

## GREECE AND LITHUANIA IN THE SECURITY SYSTEM OF THE EU

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**Abstract:** *In the study, we discussed the multifactorial determinants of integration processes in the EU and the enlargement of the European community to the new state. In this context, pointed out the problems of international security, European security and the security of the European Union. Discusses the determinants of integration processes and provide security, i.e. terrorism, demographic, legal policy, legislation, alliance, NATO, transatlantic cooperation, collaboration and continental impact of macroeconomic factors. We studied two cases: Latvia and Greece, which was considered the most representative for the present study. The study was conducted in a comparative other countries belonging to the European Union.*

**Keywords:** *European Union; European integration, Latvia, Greece, international security/safety, permanent European security, security of the European Union, demographic changes, international cooperation of the European Union*

### I. EU – A GROUP PHOTOGRAPH

On January 1<sup>st</sup> 2014 Latvia, as the 18<sup>th</sup> EU Member State accessed the Eurozone.<sup>1</sup> On the same day Greece, a member of the EU since 1<sup>st</sup> January 1981, took over the Presidency<sup>2</sup> of the Council of the European Union. This day can be considered as the starting point for the celebration of the 10<sup>th</sup> anniversary of accession to the EU / EU enlargement by ten countries: Cyprus, Czech Republic, Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, and Hungary, which took place on 1<sup>st</sup> May 2004. This extension was the largest, in terms of quantity, since the beginning of the process of European integration in the structures of the present European Union. By January 1<sup>st</sup>, 2014, European Union consisted of 28 countries - Croatia as the 28th member since 1st July 2013.

During some sixty years the integrated countries have repeatedly expanded their geographical reach from the six founding states of the ECSC, EEC and the Euratom of the years 1952–58, to nine in 1973 (accession of Denmark, Ireland and Great Britain), 1981 – Greece, Spain and Portugal in 1986, “Europe 15” in 1995 (Austria, Finland and Sweden), and “25” (Bulgaria and Romania) in 2007. As a result the area of the European Union has been increased from the initial 1 million 154 467 km<sup>2</sup> (together with the GDR, 108 333 km<sup>2</sup>, the area was 1 million 262,8 km<sup>2</sup>), to more than 4 million square kilometers. The number of

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<sup>1</sup> The members of the Eurozone are Austria, Belgium, Cyprus, Estonia, Finland, France, Greece, Spain, Netherlands, Ireland, Luxembourg, Latvia, Malta, Germany, Portugal, Slovakia, Slovenia and Italy. The zone was created in 1999 when the Euro was introduced for non-cash transactions, and in 2002 for cash transactions. The founding members of the zone are: Austria, Belgium, Finland, France, Spain, the Netherlands, Ireland, Luxembourg, Germany, Portugal and Italy. In 2002 Greece joined the area, 2007 – Slovenia, 2008 – Cyprus and Malta, 2009 – Slovakia, 2011 – Estonia. On the basis of agreements of 1999, Euro is legal tender in Monaco, San Marino and Vatican City, and since 2011 in Andorra. Montenegro and Kosovo introduced the Euro unilaterally as the currency.

<sup>2</sup> It seems that this Presidency will be insofar ground-breaking as not “Byzantine” – for more details see J. Chaffin, Greece looks to cut costs EU presidency. Financial Times Oct. 1, 2013 <http://blogs.ft.com/brusselsblog/2013/10/01/>.

citizens is 503 million (more people inhabit only China and India), whereas the citizens of the six countries constitute 45,69% (234 320 423 million – including the citizens of the whole Germany<sup>3</sup>).

The EU enlargement continues; thinking of it in a formal way one can count among the countries-candidates those countries with which the EU has entered into accession negotiations, however it can be conceived of in a broader sense – as a group of countries which in various forms declare their willingness to join the EU members, participants of European integration, in the vague future. Among this group of countries we have:

- states which lack only the political will to join the EU, among them Norway, Iceland, Switzerland and Greenland;
- states, in case of which the geography stands in their way to accession, among others North African countries and some Arab states of the Middle East (they have submitted formal requests for admission in the past);
- some of the states which emerged from the collapse of the USSR and SFRY, whose aspirations meet with a favorable reception and encouragements for reforms as a precondition for admission - the EU's policy in relation to these countries is based on the assumption that the conditions for a sustainable development and stability can be attained only within the structure of the EU;
- Israel, the country whose security requires special ties with the U.S. and which is not going to weaken these ties by accessing the EU – and yet it is the state in relation to which the EU would not use the geographical argument that excludes admission for non-European countries. A natural potential candidate from the geopolitical point of view would be then the future Palestinian state as an extension of Israel. Its future membership in the EU (along with Israel) can be seen as the only solution to a lasting peace in the Middle East. It could then also serve as a protection from a conflict with EU's Arab neighbors, that could arise as a result of the admission of Israel to the EU.

Summing up by ordering this simplified classification one may say that the official candidates are: Montenegro,<sup>4</sup> Iceland, Macedonia, Serbia and Turkey. These are countries that have started to adapt their national legislation to the European law. Potential (in terms of the officially accepted formula) candidates<sup>5</sup> are: Albania, Bosnia and Herzegovina and Kosovo.<sup>6</sup> Various forms of political and legal bonds exist between the EU, Norway and Switzerland, which, as European states, are seen as desirable members (this is important from the point of view of the treaty regulations pertaining to the possibility of accession<sup>7</sup>). In ad-

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<sup>3</sup>The population of East Germany before unification consisted of 16,675 million.

<sup>4</sup>The candidate must satisfy the so-called Copenhagen criteria, which include: - stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; - a functioning market economy as well as the ability to cope with competitive pressures and forces of the market within the European Union; - the ability to adopt and effectively implement the obligations of membership including adherence to the aims of political, economic and monetary union.

<sup>5</sup>These are countries interested in membership, which do not meet the acceptance criteria.

<sup>6</sup>For the countries conceived of as Western Balkans there were additional conditions of membership introduced, defined as participation in the “process of stabilization and association” including regional cooperation and good neighborly relations.

<sup>7</sup>The application of 1987 to accept Morocco was rejected on formal grounds.

dition to these groups, there are states that arose from the collapse of the USSR, which have declared or still declare a potential interest in the accession (participants of the *Eastern Partnership*), Israel and the countries and territories of the *Mediterranean Partnership*.

Neither the scope nor the dynamics of this extension have any equivalent in European history. Even when trying to draw an analogy with the history of building empires in the world, a substantial difference suggests itself – it is the method of constructing, together with the attitude towards the expansion both within and outside the EU. Great empires were built using military force and the motive was both the empire's fear of the „barbarians“ as well as the neighbors' fear of the empire. EU extends its reach without the use of military force or the threat of its use (there is even a policy of restraining from the use of force in a manner inconsistent with the purposes and principles of the Charter of the United Nations, and in accordance with the arrangements concerning changes of borders, which are contained in the Final Act of the Conference on Security and Cooperation in Europe). The European Union, whether rightly or not is another matter, especially in the fresh context of the Russian aggression towards Ukraine, does not perceive its external environment as hostile or aggressive. It is convinced that international conflicts can and should be managed without resorting to the use of military force. Its close and distant neighbors do not feel the threat of armed aggression on the part of the EU; some of them are interested, in a short or medium term, in accession to the EU, some do not exclude it within an undefined term, others are interested in deepening their economic, social and political bonds with the EU, considering this as a source of benefits. A strong EU is perceived in the world as a pillar of stability and security at the regional, sub-regional and universal level.

