part of a comprehensive initiative on the well-being of workers, by keeping those in employment (Sass, 1997, pp. 18 – 30).

By the end of the 19th century, active retirement plans began to appear in education at Cornell University, Harvard, the University of California, and Yale University. In 1905, according to Greenough (1990), Andrew Carnegie, an American businessman and philanthropist of Scottish

descent, the owner of the “Carnegie Steel Company” trust, which brought him a huge fortune, concerned about the low salary of university professors, as well as in his old age, set up a free pension system for them, which he sponsored with \$ 10 million. In 1906, 52 universities were accepted under the umbrella of that system, to be underfunded and closed but served as a precursor to the future comprehensive active pension system for teachers, the Teachers Insurance and Annuity Association of America (TIAA), created in 1918 (Greenough, 1990, pp. 5 –16).

Active aging or active retirement is a necessity for economic and social progress. In this regard, the World Health Organization has launched, since 2002, the concept of "active aging" (World Health Organization, 2015, p. 4), with the stated purpose of stimulating people retired on the grounds of age to remain employed. This concept aims to optimize opportunities for health and safety, to improve the global economic situation. Thus, it is proposed to promote a healthy lifestyle, through programs to prevent the main causes of illness, which would allow individuals of retirement age to continue to be employed. Thus, the term “active aging” refers to the continued participation of older people in economic, social, cultural life, the ability to be physically active and to continue their work. Once retired, the elderly can actively contribute to the economy, and the goal of active aging is to increase the healthy life expectancy and quality of life of retirees, including those with disabilities. In this sense, the objectives of active aging strategies are to reduce the number of premature deaths; limiting disabilities and chronic diseases in the elderly, increasing the quality of life of the elderly, reducing the costs of health care, continuous development of social and health services, accessible, permissive, quality, ensuring education and lifelong learning for staff involved in social and health care (World Health Organization, 2015, p. 181).

Conclusions

There is an interdependence between the health of the population and the costs associated with retirement; thus, on one hand a healthy person will be employed for a longer period of time and the number of disabled pensioners will also be reduced, which can mean, on the other hand, a longer period of pensions and higher expenses after retirement. In a democratic state, social protection is a fundamental element of state policies, because it prevents, reduces, or eliminates the consequences of events considered to be “social risks” on the living standards of the population. There is also a relationship of functional interdependence between economic and social functions; they follow, in their dynamism, a balanced report on the direction of development, accepted by society. The

implication of the individual in the economic activity of a state has a decisive influence on his participation in other spheres of social life and ensures his protection and social security.

Currently, an important topic of debate in all states is the issues related to the aging population, the rising index of diseases, respectively the financial sustainability of the pension system and health services, etc. These elements exert strong pressure on social protection systems, in particular, on their financing and, as a consequence, on the institutions involved in the social insurance activity. At the same time, several aspects related to the role and purpose of social protection in European countries is being discussed. The social protection system in Romania, in correlation with that of the European Economic Area, favours social inclusion, the development of social policies aiming at exercising equal opportunities in capitalizing on fundamental and specific rights, and regulates social pension insurance, unemployment insurance, health insurance, accidents at work and occupational diseases and on the provision of social assistance services, at the level of the standards designed and assumed.

Social protection, in all its forms, has become a major theme for employers, state institutions, employees, and all other factors involved in social actions, representing not only a fundamental element of social policy but especially its central objective. Social protection is manifested through a set of measures that follow practical, convincing directions, through concrete actions at the level of employment protection, employed population, protection against non-deterioration of quality of life, protection of disadvantaged social groups and the whole community. The economic content of social insurance is determined by the nature of production relations.

The sources of formation of funds associated with pensions are represented by the contributions paid by economic agents and employees, calculated by applying percentage quotas on salary funds in the case of employers and on gross salaries in the case of employees. Each country has a national policy in this regard, which establishes the way in which participation in the system is achieved, the range of benefits as well as the financing mechanisms of the system. In the current conditions in Romania, where the pensions of current pensioners are paid from the contributions of current employees, it is not easy to maintain a financial balance with the needs of the contributions, in such a fragile situation, in which the number of beneficiaries is increasing and the number of taxpayers is lowering. The solutions are limited, and the government has already tried almost everything: applying higher taxes on taxpayers (increasing the tax burden), reducing the real value of pensions, supplementing the pension fund with subsidies from the state budget. Thus, it can be appreciated the need to pay more attention to the role of the state in the formation of systems of labour protection, insurance, and social assistance, health care and training, employment stimulation, active prevention of labour reduction, labour market development, both quantitatively and qualitatively.

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Paradoxes of expert approaches to the study of cultural infrastructure: the Ukrainian case

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Abstract

The article reveals the imperfection of ways to use existing approaches to the study of the cultural infrastructure in Ukraine, in particular when we apply methods offered by the UN and the EU as well. The research evidences that both foreign and Ukrainian experts are taking the first steps to ascertain the condition of cultural infrastructure in Ukraine and currently there is no objective complete database. Positive characteristics of different ways of measuring the state of cultural infrastructure are proposed to unite and Ukraine should be considered as the base country for testing scientific research methods, which will facilitate the establishment of scientific cooperation in the field of cultural policy and the coordination of joint decisions for cross-border partnership. One of the additional important parameters for the study of cultural infrastructure is its relevance to the overall political plans for the development of culture in the European community.

Keywords: cultural infrastructure, cultural resources, cultural policy

Introduction

The implementation of the Eastern European Partnership programs has involved Ukraine in various areas of cooperation with the EU within the framework of pursuing the objectives of cross-border cooperation. A special place in these programs is a partnership in the field of culture, which is considered both as an independent direction and as a direction that accompanies joint environmental, educational, sports and tourism projects. However, cross-border cooperation in the field of culture is an under-researched topic and often remains on the periphery of research interests, which are mainly focused on exploring the results and problems of cross-border cooperation in areas that have a clear economic context for the regional community.

But over the last decade, there has been a significant theoretical shift in the understanding of culture as a significant factor in political and economic processes. Nowadays, problems of functioning of the cultural environment are becoming interesting not only for specialists in the humanitarian

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sphere, but also for politicians who develop political meanings and formulate goals of strategic development. Cultural issues are presented in all major the UN and the EU strategic documents. It should be noted that a special section on culture was written in the Lisbon Treaty and subsequently expanded in detailed resolutions of the EU Council on these issues. A coherent EU strategy for 2019-2022 is currently in place, which sets out the key parameters for further cultural cooperation for cross-border partnership regions as well.

By signing the Association Agreement with the EU, Ukraine has committed itself not only to achieving some alignment with already existing EU standards and rules in various fields, but also to commit to the implementation of strategic intentions towards the future. Ukraine needs to be ready for the world outlook and technology for this. An important factor in updating the general thinking of Ukrainians is engaging in common cultural processes at different levels - state, regional, local communities and personal.

The deployment of cultural events in Ukraine since 2014 demonstrates significant progress in understanding culture as an object of public administration. Legislative, administrative and economic changes have taken place. It can be stated that the current state of culture is considered in the context of decentralization of power in Ukraine, in the context of creative economy development, and in the context of the state's European integration aspirations. In this regard, studies of the cultural sphere, which can be considered as a certain inventory of the cultural environment by quantitative and qualitative indicators, are being actively pursued. The results and methodological features of these studies can, in turn, be analysed and interpreted in terms of the further effectiveness of cross-border cultural cooperation.

The emphasis on the problem of infrastructural support for contemporary cultural processes in Ukraine is linked to the understanding that this is the material and technological basis for the deployment of cultural activities. Since any partnership is realized through a specific activity, it is crucial to understand what it can rely on and what the activity is, in what real environment it will take place. Joint partnership activities in the field of culture are no exception.

Hence, the study will answer the following questions: whether the existing infrastructural resources of Ukraine in the field of culture are in line with the overall objectives of cultural development in the EU and how can cross-border cooperation help to equalize the cultural environment for further successful cultural partnerships?

It should be noted that cultural issues are rarely the focus of attention of both researchers and representatives of different levels of public management - from government figures to members of public organizations. However, according to the research materials provided in Marcela Șluserciuc's

article "Cross-border cooperation elements along Romanian Ukrainian border - empirical evidences", representatives of different social communities, including expert groups, consider communication «people-to-people» (as one of the priority areas of cross-border communication) (Șlusarciuc, 2019, p. 331). The content and specific results of projects that implement «people-to-people» communication priorities may be different, but communication in the process of exchanging cultural practices and meanings is certainly one of the best ways to facilitate such communication. Therefore, a review of current research with up-to-date information on the state of cultural infrastructure in Ukraine will reveal its willingness to participate in organizing and supporting horizontal communication at different social levels and to serve as a basis for disseminating best cultural practices.

1. Research approaches to the study of cultural infrastructure

To date, research and scholarly discussions on cultural infrastructure, for the most part, rely on some self-evident facts more often than on defined and established interpretations of the concept. That is why, before analysing data on the state of cultural infrastructure in Ukraine, it is necessary to understand the meaning of this concept and find out the limits of its application. At least, it is necessary to uncover the difficulties that arise in the comparative analysis of different sources of such data.

