Handbook of Research on

Social and Economic Development in the European Union

Yilmaz Bayar

IGI Global
DISSEMINATOR OF KNOWLEDGE

Handbook of Research on Social and Economic Development in the European Union

Yilmaz Bayar
Uşak University, Turkey

A volume in the Advances in Finance, Accounting, and Economics (AFAE) Book Series

Published in the United States of America by
IGI Global
Business Science Reference (an imprint of IGI Global)
701 E. Chocolate Avenue
Hershey PA, USA 17033
Tel: 717-533-8845
Fax: 717-533-8661
E-mail: cust@igi-global.com
Web site: http://www.igi-global.com

Library of Congress Cataloging-in-Publication Data

Names: Bayar, Yilmaz, 1977- editor.
Title: Handbook of Research on Social and Economic Development in the European Union / Yilmaz Bayar, editor.
Description: Hershey, PA : Business Science Reference, [2019] | Includes bibliographical references and index.
Identifiers: LCCN 2019025564 (print) | LCCN 2019025565 (ebook) | ISBN 9781799811909 (ebook) | ISBN 9781799811886 (hardcover)
Subjects: LCSH: European Union countries--Economic conditions--21st century. | European Union countries--Social policy--21st century. | European Union countries--Politics and government--21st century.
Classification: LCC HC240 (ebook) | LCC HC240 .S633 2019 (print) | DDC 338.94--dc23
LC record available at https://lccn.loc.gov/2019025564

This book is published in the IGI Global book series Advances in Finance, Accounting, and Economics (AFAE) (ISSN: 2327-5677; eISSN: 2327-5685)

British Cataloguing in Publication Data
A Cataloguing in Publication record for this book is available from the British Library.

All work contributed to this book is new, previously-unpublished material. The views expressed in this book are those of the authors, but not necessarily of the publisher.

For electronic access to this publication, please contact: eresources@igi-global.com.

Advances in Finance, Accounting, and Economics (AFAE) Book Series

Ahmed Driouchi
Al Akhawayn University, Morocco

ISSN:2327-5677
EISSN:2327-5685

Mission

In our changing economic and business environment, it is important to consider the financial changes occurring internationally as well as within individual organizations and business environments. Understanding these changes as well as the factors that influence them is crucial in preparing for our financial future and ensuring economic sustainability and growth.

The **Advances in Finance, Accounting, and Economics (AFAE)** book series aims to publish comprehensive and informative titles in all areas of economics and economic theory, finance, and accounting to assist in advancing the available knowledge and providing for further research development in these dynamic fields.

Coverage

- Microeconomics
- Evidence-Based Studies
- Applied Accounting
- Corporate Finance
- Economic Theory
- E-finance
- Economics of Risks, Uncertainty, Ambiguity, and Insurance
- Entrepreneurship in Accounting and Finance
- Fiscal Policy
- Interest Rates and Annuities

IGI Global is currently accepting manuscripts for publication within this series. To submit a proposal for a volume in this series, please contact our Acquisition Editors at Acquisitions@igi-global.com or visit: http://www.igi-global.com/publish/.

The Advances in Finance, Accounting, and Economics (AFAE) Book Series (ISSN 2327-5677) is published by IGI Global, 701 E. Chocolate Avenue, Hershey, PA 17033-1240, USA, www.igi-global.com. This series is composed of titles available for purchase individually; each title is edited to be contextually exclusive from any other title within the series. For pricing and ordering information please visit http://www.igi-global.com/book-series/advances-finance-accounting-economics/73685. Postmaster: Send all address changes to above address.

Titles in this Series

For a list of additional titles in this series, please visit:
https://www.igi-global.com/book-series/advances-finance-accounting-economics/73685

Comparative Approaches to Old and New Institutional Economics
Ilkben Akansel (Bartin University, Turkey)
Business Science Reference • © 2020 • 380pp • H/C (ISBN: 9781799803331) • US $240.00 (our price)

Advanced Integrated Approaches to Environmental Economics and Policy Emerging Research and Opportunities
Sebastiano Patti (University of Catania, Italy) and Giampiero Trizzino (Regional Council of Environment and Territory, Italy)
Business Science Reference • © 2020 • 218pp • H/C (ISBN: 9781522595625) • US $195.00 (our price)

Networked Business Models in the Circular Economy
Bogdan Nogalski (WSB University in Gdańsk, Poland) Agnieszka Anna Szpitter (University of Gdańsk, Poland) Adam Jabłoński (WSB University in Poznań, Poland) and Marek Jabłoński (WSB University in Poznań, Poland)
Business Science Reference • © 2020 • 302pp • H/C (ISBN: 9781522578505) • US $205.00 (our price)

Impact of Financial Technology (FinTech) on Islamic Finance and Financial Stability
Nader Naifar (Imam Mohammad Ibn Saud Islamic University, Saudi Arabia & University of Sfax, Tunisia)
Business Science Reference • © 2020 • 312pp • H/C (ISBN: 9781799800392) • US $215.00 (our price)

Transforming Businesses With Bitcoin Mining and Blockchain Applications
Dharmendra Singh Rajput (VIT University, India) Ramjeevan Singh Thakur (Maulana Azad National Institute of Technology Bhopal, India) and Syed Muzamil Basha (Sri Krishna College of Engineering and Technology, India)
Business Science Reference • © 2020 • 282pp • H/C (ISBN: 9781799801863) • US $215.00 (our price)

Sharing Economy and the Impact of Collaborative Consumption
Iviane Ramos de Luna (Open University of Catalonia, Spain) Àngels Fitó-Bertran (Open University of Catalonia, Spain) Josep Lladós-Masllorens (Open University of Catalonia, Spain) and Francisco Liébana-Cabanillas (University of Granada, Spain)
Business Science Reference • © 2020 • 323pp • H/C (ISBN: 9781522599289) • US $245.00 (our price)

Migration and Urbanization Local Solutions for Global Economic Challenges
Denis Ushakov (Suan Sunandha Rajabhat University, Thailand)
Business Science Reference • © 2020 • 368pp • H/C (ISBN: 9781799801115) • US $245.00 (our price)

IGI Global
DISSEMINATOR OF KNOWLEDGE

701 East Chocolate Avenue, Hershey, PA 17033, USA
Tel: 717-533-8845 x100 • Fax: 717-533-8661
E-Mail: cust@igi-global.com • www.igi-global.com

List of Contributors

Table of Contents

Detailed Table of Contents

This chapter examines the effectiveness of Stabilizing Programs in the European Union for the time period from the Maastricht Treaty in 1993 to 2013 (the recent bailouts of Greece, Ireland, and Portugal). A binary logistic model is used which specifies binomial as the distribution and logit as the link function, using an unbalanced panel of annual data. Two main conclusions emerge: a) the probabilities of an economic recession, a high debt to GDP ratio, and a high current account deficit to GDP ratio, are greater when a Stabilization Program is adopted than without one, and b) a Stabilization Program has a negative short-run effect on the GDP growth rate, as well as negative long-run effects (8 years after the adoption) on the debt to GDP ratio and the current account deficit to GDP ratio.

The literature recognizes that the gradual countries' involvement in the economic globalization has generated competitive environments that stimulate innovation and economic growth. Yet, globalization has also apparently led to the increase of inequality, contributing for waves of populism and discontent, claiming for justice in sharing these benefits. Thus, it is not surprising that the interaction globalization/social justice is paying attention to politicians and academics, seeking to identify if there is reason to fear that the globalization leads to increase inequality. This chapter deals with the link between globalization and social justice, measured by updated indicators that improved the data quality and broadened their baseline. In what globalization concerns are applied the renewed KOF index, including de facto and de jure perspectives. Concerning social justice, are used the latest "EU Social Justice Index". The study reflects on the effects of the recent global financial crises in the EU members, which especially hit the Euro zone.

This chapter critically evaluates the position of the EU within the global trade and developments of its position from a long-term perspective, and identifies the main factors behind these developments. With this aim, both the intra-EU trade and the extra-EU trade are analyzed, including the development of export and import values, along with the trade balance development and the structure of the intra-EU and extra-EU trade flows (main trading partners and main product groups). Furthermore, the development of the EU's share on the global trade is studied in comparison to the share of other main world trade players. The chapter examines the main factors that influence the position of the EU within the global trade. Finally, the prediction of the EU trade and of its position in the global economy are developed.

Psychology stipulates justice is one of the most powerful feelings of human beings. Societies strengthen as overall justice increases. People are seeking justice in many areas. A more fair income distribution has always been desired in almost every society since the beginning of civilizations. In recent times, European countries are known to be the most fair societies, at least within their boundaries. So, taking into account these facts, what can be said about income inequality levels for EU-15? This chapter tries to find an empirical answer for this question. There is also a solution for income inequality.

Although prosperity is often associated with the word wealth, it also includes other factors that may be independent of wealth, such as happiness and health. The prosperity state can be defined as a developing, growing, wealth state and a successful social status. Increasing the levels of prosperity is a goal of states. States can create communities in cooperation with other states to improve their level of prosperity. One of these communities is the European Union (EU), which is established by European states. This chapter evaluates the position of EU member states and EU candidate countries' prosperity levels compared to world states. In the study, 2018 Legatum Institute prosperity index of 149 countries was used. These countries are divided into groups by using clustering analysis from data mining techniques. The countries are evaluated using the Preference Selective Index (PSI).

The relationship between financial development and economic growth is one of the interesting topics of economic researches. Financial globalization is a term used to open up capital markets to the international arena and to capitalize on developed countries to developing countries. This chapter investigates the causality relationship between financial globalization and economic growth. In this study, the panel causality test of Emirmahmutoğlu and Kose (2011) was used for the European Union countries by using data from 1996-2016 period. According to the causality analysis conducted for the European Union, there is a causality from general financial globalization index to economic growth, from de facto financial globalization to economic growth and from economic growth to De jure financial globalization index.

Many social and economic variables are used as indicators of the level of development of countries. To determine the level of social and economic development, many criteria were studied in the fields of education, culture, health, and economy. This chapter analyzes 13 European Union countries that participated in the fifth and sixth enlargement process and Turkey, whose ongoing process of accession to the European Union is determined by using socio-economic indicators. Reference Ideal Method (RIM) is a new Multi Criteria Decision Making (MCDM) method. This method differentiates itself from other methods frequently used in literature by using the ideal points or ideal ranges. The chapter shows Turkey must improve socio-economic indicators to be close to the countries in the fifth and sixth waves of enlargement process of European Union.

The chapter examines how it is possible to design a mechanism to relieve the well-known problems of the incomplete Economic and Monetary Union (EMU) and thus reduce its costs. A monetary union can be very fragile and governments of member countries face serious adjustment problems, especially when hit by large, permanent asymetric shocks This leaves the EU with the problem of unsustained debts and fiscal unsustainability. This chapter explores the possibility the EU becomes a fiscal union i.e. "full/ complete monetary union" by focusing on the EMU agenda of the EU and evaluating future challenges. In light of findings, some policy implications are drawn.

The implementation of a monetary union in Europe, to take full advantage of the Single Market's potential benefits, has not hitherto delivered the expected results. On the contrary, the euro area has been afflicted by many troubles, including anemic growth, unemployment, and inequality. Many blame the euro's defective design, and especially its incapacity to promote economic convergence and provide adjustment and stabilization mechanisms. Others blame fiscal indiscipline by some of its members. The latter view prevailed when shaping the austerity policies imposed on the countries more affected by the financial and sovereign debt crises, intensifying an economic recession with dramatic social consequences. As a result, citizens' distrust in the European Union's institutions grew, along with support for nationalistic political forces opposing the European integration project. This chapter assesses one of the main deficiencies of the euro's governance model – lack of automatic stabilization – and discusses proposals to overcome it.

On June 23, 2016, a referendum took place in the UK with 51.89% of voters voting in favor of the UK's exit from the EU. On March 29, 2017, British Prime Minister Theresa May formally notified the European Council of the intention of the UK to leave the EU in accordance with Article 50 of the EU Treaty. With this declaration of withdrawal, a period of two years contractually stipulated under Article 50 of the EU Treaty for the UK and the other EU-27 states has begun to negotiate an agreement on the details of withdrawal. But it was clear the negotiation process would be difficult because it is expected the UK leaving the EU will have negative effects on both. The postponement of the period of Brexit, which should have been officially realized on March 29, 2019, indicates that both parties want to avoid the unintentional Brexit. This chapter details the Brexit process. The possible effects of Brexit on both sides are investigated and different expectations of the parties from the Brexit process are explained.

This study provides information on wage floor determining institutions, the statutory minimum wages, and collective bargaining agreements, in the EU countries to examine differences and commonalities of these institutions between the EU countries and Turkey. The interaction between these institutions and the labor market performance of the EU Member States and Turkey is also investigated. Therefore, the minimum wage levels and the collective bargaining coverage with the labor market indicators, namely the wage inequality measured with D1/D9 ratio and the incidence of low-wage workers, are compared. Findings indicate that the wage inequality and the incidence of low-wage workers are relatively lower in the countries with comprehensive collective bargaining systems characterized by high rates of collective bargaining coverage and union density. Turkey is one of the countries with the highest wage inequality compared to the EU countries. Improving the coverage rate of collective bargaining might help to reduce wage inequality.

Macroeconomic indicators are used to evaluate the current performance and forecast the future state of the economy. Within the scope of the chapter; macroeconomic indicators such as GDP per capita, unemployment, inflation, real interest rates, and growth rates constitute the criteria of Multi-Criteria Decision Making (MCDM) model. The European Union (EU) countries and Turkey are the alternatives of the MCDM problem. Best Worst Method (BWM) is an MCDM method developed by Jafar Rezaei in 2015. In this method, the decision-maker identifies only the best and worst criteria and compares them with the remaining criteria. In this chapter, the macroeconomic indicators of Turkey and EU countries analyzed by BWM. As a result of the study, Luxembourg ranks first, Denmark second, and Sweden third. The last three countries are Portugal, Croatia, and Greece. Turkey ranks 24th.

Taxes have the most significant share among the usual income sources of states. Taxes, the most important part of public revenues, are considered as a burden on taxpayers and therefore this leads taxpayers to try some tax base erosive practices to minimize the tax burden. This situation necessitated states to take tax security measures to prevent revenue losses. Tax security measures are the institutions established to prevent tax base erosion primarily through taxpayers' declaration in fair manner by also including the autocontrol mechanism. Therefore, it is inevitable for the states which do not want to lose and suffer due to an erosion in their revenues to implement some tax security measures. In many countries today, various tax security measures are implemented. This chapter analyzes the tax security methods implemented in USA, Germany, and UK.

This chapter addresses the changes through the years in the Common Agricultural Policy (CAP), one of the oldest and most established policies of the European Union, within the framework of the sustainability and environment, and evaluates the impacts of this change within the Turkish agricultural policies. The chapter has three sections. The introduction offers a background knowledge about CAP. In the second section, the reform progress of the CAP is examined through the years. The third section compares economic data on agriculture in Turkey and the EU. Results of the chapter highlight restructuring of CAP towards policies towards sustainability.

Economic globalization has affected accounting and auditing practices, as it has many other areas. Its impact on accounting has emerged in international accounting standards and independent auditing. There is pressure on the European Union countries to benefit from the New York segmentation of these standards. In parallel with these developments, IASB (International Accounting Standards Board) was established in 1973 to create a common accounting system for companies around the world, and internationally accepted accounting standards were established under the name of International Accounting Standards (IAS). To use these common accounting practices effectively, as of Jan. 1, 2005, publicly traded companies in the European Union have been obliged to apply the consolidated financial statements to the public in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Along with their flexible production structures and rapid adaptation to technological innovations in the world economic race, SMEs are among the prominent wheels of both the EU economy and the whole world economy. In this chapter, the importance and the size of SMEs which contribute to production capacity, productive investments, economic growth, and national income, as well as employment and many other areas, are explicated using the current data; hence, the EU financial support programmes organized regarding the financial problems of SMEs are introduced. In this respect, the shares of the funding programmes offered to SMEs within the EU budget over the period from 2014 to 2020 in the Union's budget are assessed, and recommendations are made for the years 2021-2027.

This chapter analyzes the differences of decision-making process in the EU member countries, caused by differences in main dimensions of national culture of each of them. The influence of different cultural dimensions on decision-making process is explained. Thanks to the application of qualitative research method and deductive approach, there are conclusions about specificities of decision-making process, in particular EU countries. Using the inductive approach, content analysis method and method of synthesis, the EU countries were grouped regarding to the decision-making styles that are the most appropriate in each of them, based on the characteristics of the cultural framework that exist within them. Obtained results may help managers to better understand their decision-maker role in different cultural environment and it would enable them to apply the appropriate decision-making style, which would increase the quality of business decisions that are being made.

Factors affecting the security of the European continent and the European Union countries are evaluated frequently, but the opinions of the citizens on this subject are generally underestimated. This chapter analyses changes in security and threat perceptions of the citizens of the Union. The most reliable source for these transformations is Eurobarometer surveys. Therefore, within the scope of this study, the author tries to understand which subjects are considered as threats by the citizens of the Union, which issues are approached as a security problem, and how these evaluations are taken into consideration by the Union decision makers. One of the most important goals of the study is to analyse the historical change and transformation of the security problems faced by the citizens in economic, social, political, and cultural terms and to analyse the perception of the citizens of the Union.

Providing the energy security of European Union has become one of the most significant issues for European politicians and academics, especially after the Ukrainian crisis with Russia. The most critical point is the fact that there is not a common policy of EU countries concerning energy security. Individual choices of member states have more influence on the energy supply. EU's failure of developing a common policy for the security of energy supply has led to disagreement about other foreign policy issues. Different reactions among EU member states about sanctions against Russia after the Russian annexation of Crimea in 2014 has been the most recent example. Common policy of energy security is the diversification of resources and suppliers. Accordingly, with their hydrocarbon resources, Azerbaijan and Central Asian states have become alternatives for EU.

European identity is an identity constructed everyday within the lives of Europeans. The emergence of this identity can be traced back to the 1970s when it was first introduced in the Copenhagen Declaration on European Identity (1973). The identity has changed a lot with each enlargement of the EU. It has enriched and evolved. But its construction has not been completed, as it is a process with no end. The EU has faced many crises and one of them that challenges identity is migration. It is a test for the EU, its identity, way of life, and values. This chapter analyses if migration is a threat to EU identity, how it became a challenge, and how the actors respond to this challenge. To find out how it became a challenge and how the actors, especially the Visegrad States' political leaders, respond to this challenge, the discourses of political actors are evaluated.

Nowadays, the environment has become a global phenomenon. The main reason for this is the environmental problems. Therefore, solving these problems requires international cooperation. Environmental governance implies that states, international institutions, supra-national institutions, and societies act together in the solution of environmental problems within the framework of international cooperation. The European Union is a global power and actor with many states. Therefore, it is an effective actor in the search for solutions to environmental problems. The European Union's environmental attitude and regulations have national, regional, and international importance. This chapter evaluates the importance of the European Union for environmental governance within the framework of environmental action programs. In this context, environmental action programs will be examined in terms of environmental governance regarding formal and informal reports.

The European Union (EU), United States (US), and China are the main global drivers of the international trade system. However, trade wars between them create tensions in the world. As the world is facing increasing neo-protectionist trade applications of the Trump administration, this chapter analyses whether a greater convergence between China and the EU is possible for protecting multilateralism through two case studies, namely (1) market conditions and discrimination, (2) cybersecurity. In this context, the chapter argues that although the US pressure has led the EU to rapprochement with China, this situation creates a dilemma for the EU in terms of the fears about the problems of alignment with the normative identity of the EU. Whereas the EU aims at regulating the global trade on a normative basis originating from its acquis, China has a more strategic perspective based upon specific relationship context. It is difficult to take a side for the EU due to its different standpoint compared to China in defending the multilateral trading system.

Ukraine's efforts to unite the EU since it gained independence caused some splits in the heterogeneous Ukrainian society.They induced discontent within the Russian Federation as well; because Russia considers itself the inheritor of the former United Soviet Socialist Republic. When Ukrainian President Yanukovych announced that the partnership treaty with the EU was suspended just before the due date for signing, a crisis broke out in Ukraine. Consequently, Yanukovych left the country. Russia reacted to the situation by invading Crimea. Moreover, the EU's Ukraine policy was not clear enough. The main objective of this study is to reveal if Russia was hindering Ukraine's integration to the EU or it was the motive for the process. There are different points of view on that matter. In this chapter, those points will be analyzed under the following subtitles: "Russian Politics of Ukraine", "EU-Ukraine Relations", and "EU-Russia Relations."

The Schengen Area is one of the most remarkable developments of EU integration, signifying supranationalization in a field where national sovereignty is rigorously protected. However, following the migration crisis and the escalation of terrorist attacks in 2015, some member states reintroduced border controls within the area. By 2018, they have exceeded the time limits set by EU law. The Commission called for amendment instead of compliance from member states. This chapter demonstrates recent developments in the field of internal border controls in the Schengen Area with respect to European integration and its future. By inquiring member states' actions and EU institutions' reactions in the context of EU law, it sheds light on whether "Europe without borders" has become an accomplishment of the past. Evaluated in relation to integration models in EU literature and future scenarios for the EU presented by the Commission in 2017, the findings suggest that internal border controls will continue in the course of deepening, despite their contradictory effect.

This chapter deals with the adventure of Turkish workers' upcoming 60th year in the Europe and EU's cooperation with Turkey at the wave of immigration based on civil war in Syria to Europe, in accordance with the immigration policy of the European Union. In this context, the question of how the European Union's human rights and freedoms-based rhetoric and its practices on the basis of protectionist border policy are conforming will be answered. In this study, literature review and resource collection are used by evaluating the available resources. As a result, the European Union's human rights and freedom-based rhetoric against the threat of disrupting its own order and welfare is only consistent with the integration of qualified migrants who will provide the workforce that is compatible and in need. However, a rising, prejudiced phenomenon reaching Islamophobia and xenophobia emerged at the social and political framework that is against the immigrants who cannot achieve cultural integration.

Media pluralism is one of the basic principles of EU media policies, which enables the protection of cultural diversity and the representation of different voices in the media. One aim of media pluralism is to provide a cultural flow between all member and candidate countries that make up the Union, giving right of representation to each component, while the other is to ensure that the different voices in the countries are heard. However, this economy-centered audio-visual policy, which is based on the free circulation of television broadcasts within the Union, has been criticized for increasing the commercialization, not supporting public service broadcasting enough, and for being inadequate against the concentration in the sector. This chapter examines steps taken when reviewing the legislation on media pluralism in the EU and the reflection of Turkey's media policies and media pluralism in the application of these policies.

Preface

The starting point of the successful history of the EU was the speech of French Foreign Minister Robert Schuman on May 9, 1950. In his speech, Schuman presented a plan to link coal and steel production to the joint authority of the defense industry of France and Germany, which faced in the Second World War. Then Belgium, Italy, Luxembourg, the Netherlands, Germany and France established the European Coal and Steel Community (ECSC) in 1951. In this way, the roots of the EU were formed to end the frequent and bloody wars among EU neighbors.

In 1957, the six member states agreed to constitute an economic community based on the free movement of labor, goods and services among the members of the community. Thus, the Treaty of Rome aimed to form economic unification in coal and steel as well as in other sectors. The goal of the EEC (European Economic Community) was to establish a common market in which goods, labor, services and capital moved freely, and ultimately to achieve political unity. European Economic Community and the European Atomic Energy Community (EURATOM) was established in parallel with the Treaty of Rome. The aforementioned communities came into force on 1 January 1958. The aim of the Community was to coordinate the research programs of the member states in order to ensure the peaceful and safe use of the nuclear energy.

As a result of the Fusion Treaty signed by the founding members in 1965, a single Council, Commission and Parliament were established for the three communities known as the European Communities (the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community), the budgets have merged and the term of "European Communities" was introduced.

The customs duties regarding the finished goods were abolished on July 1, 1968 within the Community. The success of the Six led the United Kingdom, Denmark and Ireland to apply for Community membership. In 1973 the first enlargement called "North Extension" took place with the new members Denmark, Great Britain and Ireland. Then, in 1979, the European Monetary System (EMS) was created, based on a European currency unit. Furthermore, the direct election of the European Parliament took place for the first time in the same year. The so-called southern enlargement of the European Community took place in two stages: Greece joined it in 1981, while Spain and Portugal in 1986.

With the Single European Act in 1987, a major change was made to the "Treaties of Rome". The Single European Act was meant to ensure the gradual completion of the single market by 1992. It renewed the tasks, powers and decision-making structures of the European Community. With the establishment of the Single Market on 1 January 1993, the free movement of goods, capital, services and people between the 12 Member States was fully ensured.

The Maastricht Treaty (European Union Treaty), signed on 7 February 1992 and entered into force on 1st of November 1993, was a profound change to the Treaties of the European Community. The Maastricht Treaty can be seen as a major step in the European integration and has provided the crucial framework for the existing EU and for the further development of the EU. The Maastricht Treaty promotes a harmonious and balanced development of economic activities, a sustainable inflation-free growth and underlines the importance of environmental protection. It aims to bring the member countries' economies closer to each other in harmony and to create a stronger Union for European citizens.

The European Economic Community has been extended by adding the political dimension. The Maastricht Treaty included the establishment of a Common Foreign and Security Policy (CFSP) and the creation of a European citizenship. It also agreed on the establishment of full Economic and Monetary Union and the introduction of a single currency for 1999.

In 1995, Austria, Finland and Sweden joined the EU and the EU had 15 Member States. A new reform was introduced in 1998 with the Treaty of Amsterdam, which particularly integrates the free movement of persons and controls at the external borders ("Schengen Agreement"), asylum law and immigration into EU law. On 1st of January 2002, some of Member States introduced the euro.

With the Treaty of Nice, which entered into force in 2003, the EU should be institutionally prepared for the forthcoming enlargement to the states of Southern, Central and Eastern Europe. On 1st of May 2004, the largest enlargement wave in the history of the European Union took place and 10 new countries (the Czech Republic, Estonia, South Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia) joined the European Union. In 2007, with the accession of Bulgaria and Romania, the number of the EU members rose to 27. The number of the EU member states reached 28 with the accession of Croatia in 2013.

The Treaty establishing a Constitution for Europe was an international treaty. It was signed in 2004 and intended to reform the political system of the European Union. In particular, it should give the European Union a single structure and legal personality and replace the existing basic treaties (notably the EU, EC and EURATOM Treaties); the previous formal division into EU and EC should be dropped. Compared to the existing Treaty of Nice, the EU should be given additional powers and its institutional structure should be changed in order to make it more democratic and able to act. The draft of an EU Constitutional Treaty was issued in 2003 by a European Convention and it was ceremoniously signed by the heads of state and government of the EU Member States in Rome, on 29 October 2004. Initially, it was meant to enter into force on November 1, 2006. However, due to the negative referendums in 2005 in the Netherlands and France, not all Member States ratified the Treaty, so the Treaty did not gain legal force. Instead, in December 2007, the European Heads of States and Governments created the Lisbon Treaty under the Portuguese Presidency, which came into force on 1 December 2009.