## Security of Europe / Security of the EU

Talking about security of the EU should be preceded by the definition of security to which we are referring here. There have been many different definitions formulated in the science of security.<sup>8</sup> In view of the needs of this study we find two following definitions most useful and appropriate for description and explanation of issues of contemporary EU. The first one, proposed by J. Czaputowicz, holds that “Security is defined as freedom from threats posing a risk to the survival of the state. National security, i.e. the security of the state, refers to problems of ensuring its territorial integrity, sovereignty, freedom of choice of the political path, and the preconditions for prosperity and development. International security may refer to the external aspects of security of a state (as opposed to the internal aspects), that is those associated with the interactions of a state with other actors in international relations (usually, though not exclusively, with other countries)”.<sup>9</sup> The second definition, provided by S. Koziej, assumes that “if we are talking about a dynamic

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<sup>8</sup> Compare definitions of security among such authors as: DĘBSKI, S., HILL-WINTER, B. (eds.). *Kryteria bezpieczeństwa międzynarodowego państwa*. Warszawa 2003, p. 34; STEMPŁOWSKI, R. Horyzont poznawczy i polityczny pojęcia “bezpieczeństwo państwa”. In: KUŹNIAR, R., LACHOWSKI, Z. (eds.). *Bezpieczeństwo międzynarodowe czasu przemian: zagrożenia – koncepcje – instytucje*. PISM: Warszawa, 2003, p. 254; ŻUKROWSKA, K. Pojęcie bezpieczeństwa i jego ewolucja. In: ŻUKROWSKA, K., GRACIK, M. (eds.). *Bezpieczeństwo międzynarodowe*. Warszawa 2005, p. 24.

<sup>9</sup> CZAPUTOWICZ, J. Kryteria bezpieczeństwa międzynarodowego państwa – aspekty teoretyczne. In: DĘBSKI, S., GÓRKA-WINTER, B. (eds.). *Kryteria bezpieczeństwa międzynarodowego państwa*. PISM: Warszawa, 2003, p. 13.

phenomenon (process), such as the security of a particular entity in a practical sense, we refer to the area of its activity, which aims at providing opportunities for survival, development and freedom to pursue their own interests in specific conditions through the use of favorable circumstances (opportunities), addressing challenges, reducing risk and counteracting (preventing and averting) any risks posed to the entity and its interests”.<sup>10</sup> Taking into account the whole methodological and terminological complexity concerning the possibility of identification of the EU with a state, we assume that the above mentioned definitions outline the accepted understanding of security of Europe (a broader perspective) and the therein contained understanding of security of the EU (a narrower perspective), and that they are adequate for the purposes of these considerations.<sup>11</sup>

Security of the EU countries as a multi-dimensional<sup>12</sup> phenomenon is determined not only by the current policy of the EU, but also by the existing social and economic processes. The particular way the security of individual countries and the EU as a whole is perceived, as well as the accepted ways of providing it, not only by the relevant EU bodies but also by intergovernmental organizations, is the result of many social and especially political processes. As an example one can refer here to the ruling of an invasive war illegal by the norms of public international law or the collapse of the bipolar system of international relations,<sup>13</sup> but also, above all, the processes, in the broad sense of the term, of convergence and divergence of legal systems. More generally, it can be concluded that the strong integration trends arise to a great extent from the need to guarantee security and peace. The main mechanism for ensuring the general security of the EU is the legislative activity of EU organs. This means that the legal security becomes an instrumental value in relation to European security, which has been undoubtedly recognized by the EU as a value-goal, i.e. the one that EU actively provides, protects and reproduces. The integration processes are accompanied - apart from the processes of globalization (which in the social reception were considered as notorious facts) - by the processes of internationalization and interdependence,<sup>14</sup> and by probably the most important process, whose effects seem to be the most far-reaching, i.e. the increase in the role and importance of not only inter-govern-

<sup>10</sup> KOZIEJ, S. *Między piekłem a rajem: szare bezpieczeństwo na progu XXI w.* Wyd. A. Marszałek: Toruń 2006, p. 7.

<sup>11</sup> The presented definitions are based on the general notion that security of a state includes protecting its independence and the interests of its citizens. Traditionally, security was conceived of as the ability of a (sovereign) state, defined in military terms, to survive in a world characterized to a great extent by anarchy (within this framework the securit studies were limited to explorations of risks as well as control and use of armed force, WALT, S. M. The Renaissance of Security Studies. *International Studies Quarterly*. 1991, No. 35, p. 212. Lippmann was of the opinion that a safe state does not have to give up the implementation of its fundamental interests in the name of defense against attack, and when attacked, a safe state is able to win. LIPPMANN, W. *U.S. Foreign Policy: Shields of the Republic*. Boston 1943, p. 51. The way of understanding security by Lippmann is a direct response to Clausewitz's view, according to which war is an act of violence undertaken in order to compel the enemy to the "fulfillment of the will". CLAUSEWITZ, C. *O wojnie*. Lublin 1995, p. 248 ff). Thus, security - as Lippmann sees it - is a condition of being free from being forced to fulfill someone else's will.

<sup>12</sup> PILEGARD, J. Multidimensional Security. *Studia Diplomatica* 2006, No. 1, p. 117 ff.; Also STAŃCZYK, J. Wielowymiarowość bezpieczeństwa - zarys problematyki. In: DĘBOWSKI, J., JARMOCH, E., ŚWIDERSKI, A. W. (eds.). *Bezpieczeństwo człowieka a proces wspierania społecznego*. Siedlce 2007, p. 13.

<sup>13</sup> For more see ZIĘBA, R. *Instytucjonalizacja bezpieczeństwa europejskiego - koncepcje-struktury-funkcjonowanie*. Warszawa 2004, p. 36 ff.

<sup>14</sup> Similarly KUKUŁKA, J. Procesy internacjonalizacji i współzależności w stosunkach międzynarodowych. In: HALIŻAK, E., KUŹNIAR, R. (eds.). *Stosunki międzynarodowe. Genez - struktura- dynamika*. Warszawa 2006, pp. 229-233.

mental international organizations but also non-state actors in international relations - subjects of international law<sup>15</sup> (such as the ICRC, the IOC). These processes of globalization are not homogeneous either in their causes or in their development, or, all the more so, in their consequences for the particular areas of the globe. Reference is here made both to the field of security and to the demographic and economic sphere, which is inextricably (on the basis of mutual conditioning) interconnected with it.<sup>16</sup>

The EU countries proved to be in this century not only the object of terrorist attacks but also a place of training and preparation of these attacks,<sup>17</sup> and all this despite the fact, that they pursue an irenic domestic and foreign policy, despite formally guaranteed legal security, together with all legal guarantees of respect for and implementation of the rights of minorities (including ethnic and religious), as well as mechanisms of social policy that provide conditions for assimilation or respect for individuality and identity. The question that arises is whether the current EU is able to identify successfully terrorist threats and to effectively neutralize them, and whether it will be able to construct and implement legal, institutional and organizational solutions (including funding mechanisms) that would efficiently and effectively neutralize the occurrence of these risks in the future. Terrorism as a cultural and political phenomenon as well as a sequence of actual activities, is one of the most serious threats / challenges for the EU (comparable to the risk of financial and economic stability). Especially in view of the fact, that the most common result of these activities is the escalation of ethnic, religious and national conflicts, which, apart from their ethical and political dimension, entails also very serious social consequences at the global level.<sup>18</sup>

In its Council Framework Decision of 13 June 2002 on combating terrorism the European Union has created one of the broadest in scope, and also the most disseminated and applied definition of international terrorism.<sup>19</sup> This definition is inasmuch useful as it does not refer to any political arguments, therefore all Member States can extract from it uniform and mutually-agreed legal standards, regardless of the differences in national law systems. Unfortunately, the EU is not able to either reduce or eliminate the terrorist threats

<sup>15</sup> Other authors writing about the actors of international relations use different terminology. For example, R. Zięba uses the term “extra-governmental actors in international relations”. ZIĘBA, R. *Instytucjonalizacja bezpieczeństwa europejskiego – koncepcje-struktury – funkcjonowanie*. Warszawa 2004, pp. 36–37.

<sup>16</sup> In a CIA report of December 2000 “Global Trends 2015: A Dialogue About the Future with Nongovernment Experts”, forecasted are primarily demographic phenomena extracted on the basis of analytically defined four potentially possible types / directions of the processes of globalization (which are described in the Annex to the report entitled “Four Alternative Global Futures”). The authors point to: Inclusive globalization, Pernicious Globalization, Regional Rivalry, Post-Polar World. See. [www.cia.gov/cia/public\\_affairs/press\\_release/2000/](http://www.cia.gov/cia/public_affairs/press_release/2000/).

<sup>17</sup> Al-Qaeda cells have been located in Belgium, Spain, Germany, Great Britain, Italy.