Because our study does not aim at a specialized discussion of the concept of cultural infrastructure, we will only reveal the existing contradictions that arise from the effort to draw up different documents. However, these contradictions affect the content of the information contained in the available research material. Explaining these contradictions, we substantiate our approach to the use of databases that will be analysed and show the need to use different approaches to evaluate them. As there is no uniquely fixed and generally accepted definition of the concept of "cultural infrastructure", it can be argued that in the vast majority of cases it is understood in two senses. Firstly, it is interpreted by analogy to the common concepts used in the field of transport, business or commerce, where, in fact, it originated. Secondly, this concept is clearly linked to the system of institutions in which cultural activities take place. However, in all cases, the concept of "cultural infrastructure" contains the meaning of being the material basis for the creation of cultural products. The problem arises at the stage of describing cultural products and the list of cultural activities. These lists are not agreed, they are not complete and final. More often than not, we come across lists that meet the general guidelines of researchers regarding their understanding of culture and cultural processes, as well as the overall objectives of the research they undertake.

In 2010, Serge Bernier and Pascale Marcotte conducted a detailed study specifically dedicated to defining the concept of "cultural infrastructure". The basic generic definition of this concept presented in the report was as follows:

A cultural infrastructure is a building, an office or a physical space that has a long useful life, that was built over a relatively long period of time, that does not have a relevant substitute in the short or medium term, that has specialized materials, that is predominantly dedicated to one or more cultural function (including creation, production, distribution, dissemination, training and conservation), and that plays a special supporting role to other factors of production in the cultural disciplines of visual arts, crafts, media arts, performing arts, heritage, museums, archives, libraries, publishing, sound recording, film, audio-visual, radio and television (Bernier and Marcotte, 2010, pp. 9-10).

The report proposes a typology of cultural infrastructure, including groupings by cultural discipline, function and clientele. Cultural infrastructure is divided into clientele levels as follows - local, regional, national, international. Methods for classifying cultural infrastructure by function and occupation are presented in Table 1 and Table 2.

Table 1. Classification by function

| |
|--------------------------|
| Creation |
| Production |
| Diffusion / distribution |
| Training |
| Conservation |

Source: Bernier and Marcotte, 2010, p.10

Table 2. Classification according to domain

| |
|--|
| Visual arts, crafts and media arts |
| Performing arts |
| Heritage, museum institutions and archives |
| Libraries |
| Book infrastructures |
| Sound recording |
| Cinema and audiovisual |
| Radio and television |
| Multidomains |

Source: Bernier and Marcotte, 2010, p. 10

In a series of Cultural Infrastructure Index surveys specifically dedicated to the topic of cultural infrastructure and launched since 2016, we find a shorter definition of cultural infrastructure. It can be considered as an instrumental definition adapted for the purposes of this particular study. The same definition is repeated in each published report. It is outlined by the text the 2018 Cultural Infrastructure Index, which was introduced in August 2019: «Cultural infrastructure» comprises museums, performing arts centres, and cultural hubs or districts, and projects tracked include new buildings, renovations, and expansions» (AEA, 2018). We draw attention to the fact that the study analyses the events related to the construction of new and reconstruction of existing institutions and art sites, but their classification differs from the classification of French researchers by the number of categories.

In the process of analysing the data presented in the 2018 Cultural Infrastructure Index, we find four directions for examining the cultural infrastructure situation (AEA, 2018):

- museum/gallery;
- performing arts centre;
- cultural hub/district;
- multifunction arts venue.

The cultural hub / district and multifunction arts venue separation criteria are not clear from the report text, and this does not clarify the summary tables. However, we emphasize the presence of an additional characteristic of the objects of analysis, which is related to the form of their organizational existence - public, not-for-profit, commercial, private (AEA, 2018). This characteristic is also important for understanding the holistic picture of cultural infrastructure.

In 2018, a conference on «Culture and Local Development», which organized by The Organization for Economic Co-operation and Development (OECD), was held in Venice. The relevant topics of the conference were discussed from different sides and the main conclusions are set out in the summary document. At the end of this document, Annex A lists the terms that formed the basis for formulating the general recommendations of the conference. These lists of terms are interesting in that they are presented with reference to Eurostat, which means that they have a widespread and formally agreed interpretation. These lists are an opportunity to broaden our understanding of the cultural infrastructure. Here are the two lists (OECD, 2018):

Cultural sectors (economic activities)

1. Printing and reproduction of recorded media
2. Manufacture of musical instruments

3. Publishing of books, periodicals and other publishing activities
4. Motion picture, video and television programme production, sound recording and music publishing activities
5. Programming and broadcasting activities
6. Specialised design activities
7. Photographic activities
8. Translation and interpretation activities
9. Creative, arts and entertainment activities
10. Libraries, archives, museums and other cultural activities

Cultural occupations:

1. Architects, planners, surveyors and designers
2. Other language teachers
3. Other music teachers
4. Other arts teachers
5. Librarians, archivists and curators
6. Authors, journalists and linguists
7. Creative and performing artists
8. Photographers
9. Interior designers and decorators
10. Gallery, museum and library technicians
11. Other artistic and cultural associate professionals
12. Broadcasting and audio-visual technicians
13. Library clerks
14. Musical instrument makers and tuners
15. Jewellery and precious-metal workers
16. Potters and related workers
17. Glass makers, cutters, grinders and finishers
18. Sign writers, decorative painters, engravers and etchers
19. Handicraft workers in wood, basketry and related materials
20. Handicraft workers in textile, leather and related materials
21. Handicraft workers, not elsewhere classified

These lists add some new nuances to understanding the complexity of defining cultural infrastructure. We have already noted that, in general terms, infrastructure is understood as the material and technological bases for the implementation of cultural activities. Currently, many processes for the creation of cultural products and the distribution of cultural services are understood in the context of the concept of cultural industries functioning. Therefore, the list of sectors of activity in the field of CCI is interesting to us because it simultaneously describes the necessary infrastructure for its implementation. For many sectors, the infrastructure required for them has already been mentioned by us in the above lists from other sources, but there are several activities that need, obviously, special infrastructure. In the above list of CCI sectors, this refers to Printing and reproduction of recorded media, Manufacture of musical instruments, Programming and broadcasting activities, Specialized design activities, Translation and interpretation activities, Creative, arts and entertainment activities. The topic of e-technologies, which arises when discussing the distinction between cultural activities in the sphere of Cultural and Creative Industries (CCI) and Non-industrial (core) cultural sectors in the conference materials, which cannot be avoided in the modern world of universal digitization, should be emphasized. The definition of both industrial and non-industrial forms of cultural activity in the materials discussed is interesting in that it encourages the search for infrastructure for those forms of cultural activity and the distribution of cultural services provided on the Internet.

Cultural and creative industries (hereafter, CCIs) have developed in their current form following the development of major technological innovations at the turn of 20th century, such as voice recording, radio and cinema. They are based on the technological reproducibility of their content, are produced and distributed in organized markets, and can generate substantial profits. Such sectors attract large volumes of private investment, and only marginally rely on private or public subsidization (OECD, 2018).

The Non-industrial culture sector is defined as follows:

These activities are not properly organized as industries either because their contents cannot be reproduced by appropriate technologies or such reproducibility is not meant as a viable option for expressive reasons. Main non-industrial sectors are *visual arts*, *performing arts*, and *heritage and museums*. These non-industrial sectors mostly reflect the original pattern of cultural production. The latter was supported by patronage and subsidisation, which preceded

the emergence of modern industrial economies. Non-industrial cultural sectors often have a limited direct profitability. They are nevertheless very important as laboratories for experimentation and cultural innovation, such as platforms of citizens' participation, resources for community cohesion and urban renewal, or repositories of valuable contents of high cultural and historical value and significance (OECD, 2018).

Analysing the list of professions pertaining to cultural, we are also faced with the issue of expanding the definition of cultural infrastructure. We are encouraged by such professional activities as Authors, Interior designers and decorators, Jewellery and precious-metal workers, Potters and related workers, Glass makers, cutters, grinders and finishers, Sign writers, decorative painters, engravers and etchers, Handicraft workers in wood, basketry and related materials, Handicraft workers in textile, leather and related materials, Handicraft workers, not elsewhere classified. I think it is clear that these activities require infrastructure support, which is not fully described in the lists already mentioned.

All of these publications have one thing in common - they are all made by international consulting groups, aiming to provide guidance to public administration officials and discuss issues related to public administration. This should be emphasized as we will also consider the understanding of cultural infrastructure in Ukraine in the context of public administration. And above all, in Ukraine, certain interpretations of concepts for use in the practice of public management of the cultural sphere are concentrated in the Law of Ukraine "On Culture". It does not contain the definition of "cultural infrastructure", but there is a very important concept that largely defines the processes in state cultural policy - the basic network of cultural institutions. In fact, this concept describes a legislatively entrenched understanding of cultural infrastructure:

basic network of cultural institutions - a complex of enterprises, institutions, organizations and cultural establishments of state and communal ownership, which activity is aimed at creating conditions for the development of human creativity, collecting, preserving, using and disseminating information on material and spiritual cultural values, scientific development, and to ensure the integrity of Ukraine's cultural space, the accessibility of national cultural heritage, and respect for citizens' rights in the cultural sphere (Verkhovna Rada, 2010).