The last important step in the deepening the process of the European Union was the Lisbon Treaty, which was signed in 2007 and entered into force in 2009. With this treaty, the objective was to eliminate the bottlenecks in the EU's decision-making mechanisms and to make the Union more democratic and effective. In line with this objective, comprehensive amendments were made and the Treaty establishing the European Community was renamed the Treaty on the Functioning of the European Union.

In 2016, the people of Britain spoke out in favor of leaving the EU in a referendum. Following the planned EU exit of Britain, the EU will have 27 Member States.

Since its establishment, the European Union has developed an economic common market among all its members. As of 2015, nineteen members of the Union within the so-called euro zone are using the common currency, the Euro. With a nominal gross domestic product (GDP) of 15.3 trillion euros (as of 2017), the EU is the largest single market in the world, generating a total of around one quarter of global GDP. However, per capita income varies widely across countries and is usually significantly higher in Northern and Western Europe than in the Southern and Eastern Member States. The highest value was reached in 2016 in Luxembourg - 92,900 euros and the lowest in Bulgaria - 6,600 dollars.

As the single market of 28 countries, the EU is a major global trade powerhouse. The EU's economic policies focus on job creation and growth through smarter use of financial resources, removing barriers to investment and increasing the visibility of investment projects and their technical support.

More than 64% of the total EU trade is within the Member States. Although the EU's share in the world population is only 6.9%, trade volume between the EU and the rest of the world accounts for about 15.6% of the global trade volume. So, the EU, along with the United States and China, is one of the top three world players in the international trade. The EU countries accounted for the second largest share of global imports and exports of goods in 2016. Their exports accounted for 15.6% of the total exports worldwide.

A chapter on social policy was already included in the original version of the EC Treaty of 1957, at French request. In 1961, under the umbrella of the Council of Europe, the Social Charter of Turin was adopted, which granted the workers extensive social protection rights. Furthermore, socio-political activities have widened within the framework of the community since the 1970s. In particular, numerous guidelines on occupational safety and social protection have been issued. In the 1980s, however, under the influence of British Prime Minister Margaret Thatcher, it came to a far-reaching social stagnation. At the same time, the then Commission President Jacques Delors explicitly put the need for a European Union social policy on the agenda. Therefore, in 1989, the Community Charter of the Fundamental Social Rights of Workers was adopted, which builds on the Turin Agreement and extends and further clarifies its fundamental rights. Particular emphasis was put on the protection of the rights of certain categories of workers (women, young people, the elderly and the disabled).

Also included in the Treaty of Maastricht 1992 Social Protocol, which expanded the relevant powers of the EU, it fell in the time of Delors. First of all, it was not valid for Great Britain due to national reservations (regulatory considerations). It was integrated into the EC Treaty with the Treaty of Amsterdam in 1997. Today, the matter is governed by Articles 151-161 of the Treaty on the Functioning of the European Union (TFEU). Social policy thus belongs to the supranational designed so-called first pillar of the EU. Finally, in 2000, the European Council in Nice and Lisbon drew up social policy guidelines in the form of the European Social Agenda. According to this, the EU should have more and better jobs and better social cohesion by 2010. In this context, the European Trade Union Confederation demands that social rights should be secured by a so-called social progress clause.

The EU has experienced serious economic, institutional and political crises such as ERM crisis, sovereign debt crisis and Brexit, during the enlargement process, and still had critical problems on the front burner. However, the EU has implemented considerable institutional, economic and social improvements during the unification process in spite of all the problems and it became the largest union in the world and significant actor in the global economy. In this context, the book investigated the social, institutional and economic development in the European Union from a multidisciplinary perspective and evaluated to make a significant contribution to the relevant literature.

Yilmaz Bayar
Usak University, Turkey

Naib Alakbarov
Usak University, Turkey

Chapter 1
Are IMF Stabilization Programs in the European Union Disastrous?
From the Maastricht Treaty up to Recent Bailouts

Pantelis C. Kostis
National and Kapodistrian University of Athens, Greece

ABSTRACT

This chapter examines the effectiveness of Stabilizing Programs in the European Union for the time period from the Maastricht Treaty in 1993 to 2013 (the recent bailouts of Greece, Ireland, and Portugal). A binary logistic model is used which specifies binomial as the distribution and logit as the link function, using an unbalanced panel of annual data. Two main conclusions emerge: a) the probabilities of an economic recession, a high debt to GDP ratio, and a high current account deficit to GDP ratio, are greater when a Stabilization Program is adopted than without one, and b) a Stabilization Program has a negative short-run effect on the GDP growth rate, as well as negative long-run effects (8 years after the adoption) on the debt to GDP ratio and the current account deficit to GDP ratio.

INTRODUCTION

Economic crises and economic instability in the European Union (EU) has always been a crucial issue to be resolved (Baldwin et al. 2010; Dadush et al. 2010). Dealing with the debt crisis in European economies beyond any peculiarities that presents at a national level, it depends mainly on the common economic policy followed. Significant fiscal adjustments have been achieved in the past in several European countries (Alcidi and Gros 2010), but there are doubts about whether a harsh austerity program can stabilize the public debt (Wyplosz 2010). A Stabilization Program (SP) is expected to reduce the rate of growth of nominal GDP, worsening the conditions of external debt. This expectation raises the

DOI: 10.4018/978-1-7998-1188-6.ch001

question of whether debt and deficits should be cut using austerity programs, or to pursue expansionary fiscal policy by applying Keynesian models.

Since 1993 (the establishment of the Maastricht Treaty), many programs have occurred in EU member states by the International Monetary Fund and more recently by the Troika. During the period from 1993 up to the outbreak of the debt crisis in 2008, the SPs were small, short-lasting, and effective. However, from 2008 up to 2013 bailout programs are developed, being much larger, long-lasting and less successful (e.g., the case of Greece) than the previous.

In this chapter, the short-, medium- and long-run effects of IMF SPs are investigated, on three objectives that represent the economic performance of the economies; the growth rate, the debt to GDP ratio and the current account deficit to GDP ratio. The analysis regards the European Union for the period from the Maastricht Treaty on 1993 up to 2013 (the recent bailouts of Greece, Ireland, and Portugal).

The contribution of the chapter to the literature of the effectiveness of SPs lies, in the first place, in that it investigates the effects of the adoption of SPs in three objectives that describe in a general perspective the economic performance of the economies. Furthermore, the chapter evaluates the effectiveness of the programs not only at a few finite time points after the program period but over the entire time horizon to capture the short as well as the long-run impact of the programs. Finally, through the methodology employed and the period under consideration, the chapter estimates the probabilities of a negative development on the three objectives with and without a SP.

The order of the chapter is as follows. Firstly, there is a literature review on the implementation of SPs and an evaluation of their effectiveness. Secondly, the data used are described as well as the methodology employed and the empirical model. Then the empirical work and the discussion of the results are presented. Finally, the chapter ends by giving the conclusion of the overall analysis.

THEORETICAL BACKGROUND

The International Monetary Fund (IMF) has always had a unique position within the “global financial safety net”, i.e., the set of institutions and mechanisms that provide financial support to countries to prevent or dampen financial crises (Essers and Ide 2019). The IMF has always had a significant presence in Europe too (see Table 1 presented in the next section), but most of its international role has upgraded after its participation in the bailouts of Greece, Portugal, and Ireland. Actually, after 2008 IMF conducts SPs in cooperation with EU (in October 2008 Hungary requested a Stand-By Arrangement (SBA) first joint EU/IMF-program, a precedent for programs that followed in Latvia on December 2008 and in Romania in March 2009) (IMF 2008; IMF 2009; IMF 2011; Seitz and Jost 2012). More recently, a new mechanism, the Troika (IMF together with the European Commission and the European Central Bank), was developed. It was involved in the rescue actions of the European Union to fight the sovereign debt crisis in several European countries, elaborating their economic adjustment programs and closely monitoring their progress (Greece, Ireland, and Portugal).

As Kostis et al. (2016) point out, most European countries have faced—and many still face—big problems since the outbreak of the recent economic crisis. However, among the countries that implemented consolidation programs, considerable differences exist concerning the causes of the crisis. For instance, the main reasons for the outbreak of the crisis in Greece were its fiscal problem, its problematic banking sector, the balance of payments deficit, and lack of competitiveness. Ireland became involved in the crisis due to the difficulties in its housing market, its high private debt, and the significant increase in public debt resulting from the rescue of its public sector. The crisis in Portugal resulted mainly from a lack of competitiveness there, as well as the large fiscal deficit and high private and public debt. The cause of the crisis in Cyprus was the excessive size of its financial sector. Last, the roots of the crisis in the Baltic states (Estonia, Latvia, and Lithuania) were rapid credit growth, excessive capital inflows, significant net foreign liabilities, property booms, and increasing wage and price inflation. However, although the countries described above achieved similar development in their key macroeconomic variables before the outbreak of the crisis, they subsequently followed divergent paths due to the different degrees to which the crisis impacted them and the varying degrees of effectiveness of the IMF programs.

For instance, trying to compare the Greek and the Irish economies, we conclude that Ireland focused on a rapid consolidation of its financial problems, with the aim of restarting growth, while Greece, although aided by the growth realized up to 2008, had more enormous debts and deficits than Ireland and was forced into a harsh adjustment that negatively affected GDP. Greece and Ireland represent two opposite extremes in terms of adjustment level. In the case of Ireland, the markets responded rapidly and well, due to the recovery observed since 2011, and the exit of official sources of financing from December 2013. In contrast, Greece, despite the funding and the "haircut" dealt with bondholders, faced a shrinking of its economy and a significant increase in unemployment. Greece thus remains far from exiting the crisis.

Concerning the Portuguese crisis, it resembles the Greek crisis more than any other of the EU programming countries. However, the Portuguese economy can be considered a successful example of austerity program implementation because Portugal implemented and completed the economic adjustment program. The Portuguese had no choice but to seek financing assistance from abroad when markets closed their access. The most significant difference between Greece and Portugal concerns how the crisis, from a political and social perspective, was addressed. In Greece, there was no consensus within the political system, which in any case was not open to citizens. In Portugal, there was stability because society did not punish politicians and accepted the political system. Unanimity existed within the political system, and this provided both the markets and the European institutions with a sense of security. Thus, despite an awkward situation, Portugal's society and the political system responded to the crisis. Other differences between Greece and Portugal are that Greece had remission of its debt that Portugal did not, Greece is now implementing its third financing program while Portugal had only one, the vast gap in the financing received by the two countries, and that Portugal had two prime ministers during the crisis versus six for Greece. These differences reflect the high volatility, insecurity, and anxiety faced by investors, markets, institutions, and the EU.

The implementation of the new financial assistance programs in the Eurozone is different in terms of size, duration and shape compared to earlier IMF programs: they are much larger and longer-lasting than previous programs (Pissani-Ferry et al. 2013). De Resende and Takaji (2018) argue that the IMF supported programs following the 2008 global financial crisis, were more extensive in the amount on average by more than three percentage points of GDP. Eurozone programs are 15% larger concerning each country's GDP, and 2.4 years longer than previous IMF programs. The average length of the IMF's programs between 2003 and 2012 was three years, while the average length of the whole non-precautionary subset (1993-2012) is one year (Pissani-Ferry et al. 2013).

Academic literature defines SP effectiveness as the difference between the actual macroeconomic performance observed under the program and the hypothetical performance that would have occurred if the program had not been implemented. There are many different approaches in the literature, estimating program effectiveness (Haque and Khan 1998): a) the "before-after" approach, b) the "with-without" or "control-group" approach, c) the generalized evaluation estimation approach, d) the instrumental variable approach, and e) actual versus targets approach.

The "before-after" approach compares macroeconomic performance before the program with the performance after the program (Reichman and Stillson 1978; Connors 1979; Killick 1984; Zulu and Nsouli 1985; Pastor 1987; Killick et al. 1995; Schadler et al. 1993). The definition of the program effect is the change in the measure of macroeconomic performance between the two periods. The main negative issue, regarding this approach, is that it presupposes that the economic environment of the country under consideration remains unchanged.

The "with-without" or "control-group" approach compares macroeconomic performance between non-program countries and program countries (Donovan 1981; Donovan 1982; Loxley 1984; Gylfason 1987). The program effect is the difference in the performance between the two groups. However, this approach may provide unbiased estimates in the case where members in both groups are drawn randomly from the same population.

The "generalized evaluation estimation" approach, attempts to correct bias that is caused by the non-random selection of program countries (Goldstein and Montiel 1986; Khan 1990; Conway 1994; Bagci and Perraudin 1997; Dicks-Mireaux et al. 1997) including the framework of the two previous approaches (single equation method with the substitution of one equation into another).

The "instrument variable" approach, attempts to cope with the selectivity bias problem, using the instrument-variable technique (Khan and Knight 1981; Khan and Knight 1985; Barro and Lee 2002), using political and institutional variables that do not influence economic performance.

The "actual versus targets" approach compares actual performance under the program with the objectives specified in the program (Reichmann 1978; Zulu and Nsouli 1985).

The impact of participation in SPs on the developing country's economic performance has been studied previously in the empirical literature (Khan 1990; Bird 1994; Conway 1994; Killick 1995; Fischer 1997). There is a discussion on the possible negative impact of IMF conditionality on countries' willingness to ask for an IMF program – often termed "IMF stigma" (Denbee et al. 2016; Andone et al. 2019). Andone et al. (2019) state that a country is less likely to approach the IMF if, in the past, it experienced an above average number of disbursement-relevant conditions. Evrensel (2002) concludes that IMF cannot impose its conditionality even during program years and that when successive inter-program periods are considered, program countries enter a new program in a worse macroeconomic condition than they entered the previous program. Echenique and Forteza (2000) find that even though programs are associated with output booms, there is no evidence that SPs caused these booms. Hutchison (2001) finds that output growth is lower during IMF-SPs, but it appears that growth generally slows before the implementation of the program.

Furthermore, IMF supported programs may have significant effects on other aspects of the economics, like in the labor unions (Reinsberg et al. 2019), employment (Lang 2016), inequality (Forster et al. 2019), and government spending (Rickard and Caraway 2019). There is a perception that IMF programs are not catalytic and instead associated with large capital outflows, higher refinancing costs for sovereigns and adverse movements in stock markets (Scheubel et al. 2018). This fact has led to concerns that an expectation of adverse effects of IMF programs may deter countries from asking for an IMF program when they need one, a form of "IMF stigma".

However, as Balima and Amadou (2019) state, IMF supported programs significantly reduce the likelihood of subsequent sovereign defaults. Papi et al. (2015), conclude that countries which signed IMF-supported programs are less likely to experience a banking crisis. Besides, Bird and Rowlands

(2017) argue that IMF programs have a generally positive effect on economic growth for up to two years after the program.

ANALYSING THE IMF STABILIZATION PROGRAM EFFECTS IN THE EU

The Data

The empirical analysis is based on an unbalanced panel of the 27 European Union member states, using annual data from 1993 to 2013.

Firstly, as a dependent variable, the Gross Domestic Program (GDP) growth rate is used, as it is reported by the World Economic Outlook (WEO) of the International Monetary Fund (IMF 2013). According to WEO (IMF 2013), it is the annual percentages of constant price GDP (year-on-year changes); the base year is country-specific. We transform these data to a binary variable, which takes the value of one when the economy of the country is on a recession (GDP growth rate less than or equal to zero), and the value of zero when the economy is on economic growth (GDP growth rate more than zero - positive).

Secondly, as a dependent variable, the general government gross debt as a GDP percentage is used, as it is reported by the World Economic Outlook of the International Monetary Fund (IMF 2013). According to WEO (IMF 2013), gross debt consists of all liabilities that require payment or payments of interest and/ or principal by the debtor to the creditor at a date or dates in the future. This definition includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions, and standardized guarantee schemes, and other accounts payable. As above, a transformation of the data to a binary variable i is realized, which takes the value of one when the economy of the country is on debt as a percentage of GDP over or equal to 60%, and the value of zero when the economy has a debt to GDP ratio less 60%. The target of 60% debt to GDP ratio is imposed to European Union member states as well as to Eurozone members from 1997, and with some changes since 2005 (Stability and Growth Pact - SGP). It is the indicative threshold imposed by the European Commission (2012a) on MIP scoreboards of the Alert Mechanism Report (2013).

As a third dependent variable, the current account deficit as a GDP percentage is used, as it is reported by the World Economic Outlook of the International Monetary Fund (April 2013). According to WEO (IMF 2013), the current account is all transactions other than those in financial and capital items. The major classifications are goods and services, income, and current transfers. The focus of the BOP is on transactions (between an economy and the rest of the world) in goods, services, and income. Again, the data for the deficit are transformed to a binary variable, which takes the value of one when the economy of the country is on a current account deficit as a percentage of GDP over or equal to 3%, and the value of zero when the economy has a current account deficit to GDP ratio less 3% or if it has a surplus. European Commission (2012b) in its MIP scoreboards mentions the indicative threshold of 4% (up to -6%) for the current account deficit. However, a threshold of 3% is used since the average current account deficit for the EU member states during the period 2001-2011 was 2,54%, using the data from the scoreboards. Thus, the threshold of 3% is a feasible objective which is included in the threshold of the European Commission.

The transactions with the IMF are used to obtain the main independent variable of interest, which is the existence of a SP. IMF reports all transactions with the EU Member States and is present in all interventions, even alone (interventions form 1993 up to 2010) either through Troika (interventions after

2010) (Table 1). It is measured through a dummy variable which takes the value one if a SP was agreed on and zero if there was not a SP agreement (Jorra 2010). In that way, twelve more binary variables are constructed, which represent the existence of a SP in the last year, at least one of the last two years, and so on up to the presence of a SP in at least one of the last twelve years.

All types of interventions are used, ie. Stand-by Arrangements (SBA), Extended Fund Facility (EFF), Structural Adjustment Facility (SAF) and the Poverty Reduction and Growth Facility (PRGF), despite the fact that the latter two (SAF and PRGF) are targeted at low-income countries with little access to private capital markets, and qualify more as development assistance than as intervention in terms of the theoretical arguments laid out above (Barro and Lee 2005). In that way all sizes of programs are used,

Table 1. Years of SPs by member state of the EU-27 on the period under analysis (1993-2013)

Country	Number of years on a SP	Periods on a SP
Austria	0	-
Belgium	1	2003
Bulgaria	15	1993-2007
Cyprus	0	-
Czech Republic	2	1993-1994
Denmark	0	-
Estonia	10	1993-2002
Finland	0	-
France	0	-
Germany	0	-
Greece	4	2010-2013
Hungary	12	1993-1998, 2008-2013
Ireland	3	2011-2013
Italy	0	-
Latvia	18	1993-2004, 2008-2013
Lithuania	13	1993-2005
Luxembourg	0	-
Malta	0	-
Netherlands	0	-
Poland	3	1993-1995
Portugal	3	2011-2013
Romania	20	1993-2007, 2009-2013
Slovak Republic	8	1993-2000
Slovenia	5	1993-1997
Spain	0	-
Sweden	0	-
Un. Kingdom	0	-

thus not taking a position in the discussion whether large programs may be particularly successful -effectiveness of interventions increases with their size-, or not (Dreher and Vaubel 2004).

Table 2 presents the descriptive statistics, and Table 3 shows a frequency conditional for the variables used.

The Methodology Employed

The methodology followed in the analysis uses a generalized linear model which expands the general linear model so that the dependent variable is linearly related to the factors and covariates via a specified link function. Moreover, the model allows for the dependent variable to have a non-normal distribution. Thus a binary logistic model is used which defines binomial as the distribution and logit as the link

Table 2. Descriptive statistics

	N	Mean	Std. Error of Mean	Std. Deviation	Variance	Min	Max
Recession or Growth	567	0.168	0.016	0.374	0.140	0	1
Gross Debt over 60% of GDP	567	0.377	0.020	0.485	0.235	0	1
Current Account Deficit over 3% of GDP	567	0.382	0.020	0.486	0.237	0	1
SP in the current year	567	0.206	0.017	0.405	0.164	0	1
SP in the last year	567	0.225	0.017	0.418	0.175	0	1
SP in at least one of the last two years	567	0.243	0.018	0.429	0.184	0	1
SP in at least one of the last three years	567	0.261	0.018	0.440	0.193	0	1
SP in at least one of the last four years	567	0.277	0.018	0.447	0.201	0	1
SP in at least one of the last five years	567	0.293	0.019	0.455	0.207	0	1
SP in at least one of the last six years	567	0.306	0.019	0.461	0.213	0	1
SP in at least one of the last seven years	567	0.322	0.019	0.467	0.219	0	1
SP in at least one of the last eight years	567	0.336	0.019	0.473	0.224	0	1
SP in at least one of the last nine years	567	0.349	0.020	0.477	0.228	0	1
SP in at least one of the last ten years	567	0.359	0.020	0.480	0.231	0	1
SP in at least one of the last eleven years	567	0.368	0.020	0.482	0.233	0	1
SP in at least one of the last twelve years	567	0.375	0.020	0.484	0.235	0	1

Table 3. Frequency conditional

	Frequency (%)	
	Recession	Growth
Recession or Growth	16.8%	83.2%
	Yes	No
Gross Debt over 60% of GDP	37.7%	62.3%
	Yes	No
Current Account Deficit over 3% of GDP	38.3%	61.7%
	No	Yes
SP in the current year	79.4%	20.6%
SP in the last year	77.4%	22.6%
SP in at least one of the last two years	75.7%	24.3%
SP in at least one of the last three years	73.9%	26.1%
SP in at least one of the last four years	72.3%	27.3%
SP in at least one of the last five years	70.7%	29.3%
SP in at least one of the last six years	69.3%	30.7%
SP in at least one of the last seven years	67.7%	32.3%
SP in at least one of the last eight years	66.3%	33.7%
SP in at least one of the last nine years	65.1%	34.9%
SP in at least one of the last ten years	64.0%	36.0%
SP in at least one of the last eleven years	63.1%	36.9%
SP in at least one of the last twelve years	62.4%	37.6%

function. A binomial distribution is appropriate only for variables that represent a binary response or number of events.

The analysis follows Kohlscheen (2009), Celasun and Harms (2010) and Jorra (2010) in using a logistic framework for the baseline estimations employing dummy variables to indicate GDP growth, the debt to GDP ratio, the current account deficit to GDP ratio and the SP interventions. The authors above, in their models, use a pooled probit framework, however, according to Rajulton (2011) the logit and probit models are almost identical, and the choice of the model is arbitrary, although logit model has certain advantages (simplicity and ease of interpretation).

Taking into account the statistical properties of the available discrete choice models, the analysis concludes that the logistic framework best serves the analysis' needs, since the independent variable cannot be different from a binary while the intensity is to estimate the probabilities that the one or the other case of the independent variable will have on the depended variables that are used. The choice set exhibits the appropriate characteristics of mutual exclusiveness, exhaustiveness, and finiteness as defined in the literature. The model is estimated by maximum likelihood (ML), assuming independence across observations.

As dependent variables, three objectives that represent in a general perspective the economic performance of the economies and the effectiveness of the SPs or not, are used. In that way, the methodology employed differs from other models in the literature in using a standard independent variable in all cases and testing its effects in the various depended variables used.

As shown on the data presentation section, in a first place, as depended variable the Gross Domestic Program (GDP) growth rate is used, transforming these data in a binary variable, which takes the value of one when the economy of the country is on a recession and 0 when the economy is on economic growth. Secondly, the general government gross debt as a percentage of GDP is used, transforming these data in a binary variable which takes the value of one when the economy of the country has a debt to GDP ratio over 60% and zero when the economy has a debt to GDP ratio less or equal to 60%. Lastly, the current deficit as a percentage of GDP is used, transforming the data to a binary variable, which takes the value of one when the economy of the country is on a current account deficit as a percentage of GDP over 3%, and the value of zero when the economy has a deficit to GDP ratio less or equal to 3%.

The primary independent variable of interest -the existence of a SP- is measured as a dummy variable which takes the value zero if no SP was agreed and the value one if a SP was approved. For the case that a program was agreed a kind of simulation is made checking for the effects of the SPs in the long run. Thus, more independent variables are constructed which take the value of one if a SP was agreed the current year, the last year, at least in one of the last two years, and so on up to at least in one of the last twelve years. The focus is on all kind of program arrangements -on Stand-by Arrangements, Extended Fund Facility, Flexible Credit Line, Precautionary and Liquidity Line Arrangements and Poverty Reduction and Growth Trust.

Since the conditions that typically accompany these programs are contractionary in the short-term, the initial impact of these conditions on economic performance is negative. In the long-term, however, the program conditions could lead to more positive developments, if the SP leads to a higher sustainable growth path. Therefore, it is exciting and valuable to evaluate the effectiveness of the SP not at a few finite time points after the program period, but over the entire time horizon to capture the short as well as the long-run impact of the program. For each case, the adoption of a SP is measured over a twelve-year window to account for both the direct and arguably fast working effect of liquidity provision and the more time-consuming effects that influence the probabilities of each case through changes in incentives and policy conduct.

An obvious objection against the above approach points to the endogenous nature of IMF programs. As they are partly designed to avert various forms of macroeconomic crises, the finding of a positive association between IMF interventions and sovereign risk could reflect causality running from the latter to the former. The analysis tries to mitigate this problem by the use of lagged IMF intervention dummies. The bivariate logistic model explicitly specifies the endogenous nature of the binary regressor of interest in a simultaneous equations context (Jorra 2011).

The bivariate probit model explicitly specifies the endogenous nature of the binary regressor of interest in a simultaneous equations context. Let R_i denote the dummy variables indicating an economic recession, Db_i a debt to GDP ratio over 60%, Df_i a current account deficit to GDP ratio over 3% and S_i the adoption of a SP.

For the case of searching for the probability of recession:

$R_i = 1$, if there is economic recession, or $R_i = 0$, otherwiseWhere R_i is a realization of a random variable S_i that can take the values one and zero with probabilities π_i and $1-\pi_i$, respectively. The distribution of S_i is called a Bernoulli distribution with parameter π_i and can be written in compact form as:

$$P\left(S_i = R_i\right) = \pi_i R_i \left(1-\pi_i\right)^{1-R_i}$$

for $R_i = 0,1$. Note that if $R_i = 1$, π_i is obtained and if $R_i = 0$, $1-\pi_i$ is obtained.