<sup>18</sup> More information on the determinants and consequences of terrorist activities, particularly in relation to the EU can be found in WILKINSON, P. International terrorism: the changing threat and the EU’s response. *Chaillot Paper*. 2005, No. 84, p. 57 ff.

<sup>19</sup> Council Framework Decision of 13 June 2002 on combating terrorism (2002/475/JHA):

Article 1

Terrorist offences and fundamental rights and principles.

1. Each Member State shall take the necessary measures to ensure that the intentional acts referred to below in points (a) to (i), as defined as offences under national law, which, given their nature or context, may seriously damage a country or an international organisation where committed with the aim of:

- seriously intimidating a population, or

and their evolution,<sup>20</sup> therefore we stick to our opinion that terrorism not only is but also will be one of the main threats and challenges to European security in the 21<sup>st</sup> century.

Assuming that the processes of globalization<sup>21</sup> not only will continue, but also that their determinants and consequences will be subject to evolution, the complex issue of united Europe's security should be analyzed not from the background of possible threats, but also according to the correlated challenges and opportunities in the functioning of the EU (e.g. modernization, improvement, increase of efficiency). S. Koziej enumerates three types of threats and challenges, on which the international security, including the EU, is dependent: globalization and the collapse of the bipolar world, a vehement eruption of international terrorism and uncontrolled spread of weapons of mass destruction.<sup>22</sup>

Threats, challenges and opportunities for EU security do not lend themselves to easy forecasting, it is difficult to formulate hypotheses for an effective (counter)acting. Similarly, due to the substrate of globalization it is almost impossible to separate the external determinants / factors from the internal ones in a dichotomous and disjunctive way. The main debate in the 21<sup>st</sup> century concerning this are comes down to the answer to the question about the possibility of and the way to achieve a sustainable European

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- unduly compelling a Government or international organisation to perform or abstain from performing any act, or

- seriously destabilising or destroying the fundamental political, constitutional, economic or social structures of a country or an international organisation,

shall be deemed to be terrorist offences:

(a) attacks upon a person's life which may cause death;

(b) attacks upon the physical integrity of a person;

(c) kidnapping or hostage taking;

(d) causing extensive destruction to a Government or public facility, a transport system, an infrastructure facility, including an information system, a fixed platform located on the continental shelf, a public place or private property likely to endanger human life or result in major economic loss;

(e) seizure of aircraft, ships or other means of public or goods transport;

(f) manufacture, possession, acquisition, transport, supply or use of weapons, explosives or of nuclear, biological or chemical weapons, as well as research into, and development of, biological and chemical weapons;

(g) release of dangerous substances, or causing fires, floods or explosions the effect of which is to endanger human life;

(h) interfering with or disrupting the supply of water, power or any other fundamental natural resource the effect of which is to endanger human life;

(i) threatening to commit any of the acts listed in (a) to (h).

2. This Framework Decision shall not have the effect of altering the obligation to respect fundamental rights and fundamental legal principles as enshrined in Article 6 of the Treaty on European Union.

<sup>20</sup> See for instance MACMILLAN, J. *Apocalyptic Terrorism: The Case for Preventive Action*. NDU. *Strategic Forum*. 2004, No 212; BORKOWSKI, R. *Terroryzm ponowoczesny. Studium z antropologii polityki*. Wydawnictwo Adam Marszałek, Toruń 2006, p. 46 ff.

<sup>21</sup> The actual processes of globalization in the field of international relations differ from globalization in the prototypical understanding as described in contemporary sociology by STIGLITZ, JOSEPH EUGENE. (cf. idem, *Globalizacja*, PWN, Warszawa 2011). The dichotomy of the legislative sphere and the sphere of actual relations within the international law is a factor not taken into account in the explanations of the above mentioned author. Hence the need to emphasize unmistakably that, in relation to contemporary international law, the use of the concept of globalization cannot be limited to the sense given to it by philosophy of politics and sociology. It needs to be defined precisely every time when used, in particular with reference to legislative regulations of certain spheres of social life. More adequate for the needs of descriptions and explanation with regard to the international law seems the understanding of globalization proposed by BAUMAN, Z. (see idem, *Globalizacja*, PIW, Warszawa 2000.)

<sup>22</sup> KOZIEJ, S. *Między piekłem a rajem: szare bezpieczeństwo na progu XXI w.* Wyd. A. Marszałek: Toruń 2006, pp. 24–44.

security.<sup>23</sup> This is a problem that is difficult to operationalize. As a result, it is treated in the studies within political science as a one-dimensional phenomenon - the military one. Social scientists recognize that today the greatest threats to sustainable European security are those, which do not have a military nature, but result from demographic processes within Europe and outside of it. The population of the 28 Member States of the EU, according to Eurostat, will probably be numbered 520 million inhabitants in 2030, and by 2060 it is likely to reach the level of 506 million inhabitants. This will probably lead to the intensification of migration processes from Africa and Asia, resulting - according to Eurostat's estimates - in 58 million immigrants in the EU in 2060.<sup>24</sup>

It seems that this significant increase in migration will not only be triggered by economic factors (which contribute to a much higher level and quality of EU citizens' life than, say, the one of the residents of Northern and Central Africa). From the viewpoint of international law this also will be determined by disintegration of multinational states and the effects of it in the form of ethnic and religious conflicts. The place of exile for the residents of third countries are first and foremost: France, Italy, Spain, Greece, Germany and Great Britain.<sup>25</sup> This trend is stable and has not changed since the research was conducted and published in 2006, because this preference is conditioned mainly by the geographical location of these states, which encourages illegal immigration from the South. The threats arising from this emigration to the security of the EU and its citizens, include primarily an increase in the number of criminal groups involved in human trafficking, crimes on religious and ethnic background, reinforcing of nationalist tendencies, driving up costs of social policy (first and foremost welfare cost). One needs to agree with P. Mickiewicz's judgment, that "a process of transforming hidden and existing conflicts (...) is taking place in Europe. The long-lasting national-ethnic feuds are being transformed into social conflicts. Examples of such transformations are: the case of Corsica, the activities of Catalan extremists or activists from the Northern League in Italy. Struggling for various forms of political independence (autonomy) they are raising primarily economic and social issues, because only such presentation of the problems allows them to attract support of the local community. One of the conditions for "buying" social peace in Europe is therefore the problem of how to stimulate the level of immigration. An accepted type of labor migration in the European Union, which stems from the phenomenon of "fading away of distances", is the inner emigration (from the new Member States)".<sup>26</sup>

EU security (understood more narrowly than European security), or rather the attempts to provide this security, will have different manifestation in times of peace from those in the course of armed conflicts (especially war), both in intra-community as well as in the world terms. It can be assumed that, what concerns the wider EU public security, a pola-

<sup>23</sup> For more on this see VAN EEKELLEN, W. F. *From Words to Deeds: The Constituting Debate on European Security*. Geneva 2006, p. 13 ff.

<sup>24</sup> Ageing Characterises The Demographic Perspectives of European Societies. *Eurostat. Statistics in Focus*. 2008, No. 72, pp. 5–6.

<sup>25</sup> LEMAITRE, G., LIEBIG, T., THOREAU, C. Harmonised statistics on imigrant inflows – preliminary results, sources and methods. *Organisation for Economic Co-operation and Development*. 2006, p. 7 (<http://www.oecd.org/els/mig/37035672.pdf>. Date of access: May 8, 2014).