It is important to pay attention to this notion, which is fixed by law, because it is predetermined by the political situation in the sphere of culture in Ukraine, which has emerged since the beginning

of the 1990s. Also, in this concept are concentrated those processes and problems that determine the state of cultural infrastructure in modern Ukraine. There is a special Section 4 in the Law on Culture, which further describes the core network of cultural institutions. Its main provisions are as follows:

The basic network of cultural institutions is formed by executive bodies and bodies of local self-government in the manner determined by the Cabinet of Ministers of Ukraine. Existing cultural and cultural education institutions are automatically integrated into the core network. The basic network of cultural institutions of the state level include state, including national (libraries, museums, archives, galleries, reserves, circuses, theaters, philharmonic societies, music groups and ensembles, cultural-informational and cultural-educational centers, educational institutions of culture and arts), film studios, art galleries, exhibitions of national (state) importance, etc.), cultural establishments.

The basic network cultural institutions of the local level include communal cultural establishments (libraries, museums, galleries, reserves, exhibition halls, theaters, philharmonic societies, concert organizations, art collectives, cinemas, film and video rental companies, associations, palaces and houses of culture, other club establishments, cultural education institutions, art schools, studios, cultural and recreational parks, etc.).

On the basis of state social standards for providing the population with cultural institutions and cultural services, the central executive body, which ensures the formation of state policy in the fields of culture and the arts, approves the list of cultural institutions of the basic network of the national level. Local executive authorities and local self-government bodies approve lists of cultural institutions of the basic network of the local level (Verkhovna Rada, 2010).

The need to consolidate these provisions at the legislative level was connected with the attempt to prevent the privatization of the premises of cultural institutions and their further adaptation for commercial purposes. All of these institutions have been received state protection and should be maintained at the expense of the state or local budget. They have all been, and continue to be, under the auspices of the relevant public administrations and local governments. Public administrations report on the status and physical availability of cultural institutions within the core network of cultural institutions. This state of affairs has its positive and negative consequences. On the plus side, there is a compulsory budgetary funding and preservation of cultural institutions, despite the economic

turmoil in the country. Many of them are of historical and architectural value and have value as cultural heritage sites. However, there are also negative consequences - a limited understanding of cultural infrastructure as an exclusive set of communal or state-owned establishments, which must be kept as communal and state property in unchanged quantities. And this is understood as the main task of the state cultural policy on cultural infrastructure. This is due to the underestimation of the role of cultural infrastructure of private or commercial origin, as well as the lack of a purposeful plan for the modernization of the entire cultural infrastructure in Ukraine.

2. The state of cultural infrastructure in Ukraine

The process of integration into the European Community encourages Ukraine to constantly monitor the various economic and social sectors for compliance with EU standards. At least, it is taking additional steps to survey those areas that have been on the periphery of public interest for many years. Such areas include culture as an object of public administration. Therefore, it is interesting to look at the results of the analysis of the state of Ukrainian culture, which were carried out during 2017-2019 by both international experts and Ukrainian. We will analyse the data from these studies regarding cultural infrastructure in two aspects. On the one hand, we will demonstrate the importance of cultural infrastructure information for comprehensive studies of Ukrainian culture, and on the other hand, we will evaluate the methodology used to study cultural infrastructure.

2.1. External expert assessments of the Ukrainian cultural infrastructure

The focus of our attention will be two documents that have been implemented as part of Ukraine's striving to bring its cultural policies and public administration system closer to EU best practices. In the course of conducting studies of the state of culture in Ukraine by foreign experts, held in 2017, it became clear to many inside the country that we have a different political, economic and cultural history compared to Western European countries that play a leading role in the EU. Accordingly, starting conditions for further development in Ukraine are different from those of Western Europe, which means that the practices available in the EU countries must be adapted to the real environment of the country in all areas. The cultural sphere is no exception.

Politicians specifically involved in the development of the agenda for the cultural sector needed advice and recommendations that would, on the one hand, rely on the European experience and, on the other, on real data on the state of culture in Ukraine. In 2017, reports from two European experts'

studies appeared in a wide public space, each aimed at a comprehensive analysis of the cultural situation in Ukraine, but with different emphasis - the process of decentralization of power in the first case and the development of creative industries in the second case. These studies were not specifically aimed at examining the state of cultural infrastructure, but could not go beyond this, since, as we have shown, cultural infrastructure is a basic and necessary element of all cultural activity.

The first document we will look at is the «Ukraine's Cultural Policy Overview», which was implemented by the KEA Consulting Company under the direction of Philip Kern and presented on the website of the Ministry of Culture of Ukraine in a publication dated June 19, 2017. Since the English language version of this document is neither publicly available on the Ministry of Culture's web site nor on the official web site of the KEA, we will be presenting a citation from the Ukrainian to English of the document, which is officially presented. The general overview shows that the main part of the document consists of examples of successful political and economic actions of public management of the cultural sphere in Italy, France, Spain and Austria, which according to the authors of the report, should be taken into account by the authorities in Ukraine. The main idea of the report is to formulate advice to the public authorities in Ukraine regarding the awareness of the role of culture in the process of decentralization of power, which has entered an active phase since 2014.

If the Ukrainian Government is determined to reform its cultural policy, experts recommend that it give greater weight to the political agenda and the process of modernization of Ukraine. In many ways, cultural infrastructure and governance are remnants of Soviet politics and priorities. If cultural reform does not take place, it will be difficult to change attitudes and perceptions of the changes that are taking place. Decentralization will become an opportunity for cultural operators and citizens only if the cultural strategy is clearly formulated and supported by all stakeholders, state and local authorities, institutions, investors, artists, cultural managers and citizens, especially the youth (Kern, 2017).

In this quote, attention should be paid to the characteristics of cultural infrastructure that experts consider to be a reflection of Soviet cultural policy. However, they do not comment on what they consider to be signs of the post-Soviet state of cultural infrastructure, because we have seen that the presence of museums, theatres, art centres, cinemas, leisure parks is not a characteristic of purely post-Soviet countries, but a general characteristic of cultural infrastructure throughout the world. The report describes the following characteristics of cultural infrastructure as of 2017:

As a former socialist state, Ukraine has a wide network of delocalized cultural infrastructure. According to the latest edition of the Council of Europe Compendium, there are 33324 cultural institutions in rural areas, including 16640 clubs (with amateur groups, art associations), 16000 public libraries (excluding school libraries), 800 cinemas and movie theaters (Kern, 2017)

The metrics in the report have no objections, but, there is a need for more attention to modern technologies, as they must contribute to several important cultural policy goals - the creation of creative value, the accessibility of cultural services and products, and the involvement of as many people as possible in the cultural activities.

Experts also believe that digital technologies deserve greater attention in policymaking, as they have a significant impact on the consumption and accessibility of the cultural product. The creative value chain in the cultural sphere is largely influenced by digital technologies, in particular digital distribution. Such changes offer new and alternative monetization opportunities (Kern, 2017).

As stated in the “Ukraine's Cultural Policy Overview”, it was made at the request of the Ministry of Culture of Ukraine and aimed to accomplish several tasks, in particular, to propose “ways to optimize local cultural infrastructure in the context of decentralization” (Kern, 2017). However, in accordance with the objectives of our study, the search for a clear answer to the question of ways to optimize cultural infrastructure in decentralized conditions did not yield positive results. Actually, the real problem now is how to upgrade the system of 33324 cultural infrastructure in rural areas? In fact, clubs and libraries existed in all villages in Soviet times, but in the process of creating new territorial communities uniting several villages, there is a need to rethink the existing number of institutions and their technical conversion.

Although the authors in the preface assumed responsibility for the content of the data they analysed, however, given the general nature of the report's title - a review of cultural policy in the country, the position of its authors who did not use (or did not require) data concerning urban cultural infrastructure. At least in the content of the report, this is not noted as a problem for formulating an adequate holistic conclusion:

(...) it is important to involve local support for cultural services and investment in culture (infrastructure, heritage, arts education, cultural management) (...)

The following principles must be considered:

- a minimum of services to provide arts education, including contemporary approaches, in local communities;
- cultural centre managers are appointed by the local authority on the basis of personal merit and through competition;
- priority financial support is provided to the cultural centres that have developed the strategy in consultation with local stakeholders.
- encourage cultural centres to create networks and develop creative hubs to contribute to the development of local creative ecosystems (providing access to the internet, coworking spaces for cultural and creative entrepreneurs, facilitating the expression of creative skills (performance, production, distribution)), providing access to arts (literature, music, film...), to support collaboration and cross-sectoral interaction between art and science or between creative skills and industry;
- reviewing the value of local museums based on their artistic and historical contributions (to justify state support and funding). Definition of evaluation criteria, including efforts to develop audience and requirements for co-financing;
- implementation of assessment tools (Kern, 2017).

These recommendations should be considered as a response to the negative phenomena identified by the experts in analysing the situation in Ukrainian culture. We agree with all the recommendations regarding unsatisfactory management, lack of cooperation between cultural centres, lack of use of digital technologies, but in our view, recommendations to reduce activity in the field of arts education are unjustifiable. Since the report's authors do not comment on their position, it seems a bit strange, since they are consistently upholding the principle of expanding the list of cultural services. Moreover, the next episode is about supporting arts education and developing cultural infrastructure - private and public. Experts point out that the promotion of reforms in public management of the cultural sphere implies the deployment of communication at all levels - vertical and horizontal, both with the involvement of government officials and ordinary citizens. This is important for promoting reforms in the cultural sector in a context of decentralization, when the decision has to be made by the community.