For the case of searching for the probability of debt over 60% of GDP:

$Db_i = 1$, if debt to GDP ratio is over 60%, or $Db_i = 0$, otherwise

Db_i is a realization of a random variable S_i that can take the values one and zero with probabilities π_i and $1-\pi_i$, respectively. The distribution of S_i can be written in compact form as:

$$P\left(S_i = Db_i\right) = \pi_i Db_i \left(1-\pi_i\right)^{1-Db_i}$$

for $Db_i = 0,1$. Note that if $Db_i = 1$, π_i is obtained and if $Db_i = 0$, $1-\pi_i$ is obtained.

Lastly, for the case of searching for the probability of a current account deficit over 3% of GDP:

$Df_i = 1$, if deficit to GDP ratio is over 3%, or $Df_i = 0$, otherwise

Df_i is a realization of a random variable S_i that can take the values one and zero with probabilities π_i and $1-\pi_i$, respectively. The distribution of Si can be written in compact form as:

$$P\left(S_i = Df_i\right) = \pi_i Df_i \left(1-\pi_i\right)^{1-Df_i}$$

for $Df_i = 0,1$. Note that if $Df_i = 1$, π_i is obtained and if $Df_i = 0$, $1-\pi_i$ is obtained.

ANALYSING THE EFFECTIVENESS OF IMF STABILIZATION PROGRAMS

Table 4 summarizes the results of the estimation of the logistic model analysis for the case of an economic recession. The coefficients that are given by the maximum likelihood are presented, as well as their X2 and their statistical significance levels. The ML estimators of β, are consistent and asymptotically normally distributed. These coefficients are used to calculate the probabilities of a recession when a SP is adopted in the current year, in the last year, at least one of the last two years, and so on.

The intercepts are statistically significant in all sub-cases, at a 1% significance level. The b coefficients are statistically significant when a SP is agreed in the current year, the last year and at least one of the two, three and four years before. When a SP is agreed in at least one of the five years before or ten years back, the b coefficients are not statistically significant. Meanwhile, it should be noted that the significance for the b coefficients deteriorates as we move from a SP for the current year (statistically significant at 1% level) to a SP in the last four years (statistically significant at 10% level) and to a SP in the last twelve years (no statistically significant).

Following, Table 5 presents the results of the estimation of the logistic model analysis for the case of a general government gross debt to GDP level over 60%. As in the previous case, there are presented the coefficients that are given by the maximum likelihood, as well as their X2 and their statistical significance levels. The ML estimators of b, are consistent and asymptotically normally distributed. In this case, the analysis is done for the sub-cases of a SP up to at least one of the twelve years before.

Table 4. The logistic framework for the case of an economic recession

		Coefficient	X^2	Significance
SP in the current year	intercept	1.065*** (0.211)	25.28	0.000
	b	0.679*** (0.249)	7.38	0.007
SP in the last year	intercept	1.184*** (0.208)	32.18	0.000
	b	0.530** (0.247)	4.60	0.032
SP in at least one of the last two years	intercept	1.239*** (0.204)	36.88	0.000
	b	0.466* (0.243)	3.648	0.056
SP in at least one of the last three years	intercept	1.288*** (0.896)	41.59	0.000
	b	0.407* (0.241)	2.85	0.091
SP in at least one of the last four years	intercept	1.286*** (0.193)	44.04	0.000
	b	0.42* (0.237)	3.13	0.076
SP in at least one of the last five years	intercept	1.356*** (0.192)	49.74	0.000
	b	0.323 (0.236)	1.87	0.171
SP in at least one of the last six years	intercept	1.367*** (0.412)	53.82	0.000
	b	0.314 (0.232)	1.63	0.182
SP in at least one of the last seven years	intercept	1.382*** (0.678)	55.88	0.000
	b	0.298 (0.228)	1.34	0.195
SP in at least one of the last eight years	intercept	1.397*** (0.345)	59.39	0.000
	b	0.276 (0.229)	1.22	0.252
SP in at least one of the last nine years	intercept	1.423*** (0.582)	61.97	0.000
	b	0.237 (0.231)	1.11	0.229
SP in at least one of the last ten years	intercept	1.442*** (0.178)	65.62	0.000
	b	0.217 (0.228)	0.91	0.341
SP in at least one of the last eleven years	intercept	1.458*** (0.286)	1.02	0.000
	b	0.201 (0.226)	0.86	0.325
SP in at least one of the last twelve years	intercept	1.471*** (0.186)	0.97	0.000
	b	0.193 (0.225)	0.84	0.377

Note: Significance level at 1%, 5% and 10% is represented by ***, ** and *, respectively.

In contrast with the previous case, the intercepts are statistically significant in the sub-cases when a SP is adopted in at least one of the eight years before up to in at least one of the twelve years before. Furthermore, it is noted that the statistical significance level is improving as the analysis moves from an intervention in the current year to an intervention twelve years before. Regarding the b coefficients, in this case, they are statistically significant in all sub-cases (almost all at 5% significance level).

The results of the estimation of the logistic model analysis for the case of a current account deficit to GDP level over 3%, are presented in Table 6. As in Tables 4 and 5, there are presented the coefficients that are given by the maximum likelihood, as well as their X2 and their statistical significance levels. The ML estimators of b, are consistent and asymptotically normally distributed. Furthermore, as in the case of the existence of a debt to GDP ratio over 60%, the analysis is taking place for the sub-cases of a SP up to at least one of the twelve years before.

As in the case of debt to GDP ratio over 60%, the intercepts are statistically significant in the sub-cases when a SP is adopted eight years before up to twelve years before. Again, the statistical significance level is improving as we move from an intervention in the current year to intervention in at least one of the twelve years before. Regarding the b coefficients, in this case, they are statistically significant in all sub-cases (from 1% significance level in some sub-cases to 10% significance level in other).

Following, Table 7 presents the probabilities, calculated through the coefficients given in the previous three tables, that an economic recession, a debt to GDP ratio over 60% and a deficit to GDP ratio over 3% will occur, with or without a SP in the current year, in the last year and so on up to at least one of the last twelve years.

For the first case, which is the probability of economic recession with or without a SP, according to the analysis results, the adoption of a SP in the current year increases the probability of a subsequent economic recession by 5,72 times, when without such a program the probability of an economic recession would be 2,90 times. For all sub-cases up to an adaptation of a SP on the last four years, the probability of an economic recession is more significant under a SP than it is without it. However, the difference between the two probabilities is reduced from a program in the current year to a program in the last four years. Furthermore, the effects of such a program are taking place in the first five years of its implementation regarding the target of positive GDP growth rate.

For the second case, which is the probability of debt to GDP ratio over 60% with or without a SP, according to the analysis results, there are no statistically significant results from the adoption of any program in the current year up to the approval of a program in the last seven years. A SP in the last eight years increases the probability of a subsequent debt to GDP ratio over 60% by 1,89 times, when without such a program the probability of debt to GDP ratio over 60% would be 1,27 times. The same direction in the probabilities is present in all sub-cases up to an adaptation of a SP on the last twelve years. However, the difference between the two probabilities is reduced from a program in the last eight years to a program in the last twelve years. Thus, the effects of a SP are taking place eight years after its implementation regarding the target of debt to GDP ratio of less than 60%.

For the third case, which is the probability of a current account deficit to GDP ratio over 3% with or without a SP, the same results are derived as in the previous case. There are no statistically significant results from the adoption of any program in the current year up to the approval of a program in the last seven years. A SP in the last eight years increases the probability of a subsequent deficit to GDP ratio over 3% by 1.83 times, when without such a program the probability of a deficit to GDP ratio over 3% would be 1.27 times. The same direction in the probabilities is present in all sub-cases up to an adaptation of a SP on the last twelve years. However, the difference between the two probabilities is reduced

Table 5. The logistic framework for the case of a gross debt over 60% of GDP

		Coefficient	X^2	Significance
SP in the current year	intercept	0.086 (0.185)	0.214	0.644
	b	0.529** (0.209)	6.351	0.012
SP in the last year	intercept	0.125 (0.177)	0.499	0.480
	b	0.490** (0.203)	5.812	0.016
SP in at least one of the last two years	intercept	0.145 (0.170)	0.723	0.395
	b	0.475** (0.198)	5.738	0.017
SP in at least one of the last three years	intercept	0.163 (0.164)	0.971	0.324
	b	0.463** (0.194)	5.692	0.017
SP in at least one of the last four years	intercept	0.166 (0.160)	1.074	0.300
	b	0.469** (0.190)	6.043	0.014
SP in at least one of the last five years	intercept	0.193 (0.156)	1.537	0.215
	b	0.440** (0.188)	5.49	0.019
SP in at least one of the last six years	intercept	0.208 (0.152)	1.855	0.173
	b	0.429** (0.185)	5.332	0.021
SP in at least one of the last seven years	intercept	0.231 (0.148)	2.399	0.121
	b	0.405** (0.183)	4.864	0.027
SP in at least one of the last eight years	intercept	0.242* (0.145)	2.756	0.097
	b	0.396** (0.181)	4.746	0.029
SP in at least one of the last nine years	intercept	0.244* (0.143)	2.895	0.089
	b	0.401** (0.180)	4.949	0.026
SP in at least one of the last ten years	intercept	0.256* (0.141)	3.998	0.069
	b	0.388** (0.179)	3.973	0.031
SP in at least one of the last eleven years	intercept	0.279** (0.139)	3.29	0.046
	b	0.356** (0.178)	4.67	0.046
SP in at least one of the last twelve years	intercept	0.293** (0.138)	4.480	0.034
	b	0.337* (0.177)	3.590	0.058

Note: Significance level at 1%, 5% and 10% is represented by ***, ** and *, respectively.

Table 6. The logistic framework for the case of a current account deficit over 3% of GDP

		Coefficient	X^2	Significance
SP in the current year	intercept	0.12 (0.185)	0.418	0.518
	b	0.456** (0.209)	4.721	0.030
SP in the last year	intercept	0.125 (0.177)	0.499	0.48
	b	0.460** (0.203)	5.136	0.023
SP in at least one of the last two years	intercept	0.087 (0.170)	0.261	0.610
	b	0.523*** (0.523)	6.976	0.008
SP in at least one of the last three years	intercept	0.081 (0.164)	0.243	0.622
	b	0.545*** (0.193)	7.895	0.005
SP in at least one of the last four years	intercept	0.14 (0.160)	0.769	0.380
	b	0.473** (0.150)	6.171	0.013
SP in at least one of the last five years	intercept	0.193 (0.156)	1.537	0.215
	b	0.408** (0.187)	4.717	0.030
SP in at least one of the last six years	intercept	0.208 (0.152)	1.855	0.173
	b	0.395** (0.185)	4.545	0.033
SP in at least one of the last seven years	intercept	0.231 (0.148)	2.399	0.121
	b	0.370** (0.183)	4.088	0.043
SP in at least one of the last eight years	intercept	0.242* (0.145)	2.756	0.097
	b	0.361** (0.181)	3.966	0.047
SP in at least one of the last nine years	intercept	0.285** (0.143)	3.933	0.047
	b	0.301* (0.180)	2.787	0.095
SP in at least one of the last ten years	intercept	0.276* (0.156)	3.819	0.051
	b	0.319* (0.178)	3.184	0.074
SP in at least one of the last eleven years	intercept	0.279** (0.139)	3.998	0.046
	b	0.319* (0.178)	3.207	0.073
SP in at least one of the last twelve years	intercept	0.293** (0.138)	4.48	0.034
	b	0.3* (0.177)	2.855	0.091

Note: Significance level at 1%, 5% and 10% is represented by ***, ** and *, respectively.

Table 7. Overall probabilities derived for the three cases

		Probability of Economic Recession	Probability of Debt over 60% of GDP	Probability of C.A. Deficit over 3% of GDP
SP in the current year	Without	2.90*	1.09	1.13
	With	5.72*	1.85	1.78
SP in the last year	Without	3.27*	1.13	1.13
	With	5.55*	1.85	1.79
SP in at least one of the last two years	Without	3.45*	1.16	1.09
	With	5.50*	1.86	1.84
SP in at least one of the last three years	Without	3.62*	1.18	1.08
	With	5.45*	1.87	1.87
SP in at least one of the last four years	Without	3.62*	1.18	1.15
	With	5.51*	1.89	1.84
SP in at least one of the last five years	Without	3.88	1.21	1.21
	With	5.36	1.88	1.82
SP in at least one of the last six years	Without	3.92	1.23	1.23
	With	5.35	1.89	1.83
SP in at least one of the last seven years	Without	3.96	1.26	1.26
	With	5.32	1.89	1.82
SP in at least one of the last eight years	Without	4.08	1.27*	1.27*
	With	5.30	1.89*	1.83*
SP in at least one of the last nine years	Without	4.15	1.27*	1.33*
	With	5.27	1.90*	1.80*
SP in at least one of the last ten years	Without	4.23	1.29*	1.32*
	With	5.25	1.90*	1.81*
SP in at least one of the last eleven years	Without	4.28	1.32*	1.32*
	With	5.22	1.89*	1.82*
SP in at least one of the last twelve years	Without	4.35	1.34*	1.34*
	With	5.19	1.87*	1.81*

Note: * represents the sub-cases for which there were derived statistically significant coefficients in less than 10% significance level.

from a program in the last eight years to a program in the last twelve years. Thus, again, the effects of a SP are taking place eight years after its implementation, regarding the target of a current account deficit to GDP ratio less than 3%.

FUTURE RESEARCH DIRECTIONS

Future research may use a corresponding analysis to calculate the effects of SPs, to examine the difference between the effectiveness of the programs adopted before the crisis (implemented only by the IMF) and the effectiveness of the bailout programs adopted after the crisis (performed by the Troika). Furthermore, a corresponding analysis could be used to check for the effects of the programs before and after the creation of the European Monetary Union. Lastly, future research could take a position in the discussion whether large programs may be particularly successful -effectiveness of interventions increases with their size- or not.

CONCLUSION

The present chapter analyzes the short-, medium- and long-run effects of SPs on three objectives that describe in a general perspective the economic performance of the economies. The probabilities of an economic recession are estimated, a high debt-to-GDP ratio and a high current account deficit-to-GDP ratio, with or without the existence of a SP.

Using data from the Maastricht Treaty on 1993 up to 2013, the analysis concludes that the probability of an economic recession is higher with a SP than it is without one. The gap between with and without program probabilities of economic recession decreases as the analysis moves from the short to the medium term. Furthermore, the probability of a negative outcome on the debt to GDP ratio and the current account deficit to GDP ratio, is higher with a SP, than it is without one. In these two cases, the gap between with and without program probabilities of negative outcome decreases as the analysis moves from the medium to the long term.

The evaluation of the effectiveness of the SPs not only at a few finite time points after the program period, but over the entire time horizon to capture the short as well as the long-run impact of the SPs, is of great importance for the analysis. Through this, the chapter concludes that a SP has a negative short-run effect on the GDP growth rate, which may last up to four years after the implementation of the program. Furthermore, SPs have an adverse long-run impact, as it seems to negatively affect the debt to GDP ratio and the current account deficit to GDP ratio eight years after its adoption.

It seems that the IMF Stability Programs in the period 1993 to 2013 in the EU have failed to achieve the objective of stabilizing macroeconomic developments in the economies implemented. When a Stabilization Stage is adopted, a higher probability of destabilizing GDP growth is estimated in the first five years of implementation, and a higher probability of destabilization of debt and current account deficit targets, 8 years after implementation. The fact that these conclusions emerge after a comprehensive study for the EU-27 countries and does not concern each economy separately shows that the same SPs cannot be applied to all economies in the same way (one size fits all). In other words, issues arise in the preparation and the implementation of these programs.

It is crucial for policymakers and economic actors, as well as the EU-27 societies and economies to which the SPs are implemented, to be in a position to shape a more appropriate framework to mitigate any adverse effects from the implementation of the programs. Initially, the burden falls on governments, which should have a clear electoral mandate to implement the SP, as when the policies implemented are autocratic, they have a minimal horizon of success. To this end, governments should carry out organized communication policy efforts to convince citizens about the importance of the SPs, i.e., it is particularly important to explain in detail what are the costs of non-realization of the structural changes that may be required by the program. Furthermore, in this context, there should not occur pluralism and lack of internal coherence among governments, as the production of complex and conflicting messages leads to a failure in the implementation of policies, while the way in which governments are guided by developments (leading role) is crucial so that the implementation of a SP does not end in an unspecified development. Besides, the role of those that design the SPs is vital since they will have to build on the knowledge gained from their experience after serious study of the problem and the impact of the policies implemented. Also, the same SP cannot be applied in all cases, and therefore, proper preparation and a set of specific actions are required. Finally, a successful effort has the characteristic of long-term persistence in its implementation and long-held patience for the results. This is also a vital issue for both politicians and technocrats involved in the design of SPs.

The shortcomings of the present chapter lie on the fact that the results capture the effectiveness of the SPs on the European Union for an entire period of 21 years (1993-2013), not giving special attention to significant developments in the European Union. Such events may be considered the entry of new members, the creation of the European Monetary Union and the adoption of the Euro, and the outbreak of the European debt crisis. Furthermore, it does not pay attention to specific national conditions, estimating the probabilities for the EU as a single entity. Lastly, the chapter may not deal efficiently with the issue of endogeneity. This could be done by the adoption of a large number of macroeconomic control variables.

REFERENCES

Alcidi, C. & Gross, D. (2010). *The European experience with large fiscal adjustments*, VoxEU.org, 28 April.

Andone, I., Scheubel, B., & Once, B. (2019). *New evidence on the link between IMF conditionality and IMF stigma*, ECB Working Paper No. 2262.

Bagci, P., & Perraudin, W. (1997). *Do IMF programs work?* Global Economic Institutions Working Paper.

Baldwin, R., & Gros, D. (2010). The euro in crisis – What to do? In P. Baldwin, D. Gros, & L. Laeven (Eds.), *Completing the Eurozone rescue: What more needs to be done? VoxEU.org Publication* (pp. 1–24).

Balima, W. H., & Amadou, N. R. S. (2019). *The impact of bailouts on the probability of sovereign debt crises: Evidence from IMF-supported programs*, IMF Working Paper, WP/19/2.

Barro, R. J., & Lee, J. W. (2002). *IMF programs: Who is chosen and what are effects?* NBER Working Paper 8951, May.

Barro, R. J., & Lee, J. W. (2005). IMF programs: Who is chosen and what are the effects? *Journal of Monetary Economics*, *52*(7), 1245–1269. doi:10.1016/j.jmoneco.2005.04.003

Bird, G. (1994). The myths and realities of IMF lending. *World Economy*, *15*(5), 759–778. doi:10.1111/j.1467-9701.1994.tb00772.x

Bird, G., & Rowlands, D. (2017). The effect of IMF programmes on economic growth in low income countries: An empirical analysis. *The Journal of Development Studies*, *53*(12), 2179–2196. doi:10.1080/00220388.2017.1279734

Celasun, O., & Harms, P. (2010). Boon or burden? The effect of private sector debt on the risk of sovereign default in developing countries. *Economic Inquiry*, *49*, 1.

Connors, T. (1979). *The apparent effects of recent IMF stabilization programs*, International Finance Discussion Paper 135, Board of Governors of Federal Reserve System, April.

Conway, P. (1994). IMF lending programs: Participation and impact. *Journal of Development Economics*, *45*(December), 365–391. doi:10.1016/0304-3878(94)90038-8

Dadush, U., Aleksashenko, S., Shimelse, A., Eidelman, V., Naim, M., Stancil, B., & Subacchi, P. (2010). *Paradigm Lost: The Euro in Crisis*. Carnegie Endowment for International Peace.

De Resende, C. & Takaji, S. (2018). *Assessing the effectiveness of IMF programs following the global financial crisis: how did it change since the Asian Crisis?* Asian Development Bank Institute, No. 838, April.

Denbee, E., Jung, C., & Paterno, F. (2016). Stitching together the global financial safety net. *Bank of England Financial Stability Papers*, *36*, 2016.

Dicks-Mireaux, L., Mecagni, M., & Schadler, S. (1997). *Evaluating the effect of IMF lending to low-income countries*, IMF unpublished.

Donovan, D. (1981). Real responses associated with exchange-rate action in selected upper credit tranche stabilization programs. *IMF Staff Papers*, *28*(December), 698–727. doi:10.2307/3866817

Donovan, D. (1982). Macroeconomic performance and adjustment under fund-supported programs: the experience of the seventies. *IMF Staff Papers*, *29*(June), 171–203. doi:10.2307/3866850

Dreher, A., & Vaubel, R. (2004). Do IMF and IBRD cause moral hazard and political business cycles? Evidence from panel data. *Open Economies Review*, *15*(1), 5–22. doi:10.1023/B:OPEN.0000009422.66952.4b

Echenique, F., & Forteza, A. (2000, January-June). Are stabilization programs expansionary? *Estudos Economicos*, *15*(1), 65–89.

Essers, D., & Ide, S. (2019). The IMF and precautionary lending: An empirical evaluation of the selectivity and effectiveness of the flexible credit line. *Journal of International Money and Finance*, *92*(April), 25–61. doi:10.1016/j.jimonfin.2018.12.007

European Commission. (2012a). *Report on the Alert Mechanism Report 2013*, COM(2012) 751 final, 28 November.

European Commission. (2012b). *Statistical annex, accompanying the document Report of the Commission on the Alert Mechanism Report 2013*, SWD(2012) 421 final, 28 November.

Evrensel, A. (2002). Effectiveness of IMF-supported stabilization programs in developing countries. *Journal of International Money and Finance*, *21*(5), 565–587. doi:10.1016/S0261-5606(02)00010-4

Fischer, S. (1997). Applied economics in action: IMF programs, *American Economic Review*, (Paper and Proceedings) 87, pp. 23-27.

Forster, T., Kentikelenis, A. E., Reinsberg, B., Stubbs, T. H., & King, L. P. (2019). How structural adjustment programs affect inequality: A disaggregated analysis of IMF conditionality, 1980–2014. *Social Science Research*, *80*, 83–113. doi:10.1016/j.ssresearch.2019.01.001 PMID:30955563

Goldstein, M., & Montiel, P. (1986). Evaluating fund stabilization programs with multicountry data: Some methodological pitfalls. *IMF Staff Papers*, *33*(June), 304–344. doi:10.2307/3867072

Gylfason, T., (1987). Credit policy and economic activity in developing countries with IMF stabilization programs, *Princeton Studies in International Finance,* 60, August.

Haque, N. U. & Mohsin, S. K. (1998). *Do IMF-supported programs work? a survey of the cross-country empirical evidence*, IMF Institute, WP/98/169, December.

Hutchison, M. M. (2001). *A cure worse than the disease? currency crises and the output costs of IMF-supported stabilization programs*, National Bureau of Economic Research, Inc, NBER Working Papers: 8305.

IMF. (2008). IMF executive board approves € 1.68 billion (US$ 2.35 billion) stand-by arrangement for Latvia. *Press Release No.*, *08/345*(December), 23.

IMF. (2009). IMF announces staff-level agreement with Romania on € 12.95 billion loan as part of coordinated financial support. *Press Release No.*, *09/86*(March), 25.

IMF. (2011). *Hungary: Ex post evaluation of exceptional access under the 2008 stand-by arrangement*, IMF Country Report No. 11/145, June, p. 4.

IMF. (2013). *World Economic Outlook: Hopes, realities, and risks*, April.

Jorra, M. (2010). *The effect of IMF lending on the probability of sovereign debt crises*, October 14, Working Paper.

Khan, M. S. (1990). The macroeconomic effects of fund-supported adjustment programs. *IMF Staff Papers*, *37*(June), 195–231. doi:10.2307/3867289

Khan, M. S., & Knight, M. (1981). Stabilization programs in developing countries: a formal framework. *IMF Staff Papers*, *28*(March), 1–53.

Khan, M. S., & Knight, M. (1985*). Fund-supported programs and economic growth*, International Monetary Fund Occasional Paper 41, 1985.

Killick, T. (1984). *The quest for economic stabilization: The IMF and the Third World*. New York, NY: St. Martin's Press.

Killick, T. (1995). *IMF programmes in developing countries: design and impact*. London, UK: Routledge.

Killick, T., Malik, M., & Manuel, M. (1995). What can we know about the effects of IMF programmes? *World Economy*, *15*(September), 575–597.

Kohlscheen, E. (2009). Sovereign risk: Constitutions rule. *Oxford Economic Papers*, *62*(1), 62–85. doi:10.1093/oep/gpp005

Kostis, P. C., Kafka, K. I., & Valsamis, D. G. (2016). The decoupling of the Greek Economy. In P. E. Petrakis (Ed.), *A new growth model for the Greek economy: The long-term view and the growth requirements*. Palgrave MacMillan. doi:10.1057/978-1-137-58944-6_3

Lang, V. F. (2016). *The economics of the Democratic deficit: The effect of IMF programs on inequality,* University of Heidelberg Department of Economics Working Paper No. 617.

Loxley, J. (1984). *The IMF and the poorest countries*. Ottawa, Canada: North-South Institute.

Ohanyan, G., & Androniceanu, A. (2017). Evaluation of IMF programmes on employment in the EU. *Acta Oeconomica*, *67*(3), 3. doi:10.1556/032.2017.67.3.2

Papi, L., Presbitero, A. F., & Zazzaro, A. (2015). IMF lending and banking crises. *IMF Economic Review*, *63*(3), 644–691. doi:10.1057/imfer.2015.16

Pastor, M. Jr. (1987). The effects of IMF programs in the Third World: Debate and evidence from Latin America. *World Development*, *15*(February), 249–262. doi:10.1016/0305-750X(87)90080-5

Pisani-Ferry, J., Sapir, A. & Wolff, B. G. (2013). *EU-IMF assistance to Euro-area countries: an early assessment*, Bruegel Institute, May.

Rajulton, F. (2011). *Logit, Probit and Tobit: Models for categorical and limited dependent variables*. Presentation at PLCS/RDC statistics and data series at Western, March 23.

Reichmann, T., & Stillson, R. (1978). Experience with programs of balance of payments adjustment: Stand-by arrangements in the higher credit tranches, 1963-72. *IMF Staff Papers*, *25*(June), 119–139.

Reinsberg, B., Stubbs, T., Kentikelenis, A., & King, L. (2019). The political economy of labor market deregulation during IMF interventions. *International Interactions*, *45*(3), 532–559. doi:10.1080/03050629.2019.1582531

Rickard, S. J., & Caraway, T. L. (2019). International demands for austerity: Examining the impact of the IMF on the public sector. *The Review of International Organizations*, *14*(1), 35–57. doi:10.100711558-017-9295-y

Schadler, S., Rozwadowski, F., Tiwari, S., & Robinson, D. (1993). *Economic adjustment in low-income countries—Experience under the enhanced structural adjustment facility*, International Monetary Fund Occasional Paper 106.

Scheubel, B., Tafuro, A., & Vonessen, B. (2018). *Stigma? What stigma? A contribution to the debate on the effectiveness of IMF lending,* CESifo Working Paper Series No. 7036.