<sup>26</sup> MICKIEWICZ, P. Współczesne wyzwania bezpieczeństwa europejskiego. [http://www.dsw.edu.pl/fileadmin/user\\_upload/wszechnica/03.pdf](http://www.dsw.edu.pl/fileadmin/user_upload/wszechnica/03.pdf). Date of access: May 8, 2014.

rization of two types of legal and political relations/conflicts will emerge, that will determine the (advocated and achieved) security status. Periods of peace will be characterized by the occurrence of symmetric conflicts, which will change during the war time into asymmetrical ones. Asymmetric threats are threats generated by conflicts between the parties, one of which “as a result of imbalance of military capabilities and other resources, and (or) cultural differences between opponents, decides to choose asymmetric strategies and methods of conflict management [...] Asymmetric strategies (ways of managing conflict) are usually conceived of as exploitation of differences existing between the parties through the use of methods and tactics that are unconventional from the point of view of the enemy, whereas the concept of “asymmetry” refers to the activity of the weaker party”.<sup>27</sup>

International cooperation of the EU will be forced exactly by the processes of globalization, as well as by global factors, which influence the ability to guarantee the security in the EU. Therefore, changing the perspective from the European to the world one, it is impossible not to agree with the Jaap de Hoop Scheffer’s statement that the stability of the world order, and likewise the European one, is guaranteed by NATO, and that the pragmatic maintaining of transatlantic cooperation is the only way to maintaining the *status quo*.<sup>28</sup> Thus, crucial for the security of the EU is the transatlantic cooperation, and not only the cooperation within the Continental Europe and Asia. One needs also to be aware, that this cooperation and its protection is necessary from the point of view of the needs and interests as well as the security of the EU. This cannot be said of the United States, for which a Transpacific cooperation, especially with Japan, Korea and Australia, turns out to be – in different periods – more important strategically.<sup>29</sup> The countries located on the east and west of the Northern hemisphere will strive to achieve a hegemonic position, not only politically, but first and foremost economically, contributing thereby to the marginalization of the EU position. The most serious economic competitor for the EU seems to be not the U.S. but China, which rules the EU countries out from the cooperation with countries/regimes in Africa (mainly in the market of energy resources). According to P. Mickiewicz “such a significant commitment of China to economic cooperation with Africa is tantamount to the failure of EU’s current economic policy and the security of the European Union. For the African regimes China is an economic partner, that does not rise - as the EU does - the questions of respect for democratic principles and human rights”.<sup>30</sup>

In conclusion, it should be noted that the threats, challenges and opportunities for EU security are multiple and of multivariate character. The broadly understood social factors, beginning with national, ethnic and religious ones, through factors related to the social demography, up to the factors arising from the adopted EU macroeconomic, political and legal assumptions, they are all correlated with each other and constitute a system of connected vessels. Their mutual conditionality will force the EU to revise existing security po-

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<sup>27</sup> MADEJ, M. *Zagrożenia asymetryczne bezpieczeństwa państw obszaru transatlantyckiego*. PISM: Warszawa 2007, p. 42 ff.

<sup>28</sup> DE HOOP SCHEFFER, J. Global NATO: Overdue or Overstretch? *Military Technology*. 2006, No.12, pp. 10–14.

<sup>29</sup> The same is asserted by ROKICIŃSKI, K. Ocean Atlantycki jako pomost i bariera w stosunkach transatlantyckich. In: MICKIEWICZ, P., KUBIAK, K. (eds.). *NATO w dobie transformacji. Globalny system bezpieczeństwa a próba utrzymania Pax Americana*. Wyd. A. Marszałek: Toruń, 2008, pp. 67–68.

<sup>30</sup> MICKIEWICZ, P. *Współczesne wyzwania bezpieczeństwa europejskiego*. pp. 12–13. [http://www.dsw.edu.pl/fileadmin/user\\_upload/wszechnica/03.pdf](http://www.dsw.edu.pl/fileadmin/user_upload/wszechnica/03.pdf). Date of access: May 8, 2014.

licy, which in return affects the “abilities” of economic and social policy. The EU security policy cannot rely solely on providing “balance” (understood as equilibrium) between the degrees/ranges of taking these factors into account. An opportunity for the EU in the field of sustainable security is to strive for homeostatic balance, i.e. to be more flexible in reacting to the particular above-mentioned factors in different periods of time. In times of demographic decline it will be, for instance, temporary lifting of visa restrictions for non-EU nationals who take up employment on the territory of the Union, or the complete abolition of restrictions on real estate acquisition by nationals of Member States in the territory of other Member States in order to live and work or to engage in economic activity there; it can also be a simplification of procedures for obtaining the right of permanent residence in the territory of an EU Member State, provided that an entity is indicated that would commit itself to hire and not to dismiss a non-EU citizen for a certain period of time (time of stay). Macroeconomic factors thus appear to be decisive determinants for the EU to attain a level of a sustainable security for the EU and Europe as a whole.

The two above mentioned countries, i.e. Latvia and Greece, can be considered as an accidental determinant of socio-political symbolism of the EU – 2014. The background for economic comparisons are of course other EU Member States. A reference point is here the decline in cumulative GDP in the period 2009–13: in Greece by 23,5%, Portugal – 6,8%, Spain – 6,5% and Ireland – 5,5%. The unemployment rate in these countries in January 2014: 26,7%; 15,2%; 25,3%; 11,8%. Details of these countries indicate that the 2014 could be the beginning of the end of the current crisis, as indicated by GDP growth this year: in Greece it is an increase of 0,6%, Portugal – 1,2%, Spain – 1,2% and Ireland – 1,1%. It seems that the recovery was facilitated by the financial aid: Greece received in May 2010 110 billion Euro (in March 2012 the second tranche of aid amounted to 130 billion), Ireland in November this year 85 billion, Portugal obtained 78 billion in May 2011, while in March 2013 Cyprus – 10 billion. The beneficiary of the aid is also the financial sector: in December 2011 the commercial banks (523 of them) received 489 billion of low-interest loans from the European Central Bank, which also lent in February 2012 – again for three years – 530 billion Euro to, this time, 800 banks. The aid for this sector ended with a loan for Spanish banks in the amount of 100 billion in June 2012. Since September 2012 there is a permanent fund for the Eurozone ESM operating with 500 billion euro (its predecessor – the EFSF, a temporary fund set up in June 2010, operated with 440 billion).

## II. LATVIA

By means of this act, as much real as symbolic, Latvia shifted in the geopolitical space being even stronger anchored in the Western hemisphere. This was accompanied – not surprisingly in view of the society that has paid high costs of transformation and has relatively recently been affected by the economic crisis - by little public support.<sup>31</sup> Culturally,

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<sup>31</sup> Estimated at 45%, while reluctant to replace national currencies by Euro at the level of 52% (including 33% – rather negative, and 19% – very negative); see SARNIAK, M. *Łotwa w strefie euro od 2014 roku – wbrew swoim obywatelom. Co z demokracją?* 2014. This state of moods reveals anyway some progress in shaping social attitudes, since the support for *euro* in 2013 was estimated at 8%, whereas 42% of the population would prefer to wait for the decision, and 41% of respondents expressed their disapproval. See HYNDLE-HUSSEIN, J. *Łotwa przygotowuje się do wprowadzenia euro. Analizy OSW 2013-02-06*.

Latvia belongs to the hard core of the liberal civilization, democracy and human rights, shaped by the European Reformation (many recognize it as the homeland of Europe). One can even say that Latvian = Protestant (Lutheran). Annexed by the Russian Empire rather late, in the eighteenth century,<sup>32</sup> it never fully merged into one unit with the social tissue of the empire (it never fell under the influence of the Orthodox Church). The short period of independence (1918-1940) ended with World War II and post-war repressions. It is difficult to assess the scale of Latvians' collaboration with the Nazis and their participation in the Holocaust – a partial indicator can be the enormous scale of repressions which Latvia and its people suffered from in the *Gulag Archipelago*<sup>33</sup> (repression were also connected with guerrilla struggle against the Soviet Union after World War II), along with the escape from the Soviet Union.<sup>34</sup> After Stalin's death the terror eased off / changed its formula. Latvia, however, (just like Estonia) was a place of settlement for ex-Red Army soldiers, who after their military service were allowed to choose a place of settlement in the territory of the empire (with exception of Moscow), so they were choosing, with the Soviet government's encouragement, the – infrastructurally better developed - Baltic republics. Then again, the war in Afghanistan seemed to serve equally an aim of maintaining control over Afghanistan, and of extermination of Latvians and Estonians. This policy in Latvia resulted alike in efficiency in reforming the state as in the inability of self-reflection upon the attitudes of the society during World War II, and by the same token in the inability to fully accept the European standards of treatment of minorities with regard to the Russians. With the population (as of March 1, 2011) 2,0678 million people (within ten years there has been a decrease, in comparison to 2,377.4 in 2000 and 2 667 in 1989) Latvia has a 26,9% Russian minority ( compared to 62,1% of ethnic Latvians).<sup>35</sup> Latvia is a healthy member of the European economy whose vital force may encourage / help others<sup>36</sup> with the European integration, while still being in the process of building civil society in European standards.