Communication on reform goals should be conducted in a language understandable to ordinary citizens and include the following key messages:

- equal access to quality arts education services, equal access to culture;
- comprehensive economic and social development;
- enhancing the value of local heritage and identification with due respect for diversity;
- a stable and financially sound cultural infrastructure - public and private;
- strengthening democracy and involvement in the culture at the local level (Kern, 2017).

We will pay special attention to the statement that is constantly repeated in the text of the report - the need to introduce tools for assessing the state of culture.

This is crucial because the authors emphasize: "A monitoring and data collection system should be built in association with local and national statistical offices, capable of assessing policies and tracking the evolution of cultural practices and production. It is clear that the state of cultural infrastructure needs constant monitoring, as it is an important indicator of the state of culture at different levels - local, regional, state" (Kern, 2017).

The study "Developing Cultural and Creative Industries in Ukraine" by Cristina Farinha is the next widely known report on the state of culture in the country. The report is developed with the assistance of the EU-Eastern Partnership Culture and Creativity Programme in December 2017.

This report is a general overview of the creative industries operating conditions, which does not contain specific quantitative indicators, but takes into account the general political, institutional and managerial aspects that, in the author's view, are fundamental to understanding the process of development of the CCI in Ukraine. Cristina Farinha cites the positive and negative characteristics of the Ukrainian cultural environment that contribute to or hinder the development of the CCI in the country. As a result of the study, she describes it as follows:

Table 3. Ukraine's main opportunities and challenges

| Ukraine's main general opportunities include: | Ukraine's main general challenges include: |
|--|--|
| <ul style="list-style-type: none"> • Dynamic start-up scene and highly skilled IT workforce facilitates the development of creative economy • Recent EU visa regime for Ukraine allowing free movement and exchange • Ongoing decentralisation process • provides opportunities for development of new social-cultural fabric at local level • Increasingly popular "Made in UA" movement alongside government focus on | <ul style="list-style-type: none"> • Digital technologies potential is not fully taken into account in policy development, notably for decentralisation and democratisation of cultural access • Slow pace of decentralisation reform due to lack of capacity at local level and risk of not integrating the CCIs in local and regional development • Ongoing Ukraine-Russia territorial and armed conflict in the east absorbs |

| | |
|---|--|
| supporting “national cultural product” and the promotion of Ukrainian as official language | resources and accentuates nationalism in detriment of cultural diversity |
| <ul style="list-style-type: none"> • Growing role of civil society in activation of communities and promotion of participation in the field of culture | <ul style="list-style-type: none"> • Lack of trust between authorities and the independent civil society hinders the advancement of the democratization process |

Source: Farinha, 2017, p. 4

We underscore the high assessment of the state of IT development in Ukraine, since such an understanding of the conditions actually recognizes the country's readiness to participate in the global processes in this field. The report separately underlines the need to take care of cultural infrastructure, however, these recommendations are as follows (Farinha, 2017, p. 6):

- Link and support the development of necessary infrastructure and creative hubs;
- Promote favourable ecosystem and legal framework for CCIs.

From the content of these recommendations, we can conclude that all other elements of the infrastructure that supports the functioning and development of the CCI are satisfying the author and do not require additional efforts from the authorities, business representatives and local communities.

2.2 Internal expert assessments of the Ukrainian cultural infrastructure

K. Farinha's review of the CCI in Ukraine is mentioned research as a positive experience of studying the state of Ukrainian culture, conducted by the method of UNESCO Culture for Development Indicators (CDIS). It was presented for public discussion in 2017 and was one of the first tests of this method. The overview of Ukrainian culture by this method was made by the Ukrainian Centre for Cultural Studies (Director – Oleksandr Butsenko) jointly with the "Development Centre Democracy through Culture".

The results of the study can be analysed from two sources - UNESCO Culture for Development Indicators: Ukraine's Technical Report and UNESCO Culture for Development Indicators: Ukraine's Analytical Brief. According to the CDIS methodology, cultural infrastructure is explored under Dimension 2: Governance as a separate criterion 2.3. Distribution of cultural infrastructures. This criterion in the report on Ukraine is presented in two dimensions - the number of locations and the presence of locations in administrative units - oblast (region). The authors of the report thus explain the methodology for calculating data on administrative locations:

The administrative divisions which are immediately below the state level in Ukraine, consist of 24 regions, 2 cities and 1 republic. Ukraine has two subdivisions temporarily occupied and annexed by the Russian Federation (Autonomous Republic of Crimea and the city of Sevastopol), as well as subdivisions forming parts of the partly ATO (anti-terrorism conflict) zone (parts of Donetsk and Luhansk regions). Therefore the distribution of cultural infrastructures in 2015 includes 22 regions and the city of Kyiv and excludes four subdivisions (UNESCO, 2018).

In Ukraine's Technical Report we see a detailed Table 2.3, which shows quantitative data on cultural infrastructure, which is presented as venues, buildings and physical sites for public use by such elements: museums; libraries and media resource centres (libraries); exhibition venues dedicated to the performing arts (clubs, theatres, circuses, philharmonic halls and concert halls). The summary score, which characterizes the state of cultural infrastructure in Ukraine by CDIS, is presented in Table 2.4 Relative standard deviation. The same valuation information can be found in Ukraine's Analytical Brief.

Table 4. Cultural Infrastructure in Ukraine (by type)

| | Museums | Libraries and media resource centres | Exhibition venues dedicated to the performing arts | Cultural infrastructures TOTAL |
|----------------|----------------|---|---|---|
| Results | 0,630 | 0,714 | 0,658 | 0,66 |

Source: UNESCO, 2018

The data collected on the cultural infrastructure does not answer the questions that need to be raised by a thorough examination of its status, in particular, the questions of location at different administrative levels and the forms of organization. The chosen system of combination of various elements - libraries and media-resource centres, exhibition centres and locations for the performing arts, which are usually represented by theatres, can also be considered unsatisfactory.

However, a completely different picture can be seen, given the data presented in Section 1. Dimension: Culture as Economic Activity, which takes into account the contribution of culture to cultural employment and the contribution to cultural activities. Relevant data based on the Eurostat methodology are presented in Table 1.3. Cultural occupations in correspondence table between ISCO-08 and KP-2010 (UNESCO, 2018) and in Table 1.1 Value added in correspondence table between ISIC Rev.4 and KVED2010 (UNESCO, 2018). Based on the above data, we can conclude that Ukraine has the infrastructure resources for all forms of activities and all types of products related to

the cultural sector. But at present, there are no statistics in Ukraine that describe the totality of cultural infrastructure available in the country.

In 2018, the results of another comprehensive study of the state of culture in Ukraine, presented by internal experts and using the UN and EU methodology for measuring creativity, were publicly presented. This is the report “Cultural and Creative Ukraine’s Cities Index” (Slobodian *et al.*, 2018), which contains information on the cultural infrastructure of five Ukrainian cities - Kyiv, Odesa, Lviv, Dnipro, Kharkiv. The report's authors point out that the results obtained are not an adequate study of the method of measuring the creativity of cities, as it is tested in five cities, which is not sufficient to summarize. But the calculations made by the researchers are interesting in that they give an idea of the status of those cells, which are considered the most developed culturally and most attractive to tourists. It can be said that cultural infrastructure is understood solely as a network of physical places to visit, which, in fact, is recorded in a table created by the authors of the study. The table contains data on cultural sites per 100,000 population, as well as information on activities and subjective feelings of visitors and the total score of cultural infrastructure as a cumulative indicator.

Table 5. Cultural Infrastructure in Ukraine (by cities)

| | Dnipro | Kyiv | Lviv | Odesa | Kharkiv |
|---|--------|------|------|-------|---------|
| Cultural infrastructure | 4,20 | 7,86 | 9,35 | 5,25 | 2,37 |
| Number of theaters per 100 thousand population | 0,23 | 0,84 | 1,52 | 0,00 | 0,05 |
| Number of concert organizations per 100 thousand population | 0,22 | 1,23 | 1,52 | 0,00 | 0,05 |
| Number of museums per 100 thousand population | 0,00 | 0,41 | 1,52 | 0,70 | 0,01 |
| Number of mass and universal libraries per 100 thousand population | 1,52 | 0,02 | 0,63 | 0,00 | 0,30 |
| Number of cinemas per 100 thousand population | 0,15 | 1,52 | 0,93 | 0,66 | 0,00 |
| Number of art galleries per 100 thousand population | 0,37 | 0,12 | 0,22 | 1,52 | 0,00 |
| Number of local cultural monuments | 0,00 | 1,38 | 0,01 | 1,52 | 0,01 |
| Number of national monuments | 0,00 | 1,52 | 0,13 | 0,03 | 0,08 |
| Subjective assessment of opportunities for the diverse leisure activities in the city, positive response rate | 0,19 | 0,38 | 1,52 | 0,00 | 0,38 |
| Subjective assessment of the quality of cultural institutions, positive response rate | 0,00 | 0,12 | 0,35 | 0,35 | 1,52 |
| Part of concerts, performances, other events performing arts in the city for a year | 1,52 | 0,52 | 1,03 | 0,48 | 0,00 |

Source: Slobodian *et al.*, 2018

While collecting data on the subjective feelings of the locals may be welcomed, it is not clear how this can be taken into account at the same time as the objective data on the number of cultural

institutions, without knowing which of the institutions have received better or worse grades. This is the first disagreement with the table. A second remark - data on the number of events may indicate the intensity of cultural infrastructure use, but again, without the distribution between theatres, museums, cinemas and concert halls, the relevance of these data is doubtful. The problem with the presented results is that we cannot calculate the number of infrastructure objects in each city, because the table shows the rating points. Therefore, in the big cities, we see "zero" as a characteristic of libraries or theatres, which is obviously not true.