Seitz, F., & Jost, T. (2012). The role of the IMF in the European debt crisis, *HAW im Dialog – Weidener Diskussionspapiere*, No. 32. Retrieved from http://hdl.handle.net/10419/56452

Wyplosz, C. (2010). *And now? A dark scenario*, VoxEU.org, 3 May.

Zulu, J., & Nsouli, S. (1985). *Adjustment programs in Africa: The recent experience*, International Monetary Fund Occasional Paper 34.

ADDITIONAL READING

Bird, G. (2007). The IMF: A bird's eye view of its role and operations. *Journal of Economic Surveys*, *21*(4), 683–745. doi:10.1111/j.1467-6419.2007.00517.x

Ivanova, A., Wolfgang, M., Mourmouras, A., & Anayiotos, G. (2003). *What Determines the Implementation of Imf-Supported Programs?* IMF Working Paper, Vol., pp. 1-48, 2003.

Marchesi, S., & Sirtori, E. (2011). Is two better than one? The effects of IMF and World Bank interaction on growth. *The Review of International Organizations*, *6*(3–4), 287–306. doi:10.100711558-011-9107-8

Moser, C., & Sturm, J. E. (2011). Explaining IMF lending decisions after the cold war. *The Review of International Organizations*, *6*(3–4), 307–340. doi:10.100711558-011-9120-y

Nsouli, S. M., Atoyan, R. V., & Mourmouras, A. (2004). *Institutions, Program Implementation, and Macroeconomic Performance*, No 04/184, IMF Working Papers.

Oberdabernig, D. A. (2013). Revisiting the effects of IMF programs on poverty and inequality. *World Development*, *46*, 113–142. doi:10.1016/j.worlddev.2013.01.033

Stubbs, T. H., Kentikelenis, A. E., & King, L. P. (2016). Catalyzing aid? The IMF and donor behavior in aid allocation. *World Development*, *78*, 511–528. doi:10.1016/j.worlddev.2015.10.010

KEY TERMS AND DEFINITIONS

Austerity program: A program of economic controls aimed at reducing current consumption to improve the national economy.

Bailout: The act of a business, an individual, or a government providing money and resources to a failing company or economy.

Fiscal adjustment: Reduction in the government primary budget deficit, obtained from a reduction in government expenditures, an increase in tax revenues, or both simultaneously.

International Monetary Fund: International organization headquartered in Washington, D.C., consisting of 189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Maastricht Treaty: The official Treaty of the European Union, signed on 7 February 1992 by the members of the European Communities in Maastricht, Netherlands, to further European integration.

Troika: Decision group formed by the European Commission, the European Central Bank and the International Monetary Fund whose usage arose in the context of the "bailouts" of Cyprus, Greece, Ireland, and Portugal necessitated by their prospective insolvency caused by the recent global financial crisis of 2008.

Chapter 2
Have the Recent Dynamics of Economic Globalization Biased Social Justice in the European Union?

José Caetano
https://orcid.org/0000-0002-9991-2178
CEFAGE, University of Évora, Portugal

António Bento Caleiro
https://orcid.org/0000-0003-1205-4404
University of Évora, Portugal

ABSTRACT

The literature recognizes that the gradual countries' involvement in the economic globalization has generated competitive environments that stimulate innovation and economic growth. Yet, globalization has also apparently led to the increase of inequality, contributing for waves of populism and discontent, claiming for justice in sharing these benefits. Thus, it is not surprising that the interaction globalization/social justice is paying attention to politicians and academics, seeking to identify if there is reason to fear that the globalization leads to increase inequality. This chapter deals with the link between globalization and social justice, measured by updated indicators that improved the data quality and broadened their baseline. In what globalization concerns are applied the renewed KOF index, including de facto and de jure perspectives. Concerning social justice, are used the latest "EU Social Justice Index". The study reflects on the effects of the recent global financial crises in the EU members, which especially hit the Euro zone.

DOI: 10.4018/978-1-7998-1188-6.ch002

INTRODUCTION

The link between globalization and social justice plays a key role in the current political debate, based on the general conviction that the inequality caused by globalization is a major stimulus to populism (Pastor & Veronesi, 2018). Overall, globalization seems to support the gradual convergence of incomes across countries, even as trade liberalization has allowed many emerging countries, especially China, to achieve very substantial and sustained levels of economic growth over a long period (Harger, Young & Hall, 2017).

However, the center of the current discussion focuses on income inequality within countries, particularly in the more developed and industrialized economies. Not surprisingly, the United States, for example, is widely recognized as the country experiencing the most pronounced increase in income-inequality, partly because competition from emerging economies has affected the jobs of less qualified people (Saez, 2018).

While research recognizes and identifies a number of factors which have influenced those trends, there is also some consensus that the trends in economic globalization, technological change, especially in the field of information and communication technologies, biased reforms in tax systems. In particular the labor market and the deregulation of financial markets have contributed to growing social inequalities and territorial disparities within countries (Herr & Ruoff, 2015).

This global economic and financial crisis that has hit the European Union, particularly some euro zone countries, has caused unsettling symptoms of opposition to the European project and the growth of waves of populism and nationalism (Guiso et al., 2019). The US-initiated crisis quickly changed the center of gravity for Europe and revealed the fragility of some economies, notably the high levels of public debt of euro zone countries and the effects on their economic and financial sustainability and the single currency itself (Caetano & Sousa, 2018).

This process has resulted in the deterioration of economic conditions, provoking social unrest and contestation and even hostility towards the process of European integration, which has had electoral consequences in recent years (Hernández & Kriesi, 2016). In this context, the chapter focuses on the interaction between the levels of economic globalization of the countries that make up the European Union and the components that embody Social Justice. We aim to analyze the impacts that the economic and financial crisis, which occurred after 2007, had on social justice indicators, especially on access to the labor market, in the various groups of European Union countries, i.e. those that integrate or not the European Monetary Union.

We consider the study relevant from the point of view of the literature, as, to the best of our knowledge, this is the only study so far that analyzes the impacts of the recent financial crisis on the twofold levels of globalization and social justice. Additionally, the study explores the new indicators produced by the KOF, separating the *de jure* and *de facto* dimensions, as well as updated data from the EU Social Justice Index.

That being said, the rest of the chapter is structured as follows: Section 2 presents the genesis of the traditional theories of international trade, followed by the description of the neoclassical models of international trade, focusing on the sharing of the gains from trade; in its turn, Section 3 focus on the impacts of globalization on inequality and social justice; the data and methodology used in this chapter are presented in Section 4; a global overview of the relationship between globalization and social justice in the European Union (EU) is then offered in Section 5; which is followed by a detailed overview of the relationship between financial globalization and social justice, still at the EU level; after offering directions for further research, Section 6 concludes.

TRADITIONAL INTERNATIONAL TRADE THEORIES AND DISTRIBUTION OF TRADE GAINS

Traditional theories of international trade, including the classical approach and neoclassical models, provide rationality for countries' economic specialization and advocate trade as a creator of wealth. These theories thus justify economic globalization as the result of a worldwide liberalization process in which countries specialize according to their comparative advantages and from which everyone can benefit. They do not attach much importance on the distribution of trade gains by countries and economic agents and, as such, have not provided coherent answers to understand some current trends in globalization, especially with regard to the growing inequality in income distribution in the world within countries.

In our opinion, it justifies to stress the argument of these theories and to counter the criticism of the unrealistic assumptions on which they are based. Thus, the emphasis we give to these theories in the literature review allows us to gauge their limits and the need to seek more robust theoretical frameworks that take into account the specificity of resources and the quality of production factors available in the several countries. This makes it possible to understand the criticism of the way economic and financial liberalization has taken place and the growing marginalization of less skilled labor in income sharing. Therefore, considering the interaction between the dynamics of globalization and the variables of social justice, being complex, is entirely pertinent.

The term "globalization" used today involves multiple and complex features, ranging from culture, technology, politics and economics, to the notion of interdependence as the standard of personal relationships. In reality, people are increasingly dependent on each other, in the various territorial levels that we consider, reflecting the growing number of contacts made, mostly financial and commercial, generating a greater flow of goods, services and technologies on a global scale, which reinforced the economic dimension of the phenomenon.

The increasing dependency of relations on a global scale is at the heart of globalization, although there are different perspectives in the various social sciences that deal with the subject. Thus, since Wallerstein (1974) the approaches recognize the disparate effects of dependence on the geography and nature of economic flows, emphasizing their effects on global inequality. The dependency ratio is explicitly characterized by asymmetry in per capita income, since most of the wealth is concentrated in developed countries, and at the same time there is a growing divergence in income distribution within countries, regardless of their level of development[1].

In economic terms, globalization has been treated as a phase of the world capitalist system, whose main causal mechanisms stem from the economic requirements of multinational corporations penetrating foreign markets, resulting in significant competition and expansion of trade flows. Globalization is also seen as a form of convergence of interconnected production systems, basically from the neoclassical economic model that presents the convergence of prices of goods and factors such as the effect of market arbitrage.

The discussion has thus emphasized the role of markets and capitalism, focusing on economic theory more on the aspects of the internationalization of economies and firms and little on their consequences on the distribution of gains. According to Asper & Kohl (2015), the notions of capitalism, market and globalization are crucial to understand the dynamics and asymmetric nature of the global economy. In reality, globalization must be understood within the framework of the capitalist markets, which implies the use of a historical perspective. The literature highlights the positions of modern economic theory, rooted in mercantilism, liberalism, and, recently, in modern theories of trade in imperfect competition markets.

The modern economy emerged from criticism of the mercantilist tradition and builds the theoretical basis for the industrialization, international trade, and the building of European states. The basic principles of liberalism can be summarized by the competition in all markets and then by the creation of the gold-standard monetary system. Such conditions ensure the passage of individual interests into a global harmonious order, based on the *invisible hand* argument. Smith (1976) considers the territorial distribution of markets as a requirement of the division of labor, which he conceives as the principal source of the wealth of nations and defends free trade to generate prosperity for the various stakeholders.

The theoretical foundation of free trade is due to Ricardo, by explaining the international division of labor on the basis of differences in labor productivity. The reasoning on the relative cost advantage grounds the conviction that trade can be a positive sum game if countries specialize in products where it has the lowest opportunity cost. So, all countries must participate in the world trade system for the benefit of all (Ricardo, 1970). Nowadays, this position on country specialization and free trade, as promoters of growth, is a powerful anti-protectionist reason in trade policy debates. This optimism on the economic and social effects of trade was strengthened identifying a set of positive political effects from trade liberalization (Hirschman, 1986).

However, the optimism of free trade has also been challenged in terms of social issues when it became clear that large-scale poverty and subjection to the economic system left deep traces in allegedly wealth-generating processes. Nationalist and socialist ideas, in relation to the latter standing out the thought of Marx, assume that there are strong conflicts of interests in the functioning of the capitalist system, leading to the need for capital to expand in the various national markets in order to generate profits on a permanent basis as condition of their survival. Capital goes beyond the nation-state, but depends on it for its survival (Engels & Marx, 1969). In addition, labor exploited as a source of profit is reduced to poverty, accelerated by gradual automation and, as a consequence, consumer demand in domestic markets decreases.

A relevant issue of the softer criticism is the assumption that the countries pattern of specialization and wealth would depend on the factor endowments. Hecksher & Ohlin (HO) are the initial contributions of the neoclassical model of international trade[2], which includes the allocation of more than one production factor, assuming that if a good requires a lot of work and if a country is well endowed with labor, must specialize in this production. However, considering that all of them derive benefits from trade, the HO model is innovative, assuming intuitively that trade involves more competition and thus generating potential relative losses for the holders of scarce factors.

To explain the role of factor endowments in trade, the Stolper and Samuelson model (SS), based on factors - labor and land - and two goods, using different factorial intensities, predicts a linear relation between commodity prices and factor prices. Thus, the real wage will increase in both sectors (goods), while the real remuneration of the landowners will decrease in both productions. In an ideal world, free trade would tend to promote the equalization of prices of goods and factors of production. However, the persistence of trade barriers, transport costs and technological differences between countries prevents such a convergence in the real world from being verified, as evidenced by the empirical tests carried out (Deardorff, 1994).

These models of trade and distribution of gains allow us to sketch the effects of price changes on the well-being of identifiable economic groups with severe distributional implications. There are similar results in models that show that under competitive conditions, as long as the importable good remains to be produced, there is at least one production factor that worsens its position with trade liberalization (Rodrik, 2018). That is, in an impressive way the trade generically always produces losers and winners. The pattern of gains and losses will depend on the details of the model. In the case of the SS model, the result is a relative change in workers' income, in favor of those with high skills. So, trade has an influence on the distribution of income within countries, for two reasons: first, because factors cannot move instantly and at no cost between industries and, on the other, because changes in product composition have effects on the demand for factors.

Traditional trade theories show that trade equals an exchange of factors embodied in commodities, so buying them in a low-wage country implies procuring low-cost factors. So, imports from low-wage countries threaten some labor in countries where wages are high. The distributional effect is that unskilled workers in low-wage countries earn from free trade as well as skilled workers in developed countries. The losers with free trade would be skilled workers in poor countries and unskilled workers in rich countries. However, the reality did not confirm such predictions. Skilled workers in poor countries have improved with globalization and the less skilled have lost, so most unequal distributions in income have arisen in poor countries. In fact, income distribution in poor countries has become more unequal as a result of globalization mounting (Hillmann, 2008).

INFLUENCES OF GLOBALIZATION ON INEQUALITY AND SOCIAL JUSTICE

Most traditional theories do not consider the effect of trade on the income distribution is a reason to limit it. Though, the distributive impacts have to be taken into account and must therefore be considered and regulated by the action of the states in their economic and social policy. In the 1980s and 1990s there were significant developments in favor of government intervention in trade policy orientations. On the one hand, the emergence of strategic trade policy (Brander & Spencer, 1985) provided additional reasons for countries to derive gains in promoting industries considered strategic. On the other hand, criticisms of globalization, centered on their effects on workers in less developed countries, but also on workers in industrialized countries, are strongly appearing.

In fact, with the growth of industrial goods exports from developing countries, the objections to globalization have intensified. The major concern of the anti-globalization groups was the low wages paid to workers in the exporting countries. The standard response of economic theory, however, is that the comparison should not be made between wages of workers in developing and industrialized countries, but it should be borne in mind that trade allowed workers to earn higher wages than they had before opening. These arguments, at bottom, attest to the difficulty in discussing globalization whenever one intends to assume it on a strictly ethical and moral level.

Many authors expressed their distress with some results of globalization. Stigliz's position in *Globalization and its Discontents*, is a clear example and an inexorable landmark (Stiglitz, 2002). He acknowledges that, while markets are efficient and provide the basis for growth, they are also a source of injustice because income earned and accumulated wealth are inconsistent with social equality standards. Thus, the author sustains that it is the responsibility of governments to moderate social inequality arising from the play of markets through public policies in the fields of taxation and income redistribution (Stiglitz, 2017).

Globalization hampers the distributive effects of social justice, limiting the ability of governments to intervene with effective distributive policies. In integrated capital markets, the mobility flows occur to places where taxes are lower (Bénassy-Quéré et al., 2005), so, if capital is mobile and does not escape the highest taxes, the tax bases will then be limited to the income of immobile labor. Thus, capital cannot be taxed as labor, making globalization socially unfair and undesirable, while acting as a brake on redistribution policies. For some, globalization is seen not only as a barrier to social justice due to the constraints it imposes on governments, but it is the main reason for the inequality in the distribution of income because of the injustice of the markets (Ravallion, 2018).

Equality in income distribution is generally seen as one of the determinants of social justice, making it a topic of greater concern, where the search for it allows one to confront the efficiency of markets and public policies oriented towards equity. Social justice is a salient topic in public discourse and political decision, as politicians vow to promote social justice. Globalization has been a widely studied phenomenon in different variants and some care is acknowledged in whether it is consistent with social justice. The debate has been controversial, even because the different concepts of social justice show that it is multifaceted, which makes measurement very difficult. An essential question concerns what gives rise to or impedes social justice and there several studies have tested the causal links between the two phenomena (Merkel & Giebler, 2009).

Contestants of globalization admit that it has negative effects on social justice for whom the poor have been penalized by the waves of globalization. They assume that social justice is limited when social spending is reduced or when labor markets are deregulated. Stiglitz believes that trade liberalization so quickly has gone too far at the cost of rising unemployment, with the problem being the way it has been managed (Stiglitz, 2006). The political prescription is that governments must protect social agreements and if they collide with the demands of the global economy, it is this that must give way (Rodrik, 2011).

There is extensive literature on how globalization influences inequality[3] that we will not emphasize in this study. Although the debate on the impact of economic globalization on the welfare state has long existed, it is far from reaching conclusions shared by different authors. In general terms, the literature has been divided by the theses of compensation and efficiency, providing results and arguments that are often contradictory about that complex relationship. On the one hand, globalization may increase the demand for compensatory social policies, so that highly open economies are often referred to as having higher welfare states. Conversely, competition among states for the attraction of mobile capital may limit governments' room for maneuver to increase their tax revenues and thereby reduce their public social expenditures.

The empirical evidence is contrasted in relation to the link between globalization and social justice. We will briefly highlight some results obtained in the search for interaction between the two processes. Kauder & Potrafke (2014) investigate how social justice correlates with globalization between 1991-2007 and the results show that OECD countries with a rapid globalization process enjoy greater social justice, suggesting that voters demand active governments when globalization is intensified, validating the compensation thesis[4]. According to Meinhard & Potrafke (2012), a higher social security benefit due to the risks of international competition induces the State to broaden its intervention in order to ensure welfare levels, rising social spending in the course of globalization. In another sense, Sinn (2003) considers that globalization influenced the attributes associated with social justice, mainly reducing the weight of the public sector and the social state, limiting cohesion in the countries.

In short, most studies acknowledge that the most globalized countries, with the highest insertion in value creation chains worldwide, also display higher levels of social justice. It is under this background that we will then develop our empirical application by testing the interaction between various dimensions of economic globalization and social justice in the countries of the European Union. It should be noted that the EU member-states are very different realities, both in terms of economic and technological development, as well as in the way in which their social and political models are organized and operated. The application covers the period 2008-16, which means that the impacts of the latest economic and financial crisis are assessed in the study.

DATA AND METHODOLOGY

Here we will use two recently updated and renewed indicators with new methodologies that seek to cover the diverse dimensions of globalization and social justice. We refer specifically to the KOF indicators on globalization produced by the KOF Swiss Economic Institute (https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html; accessed on March 2, 2019), and the Social Justice indicator compiled by the Bertelsmann Stiftung (https://www.bertelsmann-stiftung.de/en/publications/publication/did/social-justice-in-the-eu-index-report-2017-1/; accessed on March 2, 2019).

In methodological terms, we will use regression and correlation analyzes between the variables of interest, after their graphic visualization.

As we have seen, the impacts of globalization on different economic and social aspects have been widely discussed in the literature. To analyze such effects in the analytical level it is necessary to have variables that allow to measure globalization as a multidimensional phenomenon, which suggests the use of multifaceted indicators. Such indicators should reflect how the process manifests itself in the lives of the citizens of the various countries that communicate with each other, exchange goods and services, ideas and information, or governments that cooperate to address global political problems. Thus, the measurement of globalization is usually made using composite indicators that try to capture the different manifestations of the phenomenon.

Indicators such as KOF are presented as a solution, allowing the combination of different levels of globalization in a final index, becoming the globalization indicator most used in the literature[5]. The KOF indicator was created by Dreher (2006), updated in Dreher et al. (2008) and has recently broadened its scope with the work of Gyglia et.al. (2018). Inherent in composite indicators is the risk of excessive simplification, which may result in misinterpretation of the results. Therefore, instead of building an index based on a broad definition, the new version of the KOF allows the flexible aggregation of different dimensions and characteristics of globalization, introducing the clear distinction between *de facto* and *de jure* measures.

Thus, while *de facto* measures of globalization include variables representative of flows and activities, *de jure* actions encompass variables that represent policies that generate flows and activities. Quinn et al. (2011), had already shown that the use of measures of *de facto* or *de jure* financial opening produced very different results in the causal link between the growth of financial integration and economic opening. This separation between *de facto* and *de jure* variables was applied to all sub-dimensions of the index. The new version also introduces a differentiation in the economic dimension between the commercial and the financial side that proved to be very useful in the results obtained in our work.

With regard to the Social Justice Indicator (SJI), we used the data collected by the Bertelsmann Stiftung covering the countries of the European Union, although only in the most recent years are available to the 28 Member States. The SJI is based on six sub-indicators: poverty prevention, equitable access to education, labor market inclusion, social cohesion, health, and intergenerational justice. These indicators are based on 18 quantitative measures, such as the Gini index, unemployment rates, public R&D expenditure, and seven qualitative measures, such as expert opinions on education policy.

In addition, some 70 experts from different countries were asked to collect opinions on qualitative measures of social justice and also included the general indicator, which then included variables of a quantitative and qualitative nature. Based on Merkel & Giebler (2009), the dimensions of poverty prevention, access to education and inclusion in the labor market have been given a greater weight and are therefore a weighted and normalized indicator on a scale of 1 to 10[6].

A GENERAL OVERVIEW ON GLOBALIZATION AND SOCIAL JUSTICE IN THE EUROPEAN UNION

In this section we will study the dynamics of the relationship between globalization and social justice in the European Union; see Kauder and Potrafke (2015) for the OECD case.

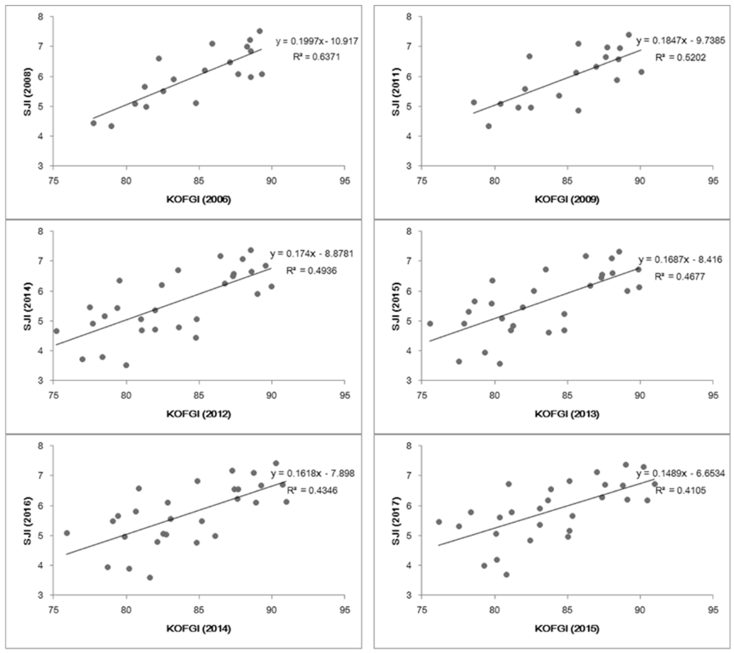
As European Union countries will be considered, our sample is made up of the, to date, twenty-eight member states. With regard to these, there are data for the SJI, for 2008, 2011, 2014, 2015, 2016, and 2017[7]. With regard to data for the KOFGI, there are no restrictions on the data set, since they exist for all EU member states on an annual basis, long before 2008 and until 2016.

In empirical terms, it seems acceptable to consider that the process of globalization through which countries have passed is accompanied by changes in the level of social justice, with some time lag. Thus, the correlation coefficients between the time series of the KOFGI and the SJI were determined for the different countries, considering time lags between 0 and 4 years. For most countries, the highest correlation between the $KOFGI_t$ and the SJI_{t+s} (s = 0, 1, 2, 3, 4) was obtained for a 2-year lag. In addition, the correlation signal for this lag is also equal to that of the lag with even greater correlation, in all the other cases. Following this procedure, the KOFGI data for the years 2006, 2009, 2012, 2013, 2014 and 2015 were then selected for the countries under analysis[8].

Figure 1 corresponds to the graphical representation of the six pairs of years under analysis, considering the data for the $KOFGI_t$ and SJI_{t+2}. It shows clearly that there is a positive association between globalization and social justice in the period under review, albeit with a (slight) tendency towards a fall in the degree of association between those two variables[9].

The dynamics of the relationship between globalization and social justice, as can be seen in Figure 1, over the period under analysis, can best be understood by analyzing the evolution of regression lines in terms of their intercepts, slopes and explanatory power. According to Table 1, the regression lines are characterized by increasing intercepts and decreasing slopes, which, roughly speaking, indicate a clockwise shift[10]. In general terms, this means that, over the period under review, countries with lower levels of KOFGI have seen their levels of SJI increase, with the opposite for countries with higher levels of KOFGI. Thus, although social justice levels, as measured by the SJI, are positively associated with the levels of social globalization as measured by the KOFGI, this link is becoming less robust in marginal terms and in its explanatory power.

Figure 1. The association between globalization and social justice in the EU
Source: Authors' computation



The arguments presented above justify a more detailed analysis in terms of the two strands of the globalization index. As mentioned, we consider data for the revised version of the KOF by Gygli et al. (2019). These authors distinguish *de facto* globalization as meaning of actual flows and activities from *de jure* globalization as a means of policy measures that, in principle, facilitate or aim to facilitate globalization. Indeed, if globalization can have positive consequences, in particular an increase in social justice, *de jure* globalization can be expected to present itself more clearly, possibly even more than *de*

Table 1. The dynamics of the relationship between the KOFGI and the SJI

	Intercept	**Slope**	**R^2**	**Average KOFGI**	**Average SJI**
KOFGI (2006) *vs* SJI (2008)	-10.917	0.1997	0.6371	84.77	6.02
KOFGI (2009) *vs* SJI (20011)	-9.7385	0.1847	0.5202	85.01	5.96
KOFGI (2012) *vs* SJI (2014)	-8.8781	0.174	0.4936	83.18	5.60
KOFGI (2013) *vs* SJI (2015)	-8.416	0.1687	0.4677	83.27	5.63
KOFGI (2014) *vs* SJI (2016)	-7.898	0.1618	0.4346	84.24	5.73
KOFGI (2015) *vs* SJI (2017)	-6.6534	0.1489	0.4105	83.98	5.85

facto globalization, since this reflects less controllable exogenous aspects by the economic authorities of each country.

Figure 2 thus corresponds to the graphical illustration of the six pairs of years under analysis, considering the data for the *de facto* $KOFGI_t$ and SJI_{t+2}. In general terms, it confirms the above stated, i.e. that there is a positive association between globalization (in this case, *de facto*) and social justice, although the degree of association between these two variables has been declining throughout the period under analysis[11].

Comparing the results with the previous ones, it is undoubtedly relevant to note that an increase in the *de facto* KOFGI exerts, in general terms, a smaller effect on the SJI, than in the case of the KOFGI, which indicates that the effect will be greater on the SJI resulting from an increase in *de jure* KOFGI.