### III. GREECE

On the other side of the rainbow there is, paradoxically, Greece, incorporated into European and transatlantic structures at an earlier time. A society culturally distant from European civilization to the same extent as the Turkish one, although lacking a (Mustafa Kemal) Atatürk's modernization caesura. Approximately 87% of Greeks are Orthodox Christians – it has remained for centuries under the influence of religion (and civilization) other than “Western”. The fact that it was attracted by the Western zone of influence was (and here is another similarity with Turkey) determined by geography, or, to be more precise, by geopolitics, i.e. by the control over the Mediterranean Sea. As a consequence, the “West” provided assistance in establishing pro-Western rules after the Second World War, and, after a failed

<sup>32</sup> Under the Treaty of Nystad in 1710.

<sup>33</sup> It is estimated that the repressions embraced ca 190 000 people (based on VO Lumans, *Latvia in World War II* (World War II: The Global, Human, and Ethical Dimension). Fordham University Press 2006).

<sup>34</sup> Estimations say about some 300 000 (ibidem).

<sup>35</sup> According to <http://www.csb.gov.lv/en/notikumi/key-provisional-results-population-and-housing-census-2011-33306.html> Date of access: 02. 01. 2014.

<sup>36</sup> With abstinence or dislike of Latvians, who helped themselves, to helping those who are demanding help from others.

attempt to weaken the influence of the Communists by the military junta (1967-1974),<sup>37</sup> it was quickly introduced to the EEC, buying for many years the lack of hard opposition by large-scale economic transfers. Greece, being for many years formally a democratic state respecting human rights (confirmed by the status of a member of the Council of Europe), and with a functioning market economy, is *de facto* a specific un-democratic client republic, that has been co-managed and divided for many years between two families: Karamanlis (Konstandinos Karamanlis was prime minister in 1955–58, 1958–1961, 1961–1963, 1974–1980, president in 1980–1985 and 1990–1995, whereas his nephew Kostas Karamanlis was prime minister in 2004–2009) and Papandreou (Jeorjos Papandreou was prime minister in 1944–45, 1963 and 1964–5, Andreas Jeorios was prime minister in 1981–89 and 1993–1996, Jorgos Andreas in 1988–89 and from 1994 to 1996 he was Minister of education and religious affairs, Minister of Foreign Affairs from 1999–2004, from 2009 to 2011 Prime Minister and during the period October 7, 2009 – September 7, 2010 Minister of Foreign Affairs). The result of interaction of many factors, both internal as well as external is (was?) that the state was incapable of effective operation, with extremely low efficiency in collecting taxes, high corruption, lack of civil services, etc., which undoubtedly does not meet the basic criteria for a “Western country”. Greece can be considered as a NATO-EU parody of a Potemkin village, which is illustrated by the fact that the accession to the Eurozone was officially based on public statistics falsified by Greek institutions. One can formulate a generalization that Greece has been belonging to the European and transatlantic institutions for years many – it has been riding in the first-class carriage on the basis of falsified evaluations as to the criteria for membership – without a ticket for the first-class carriage. The instance of “entering the Eurozone” is no exception to the rule, but an illustration of a rule. Much more dramatic is the case of not-satisfying the criteria/requirements of the Council of Europe with regard to the fundamental rights and human freedoms. It might seem that in this particular field “the Europe of institutions” would have no inclination to assess the implementation of the requirements indulgently. It might seem that the beginning of the “via regia” to membership in the European and transatlantic institutions – and this is what the admission to the Council of Europe is – does not leave any room for leniency, and that the criteria are evaluated either 0 or 1. And yet, in both cases, the one concerning the accession to the Council of Europe and the European Convention on Human Rights and Additional Protocols, as well as the other one concerning implementation of these basic and common (?) obligations, we have to do with a “Greek model”, which means that Greece has consistently failed to respect the hard core commitments – Europe consistently does not recognize violation of these obligations, and even less takes any appropriate measures concerning these facts. Greece, a member of the Council of Europe since 9<sup>th</sup> August 1949, remains a religious state which does not abide by European standards of ideological neutrality of the state. In European politics, in cases regarding Macedonia, Kosovo and Cyprus (concerning its unification) Greece does not display willingness to cooperate and make concessions.

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<sup>37</sup> Seeking to improve its public image Junta made an attempt to annex Cyprus. The coup d'état on 15<sup>th</sup> July 1974 was supported by Greeks, although the Greek army officers withdrew support for the junta after the coup. After restoring democratic institutions and as a result of the elections, the power was gained by Karamanlis' *New Democracy*. The leaders of the junta (Pattakos, Makarezos and Papadopoulos), along with a group of officers responsible for tortures, were arrested and convicted.

Greece has long been shaken alternately by either “red” or “brown” terrorism. And the fact, that the extreme nationalist party *Golden Dawn* entered the Parliament in May 2012 (with a very good result 21 of 300 seats), owing this, to a significant extent, to voters from the circuits inhabited by police officers,<sup>38</sup> additionally substantiates the strength of counter-systemic groups and the weakness of democratic parties.

One needs, however, to take notice of a radical change in the economic situation of Greece, seeing 1<sup>st</sup> January 2014 as a turning point. To present an assessment we ought to recall the beginnings:

– In 2012, a widely discussed by economic and political analysts topic was *Grexit* – the exit of Greece from the Eurozone or even, in an extreme scenario, from the EU. The probability assessment of the first event was ranging from 33% by Standard & Poor’s (credit rating agency) to 90% by Citigroup. The predictions were motivated by different objectives and were of different character. A significant portion of them constituted self-destructive prognostications, i.e. those, in which the criterion for the assessment is not the implementation of the scenario, but initiation of actions that would lead to prevent its implementation, since their authors recon the scenario as an undesirable sequence.<sup>39</sup> Among the proponents of the scenarios were those who regarded the return to the national currency, the *drachma*, as an opportunity to pursue a national exchange rate policy with the benefits arising from it, and those, who saw it as the end to a fiction, which the exchange of (Greek) *euro* to (German) *euro* at the rate 1:1 is indeed.<sup>40</sup> However, since January 1, 2014, when Greece took over the EU Presidency, *Grexit* seems to be postponed for the (unknown and unlikely) future. This can be put down to the fact that the government implemented a policy of reforms, despite well-grounded beliefs that the pace and quality of reforms only confirmed negative assessment of the Greek public administration, which has demonstrated its lack of ability to quickly enact reforms (serious delays resulting from the weakness of the state are evident).<sup>41</sup>

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<sup>38</sup> <http://www.newsbeast.gr/politiki/ekloges2012/Arthro/349534/sarose-i-hrusi-augi-sta-eklogika-tmimata-pou-psifisan-mat-kai-umet-/> Date of access: 03. 01. 2014.

<sup>39</sup> In the second half of 2012 a noticeable and unequivocal change in Germany’s attitude towards *Grexit* was perceptible - until then regarded as one of the possible scenarios, albeit less desirable, now it has been strongly rejected. German analyses indicated a threat that *Grexit* would entail for the whole European economy. They pointed to the fact that the choice Germany was facing was a separable alternative: either to suffer the greatest losses resulting from the bail-out of Greece or to make a major contribution to the Greek bailout program with the prospect of recovering a (vague) part of their claim.

<sup>40</sup> Experts reminded that a similar operation took place during the Vietnam War, when many European countries (especially Germany) subsidized the American economy by accepting/sustaining the foreign exchange market transactions based on the unreal appreciation of the U.S. currency.

<sup>41</sup> „The primary objective of Greece’s May 2010 program supported by a Stand-By Arrangement (SBA) was to restore market confidence and lay the foundations for sound medium-term growth through strong and sustained fiscal consolidation and deep structural reforms, while safeguarding financial sector stability and reducing the risk of international systemic spillovers. Greece was to stay in the euro area and an estimated 20-30 percent competitiveness gap would be addressed through wage adjustment and productivity gains.

There were notable successes during the SBA-supported program (May 2010–March 2012). Strong fiscal consolidation was achieved and the pension system was put on a viable footing. Greece remained in the euro area, which was its stated political preference. Spillovers that might have had a severe effect on the global economy were relatively well-contained, aided by multilateral efforts to build firewalls.