Another exploration, conducted in Ukraine during 2017-2018 with the support of international funds, was specifically dedicated to the study of the state of cultural infrastructure in the united territorial communities and was implemented within the framework of the NGO «Association for Community Self-Organization Assistance». The results of the study are outlined in the analytical report "Status and Prospects for the Development of Sociocultural Infrastructure in the UTC" (UTC - United Territorial Communities) (ACSA, 2019), which was presented to the Ministry of Culture of Ukraine and the public in 2019.

As noted above, the issue of transformation of local cultural infrastructure is urgent for Ukraine as it goes through the way of decentralization of power and changes of territorial structure at the local level, in accordance. One should expect from a specialized study, conducted both at the national level and at the level of one specific region - Odessa oblast, to increase and diversify the database on cultural infrastructure in comparison with the existing ones. However, it appears that the survey was conducted through a survey of residents of territorial communities. The report contains indicators of subjective nature regarding the status of cultural infrastructure, information on the number of cultural events attended, information on the level of satisfaction with cultural life in the community. It should be noted that the survey questions are formulated in such a way that the answers may not be relevant at all to the characteristics of the community's cultural infrastructure, as it is currently known without further research that there are no cinemas and theatres in the local communities.

Unfortunately, the chosen research methodology does not lead at all to the goals set for this study, since it does not in any way describe the objective state of the cultural institutions. The only conclusion that is not a subjective definition is the conclusion that clubs and libraries are essential elements in the cultural infrastructure of the local community. But it is important to understand that all of these buildings were built in the Soviet era and are very slowly being modernized. There is no information about the possibility of using IT technologies for the development of a network of cultural infrastructure at the local level.

Based on the results of the study, the proposal to abandon the notion of a "basic network of cultural institutions" (ACSA, 2019, p.6), which is expressed in the research report, seems unconvincing and unwarranted. In fact, the authors of the report propose to introduce changes to the legislation of Ukraine, since this concept is enshrined in the law, and do not take into account the provisions of this law, which are allowed to model the network of cultural institutions for a particular community by local government decisions. Therefore, this study does not provide any constructive advice or added information on the development of cultural infrastructure. The only positive point is the emphasis on the need to study the state of cultural infrastructure for further productive decisions in state cultural policy.

3. The problem of modernization of cultural infrastructure in Ukraine as a problem of expert consulting

We can state that information about the state of cultural infrastructure of Ukraine is incomplete, not structured and controversial. On the one hand, there is an extensive network of cultural institutions in Ukraine, which has been preserved since the Soviet era, but on the other hand, this network does not meet the current needs of the residents and has outdated technical equipment. Because cultural infrastructure is a basic element of cultural activity, the whole system of cultural activity suffers from the uncertainty of the situation in this field. The stimulus to accelerate the modernization of cultural infrastructure in Ukraine may be the fulfilment of the commitments undertaken by the state under the Association Agreement with the EU (KMU, 2017), as well as the involvement in Eastern European cooperation programs implemented by the European Council.

At present, the curiosity about the state of cultural infrastructure within the country is related to the following aspects:

- decentralization of power and formation of new united communities;
- development of cultural and creative industries;
- realization of programs of international cooperation in the field of culture.

The new conditions for public management and funding that arise in the process of reformatting Ukraine's administrative system at the local level affect cultural goals. Curricula for cultural managers and local authorities, many of which have been supported by the EU and the US funds, have made a significant contribution to a renewed understanding of culture as an indicator of quality of life in the community. These curricula have introduced the idea that the cultural sphere needs professional

management and has economic foundations. The concepts of "cultural industries", "cultural product", "cultural service", "cultural goods" became popular.

At the same time, the diversity and saturation of cultural life in the community is clearly coordinated with the state of cultural infrastructure as a component of the quality of cultural service. Such an approach to understanding the role of cultural infrastructure can be found in the Decree of the Cabinet of Ministers of Ukraine "On approval of the Concept of reforming the system of providing the population with cultural services" of 23 January 2019 (KMU, 2019). The need for special measures at the level of government is first and foremost related to the state of culture in rural areas and the ambiguity of strategic objectives in this sector in the process of decentralization, which is described in the preamble to the Concept:

In the 1990s, hundreds of different cultural institutions ceased to exist, Ukrainian book publishing has been constantly declining, film production has almost ceased, and the level of attendance of cultural institutions has dropped significantly. The residual principle of financing the culture, the negative impact of totalitarian influence, the inconsistency of the activities of cultural institutions with the requirements of the present, the lack of preparedness for new economic conditions, the information discrimination of the sphere of culture - all this led to the fact that culture has lost not only an appropriate place among the priorities of state policy, but also found itself on the periphery of state interests ...

Since the mid-1990s, attempts have been made to reform cultural policy. In particular, during 1994-1996, funding for cultural institutions was transferred to local budgets. It was the first wave of the decentralization process in the sphere of culture, which did not receive positive results: even more libraries, club establishments ceased to function in the whole territory of the state, funding of art schools and so on decreased (KMU, 2019).

While sharing the general principles of the protection of cultural human rights, the Concept notes the commitment to the development of cultural infrastructure as a need to "implement a policy of modernizing existing infrastructure for the provision of cultural services", which should be based on:

a systematic approach to addressing the formation and development of cultural infrastructure to provide the population with cultural services, based on a comprehensive analysis of cultural issues and a resource planning method for a set of tools, mechanisms, programs and activities

that are able to solve various problems in a timely and effective manner in cultural sphere that will take into account the specificity of a particular region or community and the needs of the population in the services concerned (KMU, 2019).

Hence, the development of culture must take place in order to realize the accessibility of cultural goods and values for the citizens of the country through a systematic approach to the modernization of cultural infrastructure. But such a systematic approach must be provided with a scientific research framework that takes into account global trends in the transformation of cultural infrastructure. As we noted above, we are currently looking for a methodology that can comprehensively understand and describe the cultural infrastructure. International cooperation is needed in this area, and Ukraine could be the springboard for examining and improving the methods of researching the state of cultural infrastructure. Currently, Ukraine is one of the few countries that has used the UNESCO CDIS methodology and could share its experience. Ukraine is ready not only to be a recipient of cultural research, but also to make its own contribution to the science of culture.

Taking into account the desire to build a systemic vision for the modernization of cultural infrastructure, Ukraine must also take into account the goals that the state is facing in terms of its approximation to the life and economy of the EU. The system for reforming cultural infrastructure should implement the cultural commitments contained in the EU-Ukraine Association Agreement and include the implementation of A New European Agenda for Culture Association (2018) and Council conclusions on the Work Plan for Culture 2019-2022.

Based on the provisions of the "Association Agreement between Ukraine and the EU" (KMU, 2017), consideration should be given to upgrading cultural infrastructure not only on the basis of the articles of Chapter 24 "Culture", but also on the basis of articles of Chapter 15 "Audio-visual policy" and articles of Chapter 16 "Tourism". Provisions of Chapter 20 "Consumer protection" for cultural services and products, Chapter 21 "Cooperation on employment, social policy and equal opportunities" for cultural institutions as workplaces, Chapter 23 "Education, training, and youth", when it comes to infrastructure for creative development and education of young people, they may also be relevant to the situation of upgrading cultural infrastructure as well.

Article 248 mentions directly the interaction in the field of cultural infrastructure sharing: "The Parties shall encourage intercultural dialogue between the individuals and organisations representing organised civil society and cultural institutions in the EU and in Ukraine" (KMU, 2017). Such cooperation should be beneficial for both parties, and therefore, Ukraine should contribute to the dialogue of cultures, taking care of the development of its cultural infrastructure.

A New European Agenda for Culture envisages the development of culture in three dimensions - social, economic and external. All these areas obviously need infrastructure support. However, we will pay attention to economic factors because the modernization, maintenance of the proper condition, reconstruction, building, technological equipment of cultural institutions are directly related to the economic indicators as they are presented in the EU agenda:

Economic dimension - supporting culture-based creativity in education and innovation, and for jobs and growth:

- Promote the arts, culture and creative thinking in formal and non-formal education and training at all levels and in lifelong learning;

- Foster favourable ecosystems for cultural and creative industries, promoting access to finance, innovation capacity, fair remuneration of authors and creators and cross-sectoral cooperation;

- Promote the skills needed by cultural and creative sectors, including digital, entrepreneurial, traditional and specialised skills (European Commission, 2018).

We would like to emphasize the use of the term "ecosystem" for cultural infrastructure. At present, there is no research or theoretical development in Ukraine to study the cultural infrastructure as a whole set of elements, taking into account all relevant criteria. But from our point of view, the systematic approach to modernizing cultural infrastructure, which is declared in state documents, can be oriented towards the ecosystem that is proposed in the EU documents. This is a promising task for cross-border cultural cooperation, as ecosystem networks can be created in the process of cooperation between different countries and regions.