In what concerns *de jure* globalization, Figure 3 confirms the positive association of this measure of globalization and social justice in the EU. However, it should be noted that, unlike the previous cases, the degree of association between the variables increased until the pair ($KOFGIdj_{2012}$,SJI_{2014}), having, from only then on, decreased[12].

As anticipated, comparing the results with the previous ones, it is certainly important to note that an increase in the *de jure* KOFGI generally has a greater effect on the SJI, than in the case of the KOFGI.

As is well known, the globalization index reflects several components, namely economic, social and political. Thus, it becomes relevant to understand which of these dimensions is best related to social justice. Table 2 shows the correlation coefficients of the various sub-indices of globalization with the

Figure 2. The association between de facto globalization and social justice in the EU
Source: Authors' computation

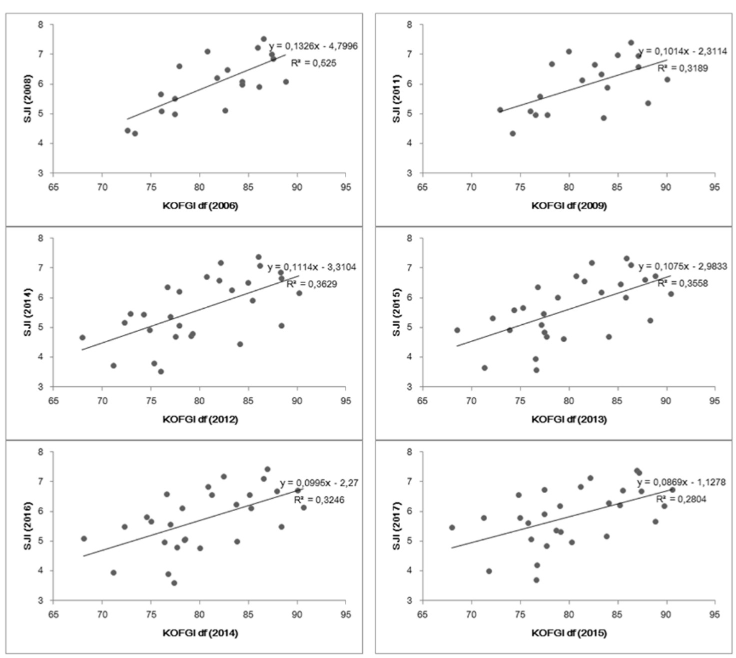


Figure 3. The association between de jure globalization and social justice in the EU
Source: Authors' computation

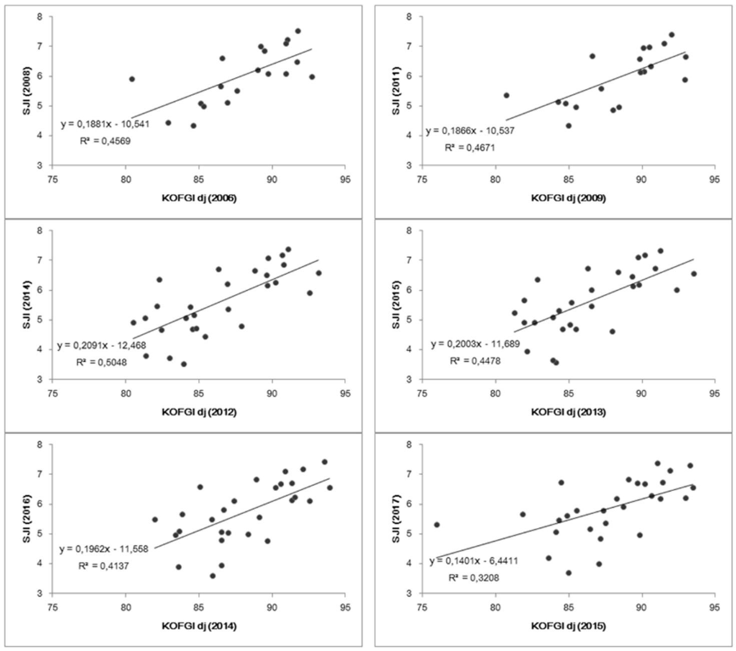


Table 2. The correlation between globalization and social justice (in the EU)

	Global Index	*de facto* **Index**	*de jure* **Index**
KOF	0.707	0.595	0.636
KOF Economic	0.531	0.436	0.546
KOF Trade	0.266	0.228	0.285
KOF Financial	0.591	0.526	0.555
KOF Social	0.727	0.680	0.624
KOF Interpersonal	0.330	0.380	0.122
KOF Informational	0.731	0.688	0.502
KOF Cultural	0.752	0.570	0.606
KOF Political	0.196	0.127	0.235

social justice index. As expected, it allows confirming that the highest correlation is obtained between the KOF Social Globalization Index and the Social Justice Index.

FINANCIAL GLOBALIZATION AND SOCIAL JUSTICE IN A DETAILED OVERVIEW ON THE EUROPEAN UNION

As we have seen, economic literature remains somewhat divided in the debate on the effects of free trade on income distribution. With regard to financial globalization, the application of the principles of liberalization, by allowing savings to be channeled to countries where returns are highest, have also been unquestionable for many years. In fact, capital flows between countries enable intertemporal consumption between them as a result of external borrowing and allow investors to diversify portfolios globally.

However, shortly after World War II, this consensus was broken and control of international capital flows, in order to avoid currency volatility in the inter-war period, left more room for national macroeconomic policies. This consensus was later changed and in the 1990s the IMF, the OECD and the EU pushed for full convertibility of capital accounts. After the latest global financial crisis (2007-09), opinions changed again and the benefits of financial globalization began to be called into question, which led to the resumption of capital controls.

Thus, the effects of financial globalization are seen as ambivalent, where, on the one hand, short-term flows are linked to the emergence of financial crises with severe impacts on financial and economic stability and, on the other hand, long-term flows and foreign direct investment are seen as conducive to development and promoters of growth and social welfare.

Thus, in the period after the financial crisis of 2007, several studies were carried out on the impact of financial globalization on inequality in world terms. For example, Jaumotte, Lall (2013) and Furceri et al. (2017) report the existence of negative impacts of financial integration on inequality. In general, studies have argued that the liberalization of external capital flows has led to significant and lasting declines in labor participation in National Income and to corresponding increases in inequality, which can be observed in the changes registered by the Gini coefficient.

In this perspective, financial globalization seems to have complemented the impacts of trade by exerting downward pressure on labor share in the National Income. The question has therefore been asked to understand why financial globalization contributes to this situation. There seems to be no great analogy to the theorems of neoclassical theory of international trade, so that, as Rodrik (2018) acknowledges, to some extent, the distributive effects of financial globalization are a real surprise. In fact, the extreme volatility of financial flows is abruptly depressing the countries most exposed to international markets, which significantly reduces their ability to react and the effectiveness of any adjustment measures.

Also in the euro area, financial integration has played a major role in the dynamics of globalization and, in particular, in the evolution of social justice in those countries. As a first step, monetary unification and the creation of the euro in 1999 led to the reduction of risk premiums in countries where it was higher, such as Greece, Spain and Portugal, leading to the convergence of borrowing costs amongst member countries. Such developments have enabled the emergence of large current account deficits and the accumulation of significant levels of external debt (Baldwin & Gros, 2015). Sectors that produced non-tradable goods were boosted in the countries receiving foreign investment, to the detriment of the tradable goods sectors. This imbalance led to an accumulation of current account deficits which, in the countries referred to, quickly became an economic and social collapse, due to the sudden stoppage of external capital inflows that provoked financial and economic crisis in the most indebted countries (Kang & Shambaugh, 2016).

The crisis has shown that trade and financial integration processes are of a different nature and may have different effects on the stability of countries. Aizenman (2016) recognizes that trade impacts are deeper and more structural than the effects of financial integration, which are more volatile and revocable, affecting the countries involved and the European monetary union itself. This distinction results from the intertemporal nature of financial flows, which is undoubtedly different from that of trade flows.

Thus, financial globalization in conjunction with the monetary unification, joining countries with high structural divergences in their economies and with non-synchronized business cycles (Caetano et al., 2018), has also produced adverse distributional impacts within the group of countries of the euro zone, more expressively than in countries that had their own currency (Raitano, 2016). It is in this background that we will further examine the empirical analysis of this work, taking into account the developments in some of the EU Member States[13] regarding the KOF and SJI indicators in the period after the global financial crisis and the subsequent sovereign debt crisis that affected some of the more fragile economies of the euro zone[14].

As is well known, despite all attempts at convergence, the European Union is made up of countries with considerably different characteristics. Firstly, a possible approach would be to separate countries according to whether or not they belong to the euro zone[15]. Yet, within the euro zone, a group of central countries and a group of peripheral countries can be identified. Similarly, for countries outside the euro zone, a group of countries that have decided voluntarily not to join and another group that may join the euro zone (but do not fulfill Maastricht criteria) can be identified[16]. Having this into account, we proceed with our analysis of the relationship between globalization and social justice in the European Union, in a detailed way, by considering the following four groups of member-states:

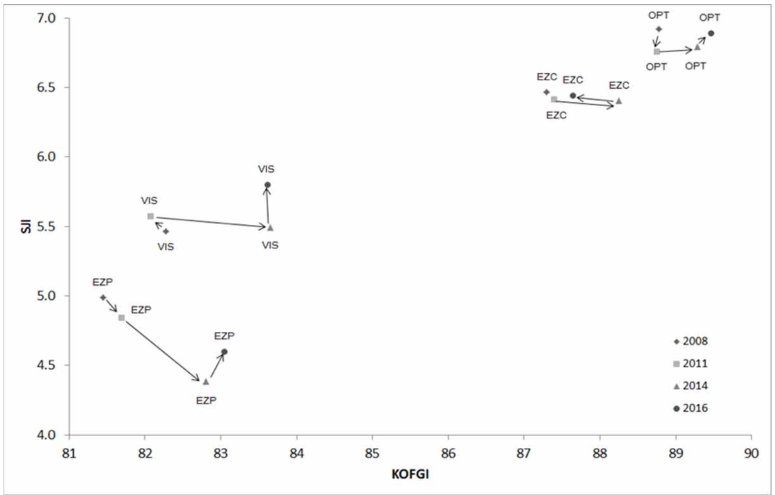
- Euro zone periphery (EZP) – Greece; Italy; Portugal; Spain.
- Euro zone core (EZC) – Austria, Belgium, Finland, France, Germany, Ireland, Luxembourg, Netherlands.
- Opting out (OPT)[17] – Denmark; Sweden, United Kingdom,
- Viségrad group (VIS) – Czech Republic; Hungary; Poland; Slovakia.

Figure 4 shows the evolution of the relationship between globalization and social justice, between 2008 and 2016.

The OPT group clearly constitutes a cluster with the highest levels of globalization and social justice, the relationship of which shows some dynamics, apparently in the direction of greater globalization, accompanied by a reduction of social justice. In turn, the EZC group is also plainly identifiable as a cluster, for which the dynamics of the link between globalization and social justice have not changed significantly. With respect to the VIS group, the dynamics of the relationship between globalization and social justice seem to point to an inverse association between both, being apparent an increase in the level of social justice. The EZP group stands out from the relationship between globalization and social justice, as globalization levels have increased, but this has been associated with increases, but also a sharp decline, from 2011 to 2014, in the levels of social justice.

Since the globalization index reflects *de jure* and *de facto* views, Figure 5 shows the relationship between the KOFGI *dj* and SJI. While there are some differences in the dynamics of the above-mentioned

Figure 4. The evolution of the relationship between globalization and social justice
Source: Authors' computation



relationship, especially in the EZP and VIS groups, it is relevant, in this dimension of globalization, that there are the greatest differences between the pairs of countries (EZP, VIS) and (EZC, OPT).

With regard to *de jure* globalization, Figure 6 shows that the groups of countries that we have been considering are more similar, with a significant increase that, for all groups, this perspective of globalization presented between 2011 and 2014.

The indicators of globalization (KOF) and Social Justice (SJI) used in this work combine distinct variables, hence their composite nature, which may prove to be problematic in terms of results, since the multiple dimensions included in each indicator can generate different interactions and effects. Thus, we detailed the analysis, which allowed us to evidence the existence of very significant evolutions in some

Figure 5. The evolution of the relationship between de facto globalization and social justice
Source: Authors' computation

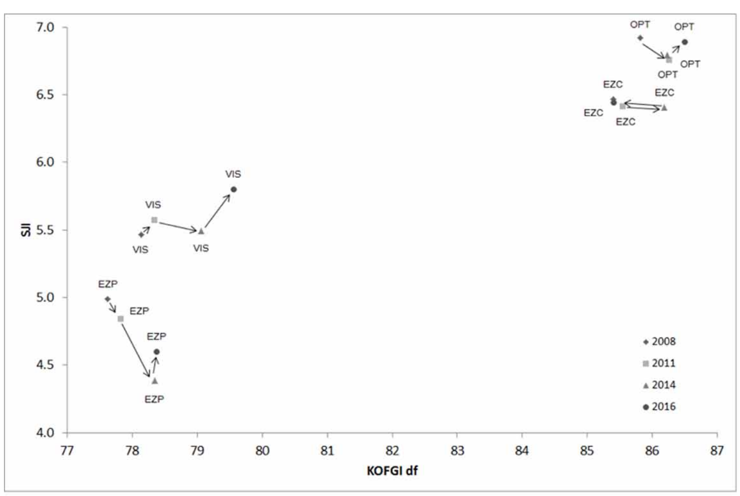
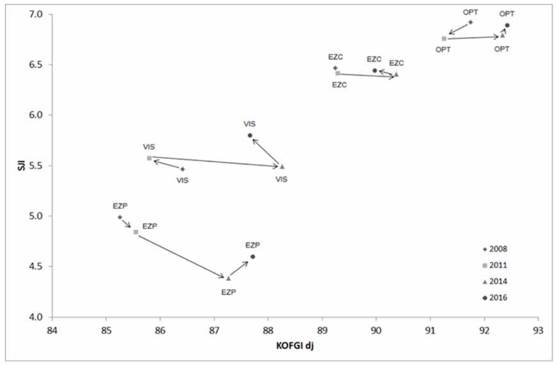


Figure 6. The evolution of the relationship between de jure globalization and social justice



of the dimensions included in the general indices. Figure 7 displays the time trends for the 4 groups of countries of the interaction between *de facto trade globalization* and *access to the labor market*. From its analysis, we can perceive that the crisis, especially in the more severe period 2008-14, exerted a strong contraction for the EZP countries in the indicator of *access to the labor market*, as well as a significant increase in the *globalization of the trade* in its *de facto* variant. This situation was not equivalent in terms of intensity to what was recorded in the other groups, strongly indicating that the financial and sovereign debt crisis triggered a greater severity in social effects in the peripheral countries that were part of the euro zone.

The situation previously reported did not have the same expression when we used the indicator of *de facto* financial globalization. In fact, as shown in figure 8, despite the fall in *access to the labor market*, the level of financial integration of the EZP group remained unchanged during the crisis. On the other hand, the globalization of the trade side has risen sharply in these countries[18], settling to the loud rise in trade deficits in these countries, offset by Germany's strong trade surpluses.

For many authors, the euro crisis has been seen as having at its origin the excessive fiscal deficits that lead to the accumulation of significant public debts. This diagnosis applies mainly to Greece and Italy, but also to Portugal and Spain, countries included in the EZP group. Implicitly, the analysis suggests that

Figure 7. The evolution of the relationship between de facto trade globalization and the access to the labor market (social justice)

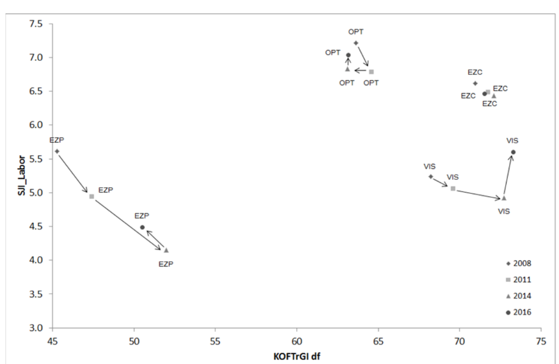
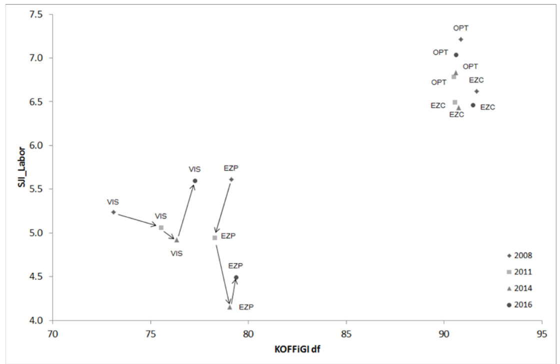


Figure 8. The evolution of the relationship between de facto financial globalization and the access to the labor market (social justice)
Source: Authors' computation



these countries had a lax behavior in their fiscal policy, which removed their international competitiveness. It is a fact that the export-led growth strategy has generated strong trade deficits in some euro area countries in the first decade of this currency's life (Bento, 2018). When the global financial crisis hit Europe, trade deficits have become unsustainable. With the exception of Greece, neither public debts nor fiscal deficits were a major problem in euro zone countries before 2008 (Weeks, 2014).

Of course, the euro zone is not a closed economy and its members are trading separately with the rest of the world, although most of the flows take place inside the euro area. This means that the largest share of the external demand of each member comes from within the monetary area itself. Therefore, the expansion or contraction in the domestic demand of each member has an impact on the external demand of the partners. Since countries use the same currency, in the case of the Euro, adjustments in relative prices cannot be made by means of nominal reductions in the exchange rate, which can then become deflationary and recessive for the whole area. In this way, asymmetric functioning within Monetary Union is generated, which is not limited to adjustments in the current account, but is expressed in the crystallization of groups of creditor countries and debtors within the euro zone, influencing the political orientations of the respective countries.

FUTURE RESEARCH DIRECTIONS

The chapter revisits the question of how Globalization influences Social Justice, focusing the analysis in a number of countries of the European Union in the period between 2008 and 2016, which cover the last financial turmoil. Plainly, there are some directions for future research, such as: 1) considering countries in other parts of the world, whether integrated, or not, in formal economic and/or monetary areas 2) considering other aspects associated with social justice, such as inequality; 3) finally, as the indicators of globalization and social justice combine multiple variables, in coming studies it will be appropriate to explore in detail the different components included in these indicators.

CONCLUSION

A basic principle of economics is that real life involves choices and trade-offs. Economic globalization widens the influence of markets and limits the discretionary power of national governments, hence the dilemmas posed between the efficiency of global markets and the constraints in domestic markets to the redistributive policies of governments. The neoclassical models of international trade have spurred the expectation that trade liberalization would promote social justice, as the incomes of the less skilled in the poorer countries should increase. However, although often overlooked, they also predicted that the incomes of the low-skilled in developed countries should be reduced as a result of competitive imports from less developed countries. The question is whether our conception of social justice is global or strictly national. The challenge of globalization then arises because it has increased the incomes of the most highly skilled people in all quarters, promoting the reduction of inequality between countries and, at the same time, aggravating inequality within (almost) all countries.

There seems to be strong evidence that the situation of the less skilled (poorer) has deteriorated in relative terms, in both the more developed and less developed countries. At the same time, the welfare state that must protect the poorest has been threatened by migration and the strong mobility of the tax base, principally of capital. It has recently been surprising that the escalation of globalization has put people in a precarious employment position, who felt they were protected from the competition of low wages. The early stage of trade liberalization has led to deindustrialization in developed countries, plagued by the relocation of sectors to low-cost countries, and subsequently the liberalization of trade in services has exposed to competition those that produce services that were previously not traded. Thus, global competition creates widespread uncertainty and apprehension, which has grown as globalization has allowed the universal diffusion of models that have made the Western world richer.

Taking into account the background of this overwhelming reality, our work focused on the study of the relationship between the levels and intensity of globalization and the dynamics of social justice in a group of European Union countries. Such a group, considered in its entirety as developed economies in the world context, however reveals strong heterogeneity in the levels of development of socioeconomic structures and the capacity in resources that promote international competitiveness. This set of countries was, for the purpose of the empirical study, divided into four groups, where two of them are part of the euro zone and the other two have their own currency. The timing of the analysis coincided in its early phase with the international financial crisis and the ensuing sovereign debt crisis in the euro area that resulted in deep economic and social consequences in some countries.

As a matter of fact, the severity and duration of the economic recession in some euro zone countries has left deep economic and social marks. The option for external financing and subsequent adjustment programs based on internal devaluation exacerbated the recessionary effects and generated a chain of impacts on the business and loss of the population purchasing power. On the other hand, structural unemployment trends, such as the long duration distressing people's skills and motivation, as well as youth unemployment, which has stimulated immigration and led to the departure of skilled young people, have greatly reduced their potential for growth. GDP declined, corporate failures increased, as did unemployment and poverty. Governments have greatly limited their spending, particularly at the social level, in order to meet the targets, set in the adjustment programs. In addition, countries no longer have financial conditions to implement measures to stimulate the economy, in order to promote a faster recovery.

The results of the empirical application show that the countries with the greatest degree of globalization, regardless of whether or not they are integrated into the euro zone, have better resisted the impacts of the crisis and have not revealed significant declines in the social justice levels during the period. Also, the countries that most recently joined the EU and which have a lower level of globalization and maintain their monetary and exchange rate autonomy have not suffered losses in terms of social justice, especially in access to the labor market and poverty risk indicators. Finally, the southern countries that are part of the euro area and which have lower levels of economic globalization have seen their levels of social justice deteriorate significantly during the crisis, in particular as regards access to the labor market and the risk of poverty.

Summing up, the results obtained attest to the relevance of the interaction between the variables considered in the study: *Globalization* and *Social Justice*. Therefore, in later studies it is justified to deepen and to detail the analysis the characteristics covered by the new methodologies and variables considered in the indicators that we used. On the other hand, the results also justify the apprehensions of many authors about the deficient architecture and implementation of the European Monetary Union, which in a period of global financial crisis did not have the capacity to provide support for the states that are hardest hit by the financial markets and so to prevent the waves of contagion between the several member countries of the single currency.

ACKNOWLEDGMENT

The comments and suggestions of two anonymous referees are gratefully acknowledged. The usual disclaimer applies.

REFERENCES

Aizenman, J. (2016). Optimal currency area: A 20th century idea for the 21st century? NBER Working Paper, 22097. doi:10.3386/w22097

Aspers, P., & Kohl, S. (2015). Economic theories of globalization. In B. S. Turner & R. J. Holton (Eds.), *The Routledge international handbook of globalization studies*. Routledge.

Baldwin, R., & Gros, D. (2015). What caused the Euro zone crisis? Retrieved from ohttps://www.ceps.eu/system/files/What%20caused%20the%20EZ%20Crisis%20RB%20DG%20CEPS%20Commentary.pdf

Bénassy-Quéré, A., Fontagné, L., & Lahrèche-Révil, A. (2005). How does FDI react to corporate taxation? *International Tax and Public Finance*, *12*(5), 583–603. doi:10.100710797-005-2652-4

Bento, V. (2018). The Euro Monetary Union with a flawed conceptual framework. In J. Caetano & M. Sousa (Eds.), *Challenges and opportunities for the Euro zone governance*. New York: Nova Science Publishers.

Brander, J. A., & Spencer, B. J. (1985). Export subsidies and international market share rivalry. *Journal of International Economics*, *18*(1-2), 83–100. doi:10.1016/0022-1996(85)90006-6

Caetano, J., & Sousa, M. (Eds.). (2018). *Challenges and Opportunities for the Euro zone governance*. New York: Nova Science Publishers.

Caetano, J. M., Vaz, E. J., & Caleiro, A. B. (2018). Trends in business cycles synchronization in the EMU. In J. Caetano & M. Sousa (Eds.), *Challenges and opportunities for the Euro zone governance* (pp. 35–60). New York: Nova Science Publishers.

Deardorff, A. (1994). The possibility of factor price equalization, revisited. *Journal of International Economics*, *36*(1–2), 167–175. doi:10.1016/0022-1996(94)90063-9

Dreher, A., Gaston, N., & Martens, P. (2008). *Measuring globalization – Gauging its consequences*. Berlin, Germany: Springer.

Engels, F., & Marx, K. (1969). *Die Deutsche Ideologie. MEW 3*. Berlin, Germany: DietzVerlag.

Guiso, L., Herrera, H., Morelli, M., & Sonno, T. (2019). Global crises and populism: The role of Eurozone institutions. *Economic Policy*, *34*(97), 95–139. doi:10.1093/epolic/eiy018

Gygli, S., Haelg, F., Potrafke, N., & Sturm, J. E. (2019). The KOF globalisation index–revisited. *The Review of International Organizations*, 1–32. doi:10.100711558-019-09344-2

Harger, K., Young, A. T., & Hall, J. C. (2017). Globalization, institutions, and income convergence. *The Journal of Regional Analysis & Policy*, *47*(2), 110–125.

Hernández, E., & Kriesi, H. (2016). The electoral consequences of the financial and economic crisis in Europe. *European Journal of Political Research*, *55*(2), 203–224. doi:10.1111/1475-6765.12122

Herr, H., & Ruoff, B. (2015). Labour and financial markets as drivers of inequality. In A. Gallas, H. Herr, F. Hoffer, & C. Scherrer (Eds.), *Combating inequality: The global north and south* (pp. 77–95). Routledge.

Hillman, A. L. (2008). Globalization and social justice. *The Singapore Economic Review*, *53*(02), 173–189. doi:10.1142/S0217590808002896

Hirschman, A. O. (1986). *Rival views of market society and other recent essays*. New York: Viking.

Jaumotte, F., Lall, S., & Papageorgiou, C. (2013). Rising income inequality: technology, or trade and financial globalization? *IMF Economic Review*, *61*(2), 271–309. doi:10.1057/imfer.2013.7

Jones, R. W. (1979). A three-factor model in theory, trade and history. In R. W. Jones (Ed.), *International Trade: Essays in Theory* (pp. 85–101). Amsterdam, The Netherlands: North-Holland.