Given the danger of contagion, the report judges the program to have been a necessity, even though the Fund had misgivings about debt sustainability. There was, however, a tension between the need to support Greece

At the same time Greece's economic balance for 2008–14 is definitely negative. During this period, the GDP was reduced by a quarter and unemployment reached 25%. Successes and expenses are connected permanently with entering the office of Prime Minister by Antonis Samaras who created a (large) coalition and broke both with traditional political divisions and with similarly traditional string of personal succession.

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and the concern that debt was not sustainable with high probability (a condition for exceptional access). In response, the exceptional access criterion was amended to lower the bar for debt sustainability in systemic cases. The baseline still showed debt to be sustainable, as is required for all Fund programs. In the event, macro outcomes were far below the baseline and while some of this was due to exogenous factors, the baseline macro projections can also be criticized for being too optimistic.

The report considers the broad thrust of policies under the program to have been appropriate. Rapid fiscal adjustment was unavoidable given that the Greece had lost market access and official financing was as large as political feasible. Competitiveness-boosting measures were also essential, as were fiscal structural reforms to support deficit reduction. However, the depth of ownership of the program and the capacity to implement structural reforms were overestimated.

Greece's SBA suggests the need to explore the case for refining the Fund's lending policies and framework to better accommodate the circumstances of monetary unions. A particular challenge is to find ways to translate promises of conditional assistance from partner countries into formal program agreements. There are also political economy lessons to be learned. Greece's recent experience demonstrates the importance of spreading the burden of adjustment across different strata of society in order to build support for a program. The obstacles encountered in implementing reforms also illustrate the critical importance of ownership of a program, a lesson that is common to the findings of many previous EPEs.

Other lessons drawn concern the need to find ways to streamline the Troika process in the future and for Fund staff to be more skeptical about official data during regular surveillance. The detailed nature of the structural fiscal conditionality in the Greek program also bears scrutiny given the premium attached to parsimony in Fund conditionality."

Greece: Ex Post Evaluation of Exceptional Access under the 2010 Stand-By Arrangement. June 2013 IMF Country Report No. 13/156

<sup>42</sup> At the same time, the idea that the packages of reforms should in the future be fixed up by the beneficiary government with the EU in form of bilateral contracts (under an undefined legal regime) has not been finally adopted. Furthermore, the EU Member States (except the UK and the Czech Republic) concluded in March 2012 a so called Fiscal Pact (entered into force on 1.01.2013), which provides for control of debt – fulfilling the conditions for convergence of the Eurozone. Poland is also a party to this contract, i.e. the Treaty on Stability, Coordination and Governance in Economic and Monetary Union (Journal of Laws of the Republic of Poland 2013 pos. 1258). Its objectives were already named in the Preamble which reads: RECALLING the need to facilitate the adoption of measures under the excessive deficit procedure of the European Union in respect of Member States whose currency is the euro and whose planned or actual ratio of general government deficit to gross domestic product exceeds 3 %, whilst strongly reinforcing the objective of that procedure, namely to encourage and, if necessary, compel a Member State to reduce a deficit which might be identified; RECALLING the obligation for those Contracting Parties whose general government debt exceeds the 60 % reference value to reduce it at an average rate of one twentieth per year as a benchmark; ... NOTING that compliance with the Contracting Parties' obligation to transpose the "balanced budget rule" into their national legal systems, through binding, permanent and preferably constitutional provisions, should be subject to the jurisdiction of the Court of Justice of the European Union, in accordance with Article 273 of the Treaty on the Functioning of the European Union; the states/contracting parties have agreed upon the following provisions:

ARTICLE 1

1. By this Treaty, the Contracting Parties agree, as Member States of the European Union, to strengthen the economic pillar of the economic and monetary union by adopting a set of rules intended to foster budgetary discipline through a fiscal compact, to strengthen the coordination of their economic policies and to improve the governance of the euro area, thereby supporting the achievement of the European Union's objectives for sustainable growth, employment, competitiveness and social cohesion.

Antonis Samaras' party "New Democracy" has not only accepted the program of savings, not only committed itself in a pre-election agreement to respect the arrangements pertaining to the package of reforms, but it also fulfilled - after the elections – the accepted/imposed obligations.<sup>42</sup> Economic effects of the implementation of the reform program

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ad.<sup>42</sup> FISCAL COMPACT

ARTICLE 3

1. The Contracting Parties shall apply the rules set out in this paragraph in addition and without prejudice to their obligations under European Union law:

- (a) the budgetary position of the general government of a Contracting Party shall be balanced or in surplus;
- (b) the rule under point (a) shall be deemed to be respected if the annual structural balance of the general government is at its country-specific medium-term objective, as defined in the revised Stability and Growth Pact, with a lower limit of a structural deficit of 0,5 % of the gross domestic product at market prices. The Contracting Parties shall ensure rapid convergence towards their respective medium-term objective. The time-frame for such convergence will be proposed by the European Commission taking into consideration country-specific sustainability risks. Progress towards, and respect of, the medium-term objective shall be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures, in line with the revised Stability and Growth Pact;
- (c) the Contracting Parties may temporarily deviate from their respective medium-term objective or the adjustment path towards it only in exceptional circumstances, as defined in point (b) of paragraph 3;
- (d) where the ratio of the general government debt to gross domestic product at market prices is significantly below 60 % and where risks in terms of long-term sustainability of public finances are low, the lower limit of the medium-term objective specified under point (b) can reach a structural deficit of at most 1,0 % of the gross domestic product at market prices;
- (e) in the event of significant observed deviations from the medium-term objective or the adjustment path towards it, a correction mechanism shall be triggered automatically. The mechanism shall include the obligation of the Contracting Party concerned to implement measures to correct the deviations over a defined period of time.

ARTICLE 4

When the ratio of a Contracting Party's general government debt to gross domestic product exceeds the 60 % reference value referred to in Article 1 of the Protocol (No 12) on the excessive deficit procedure, annexed to the European Union Treaties, that Contracting Party shall reduce it at an average rate of one twentieth per year as a benchmark, as provided for in Article 2 of Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure, as amended by Council Regulation (EU) No 1177/2011 of 8 November 2011. The existence of an excessive deficit due to the breach of the debt criterion will be decided in accordance with the procedure set out in Article 126 of the Treaty on the Functioning of the European Union.

ARTICLE 5

1. A Contracting Party that is subject to an excessive deficit procedure under the Treaties on which the European Union is founded shall put in place a budgetary and economic partnership programme including a detailed description of the structural reforms which must be put in place and implemented to ensure an effective and durable correction of its excessive deficit. The content and format of such programmes shall be defined in European Union law. Their submission to the Council of the European Union and to the European Commission for endorsement and their monitoring will take place within the context of the existing surveillance procedures under the Stability and Growth Pact.

2. The implementation of the budgetary and economic partnership programme, and the yearly budgetary plans consistent with it, will be monitored by the Council of the European Union and by the European Commission.

ARTICLE 6

With a view to better coordinating the planning of their national debt issuance, the Contracting Parties shall report ex-ante on their public debt issuance plans to the Council of the European Union and to the European Commission.

ARTICLE 7

While fully respecting the procedural requirements of the Treaties on which the European Union is founded, the Contracting Parties whose currency is the euro commit to supporting the proposals or recommendations submitted by the European Commission where it considers that a Member State of the European Union whose currency is the euro is in breach of the deficit criterion in the framework of an excessive deficit procedure. This obligation shall not apply where it is established among the Contracting Parties whose currency is the euro that a qualified majority of them, calculated by analogy with the relevant provisions of the Treaties on which the European Union is founded, without taking into account the position of the Contracting Party concerned, is opposed to the decision proposed or recommended.

are not subject to doubt. Despite undeniable recession and decrease in people's standard of living<sup>43</sup> positive changes are noticeable. In the international financial market 10-year bond rates fall from 40% in 2012, 13% in 2013 down to 6% in the current year 2014.<sup>44</sup> In April 2014, the Greek government has sold bonds worth 3 billion euro at an annual interest rate of 4,75% – demand significantly exceeded supply and amounted to 20 billion<sup>45</sup>; this interest rate is thus on the level of the years 2008 and 2009.