Conclusions

In the light of EU recommendations for the formation of cultural ecosystems, international partnerships in the field of cultural infrastructure development in Ukraine can be pursued in two interrelated ways - improving the methodology of cultural infrastructure research and introducing practices for the joint formation and use of cultural infrastructure for the needs of cross-border regions. The modelling of such infrastructural ecosystems should be aimed at achieving the objectives of European cultural policy, and the assessment of the quality of cultural infrastructure should include indicators that approximate those objectives.

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The mixed legacy of the European Neighbourhood Policy. The Moroccan exception

Dragoş - Ştefan CALCAN*

Abstract

Since the creation of the European Neighbourhood Policy, the EU has aimed to create a ring of stability outside its borders, in its eastern and southern neighbourhoods. In this challenging landscape, going from east to south, one of the few European successes in terms of neighbourhood policy has been Morocco, country which became a privileged partner of the EU. The paper assesses Morocco's successful cooperation with the EU, which cannot be separated from the developments regarding Western Sahara. The paper argues, by using a neo-realist approach, that the EU-Moroccan success story can be explained through the lens of history and the mutual search for security enhancement. Even though the Moroccan case study presents specific characteristics, a security centred approach could benefit the EU in relation to other neighbour countries.

Keywords: EU, neighbourhood policy, Morocco, Western Sahara, security

Introduction

The European Neighbourhood Policy (ENP) has been launched in 2004 with the aim of creating a ring of stability outside EU's borders, in the eastern and southern neighbourhoods. The policy benefited from updated terms in 2015, taking into consideration the security challenges that emerged in both neighbourhoods since 2008. The policy encompasses 16 countries, but the initial ambitions and enthusiasm of the EU were curbed after the effects propelled by the Arab Spring, in the southern regions, and the Russian military involvement in Georgia and Ukraine.

The EU recognized the existence of weak points in its strategy, acknowledging, in 2015, that most of the countries involved in the ENP were less stable than 10 years ago, while the differences of engagement between the partner countries widened during the same period (European Commission, 2015). In this context, it was highlighted the need for differentiation between the countries' engagement and aspirations, for purposes of strategic orientation, flexibility and greater visibility inside the local societies. Most of the issues remain actual even today.

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Six countries are part of the EU's eastern ENP approach: Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine. Even though the EU's approach towards the six countries has been grouped under the umbrella of the Eastern Partnership, launched in 2009, the effectiveness of the overall approach was limited by the stronger involvement of Russia in the neighbourhood, translated in conflicts in Georgia and Ukraine and in a stronger support offered for the authoritarian regime from Minsk.

The EU's approach towards the Southern Neighbourhood has been crystallized under the Union for the Mediterranean, in 2008. However, trying to find consensus and harmonizing divergent interest between all the 27 EU member states and an additional 15 Mediterranean countries proved to be a daunting objective, rendering this institution rather ineffective.

Out of the 16 countries involved in the ENP, the cooperation with the Kingdom of Morocco stands out for its effectiveness, especially when comparing to the other countries which are part of the ENP. This paper aims to gain more understanding upon the success of the EU-Morocco cooperation, by focusing on the historical developments around Western Sahara, a disputed territory controlled *de facto* by Morocco. These evolutions are analysed in correlation with EU's approach towards Morocco and, in subsidiary, towards Western Sahara. The thesis used a neo-realist theoretical perspective, centred around the need of the state actors (or entities, in the case of the EU) to increase their security.

Edward Hallett Carr introduced the term realism in international relations theory, in 1939, aiming to describe the approach of states in the context of the systemic anarchy. Realism postulates the existence of a state-centric system, in which states are characterized by rationality and aim to gain as much power as possible. Meanwhile, states are sovereign entities, which entitles them to act as they please in internal matters, while not being entitled to meddle in the internal affairs of other states (Pevehouse and Goldstein, 2017, p. 43).

Kenneth Waltz introduced, in 1979, a refined version of realism, which became known as neo-realism. While acknowledging the key premises of realism, neo-realism postulates that states seek security rather than power to attain their subsequent goals. Moreover, the concept of power is deprived of its abstract meaning, gaining the understanding of being an aggregate indicator of one state's population, territory, natural resources, economical capacity, military capability and political stability (Baldwin, 2016, pp. 131-132). In what concerns cooperation between states, alliances are motivated by circumstantial common interests and cannot be regarded as long-lasting (Anand, 2009, p. 28).

The neo-realist perspective is used in this paper to highlight that cooperation centred on security can be successful in certain instances, even for the EU, an organization dedicated to the promotion of

liberal values. However, this case study should not be understood as a postulation for acknowledging the end of liberalism or neo-liberalism, but rather as an example of a positive dynamic that could be replicated in time by the EU, in relation with other countries involved in the ENP.

Even though the EU has been labelled as an „unidentified political object” (Rhinard and Sjöstedt, 2019, p. 4), due to its hybrid structure, which places it in between an international organization and a state, the relation between the EU and Morocco will be assimilated, in what concerns this paper's study, to a bilateral relation between two similar actors in what concerns the security interests.

The paper takes into consideration the historical evolutions of Western Sahara since the Moroccan independence (1956) until 2020, in parallel with the cooperation developed between the EU and Morocco since 2000. The research was conducted through a qualitative methodological approach, by focusing on a case study research method, while utilizing political documents, archive documents and official statements, as well as secondary literature. Some of the premises presented are supported by quantitative data, available through official reports or mass-media publications.

1. Western Sahara – historical context and UN involvement

Western Sahara, situated on the Western shore of Africa, between Morocco, Mauritania and Algeria, is regarded as the last African territory still haunted by the colonialist spectre, being part of the UN list of non-self-governed territories since 1963, when it was still part of the Spanish Kingdom. With a population of approximately 567 000 persons and a surface of 266 000 km² (United Nations, 2019), Western Sahara is the biggest entity from the 16 territories list of the global non-self-governed entities.

After the Moroccan independence, in 1956, Spain renounced to most territorial possessions in the region, with some notable exceptions – the Ceuta and Melilla exclaves, the Canary Islands and Rio del Oro (Western Sahara) (Calvocoressi, 1991, p. 486). The status of the Spanish Sahara - official name of Western Sahara from 1958 to 1976 - was further complicated by the Moroccan independence (1956) and the Mauritanian independence (1960). Both states requested to exert control over the Spanish Sahara, taking into consideration their historical rights.

In northern Africa, Morocco and Algeria started their post-independence relation in the most unconstructive way, by engaging in a war for the delimitation of borders in 1963. Thus, the premises for decades of mistrust and problematic relations between the two parties were created, with Rabat and Algiers developing opposing views on Western Sahara. Moreover, the historical events also shaped the evolution of the two countries. Morocco represented an important ally for the United States

of America after the Second World War and especially after the Iranian Revolution of 1979 (Mundy, 2017, p. 60.). On the other side, the brutal war of independence of Algeria against France, an important NATO member, opened the way for Algiers in choosing a close relation with the USSR. Moreover, in the diplomatic correspondence of the era it was believed that the United States of America favoured Morocco's position to prevent Western Sahara from becoming an Algerian, and subsequently, a USSR proxy with access to the Atlantic Ocean (Archive of the Ministry of Foreign Affairs of Romania, 1975, p. 73).

According to the UN recommendations, Spain initiated demarches for organising a referendum that would address the self-determination aspirations of the people from the Spanish Sahara. The Spanish position, formulated in 1966, was supported by Mauritania and approved by Morocco (Cour Internationale De Justice, 1975). Nevertheless, considering the requests formulated afterwards by Morocco and Mauritania, the UN decided, through the General Assembly's resolution 3292/December 13, 1974, to request the advisory opinion of the International Court of Justice (ICJ) over the status of the Spanish Sahara. The Court had to answer two questions: "*Was Western Sahara (Rio de Oro and Sakiet El Hamra) at the time of colonization by Spain a territory belonging to no one (terra nullius)?*" and, in case of a negative answer, "*What were the legal ties between this territory and the Kingdom of Morocco and the Mauritanian entity?*". Moreover, through the same resolution, the UN requested Spain to postpone the organisation of the referendum, in order to implement the most adequate measures for the decolonization of Western Sahara, in line with the answers of the ICJ (United Nations General Assembly, 1974).

The International Court of Justice decided that Western Sahara was colonized by Spain in 1884. Taking into consideration the Royal Spanish Decree from December 26, 1884, which confirmed the Spanish protectorate over Rio de Oro, following the agreements concluded with the local independent tribal chiefs as well as the negotiations with France for a common border in northern Africa, the ICJ concluded that Western Sahara was not a governed territory at the time of the colonization (Cour Internationale De Justice, 1975).

In what concerns the second question, the court concluded that even though the Saharan tribes had relations with both the Moroccan sultan and Mauritanian tribes, the interactions were the result of the nomadic character of the population or of personal relations.

In the meantime, the identification of important phosphates deposits, coupled with the territorial claims of Morocco and Mauritania, fuelled the apparition of an anti-colonial movement in Western Sahara. The Polisario Front (Frente Popular para la Liberación de Saguia el-Hamra y de Río de Oro) thus emerged in 1973, in Mauritania.