Kang, J. S., & Shambaugh, J. C. (2016). The rise and fall of European current account deficits. *Economic Policy*, *31*(85), 153–199. doi:10.1093/epolic/eiv018

Kauder, B., & Potrafke, N. (2015). Globalization and social justice in OECD countries. *Review of World Economics*, *151*(2), 353–376. doi:10.100710290-015-0213-1

Lang, V. F., & Tavares, M. M. M. (2018). The distribution of gains from globalization. IMF Working Paper 18/54, International Monetary Fund. Retrieved from https://www.imf.org/en/Publications/WP/Issues/2018/03/13/The-Distribution-of-Gains-from-Globalization-45722

Leamer, E. E. (1995). The Heckscher-Ohlin model in theory and practice. Princeton studies in international finance, no. 77). Retrieved from https://pdfs.semanticscholar.org/1251/13a392441a1238e5e0d8369292d1fa54bc06.pdf

Marx, K., & Engels, F. (1848). *Manifesto of the Communist Party.* Retrieved from https://www.marxists.org/archive/marx/works/download/pdf/Manifesto.pdf

Merkel, W., & Giebler, H. (2009). Measuring social justice and sustainable governance in the OECD. In B. Stiftung (Ed.), *Sustainable governance indicators 2009, policy performance and executive capacity in the OECD* (pp. 187–215). Gütersloh, Germany: Bertelsmann Stiftung.

Pastor, L., & Veronesi, P. (2018). *Inequality aversion, populism, and the backlash against globalization (No. w24900)*. National Bureau of Economic Research. doi:10.3386/w24900

Potrafke, N. (2015). The evidence on globalization. *World Economy*, *38*(3), 509–552. doi:10.1111/twec.12174

Raitano, M. (2016). Income inequality in Europe since the crisis. *Intereconomics, 51*(2), 67-72. Retrieved from https://link.springer.com/article/10.1007%2Fs10272-016-0579-x

Ravallion, M. (2018). Inequality and globalization: A review essay. *Journal of Economic Literature*, *56*(2), 620–642. doi:10.1257/jel.20171419

Ricardo, D. (1970). *On the principles of political economy and taxation*. Cambridge, UK: Cambridge University Press.

Rodrik, D. (2011). *The globalization paradox: Democracy and the future of the world economy*. New York, London: W. W. Norton & Company.

Rodrik, D. (2018). Populism and the economics of globalization. *Journal of International Business Policy*, 1-22. Retrieved from https://drodrik.scholar.harvard.edu/publications/populism-and-economics-globalization

Saez, E. (2018). Striking it richer: The evolution of top incomes in the United States. In D. Grusky (Ed.), *Inequality in the 21st century: A reader* (pp. 39–42). Routledge. doi:10.4324/9780429499821-8

Samuelson, P. A. (1971). Ohlin was right. *The Swedish Journal of Economics*, *73*(4), 365–384. doi:10.2307/3439219

Smith, A. (1976). *An inquiry into the nature and causes of the wealth of nations*. Oxford, UK: Clarendon Press.

Stiglitz, J. E. (2002). *Globalization and its discontents*. New York: W. W. Norton & Company.

Stiglitz, J. E. (2006). *Making globalization work*. New York: W. W. Norton & Company.

Stiglitz, J. E. (2017). The overselling of globalization. *Business Economics (Cleveland, Ohio)*, *52*(3), 129–137. doi:10.105711369-017-0047-z

Wallerstein, I. (1974). Capitalist agriculture and the origins of the European world-economy in the sixteenth century, vol. 1 of The Modern World-System, New York: Academic Press.

Weeks, J. (2014). Euro crises and Euro scams: Trade not debt and deficits tell the tale. *Review of Political Economy*, *26*(2), 171–189. doi:10.1080/09538259.2014.881009

ADDITIONAL READING

(2019, Jan. 1). Greater social justice in a globalized world. Retrieved from https://www.elysee.fr/g7/2019/01/01/for-a-fairer-globalization.en

Agartan, K. (2014). Globalization and the question of social justice. *Sociology Compass*, *8*(6), 903–915. doi:10.1111oc4.12162

Barkey, M. (2000, Aug. 28). Globalization, social justice and the plight of the poor [Commentary]. Retrieved from https://acton.org/pub/commentary/2000/08/28/globalization-social-justice-and-plight-poor

Fraser, N. (2003, Jan. 24). Social justice in globalization: Redistribution, recognition and participation. Retrieved from https://www.eurozine.com/social-justice-in-globalisation/

Gindin, S. (2002, June 1). Social justice and globalization: Are they compatible? [Review of the month]. Retrieved from https://monthlyreview.org/2002/06/01/social-justice-and-globalization-are-they-compatible/

International Labour Organization. (2008). ILO declaration on social justice for a fair globalization. Geneva, Switzerland. Retrieved from https://www.ilo.org/wcmsp5/groups/public/---dgreports/---cabinet/documents/genericdocument/wcms_371208.pdf

Kitching, G. (2002, March/April). Seeking social justice through globalization: Escaping a nationalist perspective [Capsule Review]. Retrieved from https://www.foreignaffairs.com/reviews/capsule-review/2002-03-01/seeking-social-justice-through-globalization-escaping-nationalist

Kitching, G. (2010). *Seeking social justice through globalization: Escaping a nationalist perspective*. Penn State University Press.

Midgley, J. (2007). Perspectives on globalization, social justice and welfare. *Journal of Sociology and Social Welfare*, *34*(2), 17–36.

Muschert, G. W., Budd, K., Christian, M., Klocke, B. V., Shefner, J., & Perrucci, R. (Eds.) (2018). Global agenda for social justice. Policy Press.

Onaiyekan, J. (2002, Dec. 10). Globalization and social justice. Retrieved from https://www.kas.de/einzeltitel/-/content/globalization-and-social-justice1

Santhosh-Kumar, P. (2018, Nov. 16). Social justice and teamwork are the future of globalization. Retrieved from https://www.weforum.org/agenda/2018/11/globalization-4-means-harnessing-the-power-of-the-group/

ENDNOTES

[1] The empirical literature abundantly recognizes that inequality within countries has increased, both in less developed economies. See, for instance, Lang & Tavares (2018).

[2] A good exposition of this model can be found in Leamer (1995).

[3] A synthesis of works on the subject can be seen in Dreher et.al. (2008) and in Potrafke (2015).

[4] Thus, when the KOF index increases by a standard deviation, the Social Justice Index increases by 0.4 points (scale from 1 to 10). The political implication is that allowing a national economy to become globally integrated is consistent with the promotion of social justice.

[5] In an extensive analysis of the use of the KOF index in studies on the economic and social effects of globalization Potrafke (2015) identifies more than a hundred empirical works.

[6] In fact, according to the authors, the dimensions - "poverty", "education" and "work" - assume, i.e., carry the most significant conceptual value, which is why each is more thoughtful in creating the index. "Poverty prevention" has a triple weight, "access to education" and "inclusion in the labor market" has a double weight in the final calculations, and the remaining three dimensions are considered as unitary.

[7] For all countries, data for the SJI are available only from 2014 onwards. For the years 2008 and 2011, data are available only for 19 countries: Austria; Belgium; Czech Republic; Denmark; Finland; France; Germany; Greece; Hungary; Ireland; Italy; Luxembourg; Netherlands; Poland; Portugal; Slovakia; Spain; Sweden; United Kingdom. In other words, for those years, there are no data for Bulgaria, Croatia; Cyprus; Estonia; Latvia; Lithuania; Malta; Romania; Slovenia.

[8] The graphical representation of the data for each of the 28 member states, in individual terms, is available from the authors.

[9] In fact, the correlation coefficient between the variables presented the following evolution: 0.798 (KOFGI2006, SJI2008); 0.721 (KOFGI2009,SJI2011); 0.703 (KOFGI2012,SJI2014); 0.6839 (KOFGI2013,SJI2015); 0.6592 (KOFGI2014,SJI2016); 0.641 (KOFGI2015,SJI2017).

[10] It is recalled that the regression lines pass through the midpoints, which, as can be seen in Table 1, are not significantly different.

[11] In fact, an exception to this trend occurred in the pair (KOFGI df 2012,SJI2014), since the correlation coefficient between the two variables increased. See also the R^2 in the figure.

[12] It was in fact in this pair of years that the correlation between the de jure globalization and social justice presented the highest correlation, namely 0.7105, an even higher value than that of the correlation between the global index KOFGI and the SJI.

[13] We work with only 19 countries of the European Union, since we only have data on Social Justice since 2008. Of these countries, 12 are integrated into the Monetary Union and use the Euro and 7 have their own currency.

[14] In fact, in the euro zone the financial markets forced the sovereigns to socialize the private bank debt through the issuance of public debt, and the State assumed the function of the Central Bank as liquidity provider of last resort. This process has increased public debt and reduced its sustainability, with the inherent increase in risk premia and interest rates in the different sectors.

[15] It should be noted that this set of 4 groups of countries corresponds exactly to the 19 countries for which data are available for the entire period under analysis. Thus, in this section, the sample is the same in all six pairs of years under analysis.

16 The so-called Visegrad group comprises 4 Central and Eastern European countries which joined the EU in 2005. These countries have not adhered to the Euro because they do not yet meet the conditions defined by the EU and are in a process of preparation to fulfill such conditions.

17. Countries that meet the convergence criteria defined by the Maastricht Treaty and which could thus join the European Monetary Union. However, for a number of reasons, these countries have voluntarily decided not to do so and therefore continue to have their own currency.

18 For the EZP group in the period 2008-2014, the KOF trade indicator rose by around 15%, the KOF financial indicator *de facto* remained broadly unchanged and the SJ Labor market indicator declined by around 26% in the same period. For the remaining groups of countries, the changes were much less significant.

Chapter 3
The European Union as a Major Trading Player in the Global Economy

Zuzana Kittová
Faculty of Commerce, University of Economics in Bratislava, Slovakia

ABSTRACT

This chapter critically evaluates the position of the EU within the global trade and developments of its position from a long-term perspective, and identifies the main factors behind these developments. With this aim, both the intra-EU trade and the extra-EU trade are analyzed, including the development of export and import values, along with the trade balance development and the structure of the intra-EU and extra-EU trade flows (main trading partners and main product groups). Furthermore, the development of the EU's share on the global trade is studied in comparison to the share of other main world trade players. The chapter examines the main factors that influence the position of the EU within the global trade. Finally, the prediction of the EU trade and of its position in the global economy are developed.

INTRODUCTION

Almost seven decades has passed since the founding treaties of the three European communities, the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community – the predecessors of today's EU - were signed. From the beginning, economic and particularly trade cooperation has been among the major drivers of the integration process of the six Western European countries. These countries incorporated the goal of creating a customs union as well as a common market into the Rome treaty. The first milestone on this path – the customs union – was reached in 1968. Although formation of the common market as the next integration step took much more time and efforts, the integration process has been moving constantly forward and the EU currently represents the most advanced integration grouping in the world at the level of the economic and monetary union. Introduction of the single currency, enlargement as well was a stepwise implementation of the Common Foreign and Security Policy or the European Security and Defense Policy is aimed to ensure

DOI: 10.4018/978-1-7998-1188-6.ch003

a stronger voice in the world for the EU. Worldwide, however, the EU is recognized first and foremost as a powerful regional trading block.

Why does the position in the world trade matter for the EU? According to the European Commission, *the development of trade - if properly managed - is an opportunity for economic growth (European Commission, 2019, para. 9).* Interconnection between the trade development and prosperity of economies is strong in the era of globalization bringing about changes in the nature of global competition. Success in this competition is determined both directly or indirectly, by various factors such as the pace of innovation, quality of education, technological readiness, institutional and macroeconomic environment, infrastructure availability etc. The aim of this chapter is to critically evaluate the position of the EU within global trade and the development of its position from a long-term perspective as well as to identify the main factors behind this development.

BACKGROUND

Several theoretical approaches may be used in explaining trade patterns existing within the world economy. Within this chapter, there is great focus on economic integration theories dealing with the trade effects of integration as well as on theoretical approaches on competitiveness.

Theories of economic integration are useful when explaining both the trade among the EU member states and trade of the EU with the third countries. In the economic literature, the concept of integration became to be used first in connection with business combinations by agreements, cartels, trusts or mergers, either of competing businesses or suppliers and customers. Later, between the 1930s and 1940s, binding of national economies into larger units also started to be defined as integration. A term "international integration" was used here. At approximately the turn of the 20th century, the term integration was used, especially by economists dealing with international trade, where an international economic integration was understood as a discriminatory removal of trade barriers (both tariff and non-tariff) as well as introduction of certain level of cooperation and coordination among involved countries. Interest in the topic was growing in connection with the integration grouping in the Western Europe having been established (namely the European Coal and Steel Community and the European Economic Community). Viner (1950) is considered to be a founder of the customs union theory. Viner pointed at two trade effects of customs union: the trade creation among the members of the customs union and the trade diversion in relation to countries outside the customs union. Authors of further significant works are Meade (1953, 1955), Tinbergen (1954), Scitovsky (1962). These and other theoretical works on economic integration were subsequently summarized by Balassa (1961). The named authors considered the trade for the main element of international economic integration and international labor division for its basic principle.

Until approximately the 1970's, the theory writers kept rather skeptical point of view on economic value of customs union. According to the theory of the Second Best, a customs union represented just the "second best" option (Lipsey & Lancaster, 1956). A free trade and competition without any trade barriers all around the world was the best option. Since this option is only an ideal, the international economic integration represented the second best option for the global trade. Just a development of intra-industry trade theory brought a new view of trade liberalization usefulness (Helpman & Krugman, 1985). Models incorporated economies of scale and market size. Even larger optimism in respect of economic integration effects was connected with removing not only tariff but also non-tariff trade barriers. The theory of customs union was extended to other forms of economic integration (Robson, 1998).

Competitiveness has been and still is an object of investigation by many authors. It can be analyzed at company, industry and country levels. At the company level, it is explained as a capacity of company to compete with other companies on domestic or foreign markets (Buckley, Pass & Prescott, 1988). Competitiveness indicates a firm's ability to design, produce and market products superior to those offered by competitors, where superiority can be evaluated from several factors, like price, quality, technological advancement, etc. (Depperu & Cerrato, 2005). At an industry level, the competitiveness is evaluated either with respect to the same industry in another region/country under the condition of a free trade between the regions/countries or it is understood as the extent to which a sector/industry satisfies the needs of consumers and of its constituents (e.g. its workers) while offering attractive return on investment and potential for profitable growth (Momaya, 1998). Although the concept of national competitiveness is criticized by some authors, it is often understood as the ability to sell on international markets. This market-share based approach to competitiveness helps to understand how countries compete on international markets. For example, according to Scott and Lodge (1985), national competitiveness is "a country's ability to create, produce, distribute, and/or service products in international trade while earning rising returns on its resources. The theories and concepts of competitiveness at a national level range from classical theories of Smiths and Ricardo to modern theories including those of Porter and Krugman. A lot of research concerning competitiveness at a national level was driven particularly by the Porter's competitiveness framework (Porter, 1990). According to Porter, the key determinant of the competitiveness of a geographic location is a productivity of companies located there. This productivity-based approach to competitiveness is an important difference to the market-share based definitions of competitiveness. Porter proposed a "diamond" that captures a set of location advantages influencing the ability of companies within this location to compete in international markets. The dimensions of the diamond include:

- firm strategy, structure and rivalry;
- factor conditions;
- demand conditions;
- related and supporting industries.

Government may influence each of these dimensions by appropriate policy approach, however, according to Ketels (2006), the Porter's framework of competitiveness doesn't provide a basis for widespread government interventions. Government is *an important player influencing competitiveness by enabling market rivalry to become more effective in terms of value creation rather than curbing market forces (Ketels, 2006, p. 134*).

Porter's work was followed by several economists, either striving to enhance, support or criticize it. Krugman (1994) belongs to the most serious critics of Porter's model of national competitiveness. He argued that for countries with big domestic markets such as United States, exports competitiveness does not play an important role in achieving prosperity. *Growth rate of living standards essentially equals the growth rate of domestic productivity - not productivity relative to competitors, but simply domestic productivity (Krugman, 1994, p. 34).* Since times when Krugman published his criticism, however, the notion of competitiveness shifted from trade-based concept to a concept including broader range of economic issues such as taxes, labor protection, environmental protection, financial regulation etc. For example, according to Ružeková and Kašťáková (2018) companies can be well-competitive not only via technological and product innovation, but also due to low labor costs, savings in environmental costs, depreciated currency or price dumping. Ketels (2006) provides an extensive analysis of competitiveness drivers. He differentiates among three groups of factors: factors that have long been recognized as potential important drivers of prosperity, factors that have more recently come into focus or have been significantly re-evaluated, and finally factors that are being discussed but remain very difficult to convincingly operationalize. An overview of undelaying factors is provided by Table 1.

To measure national competitiveness, different indicators may be used. In principle, they are either based on values of exports/imports (e. g. net exports, growth in market shares for exports and imports, growth in terms of trade for country etc.) or they are calculated as indexes (such as the Global competitiveness index, the World Bank's Doing business index, the IMD (International Institute for Management Development) World competitiveness index, the Global innovation index or the Knowledge economy index).

POSITION OF THE EU WITHIN THE GLOBAL TRADE

The EU represents one of the major players within the global trade. As far as the trade in goods is concerned, the share of its imports/exports on global imports/exports, after eliminating the intra-EU trade, is the second largest in the world, following China - the largest global exporter - or the United States - the largest global importer. In 2017, the EU accounted for more than 15% of both world imports and exports (see Figure 1). At the same time, the share of China in global exports approached 17% and the share of United States in world imports exceeded 17% (Kašťáková, Drieniková, Zubaľová, Kittová & Barinková, 2019). If the trade among the EU member states is taken into account, the position of the EU within the global trade is even stronger. In 2017, the share of EU exports (also including the intra-EU exports) on global exports reached more than 47% and the share of EU imports (including also the intra-EU imports) was 41.8%. This makes the EU the leading trading power in the global economy being far ahead of its global competitors, as seen in Figure 1 below.

The EU Trade Developments and Structures

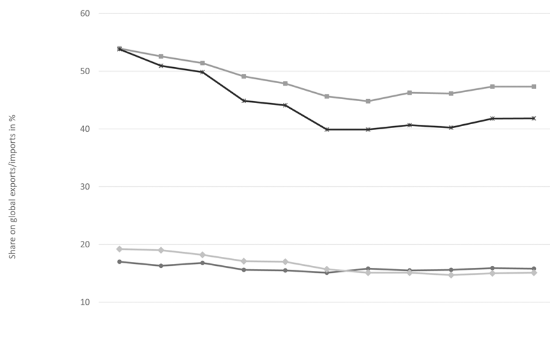
Figure 2 provides an overview of the EU trade values ranging from 2007 - 2017. The developments of five main trade indicators are presented, namely the values of EU exports (calculated as total exports including both the extra-EU and the intra-EU exports), EU imports (aggregate of extra-EU and intra-EU imports), extra-EU exports, extra-EU imports and the extra-EU trade balance. An increase of the EU trade during the last eight years can be noted. Following a significant drop in trade flows in 2009,

Table 1. Competitiveness drivers

Traditional Factors	New Factors	Complex Factors
• Rules and regulations • Financial markets • Physical infrastructure • Macroeconomic policies • Institutions and geography • Size of economy	• Company sophistication and firm heterogeneity • Economic geography: Urbanization and clusters • Industrial composition of an economy • (Creative) skills and locational attractiveness • Regional differences in outcomes	• Individuals: Culture and trust • Institutions: Quality and capacity • Social capital and linkages

Source: (Ketels, 2006)

Figure 1. Share of the EU exports/ imports on the global exports/ imports (Eurostat, 2019a)

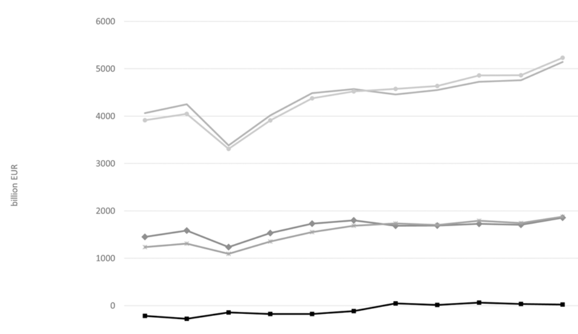


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Extra EU exports	17	16,3	16,8	15,6	15,5	15,1	15,8	15,5	15,6	15,9	15,8
Extra EU imports	19,2	19	18,2	17,1	17	15,7	15,1	15,1	14,7	15	15,1
EU exports	53,9	52,6	51,4	49,1	47,9	45,6	44,8	46,3	46,1	47,3	47,3
EU imports	53,8	50,9	49,8	44,9	44,1	39,9	39,9	40,7	40,2	41,8	41,8

as a consequence of the global financial crisis, the trade values returned to the pre-crisis levels in 2010 (Kašťáková et al., 2019). In 2017, extra-EU trade continued to expand at a moderate pace. Extra-EU exports grew by 3.5% with extra-EU imports by 2.5%, compared to previous year. Total EU exports and imports including the intra-EU trade grew faster since 2010. The average annual growth rate during 2010 - 2017 was about 6% for exports and 5.6% for imports. Hence, the increase of traded values was supported mainly by the intra-EU trade. Since 2013, the extra-EU trade balance has operated at a slight surplus. In 2017, it reached about 22 billion EUR.

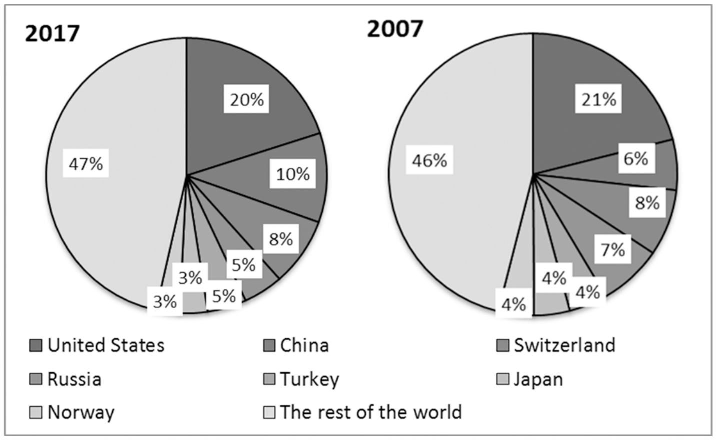
Figures 3 and 5 present the main EU trading partners in 2017 compared to 2007. During the period under review, the EU recorded the strongest increase in trade with China, at that time the exports of the EU to China almost trebled with imports from China growing by 60%. Russia is the only country from the top EU export partners for which the EU exports decreased within the period under review. The EU recorded a significant drop in exports to Russia due to economic sanctions on mutual trade that had entered into force in 2014. Since 2015, the exports to Russia remained restricted. On the import side,

Figure 2. EU trade developments (Eurostat, 2019a)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Extra-EU import	1451	1585	1236	1532	1730	1799	1688	1690	1727	1708	1857
Extra-EU export	1234	1309	1094	1354	1554	1685	1736	1704	1790	1745	1879
EU import	4065	4251	3385	4017	4486	4570	4460	4550	4726	4759	5144
EU export	3915	4049	3308	3911	4378	4524	4575	4636	4860	4861	5232
Extra-EU trade ballance	-216	-276	-142	-177	-175	-114	49	14	63	37	22

Figure 3. Share of extra-EU exports by partner (Kašťáková et al., 2019)



a decrease was recorded for Japan, Russia and Norway between 2007 and 2017. As far as Russia and Norway are concerned, it may be partially explained by changes in oil and gas prices (Eurostat, 2018).

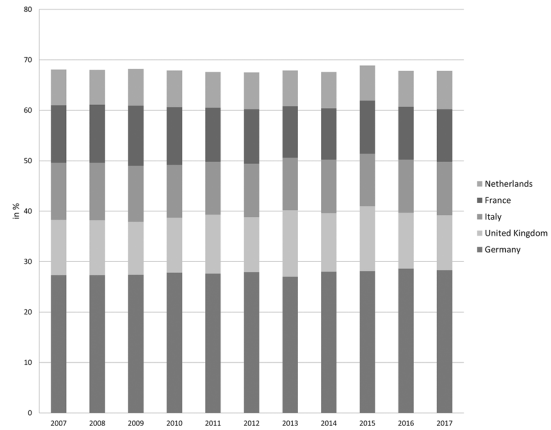
The United States maintained their position with the share of 20% in 2017, as the main export market for EU goods. This share didn't change significantly over the past 10 years. China was gaining importance for extra-EU exports over the entire time period of 2007 - 2017. In 2017, its share on extra-EU exports accounted for 10%. Switzerland with the share of 8% on extra-EU exports was the third most important export market for the EU. Russia reaching the share of 5% on extra-EU exports in 2017 recorded a decrease of its share. Russia was followed by Turkey, Japan, Norway, South Korea, United Arab Emirates, India, Mexico, Canada and Hong-Kong.

Germany, the United Kingdom, Italy, France and the Netherlands were the top five EU exporters with regard to the extra-EU exports during the last 10 years. As presented in Figure 4, they accounted for almost 69% of extra-EU exports in 2017. More than a third of this share is generated by Germany. The United Kingdom is the second largest exporter of the EU. Hence, the Brexit is expected to have a significant negative influence on the extra-EU exports.

If the largest extra-EU exporters are compared with the top intra-EU exporters, the picture is slightly different. The United Kingdom does not belong to the top five intra-EU exporters. Again, the largest exporter is Germany, followed then by the Netherlands, France, Belgium and Italy. The high share on the intra-EU exports of Netherlands along with its high share in the extra-EU imports (see Figure 6) result from the fact that goods imported from the third countries often enter the EU in the Rotterdam harbor and they are further re-exported to other EU member states. However, the share of exports to EU in total exports of Netherlands (that is about 75%) does not belong to the highest within the EU members. Slovakia, Luxembourg, Czech Republic and Hungary distribute more than 80% of their total exports to the EU.

The largest share of goods imported into the EU originates in China, which has been growing gradually since 2007, reaching 21% in 2017. The EU trade balance with China is in deficit and reached almost 178 billion EUR in 2017, the highest among all EU trading partners. The share of the United States on the EU imports fluctuated between 11.2 – 14.6% in the last 10 years. The EU trade balance with the United States is in surplus. The United States are followed by Russia, the share of which on EU imports was declining since 2007, Russia however remains an important trading partner due to supplies of mineral

Figure 4. Share of the top EU exporters in extra-EU exports (Eurostat, 2019a)



fuels into EU. In 2017, the EU imported from Russia more than 29% of its total imports in SITC group three. The shares of EU imports from Switzerland, Norway, Turkey and Japan were relatively balanced over the period under review. South Korea and India, with shares on the EU imports accounting for 2 – 3% in 2017, represented the most important partners for the EU within the rest of the world, presented below in Figure 5.

In Figure 6, the top five extra-EU importers are presented. The cumulative share of these countries exceeded 60% of the extra-EU imports during the period under review. The top five intra-EU importers include Germany, France, the United Kingdom, Italy and the Netherlands. In 2017, they together accounted for 56% of the intra-EU imports.