#### IV. LATVIA AND GREECE - ONE VIEW

European integration was a pole determining the vector and pattern of Latvia's transformation. It has demonstrated its vital strength and ability to integrate the state and society, whose only dowry was the memory of the past, into highly developed democratic countries. The European integration has shown the ability to defend EU's security, to create a *security community* in the Mediterranean area, which includes a state-society not belonging to the "ethnic community". In view of subsequent challenges it didn't surrender to the temptation of a "cheap" *Grexit* choosing instead the path of a difficult and costly support for reforms that may lead to the real integration of Greece into the European values sphere.

One could formulate an alternative history version and say that if not for World War II Latvia would have been among the founding countries of the EU. By the same token one can say that if not for World War II Greece would be out of reach for European integration. Such a formulation, contrary to appearances, does not negate, but rather confirm the significance of the model of European integration in form of the EU: unity in diversity.

Moreover, comparisons in the economic sphere indicate that this scenario formulated in terms of a *political fiction* did unfold. Greece followed the path of reforms – the same, which was successfully passed by Latvia led by Prime Minister Valdis Dombrovskis.<sup>46</sup>

ad. 42 ARTICLE 9

Building upon economic policy coordination, as defined in the Treaty on the Functioning of the European Union, the Contracting Parties undertake to work jointly towards an economic policy that fosters the proper functioning of the economic and monetary union and economic growth through enhanced convergence and competitiveness. To that end, the Contracting Parties shall take the necessary actions and measures in all the areas which are essential to the proper functioning of the euro area in pursuit of the objectives of fostering competitiveness, promoting employment, contributing further to the sustainability of public finances and reinforcing financial stability.

<sup>43</sup> Unemployment in Greece exceeds 28%. In 2013, the public sector released 3,500 employees, and in the current year reductions are planned for 11,5 thousand employees.

<sup>44</sup> This interest rate should be viewed through the prism of the Greek debt, which no so long ago was counted among the "junk debt", as well as the current interest rate of Iceland's multi-annual bonds at 6,6%, Turkey's 9,9%, Russia's 8,8% (before the invasion of Ukraine and annexation of the Crimea). The Polish bonds, considered to be very reliable, are valued at less than 4%, whereas the first – after the end of international aid – Irish 10-year bonds were sold at 3,75 billion euros (excess demand amounted to 14 billion euros) at an interest rate 3,5%.

<sup>45</sup> Greece's debt amounts to 320 billion euros and represents 170% of GDP (Poland – 57%, the EU average – 92% of GDP). In 1977, Greece's debt was lower than EU average. The relation of Greek debt to the Eurozone debt is – in spite of the implementation of the reform program – deteriorating in a manifest way.

<sup>46</sup> "Economic convergence

Over the reference period from May 2012 to April 2013, Latvia recorded a 12-month average inflation rate of 1.3%. This was well below the reference value for the criterion on price stability, which was 2.7%. The reference value was calculated by adding 1.5 percentage points to the unweighted arithmetic average of the rates of HICP inflation over these 12 months in Sweden (0.8%), Latvia (1.3%) and Ireland (1.6%).

However, in the past ten years consumer price inflation in Latvia has been very volatile, ranging between annual averages of -1.2% and 15.3%. This reflects the fact that the country has experienced major boom-bust periods

And regardless of the evaluation of the strategy of economic cuts as a remedy to the crisis, this strategy called *austertian*<sup>47</sup> (based on cuts in time of a crisis, which is a form of extreme rejection of Keynesianism) has brought success to Latvia, and this could also – as it seems – be the experienced by Greece. Certainly, comparisons of crisis-reform in Greece and Latvia are controversial (recession in Greece is tantamount to a decrease in living standards in comparison to these of the 80s; in Latvia, a country that enjoyed its brief prosperity only after regaining independence, the memory of the “era of prosperity” is much shorter),<sup>48</sup> and different conclusions seem to arise for those countries-their societies from geopolitics: - the Greeks seem to cherish a lasting belief resulting from their experience, that the West, while defending its security, perceived in military terms, will by all means defend Greece’s anchoring in Western hemisphere; - the Latvians are convinced that the Russian-Soviet expansionism and imperialism is a permanent factor in the politics of the Eastern ex-invader towards the Baltic states and that the defense of independence requires constant and consistent action on its behalf. Latvia seeks furthermore to strengthen its position-independence as a result of the impact of the snowball-effect recognizing that its entry into the Eurozone accelerates a similar sequence of events in Lithuania (in

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and high macroeconomic volatility. More recently, after peaking in mid-2011, inflation in Latvia has declined to low levels, reflecting in particular the effects of lower global commodity prices and a lower rate of VAT as of July 2012. Yet the latest available forecasts project inflation to rise, and the balance of risks surrounding inflation projections for the years ahead is on the upside.

Looking further ahead, maintaining low inflation rates in Latvia will be challenging in the medium term. The catching-up process is likely to drive up the inflation differential between Latvia and the euro area over the medium term. There are therefore concerns regarding the sustainability of inflation convergence.

Latvia is, at the time of finalisation of this report, subject to an EU Council decision on the existence of an excessive general government budget deficit, with a deadline for correcting the excessive deficit in 2012. In the reference year 2012 the general government budget balance showed a deficit of 1.2% of GDP, i.e. well below the 3% reference value. The general government gross debt-to-GDP ratio was 40.7%, i.e. below the 60% reference value. In 2013 the deficit ratio is forecast by the European Commission to be unchanged at 1.2% and the government debt ratio is projected to increase to 43.2%.

The Latvian lats has been participating in the exchange rate mechanism (ERM II) since 2 May 2005, with a fluctuation band of  $\pm 1\%$  as a unilateral commitment on the part of the Latvian authorities. Over the two-year reference period from 17 May 2011 to 16 May 2013 the lats has remained close to its central rate.

Long-term interest rates in Latvia were 3.8% on average over the 12-month reference period from May 2012 to April 2013. This was below the reference value of 5.5%, as calculated by adding 2 percentage points to the average of the long-term interest rates on government bonds over these 12 months in Sweden (1.6%), Latvia (3.8%) and Ireland (5.1%).

All in all, Latvia is within the reference values of the convergence criteria. Nevertheless the longer-term sustainability of its economic convergence is of concern. Joining a currency union entails foregoing monetary and exchange rate instruments and implies an increased importance of internal flexibility and resilience. In this respect, it is necessary for Latvia to continue along a path of comprehensive fiscal consolidation in line with the requirements of the Stability and Growth Pact. It is also important to lock in the competitiveness gains achieved in recent years by avoiding a renewed increase in unit labour cost growth. In addition, although Latvia’s economic adjustment capacity has been strong, it needs to make progress in improving the quality of its institutions and governance. Moreover, it is crucial that a comprehensive policy toolkit is available to deal with risks to financial stability, including those stemming from the reliance of a significant part of the banking sector on non-resident deposits as a source of funding.” ECB Convergence Report 2013.

<sup>47</sup> This is how, among others, Paul Krugman ([http://krugman.blogs.nytimes.com/2013/09/23/where-are-the-austertian-economists/?\\_php=true&\\_type=blogs&r=0](http://krugman.blogs.nytimes.com/2013/09/23/where-are-the-austertian-economists/?_php=true&_type=blogs&r=0)) described the economic policy characterized in a following manner „A play on the fiscal reserve of the “Austrian” school of economic thought (Friedrich Hayek or Ludwig von Mises) the phrase *Austerians* referred to the desire to slash government spending and cut deficits during a time of economic weakness or recession.”; <http://www.ritholtz.com/blog/2010/06/word-origins-austerians/>.

<sup>48</sup> The recession in Latvia in the years 2008-2010 exceeded 20%.