Regardless of the ICJ ruling, Morocco continued to pursue a policy for gaining control over Western Sahara. In 1975, Morocco and Mauritania concluded a preliminary agreement regarding the exploitation of the phosphate resources. Diplomatic correspondence from the era highlights that Morocco pressured Spain on the Western Sahara issue, by requesting the UN to include the Spanish exclaves in northern Africa on the UN list of non-self-governed territories, while trying to convince the Arab states to stop exporting energy to Spain (Archive of the Ministry of Foreign Affairs of Romania, 1975, pp. 9-16). In the same year, the Moroccan king, Hassan the Second, ordered the Green March, when 350 000 Moroccan entered Rio de Oro, still Spanish territory, to protest (Calvocoressi, 1991, p. 486.). Even though the Spanish army was considerably stronger, the authorities in Madrid decided to negotiate directly with Morocco and Mauritania over the control of Western Sahara. Thus, Spain, Morocco and Mauritania signed the Madrid Agreements, on November 14, 1975, which highlighted the Spanish decision to decolonize Western Sahara and to install a temporary administration, in collaboration with Morocco and Mauritania (United Nations, 1975). Morocco gained control over two thirds of the territory (the upper part), while one third was allotted to Mauritania (the lower part).

In 1976, after Spain ceded control of Western Sahara to Morocco and Mauritania, the Polisario Front started a conflict with both African countries. The leaders of Polisario also proclaimed the birth of the Sahrawi Arab Democratic Republic (SADR) in exile in Libya, during the same year. (Calvocoressi, 1991, p. 486.) Despite suffering in the early stages of the conflict, the Polisario Front managed to recover by switching to guerrilla warfare. The war in the Western Sahara was financially too demanding for the fragile Mauritanian economy, which abandoned Western Sahara in 1978, following a military coup in Nouakchott. Mauritania renounced to all claims on Western Sahara and re-established diplomatic relations with Algeria (Calvocoressi, 1991, p. 486.). However, Morocco did not accuse the same economic shock of the war and occupied the territory abandoned by Mauritania. In 1981, Morocco started to build a fortified sand wall (berm), which reduced the threat of guerrilla attacks and which established a *de facto* rule of Morocco over about 85% of the Western Sahara's territory.

However, the Polisario Front was able to conduct violent attacks outside the berm. For example, according to diplomatic correspondence from the era, Polisario launched an attack, with soviet arms, in September 1988, that inflicted casualties on 146 Moroccan troops. (Archive of the Ministry of Foreign Affairs of Romania, 1988, p. 72). During the same year, Morocco and the Polisario Front seemed to reach a compromise for the settlement of the Western Sahara conflict, through a ceasefire agreement and an understanding towards organizing a referendum to decide the fate of Western

Sahara (United Nations, 1988). However, the fights resumed shortly, which prompted the UN to intervene in a firmer way and create a peacekeeping mission in Western Sahara.

The UN Security Council Resolution 690/April 29, 1991 created the United Nations Mission for the Referendum in the Western Sahara (MINURSO), which prompted a transition period in Western Sahara, during which a referendum was to be organised, for the local population to choose between independence or integration into the Moroccan state (United Nations Security Council, 1991).

Even though the referendum was scheduled to take place in 1996, both parties chose to delay the process when they considered the opposing party was closer to securing victory. Finally, MINURSO validated the participation of 86 368 persons for the referendum.

The appointment of Kofi Annan as UN secretary general and James Baker as Personal Envoy of the UN secretary general for Western Sahara created a new dynamic for the UN's involvement in the conflict. Baker elaborated two different plans for the settlement of the Western Sahara conflict, starting with an autonomy period for Western Sahara, under Moroccan rule, followed by a referendum. The explicit possibility on the referendum ballot to vote for independence caused Morocco to reject the proposals, while also gathering important support from two of the UN Security Council's permanent members – the United States of America and France and from one non-permanent member of the era - Spain (Congressional Research Service, 2014).

The coalition gathered by Morocco caused the abandonment of the Baker's plans, chain of events which also prompted his resignation. In 2007, Morocco proposed integrating Western Sahara under its territory and granting autonomy, as a basis for solving the conflict, while the Polisario Front proposed relaunching the Baker plans (Theofilopoulou, 2017, p. 45). The UN Security Council deemed the Moroccan proposal serious and credible and asked the parties to enter negotiations without preconditions, to identify a just, long-lasting and mutually acceptable political solution (United Nations Security Council, 2007).

The prolonged Western Sahara conflict and the lack of progress in the MINURSO mandate fulfilment, 29 years since the beginning of the mission, denotes a lack of understanding of the conflict. Even though, from the international law point of view, the Western Sahara conflict is tied to decolonization, from Morocco's point of view it is a secessionist attempt, situation which renders the positions of the parties irreconcilable (Mundy, 2017, p. 62.). The initial optimism brought by the first direct negotiations between parties in six years, obtained by UN Secretary-General's Personal Envoy for Western Sahara, Horst Köhler, in 2019, suffered a major setback after the UN official left his position due to health issues (Euractiv, 2019).

Meanwhile, Morocco continued to consolidate its control on the disputed territory, with the Moroccan Parliament voting, on January 22, 2020, to integrate the Western Sahara territorial waters in the Moroccan maritime borders. The decision represented a blow to the SADR, but also to Spain, directly affected by this decision, with regards to the maritime area delimitation of the Canary Islands (Le Monde, 2020).

2.The EU – Morocco cooperation

The relations between EU and Morocco go long way back, with the first commercial agreement between the parties being realized in 1976. The EU and Morocco signed an association agreement in 1996, which became functional in 2000, putting the basis of a comprehensive dialogue on good governance, migration and security, as the key areas of cooperation. Morocco was granted advanced cooperation status in 2008, the first southern ENP country to benefit from such a position which entitles the parties to work on a common economic area. Despite the massive EU investment, it remains doubtful that EU has succeed in transforming Morocco into a more democratic and inclusive society, in European reference terms. Moreover, granting Jordan advanced status in cooperation in 2010 and branding the cooperation with Tunisia as privileged partnership, in 2011, diluted, at that point in time, the advanced status granted to Morocco in 2008 (Martin, 2014). However, Morocco has gradually become a privileged partner of the EU, with the last association council taking place in 2019, standing today as one of the most successful partners of the EU in its neighbourhood.

In bilateral terms, on March 3, 2018 the Euro-Mediterranean Aviation Agreement between the European Community and its Member States and the Kingdom of Morocco entered into force. On April 4, 2018, the parties agreed on Morocco's participation in the Partnership for Research and Innovation in the Mediterranean Area (PRIMA), framework developed for enabling solutions to water scarcity and food security on both shores of the Mediterranean (European Commission, 2018).

The EU has allocated a financial package between EUR 1 323 million and EUR 1 617 million for bilateral assistance during the timeframe 2014-2020 (European Commission, 2020). In December 2019, the European Commission agreed new programs worth EUR 389 million, for cooperation with Morocco, in the areas of inclusive development, border management and reforms (European Commission, 2019). In 2019, the organization of the EU-Morocco Association Council led to the inauguration of the Euro-Moroccan Partnership for Shared Prosperity, relaunching also the talks regarding a new trade agreement – the first African state to be proposed a comprehensive free trade area, which would translate into economic integration, services liberalization, protection of

investments and standardization in several economic and commercial areas. New strategic priorities of the EU-Morocco cooperation were expected to be adopted in 2020, but the current pandemic context has temporarily paused the demarches. Nonetheless, the European Investment Bank announced in 2020 a financial package worth EUR 200 million, to be disbursed in two instalments, to help Morocco in the fight against the COVID-19 pandemic (European Union, 2020).

The appointment of Josep Borrell as High Representative of the EU is believed to also have an important role in the current and future EU-Moroccan relations, considering Borrell's understanding of Moroccan realities, following his previous tenure as Spanish Minister of Foreign Affairs. One of the major priorities of the EU will be to restart the dialogue on a mobility partnership, considering Morocco's reluctance to readmit third country nationals (Moran, 2019). The most recent interaction occurred on September 11, 2020, when Josep Borrell had a phone conversation with the Moroccan foreign minister, Nasser Bourita, regarding the developments in the Maghreb region, as well as on the recent developments in Libya, including Morocco's involvement in the peace talks (European Union External Action, 2020).

The cooperation between Brussels and Rabat developed also in the field of climate change and renewable energy. In 2020, the EU approved grants worth EUR 61.3 million, through the European Bank for Reconstruction and Development, for several countries of the ENP – Morocco, Egypt, Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine. The lion's share was taken by Morocco, who received EUR 21.1 million (Afrik21, 2020). It is worth noting that Morocco has the biggest solar farm in the world, in Ouarzazate, built on 3 000 hectares (approximately the size of 3 500 football pitches). Morocco aims to generate 42% of the national energy demand from renewable sources by the end of 2020 (CNN, 2019).