Figure 7 shows the commodity structure of the extra-EU exports and the extra-EU imports per SITC in 2017. The largest share of both exports and imports belongs to machinery and transport equipment. On the export side, the most important sub-items within this group are automotive products, followed by other transport equipment and telecommunication equipment. Together these account for 51.7% of the extra-EU exports in SITC group 7 (World Trade Organization, 2019). As far as the EU imports of

Figure 5. Share of extra-EU imports by partner (Kašťáková et al., 2019)

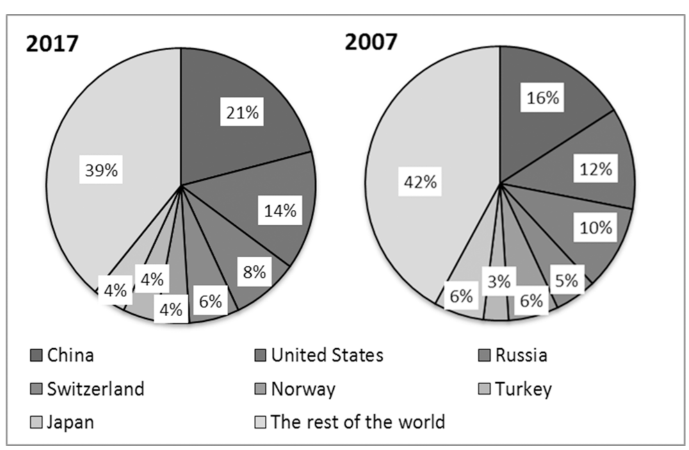
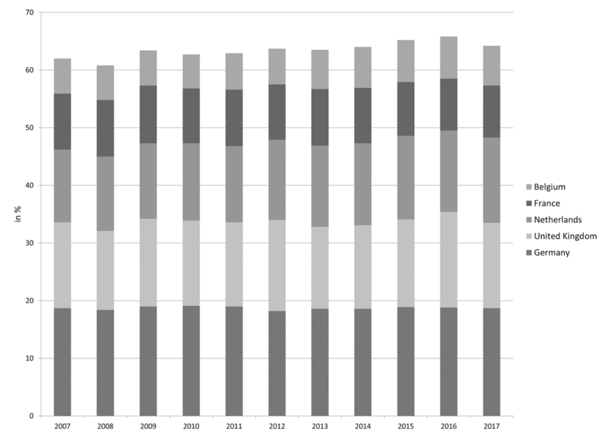


Figure 6. Share of the top EU importers in extra-EU imports (Eurostat, 2019a)



the SITC group 7 are concerned, they are dominated by the telecommunication equipment, followed by automotive products and other transport equipment.

The second largest share in the extra-EU trade is created by other manufactured goods. On the extra-EU export side, other manufactured goods are followed by chemicals and related products. The third place in extra-EU imports belongs to mineral fuels, lubricants and related materials. The commodity structure of the extra-EU exports/imports remained stable over the last 10 years. Only the share of mineral fuels on extra-EU imports fluctuated more remarkable due to the commodity price changes.

The EU reaches trade surplus in both SITC groups 5 (chemicals and related products) and 7 (machinery and transport equipment). Contrary to that, EU is a net importer of mineral fuels, lubricants and related materials (SITC group 3), raw materials (SITC groups 2, 4) and other manufactured goods (SITC groups 6, 8).

The commodity structure of the intra-EU trade in 2017 is presented by Figure 8 where one can see the changes of this structure over the last 10 years. It was found that shares of most of individual product groups did not change significantly. The most important change related to the SITC group 1 (food, drink

Figure 7. Share of extra-EU exports and extra-EU imports by product group in 2017(Eurostat, 2019a)

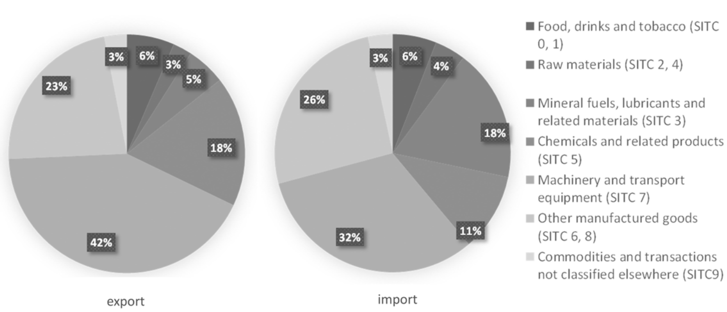
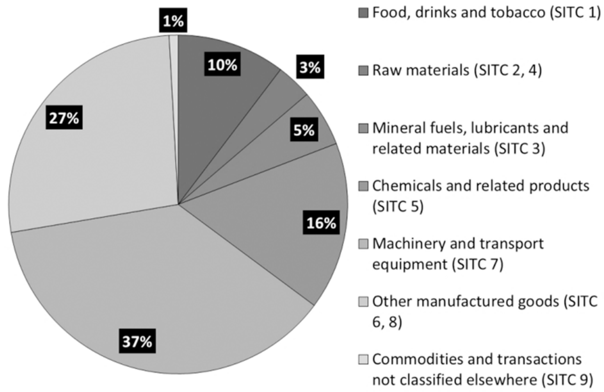


Figure 8. Share of intra-EU trade by product group in 2017(Eurostat, 2019a)



and tobacco) the share of which in the total intra-EU trade increased from 8.4% in 2007 to 10.3% in 2017. This can be partly explained by increasing prices in this product group. While at the beginning of 2007 the EU consumer prices of food reached only about 83% of prices in 2015 (i.e. 2015 = 100%), the price index increased to more than 103% at the end of 2017. Annual increase in food consumer prices was on average by 0.4 percentage points higher than with all items (Eurostat, 2019b).

The comparison of commodity structure of the intra-EU trade with that of the extra-EU trade shows that:

- The share of SITC group 1 (food, drink and tobacco) on the intra-EU trade is much higher than on the extra-EU trade. It also indicates that the trade in this commodity group is due to the Common agricultural policy more "local" than within the remaining commodity groups;
- The shares of SITC groups 2, 3 and 4 (raw materials, mineral fuels, lubricants and related products) in both the intra-EU trade and the extra-EU exports are low. Contrary to that, the shares are much higher in the extra-EU imports. It is obvious that the EU is dependent upon imports of such products from the third countries;
- Both the extra-EU and the intra-EU trade are dominated by machinery and transport equipment followed by other manufactured goods and chemicals. The composition of the EU trade reflects the fact that the EU is a highly developed economy. It has diversified exports of industrial products with high added value and it is fully integrated into the global value chains.

Factors Influencing the Position of the EU within the Global Trade

Having understood the position of the EU within the global trade based on the detailed analysis in the previous chapter, a deeper view can be taken, with the aim to identify factors influencing the position of the EU within the global trade from a long-term perspective. The factors identified by the author may be classified as internal or external.

Internal Factors

First and foremost, the internal factors encompass both the deepening of the integration process (evolving from the customs union to the internal market and to the economic as well as monetary union) and the stepwise enlargement of the EU.

The EU founding treaties set the basis for the free movement of goods among the member states along with the free movement of services, persons, capital and payments. All customs duties and charges having equivalent effect have been abolished. As far as quantitative restrictions of trade among the member states as well as measures having equivalent effect are concerned, the EU legislation aims at their eliminating, however, allowing for some exceptions. These exemptions are twofold. Either they are explicitly defined by the founding treaties (namely by Article 36 of the Treaty on the Functioning of the European Union) or they result from the jurisdiction of the Court of Justice of the EU. The first group entails restrictions justified on grounds of:

- public morality, public policy or public security;
- the protection of health and life of humans, animals or plants;
- the protection of national treasures possessing artistic, historic or archaeological value;
- or the protection of industrial and commercial property.

However, such measures shall not constitute a means of arbitrary discrimination or a disguised restriction on trade between member states. By other words, such restrictions of trade among the EU member states should not only pursue some of the objectives listed above, but they also should be proportional, i.e. the least restrictive possible to attain the objective in question. By this means, even discriminatory barriers to trade may be justified. A good example are extraordinary mandatory veterinary inspections of Polish beef meat introduced by the Czech Republic and Slovakia in February 2019 after salmonella was discovered in one consignment of beef imported from Poland (State Veterinary and Food Administration of the Slovak Republic, 2019 and State Veterinary Administration, 2019). The experience shows that these types of trade barriers are not used often by member states.

The second group of exemptions represents quantitative restrictions and measures having equivalent effect accepted by the Court of Justice. If such restrictions adopted in the absence of EU harmonization do not discriminate goods upon the country of their origin, they may be justified by mandatory requirements. Mandatory requirements may be explained as public-interest objectives overriding the free movement of goods. Such requirements include for example consumer's protection, effectiveness of fiscal supervision, fairness of commercial practices, maintenance of press diversity, environment protection or ensuring road safety. This list is – contrary to that in Article 36 of the Treaty - not exhaustive and can be added to by the Court of Justice. In order to be justified by mandatory requirements, the measures should satisfy the principle of proportionality, too. It means that a measure restricting trade is accepted only if objective pursued by this measure cannot be achieved by another measure having less restrictive effect on the cross-border trade. A huge jurisdiction of the Court of Justice concerning justification of free movements by mandatory requirements shows that such barriers are not rare. However, mostly they did not pass the test of proportionality.

The free movement of goods within the EU is safeguarded also by rules on fair competition which cover the prohibition of anti-competitive agreements between companies, decisions adopted by associations of undertakings and concerted practices, the prohibition to abuse the dominant position and the control of mergers. The objective of these rules is meant to prevent competing entities from dividing up the EU internal market, along with national borders. This would be the case where firms agree to mutually allow exclusive control of their respective national markets (Craig & De Búrca, 2003). However, agreements between such firms may gain regulatory exemption if they satisfy four conditions:

- they contribute to improving the production or distribution of goods or to promoting technical or economic progress;
- they allow consumers a fair share of the resulting benefit;
- they impose on the undertakings concerned only restrictions which are indispensable to the attainment of agreement's objectives;
- they do not afford to eliminate competition in respect of a substantial part of the products in question.

Exemptions may be granted on an individual basis, or they may be granted based upon certain categories of agreements by the European Commission (so called block exemptions). Block exemptions include vertical agreements, licensing agreements for transfers of technology, research and development agreements, specialization agreements or motor vehicle distribution and repair agreements.

All the measures discussed above safeguard fast and unrestricted trade within the EU under conditions that are close to those of a single country. However, the trade among the EU member states still has to be viewed as a cross-border trade facing the challenges of different cultures, languages, consumers' preferences, national regulations etc.

Another factor having a direct impact on the volume of EU trade is the enlargement of the EU. Since the first treaties founding the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community as the predecessors of today's European Union have been signed by six Western European countries, six waves of enlargement rounds increased the number of the EU member states to 28. Currently, however, the United Kingdom is in the exit process from the EU. Countries that are becoming the EU members are able to benefit from all the advantages of the internal market and thus increase their trade with other EU members. It must however be kept in mind that some trade flows may be redirected from previous trading partners remaining outside the EU towards the EU members. In saying this, the enlargement of the EU influences the extra-EU trade, too. In total, however, each of the enlargements has led to an increase of the EU trade (Kokko, Mathä & Tingvall, 2005).

From the long-term perspective, the competitiveness of the EU member states (compared to the competitiveness of other countries) plays an important role in explaining existing trade patterns. In general, the EU member states rank highly when the national competitiveness is evaluated on the basis of the multifactorial indexes, such as the Global competitiveness index, the IMD world competitiveness index or the Doing business index. The Global competitiveness index (GCI) by the World Economic Forum provides one of the most comprehensive assessments of national competitiveness. In 2018, an updated Global Competitiveness Index 4.0 was introduced, that is computed on the basis of 98 indicators. Of these indicators, 64 are new, the rest have been retained from the previous methodology. 44 indicators are sourced from the opinion survey. All indicators are grouped into 12 pillars, make up of institutions, infrastructure, ICT adoption, macroeconomic stability, health, skills, product market, labor market, financial system, market size, business dynamism and innovation capability. GCI scores are expressed by a 0 to 100 scale and indicate how close a country is to an ideal state (World Economic Forum [WEF], 2019). The average score for the EU28 reached 72 in 2018. The highest score among the EU belongs to Germany, ranking third place out of 140 countries from all over the world. The second highest score was reached by the Netherlands (the sixth place in the ranking). It was followed by the United Kingdom that belong to the 8 most competitive economies in the world. These three EU member states are also among the top five extra-EU exporters presented in Figure 4.

The next index to measure and compare the competitiveness has been developed by the IMD World Competitiveness Center. It ranks countries according to how the governments manage to provide business environment encouraging a long-term value creation by the enterprises. Accordingly, competitiveness is explained as an *extent to which a country is able to foster an environment in which enterprises can generate sustainable value (IMD World Competitiveness Center [IMD], 2019, para. 6).* The IMD World Competitiveness Ranking (WCR) 2018 covers 63 countries. It is based on 340 competitiveness criteria that are grouped into 20 sub-factors. These sub-factors are further grouped into four areas: economic performance, government efficiency, business efficiency and infrastructure. WCR uses both hard and soft data. Hard data represent a weight of two-thirds in the overall ranking. Economies are ranked on the basis of scores within the interval from 1 to 100. In 2018, the average score of the 27 EU members (Malta that was not included in the evaluation) accounted for 78. The best placed EU member state was the Netherlands (rank 4) followed by Denmark (rank 6) and Sweden (rank 9).

The World Bank Group evaluates a business regulatory environment of 190 economies. The main idea behind this is that *good rules create an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and expand (World Bank Group [WBG], 2019, p. 11).* Doing Business (DB) measures 11 indicators such as starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, resolving insolvency and labor market regulation. The data are collected through questioning expert respondents. The minimum value of the overall score is 0, the maximum value is 100. In 2018 report, the average score for the EU members was 76. The best position was the one of Denmark ranking at the third place. The United Kingdom as the second-best EU member state belonged to the top seven countries in the world. Estonia ranked the twelfth in the world.

Based on data presented in Table 2 it is possible to compare the evaluation of EU members' competitiveness. Although each of the measures used are based upon different set of criteria resulting in differences in both the overall score and the ranking, we can conclude that the EU members with the best evaluation are Denmark, Sweden, the Netherlands, Germany and the United Kingdom. They together account for more than one half of the extra-EU exports and 45% of the intra-EU exports. The average score for the EU is higher than 72 for all the indexes. If the EU were evaluated as one country and the individual member states were excluded from the ranking, the EU would rank 17th in the World Economic Forum ranking, 19th in the IMD World Competitiveness Center ranking and 22nd in the ranking of the World Bank Group.

Internal Factors

The EU's position within the global trade is affected by various external factors, as well. To understand these factors better, it is useful to analyze the economic and trade developments of its main world competitors - the United States and China. Over a long time period we can observe a slight decrease in the EU's share in world exports on one hand, and an increase in China's share on the other hand. China, with its huge internal market and growing competitiveness of its producers represents both opportuni-

Table 2. Evaluation of the EU competitiveness based on multifactorial criteria (WEF, 2019; IMD, 2019 and WBG, 2019)

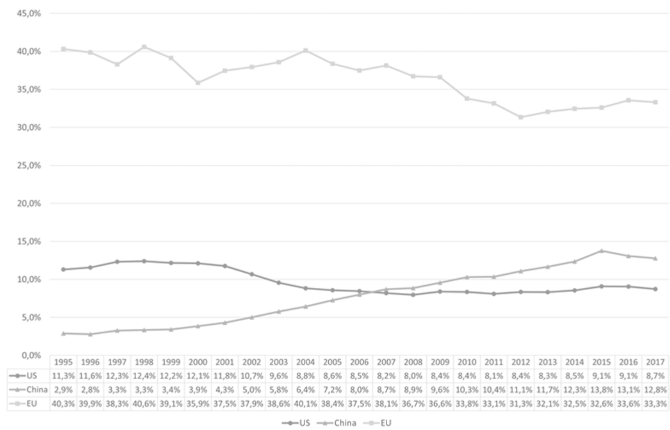
	GCI 2018 score	GCI 2018 rank	WRC 2018 score	WRC 2018 rank	DB 2018 score	DB 2018 rank
Austria	76,3	22	87,3	18	78,5	22
Belgium	76,6	21	80,8	26	71,7	52
Bulgaria	63,6	51	65,7	48	71,9	50
Croatia	60,1	68	55,3	61	71,7	51
Cyprus	65,6	44	72,2	41	71,6	53
Czech Republic	71,2	29	79,5	29	76,3	30
Denmark	80,6	10	96,4	6	84,1	3
Estonia	70,8	32	78,5	31	80,1	12
Finland	80,3	11	88,4	16	80,4	13
France	78	17	78	28	76,1	31
Germany	82,8	3	88,6	15	79	20
Greece	62,1	57	57,4	57	68	67
Hungary	64,3	48	66	47	72,4	48
Ireland	75,7	23	92,1	12	79,5	17
Italy	70,8	31	70,6	42	72,7	46
Latvia	66,2	42	72,2	40	79,3	19
Lithuania	67,1	40	76,9	32	79,9	16
Luxembourg	76,6	19	93,1	11	69	63
Malta	68,8	36	n.a.	n.a.	64,7	84
Netherlands	82,4	6	97,5	4	76	32
Poland	68,2	37	75,4	34	77,3	27
Portugal	70,2	34	76,2	33	76,8	29
Romania	63,5	52	64,9	49	72,9	45
Slovak Republic	66,8	41	60	55	74,9	39
Slovenia	69,6	35	73,3	37	75,4	37
Spain	74,2	26	75	36	77	28
Sweden	81,7	9	95	9	81,3	10
United Kingdom	82	8	85,6	20	82,2	7

Source: (WEF, 2019; IMD, 2019 and WBG, 2019)

ties and threats for the EU producers. Contrary to that, the United States gradually decrease their share in world exports.

Figure 9 shows a long-term development of the share of the EU export (both intra- and extra-EU) on world exports. The EU exports are calculated for 15 EU members by the year 2003, for 25 EU members by the year 2006, 27 EU members by 2012 and for the EU 28 since 2013. The share of the EU export reflects the enlargement process of the EU. Each of the EU enlargement rounds (in 2004 by 10 countries of Central and Eastern Europe, in 2007 by Bulgaria and Romania and in 2013 by Croatia) within

Figure 9. Share on the world exports (WTO, 2019)



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
US	11,3%	11,6%	12,3%	12,4%	12,2%	12,1%	11,8%	10,7%	9,6%	8,8%	8,6%	8,5%	8,2%	8,0%	8,4%	8,4%	8,1%	8,4%	8,3%	8,5%	9,1%	9,1%	8,7%
China	2,9%	2,8%	3,3%	3,3%	3,4%	3,9%	4,3%	5,0%	5,8%	6,4%	7,2%	8,0%	8,7%	8,9%	9,6%	10,3%	10,4%	11,1%	11,7%	12,3%	13,8%	13,1%	12,8%
EU	40,3%	39,9%	38,3%	40,6%	39,1%	35,9%	37,5%	37,9%	38,6%	40,1%	38,4%	37,5%	38,1%	36,7%	36,6%	33,8%	33,1%	31,3%	32,1%	32,5%	32,6%	33,6%	33,3%

the period under review contributed to an increase of the EU's share in world exports. However, from a long-term perspective one can observe a decrease in the EU's share in world exports by seven percentage points. If considering only a development of the extra-EU export's share in global exports, this share decreased slightly by two and a half percentage points since 1995 to 2017. This indicates a decreasing ability of the EU member states to sell on foreign markets compared to the rest of the world. The United States' share on world exports decreased during the period under review as well. However, the decrease was less significant compared to that of the EU (extra + intra) sinking by 2.6 percentage points within the same period. Contrary to that, the share of China in world exports increased significantly by almost 10 percentage points during 1995 – 2017. Since 2007, China has been the second largest exporter of the world if its share is compared to the share of EU exports including intra-EU exports. If one considers only the extra-EU exports, China is the largest exporter of the world.

The EU competitiveness, indicated by multifactorial criteria, is compared with the competitiveness of the United States and China. The best ranking among the compared economies was achieved by the United States in all rankings under review, as shown in table 3. The United States are the absolute leader of both the GCI and the WRC rankings. For the EU, the author has calculated an average score, for two rankings, this average score was lower than that of the China. The position of China has been improving over the last years significantly. Since 1997 when the IMD evaluated China for the first time, China moved forward in its ranking by 14 places. In the WEF GCI ranking, China improved its position by 18 places since 2004 (World Economic Forum, 2005).

The growth of China's share on the world trade, accompanied by a rapid growth of China's economy since the second half of 20th century was facilitated by several internal and external development impulses. Multiple authors have been involved in identifying and analyzing these impulses, such as Baláž, Szokeová and Zábojník (2012), Morrison (2018) as well as Paterson (2018). Beyond any doubt, however, implementation by the government of considerate and consistent measures of long-term and strategic character played an important role. The strategic project "Belt and Road Initiative", known also as "One belt, one road (OBOR)" initiative, announced in 2013, can be mentioned from among the recent ones. Its goal is to develop economic and safety cooperation and to develop infrastructure in Asia, Middle East, Africa and in Europe. China has committed to provide approximately 100 billion USD in support to the OBOR through three infrastructure funds: the Central-Asia focused Silk Road Fund, the Asian Infra-

Table 3. Comparison of the competitiveness measured by multifactorial criteria

	GCI 2018 score	GCI 2018 rank	WRC 2018 score	WRC 2018 rank	DB 2018 score	DB 2018 rank
United States	85.6	1	100	1	82.7	8
China	72.6	28	89	13	73.6	46
EU average	72	-	77.8	-	75.7	-

Source. (WEF, 2019; IMD, 2019 and WBG, 2019)

structure Investment Bank and the New Development Bank. However, there are no official statistics on actual amount of OBOR investment. External estimates run even about 200 billion USD (Collier, 2018).

Further, a 10-year plan "Made in China 2025" was launched in 2015 setting the competitiveness strengthening of Chinese economy as its goal by increasing added value in industries. Investments are directed primarily into high-tech industries such as advanced robotics, artificial intelligence, next-generation information technology and telecommunications, electric cars and other new energy vehicles or high-end rail infrastructure. The strategy emphasizes quality improvement in final production. Strengthening of China's position in the global economy and at the same time weakening of positions of traditional economic leaders headed by the U.S. resulted also from the international financial crisis in 2007.

Another significant factor affecting the position of China and of the U.S. is the entry of Donald Trump into the presidential office in 2017. President Trump initiated, for example, a withdrawal of the United States' signature from the agreement on the Trans-Pacific Partnership (TPP). The aim of this agreement was to liberalize the trade among signatories including elimination of tariffs, regulation of on-line commerce, safeguarding protection for intellectual property, labor standards or environmental protection. Twelve countries participated in negotiations, apart from the United States, they included Singapore, Brunei, New Zealand, Chile, Australia, Peru, Vietnam, Malaysia, Mexico, Canada and Japan. Subsequent to the U.S. withdrawal, remaining countries negotiated a new agreement – the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership that entered into force in December 2018. By the withdrawal from the TPP, the United States took the risk of surrendering the trade leadership in the Asia-Pacific region (Reichert, 2017), creating opportunity for China to accelerate its own trade agreements such as the Regional Comprehensive Economic Partnership (RCEP). The RCEP is a negotiated free trade agreement between the ten member states of the Association of Southeast Asian Nations and the six Asia-Pacific countries (Australia, China, India, Japan, South Korea and New Zealand). Negotiations are expected to be concluded in 2019 (Association of Southeast Asian Nations, 2018).

SOLUTIONS AND RECOMMENDATIONS

In previous chapters, the author has pointed at the leading position of the EU within the global trade. However, from a long-term perspective, one can follow a trend of decreasing share on the world exports for the EU and the trend of increasing share in the world exports for China. It is important for the EU to preserve its position within the global trade. To attain this, the EU needs to resort to protecting its trade and economic interests vis-à-vis its partners. Currently, this concerns mainly the United States and China. The United States used to be a protagonist of a free trade and multilateral trade order in the past. Under the current U.S. administration, however, it shifted to the "America First" approach. Under this approach, import tariffs on steel and aluminum have been imposed in 2018. The negative effect on the EU trade is twofold. First, tariffs increase the price of EU exports. Second, exports from other countries, mainly Turkey and Russia are redirected to the EU. Moreover, the U.S. President threatened to impose tariffs on vehicles manufactured in the EU, this threat is still valid (Lobosco, 2019). The reason is that while the EU's tariff on cars is 10%, the U.S. tariff is at 2.5%. The U.S. tariffs would negatively affect the EU car manufacturers exporting roughly 29% of their total exports to the United States. It is inevitable for the EU to reach a trade deal with the United States, including tariffs on cars.

As far as China is concerned, the EU should address protective practices (such as subsidies to state-owned enterprises, insufficient enforcement of intellectual property protection or subjecting the access to the Chinese market for foreign investors to the transfer of their technology) as China remains an important market for the EU producers. The author agrees with the Dadush and Wolff who argue that:

The EU should be especially vigilant in relation to China's protection of, and state support for, young industries where first-mover advantage and economies of scale determine long-term competitive positions. Here, strong responses are needed as long-term advantages could be gained by China that would risk loss of significant parts of the EU's value creation for a long period of time (Dadush & Wolff, 2019, section 6).

At the time being, it appears that negotiating bilateral trade agreements with both the United States and China is a better way of pursuing EU interests than multilateral negotiations within the WTO. The EU was recently able to negotiate important bilateral agreements, namely the Comprehensive and Economic Trade Agreement with Canada that provisionally entered into force on 27 September 2017, the EU-Japan Economic Partnership Agreement that entered into force on 1 February 2019 as well as the Free Trade Agreement and the Investment Protection Agreement with Singapore for which the ratification process continues. On the other hand, the multilateral WTO negotiations have been for a long time unsuccessful. For further trade negotiations, either bilateral or multilateral, the EU should be prepared to reassess the Common agricultural policy with respect to subsidies reduction.

Finally, the EU should pursue policies aimed at improving competitiveness to preserve its position within the global trade. Based on the WEF (2019) evaluation, it is possible to identify factors of competitiveness for which the EU members gained the lowest ranking and to recommend respectively measures that should be considered. For the EU, strengthening of both the product market competition and the labor market flexibility is suggested. The product market competition is distorted mainly by the complexity of EU tariffs that protect EU companies from foreign firms. Labor market flexibility encompasses the extent to which human resources can be reorganized. Suggested measures include for most of the EU countries lowering the labor tax rate, increasing the internal labor mobility as well as facilitating the hiring and firing practices. Moreover, some EU members should increase the flexibility of wage determination (Austria, Belgium, Italy, Germany, the Netherlands, Sweden, Denmark and Finland) or facilitate the hiring of foreign labor (Czech Republic, Poland, Slovakia, Estonia, Latvia and Lithuania). Business dynamism expressing the private sector's capacity to generate and adopt new technologies and new ways to organize work represents another competitiveness weakness for most of the EU members. Recommended measures encompass mainly:

- reducing the time to start a business in Finland, Luxembourg, Austria, Bulgaria and Poland,

- supporting innovative companies, especially companies embracing disruptive ideas in Italy, Greece, Hungary, Poland and Malta,
- supporting appetite for entrepreneurial risk in France, Croatia, Romania, Hungary and Slovenia.