2015)<sup>49</sup> – Estonia joined the euro in 2011.<sup>50</sup> Latvia benefited from financial aid from the EU in 2008, however, regained over the bygone years, thanks to the austerity measures, sustainability of public finances and repaid the debts.<sup>51</sup> In the years 2005–2013 Latvia's budget deficit amounting in 2005, 6,6 in turns to 0,4; 0,5, 0,4% of GDP, increased from 4,2 in 2008 to 9,8% in 2009, and then, due to the implementation of the austerity program decreased in 2010 to 8,1, 3,6%, in 2011, and reached 1,3 in 2012 and 1,4% in 2013, which is the size required from the candidate countries in the zone. This was an outcome of economic performance, primarily the GDP growth – with the exception of the recession from 2008 on the level 2,8, and 2009 – 17,7%, and 1,3% in the last year 2010 – and this growth amounted to 10,1 in 2005, 11 in 2006, 10 in 2007 and again 5,3 in 2011, 5,2 in 2012, and 4% in 2013, i.e. in the year immediately preceding the entry to the zone. However, in the initial period this positive changes were accompanied by high inflation at 6,9 – 2005, 6,6 – 2006, 10,1 – 2007, 15,3 – 2008, 3,3 – 2009, which was restrained in 2011 at the level 4,2 and reduced in 2012 to the level 2,3% and 0% in 2013; the unique nature of deflation was manifest in 2010 in the amount of 1,2%.

## V. EUROPEAN INTEGRATION NOW

Bearing this context in mind, it is a legitimate question to ask where and what the European integration is today – the EU in a comparative perspective. First, contrary to the customary proceeding, evaluated must be the level of integration achieved in the field of the Common Foreign and Security Policy, and in the same way the position of the EU as an actor in international relations. The years of time-consuming road to cooperation, accompanied by internal (abstinence/reluctance of Member States to deepen cooperation motivated by differences in national strategies in foreign policy and a “(national) reason of state”) and external barriers (threats of the Cold War left no room for an alternative or even a subsidiary cooperation in this sphere beside NATO), have led to the emergence of

<sup>49</sup> Lithuania applied for the admission to the Eurozone in 2007, but then did not meet the convergence criteria. Currently in the EERM II (European Exchange Rate Mechanism), an institutional waiting room to the Eurozone, there is, except Lithuania, Denmark. As it seems these widening of the zone will put an end – at least for a few years – to next admissions. ERM II represents a link between national exchange rates and the euro exchange rate, along with the tightening of currency exchange rates in the Member States. Candidates for the euro must remain in the system for 2 years and must commit themselves to peg the central rate of the national currency against the *euro* and the tolerance range to the course; standard fluctuation interval (horizontal band) is + / -15%.

<sup>50</sup> This is accompanied naturally by the fear of price increases as a direct consequence of the introduction of *euro*, which is connected with experiences of the predecessors, including also the „old Europe”, i.e. Italy and Germany. Although it has been found that the actual impact of inflation fluctuates among the Members of the Zone on average from 0,2 to 0,3%, the regional, i.e. Latvian concerns were affected by Estonia's experience, where the inflation reached over 5%.

<sup>51</sup> Latvia to become 18<sup>th</sup> eurozone member from 2014: “Latvia underwent one of Europe's toughest austerity programmes after the 2008–2009 It received a 7.5bn euro bailout in 2008, but it has now repaid the loans. The membership still has to be approved by EU leaders and the European Parliament, but that is seen as a formality. EU finance ministers are expected to sign off the accession in July. The European Central Bank (ECB) also gave its blessing to Latvia on Wednesday ahead of the Commission's announcement, but warned high foreign deposits in its banks were a risk to financial stability.

“The reliance by a significant part of the banking sector on non-resident deposits as a source of funding, while not a recent phenomenon, is again on the rise and represents an important risk to financial stability,” the ECB said.” BBC 5 June 2013. <http://www.bbc.com/news/business-22781146>.

a new actor on the international scene, i.e. the European Union. And it became an actor, in case of whom there is no longer any room for jokes like the one by Dr. Kissinger, who having been confronted with the accusation that the U.S. did not agree on global policy with Europe said, that he had no phone number to Mr. Europe.<sup>52</sup> Today, this phone number (to a woman) is available<sup>53</sup> – and no one disregards Lady Ashton's ability to create and implement foreign and security policy.

Europe proved its ability to function effectively in the global sphere of international relations: - by prompting Iran to the cooperation in the field of non-proliferation regime<sup>54</sup> (this was the next step after entering the dialog pertaining to the challenges coming from the North Korea); - by formulating and implementing the policy towards the “Arab Spring”, particularly towards Libya – and it is not an evidence of EU's weakness that it was necessary to use some elements of the U.S. military capabilities for military goals, since the essence of Europe's independent position is not the reproduction of U.S. potential, but subsidiarity and compatibility of potentials.

In the sphere of economic and financial policy, the crisis disclosed organic regulatory weaknesses of the Eurozone and thereby prompted the EU to deepen the integration (instead of abandoning the *euro*). Even if the level of integration does not immunize the Eurozone against the threats of a crisis (NB this cannot be said of any homogenous country), it is beyond dispute that the adopted regulations have strengthen the anti-crisis firewall and brought about instruments for a post-crisis reconstruction.<sup>55</sup>

From the background of the world economy the development of the EU has lost its sparkle. Deciding are here, what is obvious, rough statistics. The development of BRIX should not be seen as a loss of the EU (and the U.S.) position, but primarily as a limited reduction of imbalances in the world. The dominance of the EU (and the U.S.) over the rest has diminished, and this serves a better protection of the global balance against turbulence. However, in response to the increase in competition in the world – to the emergence of new global contenders for the global leadership – the EU not only expands and not only builds ties with outsiders (ACP countries), but also, and perhaps above all, establishes co-operation with Japan and Republic of Korea. This means approaching the creation of a new Atlantic-Pacific area, in which the EU is going to create economic (and political) space with NAFTA and (part of) Asia: Japan,

<sup>52</sup> Variants of Kissinger's speech read as follows: “Who do I call if I want to call Europe?” and “Europe? Give me a name and a phone number”. See [http://en.wikiquote.org/wiki/Talk:Henry\\_Kissinger](http://en.wikiquote.org/wiki/Talk:Henry_Kissinger).

<sup>53</sup> For the current state of affairs see SOBCZYK, M. Europe Still Seeks Voice, Kissinger Says. *The Wall Street Journal*. 2012.

<http://online.wsj.com/news/articles/SB10001424052702304830704577492901066964924>.

and SPIEGEL Interview with Henry Kissinger: ‘Europeans Hide Behind the Unpopularity of President Bush’. 8/2008

<http://www.spiegel.de/international/world/spiegel-interview-with-henry-kissinger-europeans-hide-behind-the-unpopularity-of-president-bush-a-535964.html>.

<sup>54</sup> This assessment is independent of whether it had to be done. Perhaps the option of using force was more appropriate, however, assuming that one had to seize the opportunity for peaceful talks, Europe has done it well, unlike the United States that has not done so at all.

<sup>55</sup> Among some fresh decisions there is for instance the directive on restructuring and methodical liquidation of banks in view of, *inter alia*, the costs of *bail-outs*; for more see BRUNSDEN, J., WISHART, I. Euro Bank-Failure Talks Seen Eased by Deal on Writedown plan. *Washington Post*. 2013.

Korea, Australia and New Zealand. The creation of such a grouping will significantly change the global balance of power. The EU is not so much, what is quite noticeable, defending itself against competition from China, India etc., but is rather seeking to implement a global idea.

Maintaining the constructive cooperation in the WTO and pursuing, but not at any price, the success of the Doha Round, it develops trans-regional cooperation.

## CONCLUSION

The presented study is a multi-disciplinary. It combines elements of legal analysis, political science, as well as elements of the science of safety, and analysis of macroeconomics and economic policy. This multi-faceted study allowed us to not only to the determination of a wide field of research but also to make a thorough of descriptions and explanations provided sense largissimo. Conditions of integration processes within the European Community will be subject to the same kind of transformation and to the same extent that the transformations are subject to factors influencing social change and legislative changes in the tested range. Some of these factors are demographic changes and changes in the method of guaranteeing security and above all changes in the way of understanding the concept of security. Conversion will result in modifications in the approach to the unification process and accession related to the expansion of the European Union. Of course you can not rule out the emergence of new relevant for these processes, factors that may lead to a fundamental transformation / revolution in understanding and implementing procedures for accession and harmonization of procedures such monetary systems within the community. Hence, part of the EU's legislative powers are transferred to the regional level (state), as a response to the challenges / consequences of globalization and providing the fullest possible attempt to guarantee the security and socio-political cohesion. These study was focused on the most important - in the author's opinion - factors defining the current state of the European Union and determining future directions of its development.