The gradual increase of cooperation between EU and Morocco encountered pauses only when the status of Western Sahara impeded bilateral initiatives. Following the Court of Justice of the EU's position, in 2016, regarding the non-application of the 2012 EU-Morocco trade agreement to Western Sahara, Morocco decided to suspend its political dialogue between 2016 and 2019. This event showcased how leverage could be used when both parties are actively interested in cooperating. On the one side, EU has a clear interest in cooperating with Morocco, for curbing the illegal migration from Sub-Saharan Africa towards Europe, with one of the migratory routes going through Mauritania upwards, to Morocco and Spain. According to figures presented by the Moroccan authorities, the north African country prevented, in 2019, around 74 000 irregular migration attempts towards Spain, dismantled 208 human trafficking rings, while rescuing 19 554 migrants at sea (El Pais, 2020). According to figures, about 57 000 people arrived illegally in Spain in 2018, while 89 000 were

stopped by Morocco in the same year (Reuters, 2019). Besides these figures, the EU highly contributes to the development of specific projects related to the well-being of migrants arriving in Morocco, through the EU Trust Fund for Africa – the North Africa window. Seven projects were developed in this regard, worth a total of EUR 182 million. The cooperation on migration and fighting against terrorism is beneficial for both parties, with the EU borders being protected with an extra security layer and Morocco receiving funding for improving its own internal capabilities. However, despite Morocco's attentive monitoring of its borders and prevention on religious radicalization, EU's desiderate to reform a rather repressive Moroccan security sector remains far from reach.

On the other side, Morocco manages to access important funds through EU financial packages, while maintaining the red line of its external policy over the status of Western Sahara. The most recent declarations of the EU's officials on Western Sahara, as well as the boost in the bilateral relation seem to indicate a subtle common understanding on the matter. The EU, through the High-Representative Borrell, deemed the Morocco's efforts on Western Sahara and *serious and credible*, expressed support for the UN led negotiations, while encouraging the parties to continue to engage in talks in a *spirit of realism and compromise*. (The North Africa Post, 2020).

Even though Borrell referred to realism as an invitation for a reality-based perspective, his approach could be seen also as a referral to realism as theory of international relations. From Morocco's perspective, Western Sahara is a matter of national sovereignty and outside actors should refer to it in the same manner. From the EU's perspective, the status of Western Sahara is less important than the security rationales that guide the EU-Morocco relations, aspect that can be seen by Brussels' approach towards this entity.

3. European Union and Western Sahara in the wider context of EU-Morocco relations

The EU supports the UN process in identifying a just, long-lasting solution, acceptable to both parties involved in the Western Sahara conflict. None of the EU countries recognized the SADR. However, the geopolitical and security interest of the EU generated a lower engagement from Brussels in the process of identifying a solution for the Western Sahara conflict. The specific administrative architecture of the EU also enabled the co-existence of ambivalent positions towards Western Sahara. Thus, even though the European Commission and the Council of the EU chose to rather ignore the Western Sahara issue and pursue close cooperation with Morocco, the European Parliament and the Directorate-General for European Civil Protection and Humanitarian Aid

Operations actioned, at times, sympathetic towards Western Sahara (Grande-Gascón and Ruiz-Seisdedos, 2017, p. 79.).

The position of the European Parliament towards Western Sahara is not constant, depending on the ideological composition resulted following the European elections. For example, the European Parliament considered in 1980 that Western Sahara was an internal conflict and not subject to decolonization, while the Parliament recognised in 1989 the right to self-determination of the Sahrawi population (Grande-Gascón and Ruiz-Seisdedos, 2017, p. 82).

Morocco's role became even more important after the regime change in Libya, which entitled an increase in the terrorist activity in the region with direct repercussions in the migration crisis. Besides the cooperation between Brussels and Rabat in terms of migration and mobility, Spain concluded a bilateral agreement with Morocco. The agreement, which is meant to decrease the migratory flows towards Spain (including exclaves Ceuta and Melilla), included a financial package of EUR 30 million for the Moroccan authorities (El Pais, 2019).

Another important dimension of the EU-Morocco relation is represented by the resource exploitation, with a particular focus on the fisheries. The EU and Morocco concluded fisheries agreements in 1988, 1992, 1995 and 2006. The EU decided not to extend the agreement in 2011, based on economic, ecological and legal issues. A new agreement was reached in 2014 (European Parliament, 2019), valid until 2018, which also constituted a decision of the European Court of Justice. On February 27, 2018, in the decision C-266/16, the European Court of Justice decided that the EU-Morocco fisheries agreement was valid only when referring to Moroccan territorial waters. The Court stated that while Western Sahara is not Moroccan territory, the fisheries agreement appliance to Western Sahara's waters would be contrary to international law and to the self-determination principle (Court of Justice of the European Union, 2018).

Nonetheless, the EU ratified, on May 4, 2019, a new fisheries agreement with Morocco, which applied also to Western Sahara's waters. The new agreement is concluded for a 4-year period, with the EU engaging to pay EUR 208 million to fish in Morocco's territorial waters (Council of the European Union, 2019), including in those corresponding to Western Sahara. In the proposal of the EU decision, from October 8, 2018, to adopt a new agreement, it is stipulated that the parties took into consideration the Decision of the European Court of Justice, as the local population benefits from the economic and social consequences of the agreement and that the Kingdom of Morocco is the sole possible dialogue partner of the EU in concluding a fisheries agreement (European Commission, 2018). Thus, the EU utilized the legal opinion of the deputy secretary general of the UN for legal affairs, Hans Corell, who stated in 2002 that the exploitation of natural resources from non-self-

governed territories is legal if there is collaboration with the local population and the interest of the natives is taken into consideration (Grande-Gascón and Ruiz-Seisdedos, 2017, p. 85).

The decision on the fisheries agreement came after the European Parliament voted on January 16, 2019, to amend the first and the fourth protocols of the Euro-Mediterranean Agreement between EU and Morocco, extending its provisions to goods coming from Western Sahara. The two decisions made the representative of the Polisario Front to address the UN secretary general, accusing EU of disrespecting human rights and international law, as well as the peace process led by the UN (United Nations Security Council, 2019).

Besides the EU interest, as a group, with the EU being the biggest economic partner of Rabat, Morocco enjoys the constant support of France and Spain. France equipped the Moroccan army during the active phase of the military conflict (1977-1991), while President Jacques Chirac referred to Western Sahara as the southern provinces of Morocco, in 2001, during an official visit to Rabat. The France's interest could also be regarded as maintaining leverage on the complicated relation with Algeria (Darbouche and Colombo, 2010, p. 6). On the other side, Spain has a more nuanced relation with Morocco, having to balance the bilateral interests with Rabat (exclaves Ceuta and Melilla, the fisheries agreement, the irregular migration), the favourable public opinion towards Western Sahara and the energetic interests in Algeria (Darbouche and Colombo, 2010, p. 7.). However, the large Moroccan communities from France and Spain, which generate important levels of remittances and tourist flows, contribute to the close relation and support provided by these countries to Rabat, regardless of other bilateral issues (Moran, 2019).

The Western Sahara issue also dominates the association initiatives between the European Union and the African Union, considering that SADR is an official member of the African continental organization since 1984. The fifth EU-AU summit, organized in 2017 in Abidjan, raised the issue of the SADR participation in the event, taken into consideration Morocco's opposition and the non-recognition of SADR by any European country. Even though SADR received an invitation only from the African Union (all the other countries received an invitation signed by three parties – the EU, the African Union and the host country of the summit), with the EU not willing to involve in the issue, the participation of the SADR generated no major incidents during the event.

At the same time, Western Sahara could be regarded as one of the reasons for the less productive relations between the EU and Algeria. Even though not officially part of conflict, Algeria is a long-standing ally of the Sahrawi cause. From a geopolitical perspective, Algeria tried to balance the power of its regional rival, choosing a close cooperation with actors like Russia or China, aspect which also explains its lower engagement with the EU.

Conclusions

This paper aimed at gaining more understanding on the successful nature of the relation between the EU and Morocco, by applying a neo-realist approach to describe the mutually beneficial partnership, from the security point of view, which represents a basis for consolidating the additional economic cooperation.

The history of the modern and independent Morocco could not be separated from the developments regarding the status of Western Sahara, aspect that is replicated in all its external relations. Becoming a red line of the Moroccan foreign policy, Western Sahara became an important factor that shaped the EU-Morocco relations, taking into consideration both parties' interests. The migratory crisis and the growing threat of terrorism coming from northern Africa has decreased the incentives for the EU to become involved in the Western Sahara issue and enabled Brussels and some key member states to take a rather pro-Moroccan stance, considering Rabat efforts to stop irregular migration towards Europe. On the other side, not having the EU involved in the issues regarding Western Sahara was and still is important for Morocco, as it fortifies the portrait of dealing with domestic issue. Moreover, by relating to power in the neo-realist approach, Morocco's control consolidation over Western Sahara translates into bigger territory, larger population and more natural resources administered from the capital.

The paper did not aim to minimise the high rate of convergence in terms of values between the EU and Morocco (in comparison with other countries from the ENP), but rather to emphasize how security related issues entails two partners to enforce their collaboration and to minimise or to reinterpret international law (another neo-realist premise). The success of the EU – Morocco cooperation presents certain distinct features, with Western Sahara the most prominent one, which would make it hard to replicate, as a model, to other relations that EU is developing in its eastern and southern neighbourhood. However, shifting perspectives and adopting a more neo-realist approach could well benefit the EU in fostering other bilateral relations in its neighbourhood, starting from the basic concern evolving around security, which represented the core rationale of the ENP.

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