Among individual EU members, there are remarkable differences in the evaluation of further factors of competitiveness such as general level of skills of the workforce, quality of institutions and of the financial system. Improving the availability of skilled employees is suggested to Malta, Romania, Czech Republic, Hungary, Slovak Republic, Estonia and Lithuania while increasing the diversity of workforce to Italy, Romania, Greece, Bulgaria, Croatia, Hungary, Poland, Slovakia and Estonia. Quality of institutions should be improved primarily by relaxing the burden of government regulation (mainly in France, Spain, Italy, Romania, Croatia, Greece, Czech Republic, Slovakia, Slovenia and Lithuania), increasing the efficiency of legal framework in settling disputes and challenging regulations (in Italy, Portugal, Croatia, Greece, Hungary, Poland, Slovakia, Slovenia and Latvia) as well as improving the governmental performance and long-term orientation (in Italy, Croatia, Greece, Czech Republic, Poland and Latvia). As far as the quality of financial system is concerned, Ireland, Cyprus, Bulgaria and Greece should improve the soundness of their banks. Moreover, Ireland, Cyprus, Greece and Portugal record high ratio of non-performing loans on total loans.

FUTURE OF THE EU WITHIN THE GLOBAL TRADE AND FUTURE RESEARCH DIRECTIONS

The analyses of the EU's position within the global trade along with the analyses of main factors influencing this position helps to understand better the possible future developments. As far as internal factors are concerned, one can expect developments with contradictory effects on strengthening the position of the EU within the global trade.

Firstly, the author expects an increase of the intra-EU trade due to ongoing efforts to improve the single market functioning. The European Commission adopted a Single Market Strategy and the Digital Single Market Strategy in 2015, aiming at abolishing number of barriers to cross-border movements and online sales within the EU. They entail for example geographically-based restrictions in online cross-border sales, the so-called geo-blocking. The regulation on geo-blocking applies since December 2018. It prohibits unjustified discrimination based on customers' nationality, place of residence or place of establishment within the EU such as being re-routed back to a country-specific website or restricting payment by a debit or credit card from a different country.

Furthermore, the EU is working on consumer protection legislation, adjusting to the needs of the digital economy. It carries through the "new deal for consumers'" package of measures including the amendment of several EU's consumer directives. The amendments should address various issues such as transparency of online marketplaces, the right of withdrawal from contracts, penalties for infringements, protecting consumers of free digital services (e. g. services for which no money is paid but which allow traders to use consumers' personal data) or dual quality of products.

As far as the transparency of online marketplace and comparison services is concerned, the main parameters shall be disclosed, for example by determining how search query results are ranked, particularly, whether a trader has paid to improve ranking of its product or service within the search results.

Consumers shall be informed about who is selling a product or a service, whether the seller is a professional or another consumer, as well.

Next, rules on redress in case of lacking conformity with the contract have been included into the directive proposal on certain aspects concerning contracts for the sales of goods. According to the proposal, if a defect in a product occurs within one year (compared to six months currently), customers shall be entitled to free repair or replacement. Where repair or replacement proves unsatisfactory, the price shall be reduced or reimbursed. New rules shall apply to both online and offline purchases.

Revised consumer protection rules shall be adopted by January 2020. In January 2021, new rules on value-added tax for e-commerce shall come into force. Implementation of the new rules mentioned above should facilitate using the huge potential of e-commerce within the EU and contribute to an increase of the intra-EU trade. Future research should therefore concentrate on the ability of the EU member states to find solutions in removing remaining obstacles in mutual trade.

Contrary to that, uncertainty about future nature of relations between the EU and United Kingdom influences the EU trade negatively. In the literature, several studies provide evidence on a negative impact of a trade policy uncertainty on exports (Handley, 2014; Osnago, Piermartini & Rocha, 2015). According to the estimates of Douch, Edwards and Soegaard (2018), the vote on Brexit has already hurt British exports by 13-16%. The expectations of the Confederation of British Industry (2017) show that if the United Kingdom leaves the EU without a withdrawal agreement[1], 90% of the U.K.'s exports to the EU (in value terms) would face tariffs. The average tariff on exports from the U.K. into the EU would be 4.3% while the average tariff on UK imports from the EU would be about 5.7%. However, tariffs on some categories of goods such as agricultural products and food, cars or textiles would be much higher. Moreover, non-tariff barriers such as health, safety or quality standards imposed after the U.K. leaving the EU without any agreement are likely to hinder the mutual trade even more than tariffs. Brexit has already generated much research and it is expected to generate even more research within this unique field in the future.

As far as external factors are concerned, the author considers the trade expansion of China to be the decisive factor influencing the future position of the EU within the global trade. Views of theorists and practice experts on China's future differ substantially from each other. While one group assumes China to become a dominant global power replacing the U.S. and the EU, the other group holds the contemporary development for unsustainable. China should assumedly become to face internal economic problems leading to its degradation. According to Baláž, slowing down China's economic growth can be considered *a natural development posing no threat. China should thus continue to be a driving engine of the global economy.* (Baláž et al., 2012, p.14) The emphasis on increasing added value, being in the core of the Made in China 2025 strategy, will mean transferring China's competitive advantages also into the high-tech segment, turning Chinese producers into major competitors to European or American companies. It is also a potential threat to the EU, having the strong position in the global car production and trade, that China intends to gain a global leadership in electric car production. Even though the foreign trade and investment expansion of Chinese economy continues, it can be assumed to reach its limits. Internal limits relate to gradual depletion of comparative advantages, growing environmental cost, economic leveling off individual provinces or cost of infrastructure upgrading (Královičová, 2018). The author sees future research opportunities in suggesting alternatives to solve these problems as well as in identifying opportunities for mutually beneficial trade of the EU with China.

The author has developed a prediction for the future position of the EU within the global trade using the time series method that captures trends and extrapolates them forward. The author used historical data on the EU's share in the world exports (both intra- and extra-EU including the trade of the United Kingdom) from 1995 to 2017. A linear forecast was performed using the method of least squares. The R-squared value equals 0.7438, with a confidence interval for the forecasted values of 95%. The trend line presented in Figure 10 predicts declining share of the EU in world exports.

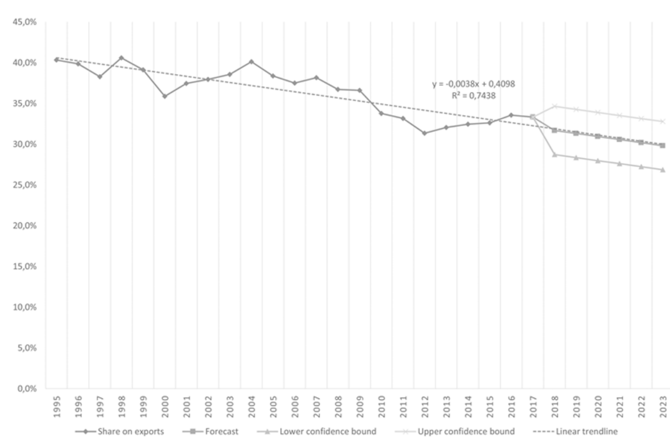
CONCLUSION

The era of globalization is marked by the rise in the importance of international trade. Significant growth of the world trade in the last decades represents both one among causes and effects of globalization. Those economies being able to justify themselves in international trade can take advantage of globalization and boost economic growth. From this perspective, the aim of this chapter was to critically evaluate the position of the EU within the global trade and the development of its position from a long-term perspective as well as to identify main factors behind this development.

When evaluating the position within the global trade on the basis of the EU's share in world exports and imports, the author has shown that the EU reaches the highest share in the world trade if the trade among the EU member states is included. Without the trade within the EU, the EU is the second largest exporter and importer of the world. In our opinion, the most significant drivers behind this include both the deepening of the integration process and the enlargement of the EU that resulted in creating of the largest trading block in the world. Although the EU trade values have been continuously increasing since 2009, from the long-term perspective the share of the EU exports/ imports on the global exports/ imports decreases. Contrary to that, the share of China – one of the main trading partners of the EU – increases in the global trade. This indicates declining Trans-Atlantic dominance in the global trade. However, the composition of the EU trade, being dominated by industrial products with high added value, shows that the EU producers are well integrated into the global value chains. Similarly, the EU member states rank highly when their competitiveness is evaluated on the basis of various indexes.

The EU will have to take significant endeavors to defend in future its dominant position in the global trade, as it is believed that China's competitiveness will improve thanks to its massive investments in high-tech industries. The EU's position in the global trade will be influenced also by its ability to tackle

Figure 10. Forecast of EU share on the world exports (WTO, 2019)



internal problems, such as persisting barriers to cross-border transactions or Brexit. Nevertheless, a capability to settle bilateral trade and economic relations by bilateral agreements especially with the U.S. and China will be important, too.

ACKNOWLEDGMENT

This research was supported by the Ministry of Education, Family and Sports of the Slovak Republic - VEGA [grant number 1/0897/17].

REFERENCES

Association of Southeast Asian Nations. (2018). *Joint leaders' statement on the Regional Comprehensive Economic Partnership (RCEP) Negotiations*. Retrieved from https://asean.org/joint-leaders-statement-regional-comprehensive-economic-partnership-rcep-negotiations/

Balassa, B. A. (1961). *The theory of economic integration*. Homewood, IL: R. D. Irwin, Inc.

Baláž, P., Szokeová, S., & Zábojník, S. (2012). *Čínska ekonomika - nová dimenzia globalizácie svetového hospodárstva (Bude XXI. storočie storočím Číny?)* [Economy of China – the New Dimension of the World Economy Globalization]. Bratislava, Slovakia: Sprint DVA.

Buckley, P. J., Pass, C. L., & Prescott, K. (1988). Measures of international competitiveness: a critical survey. *Journal of Marketing Management*, *4*(2), 175–200. doi:10.1080/0267257X.1988.9964068

Collier, A. (2018). *China buys the world. Analyzing China's overseas investments*. Singapore: Palgrave Macmillan. doi:10.1007/978-981-10-7494-3

Confederation of British Industry. (2017). Retrieved from http://www.cbi.org.uk/cbi-prod/assets/File/pdf/Brexit%20Briefing%20(Oct%202017)%20-%20Impact%20of%20No%20Deal%20sector%20by%20sector.pdf

Craig, P., & De Búrca, G. (2003). *EU law. Text, cases and materials*. Oxford, UK: Oxford University Press.

Dadush, U., & Wolff, G. B. (2019). *The European Union's response to the trade crisis*. Retrieved from http://bruegel.org/reader/the-eu-response-to-trade-crisis#

Depperu, D., & Cerrato, D. (n.d.). Analyzing international competitiveness at the firm level: Concepts and measures. Retrieved from https://dipartimenti.unicatt.it/dises-wp_azzurra_05_32.pdf

Douch, M., Edwards, T. H., & Soegaard, C. H. (2018). *Estimating the trade effects of the Brexit announcement shock*. Retrieved from https://ukandeu.ac.uk/estimating-the-trade-effects-of-the-brexit-announcement-shock/

Euronews. (2019). *EU leaders give Theresa May a Brexit delay until October 31*. Retrieved from https://www.euronews.com/2019/04/10/eu-summit-brexit-showdown-as-may-seeks-article-50-delay

European Commission. (2019). *EU position in world trade*. Retrieved from http://ec.europa.eu/trade/policy/eu-position-in-world-trade/

Eurostat. (2018). *Statistics explained. International trade in goods.* Retrieved from https://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods#The_three_largest_global_players_for_international_trade:_EU.2C_China_and_the_USA

Eurostat. (2019a). *International trade in goods*. Retrieved from https://ec.europa.eu/eurostat/web/international-trade-in-goods/data/main-tables

Eurostat. (2019b). *Food price monitoring tool*. Retrieved from https://ec.europa.eu/eurostat/data/database

Handley, K. (2014). Exporting under trade policy uncertainty: Theory and evidence. *Journal of International Economics*, *94*(1), 50–66. doi:10.1016/j.jinteco.2014.05.005

Helpman, E., & Krugman, P. R. (1985). *Market structure and foreign trade*. Cambridge, MA: The MIT Press.

IMD World Competitiveness Center. (2019). *IMD World Competitiveness Ranking 2018*. Retrieved from https://www.imd.org/wcc/world-competitiveness-center-mission/Overview/

Kašťáková, E., Drieniková, K., Zubaľová, Ľ., Kittová, Z., & Barinková, N. (2019). *Impact of the geopolitical changes on the EU Foreign Trade Relations with the Countries of the Western Balkans, Ukraine, Russia, and Kazakhstan (with the implication for the Slovak economy)*. St. Petersburg, Russia: Publishing House St. Petersburg State University.

Ketels, C. H. M. (2006). Michael Porter's competitiveness framework - recent learnings and new research priorities. *Journal of Industry, Competition and Trade*, *6*(2), 115–136. doi:10.100710842-006-9474-7

Kokko, A., Mathä, T., & Tingvall, P. G. (2005). *Regional integration and trade diversion in Europe*. EIJS Working Paper Series 231, Stockholm School of Economics, The European Institute of Japanese Studies.

Královičová, M. (2018). *Zahraničnoobchodná expanzia Číny a jej dosahy na presadzovanie ekonomických záujmov Európskej únie (na príklade vybraného odvetvia)* [Consequences of China's Foreign Trade Expansion on European Union Economic Interests (on Example of Selected Sector)] (Unpublished doctoral dissertation), University of Economics in Bratislava, Slovakia.

Krugman, P. (1994). Competitiveness: A dangerous obsession. *Foreign Affairs*, *73*(2), 28–44. doi:10.2307/20045917

Lipsey, R. G., & Lancaster, K. (1956). The general theory of second best. *The Review of Economic Studies*, *24*(1), 11–32. doi:10.2307/2296233

Lobosco, K. (2019). Trump dangles auto tariffs in Europe trade talks, but carmakers aren't happy. *CNN*. Retrieved from https://edition.cnn.com/2019/02/20/politics/trump-commerce-auto-tariffs-report/index.html

Meade, J. E. (1953). *Problems of Economic Union*. London, UK: G. Allen & Unwin Ltd.

Meade, J. E. (1955). *The theory of customs union*. Amsterdam, The Netherlands: North Holland Publishing Company.

Momaya, K. S. (1998). Evaluating international competitiveness at the industry level. *Vikalpa*, *23*(2), 39–46. doi:10.1177/0256090919980206

Morrison, W. M. (2018). *China's economic rise: History, trends, challenges, and implications for the United States*. Retrieved from https://fas.org/sgp/crs/row/RL33534.pdf

Osnago, A., Piermartini, R., & Rocha, N. (2015). *Trade policy uncertainty as barrier to trade*. WTO Staff Working Papers ERSD-2015-05, World Trade Organization (WTO), Economic Research and Statistics Division.

Paterson, S. (2018). *China, trade and power: Why the west's economic engagement has failed*. London: London Publishing Partnership.

Porter, M. E. (1990). *The competitive advantage of nations*. New York: The Free Press. doi:10.1007/978-1-349-11336-1

Reichert, C. (2017). *Trump dumping Trans-Pacific Partnership*. Retrieved from https://www.zdnet.com/article/trump-dumping-trans-pacific-partnership/

Robson, P. (1998). *The economics of international integration*. London, UK: Routledge.

Ružeková, V., & Kašťáková, E. (2018). Comparison of the Visegrad group and Baltic countries in terms of multi-criteria competitiveness indicators. *Studia commercialia Bratislavensia, 11*(39), 91-106.

Scitovsky, T. (1962). *Economic theory and Western European integration*. London, UK: G. Allen & Unwin Ltd.

Scott, B. R., & Lodge, G. C. (Eds.). (1985). *U.S. competitiveness in the World Economy*. Boston, MA: Harvard Business School Press. doi:10.1002/tie.5060270112

State Veterinary Administration. (2019). *Nařízení Státní Veterinární Správy č. J. SVS/2019/024898-G* [State Veterinary Administration Regulation No. J.SVS/2019/024898-G]. Retrieved from https://www.svscr.cz/uredni-deska/

State Veterinary and Food Administration of the Slovak Republic. (2019). *Mimoriadne núdzové opatrenie* [Extraordinary Emergency Measure]. Retrieved from https://www.svps.sk/zvierata/mno_01_19.asp

Tinbergen, J. (1954). *International Economic Integration*. Amsterdam, The Netherlands: Elsevier.

Viner, J. (1950). *The customs union issue*. New York: Carnegie Endowment for International Peace.

World Bank Group. (2019). *Doing business 2018. Reforming to create jobs*. Retrieved from http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf

World Economic Forum. (2005). *Growth Competitiveness Index rankings 2005 and 2004 comparisons*. Retrieved from http://web.worldbank.org/archive/website00818/WEB/OTHER/GROWTH_C.HTM

World Economic Forum. (2019). *The Global Competitiveness Report 2018*. Retrieved from http://reports.weforum.org/global-competitiveness-report-2018/the-global-competitiveness-report-2018/

World Trade Organization. (2019). *WTO Data. International Trade Statistics*. Retrieved from https://www.wto.org/english/res_e/statis_e/merch_trade_stat_e.htm

ADDITIONAL READING

Aggarwal, V., & Fogarty, E. (Eds.). (2004). *EU Trade Strategies: Regionalism and Globalism*. Basingstoke: Palgrave Macmillan.

Brown, K. (Ed.). (2015). *The EU - China Relationship: European Perspectives*. London: Imperial College Press. doi:10.1142/p939

Dinan, D. (1999). *Ever Closer Union. An Introduction to European Integration*. Basingstoke: Palgrave. doi:10.1007/978-1-349-14819-6

Karkanis, D. (2018). EU - China Trade: Geography and Institutions from 2001 to 2015. *Journal of Economic Integration*, *33*(1), 1158–1175. doi:10.11130/jei.2018.33.1.1158

Khorana, S., & García, M. (Eds.). (2018). *Handbook on the EU and International Trade*. Northampton, MA: Edward Elgar Publishing. doi:10.4337/9781785367472

Michelmann, H. J., & Soldatos, P. (1994). *European Integration: Theories and Approaches*. Lanham, Maryland: University Press of America.

Wallace, H., Wallace, W., & Pollack, M. A. (2005). *Policy-Making in the European Union*. Oxford: Oxford University Press.

KEY TERMS AND DEFINITIONS

Brexit: The term that refers to the process of the United Kingdom withdrawing from the EU.

Competitiveness: The term does not have a single definition. It is, however mostly understood as the ability of firms, industries, regions or countries to reach their business / economic goals in rivalry with others.

Extra-EU Trade: Trade in goods or services (e. g. exports and imports) between the EU and the rest of the world excluding the trade among the EU member states. It is calculated as a sum of the extra-EU trade of the EU member states.

Geo-blocking: Geo-blocking refers to a practice of traders who block or limit access to their online interfaces by customers from other countries.

Intra-EU Trade: Trade in goods or services (e. g. exports and imports) among the EU member states.

Quantitative Restrictions: Trade restrictions based on limiting amounts of imported or exported goods such as quotas, import or exports bans, import or export licenses etc.

Single Market: The term introduced by the Single European Act signed in 1986 setting a deadline of 31 December 1992 for creating the single European market, thus eliminating technical, physical and fiscal barriers to free movement of goods, persons, services and capital within the EU.

Trade Balance: Economic indicator calculated as monetary value of a country's exports minus monetary value of its imports over a certain period, usually a year.

ENDNOTE

[1] As the United Kingdom launched the process of withdrawal from the EU, at the time of preparing this text the definitive date of Brexit is not known. Currently, extension of Brexit was agreed until October 31. (Euronews, 2019).

Chapter 4
Theory of Persistent Income Inequality:
A Study for EU Member States

Fatma Zeren
Inonu University, Turkey

Mustafa Ercan Kılıç
Inonu University, Turkey

ABSTRACT

Psychology stipulates justice is one of the most powerful feelings of human beings. Societies strengthen as overall justice increases. People are seeking justice in many areas. A more fair income distribution has always been desired in almost every society since the beginning of civilizations. In recent times, European countries are known to be the most fair societies, at least within their boundaries. So, taking into account these facts, what can be said about income inequality levels for EU-15? This chapter tries to find an empirical answer for this question. There is also a solution for income inequality.

INTRODUCTION

There is one thing, everyone has to accept, that inequality is a fact of the life. It is a fact that people are born under unequal conditions; some is taller, some is richer, some is orphan, some in developed country, some into war, some in 9 months, some in 7 months etc. Yet inequality is not a bad thing in every aspect of the life. For instance helping a poorer person is a scene nicer than the one as if the two of them were financially equal (in a positive way). Even the society depends on the inequalities people have. Because inequalities make people dependent to each other and that dependency forms the basis of humanitarian values like cooperation, contribution, compassion, self-sacrifice etc. But there is one important thing to be mentioned. Inequalities can be split into two as natural and artificial. Natural means coming from the birth and cannot be changed. Artificial means caused by people and can be changed. So irritating

DOI: 10.4018/978-1-7998-1188-6.ch004

inequalities are the artificial ones. Not all the artificial inequalities are disturbing but almost all disturbing inequalities are artificial. So income inequality is a kind of artificial inequality and it is disturbing.

Income inequality has been one of the general problems of capitalism from beginning of industrial revolution till now. But never has it reached such a huge level after World War II, specifically in developing countries. Taking look at the statistics, income inequality has increased by 11 percent between the period of 1990-2010, in developing countries. However even developed economies have not tried to manage a solution for this inequality problem until very recently and still they have not found a satisfying solution (United Nations, 2013).

Income inequality has many side-effects on human health. Researchers has found out that in countries which has similar income per capita, the higher income inequality a country has, the worse the health statistics are. More relevantly, there is lots of proof study claiming that the less income inequality a country has, the better economic performance is. Especially performances of East Asian economies after 1950s are a crystal clear example (compared to developed countries) at this point (Chang, 2014).

Income inequality has many drawbacks for an economy. For instance as the inequality rises, potential entrepreneurs of the economy become desperate due to the lack of capital. As capital is accumulated in the hands of few people, investment will slow down, innovation will ease off. This situation will threaten the economic improvement and social welfare in the long run. Widening the gap between social layers, society loses its unity, its solidarity and its harmony and turns into a fruitless tree. Economic dynamics (valid for other areas too) are based on social cohesion and once lost, it is not easy to regain (United Nations, 2013).

Criticizing income inequality should not mean supporting an absolute equality. Absolute equality is just a utopia for real world, but only an ultimate goal for some romantics. In past time, some socialist or communist countries had tried to realize that dream in a pitiful way (Chang, 2014). In fact income equality looks like body temperature. For instance it is dangerous for a body if temperature goes too high or deepens down too low. At both extreme a body cannot continue living. The best for a body temperature is to stay in an interval. Similarly for a country perfect income inequality is to stay between some values depending on the conditions of a country

Economists have been supporting the idea that liberalization (globalization) is the only solution for poverty and inequality. However general trend tells the story in an opposite way. As liberalization extended over the world, income inequality and poverty got increased. It can be argued that this failure does not belong to liberalization but to the executors who did not succeed in the application. But whatever the reason is, the result is clear that liberalization did not bring a more equal world (Smith, 2003).

What are the reasons of inequality is not an easy question to answer. Kuznets' inverted U hypothesis (1955) is still need to proved. In short U hypothesis tells that when a country is in the early stages of development, income inequality rises and as the country continues to grow and after some top point, income inequality begins decreasing. However this hypothesis has not been supported enough with empirical researches. So Kuznets' hypothesis had temporarily been valid for some chosen countries (Braulke, 1983). Here it is important to mention that an economy cannot be independent from government policies. So it is not realistic talking about an isolated economy from all political, social etc. counter-relationships (United Nations, 2013).

There are some popular explanations for macro and micro level inequalities. Jared Diamond, the author of the Guns, Germs and Steel (1999), dedicated his life to find a reasonable answer to the question of "Why some countries are rich and some are poor?" or "Why some countries are developed and some are not?" He had researched the world history according to geographical conditions and found some challenging explanations. Shortly according to his analysis geographical advantages (optimum climate for agriculture, existence of animals and existence of plants which are ready for domestication, basic natural resources, availability for transportation etc.) had been the most important reasons behind this inequality. At the end of his book he also tells about the other popular explanation for inequality which is the difference in qualities of institutions among countries.

Geography or institutions may be the reasons for inequality between countries but how can you explain the inequality between people living in the same countries? Is it hard-working or intelligence or genetics or luck? Maybe all these things have a minor role for this result. Muhammad Yunus (2017) tells us in his book that it is the system itself that produces this enormous inequality at micro level. He explains accumulation of wealth on the hands of a few families is the outcome of inequality in opportunities. For instance banks do not lend money to poor people. Governments do not necessarily support the small companies. If you do not have the money, people do not trust you. So as Adam Smith (1937) says money makes the money but the difficulty lies in saving the first amount of money.

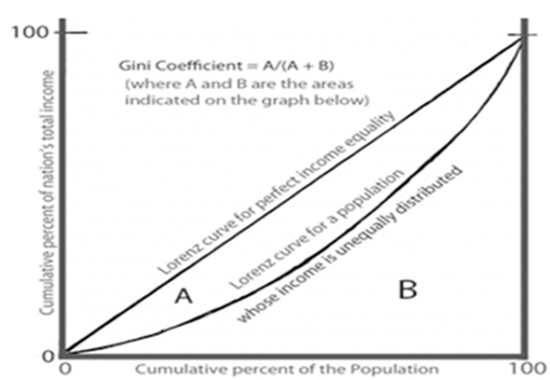
On the account these explanations, this chapter tries to find an answer for the question of whether income inequality is persistent or not. For this reason stationary test is applied for a group of similar European countries. In the preceding sections of these chapter first of all income inequality indexes and literature sections will be handled. Next explanations for econometric method, data and empirical results will come in order. For the final word there will be a conclusion and a suggestion part at the end of this chapter.

INCOME INEQUALITY INDEXES

Income inequality most generally (arguably) is compared by GINI coefficient which is estimated from Lorenz Curve.

Max Lorenz developed a graph to show the accumulation of wealth in his doctorate thesis in 1905. Then he estimated an index which is called GINI index(or coefficient). In Figure-1 above how GINI coefficient is estimated is shown. When there is perfect income equality within population Lorenz Curve is equal to the diagonal and GINI coefficient(index) takes the value of 0(As A=0) which is only utopia and takes the value of 1(As B=0) if there is perfect income inequality. According to the 2013 statistics

Figure 1. Lorenz curve and Gini coefficient



of World bank, Sweden is at the top with 0.25 GINI index and Seychelles(African country) is at the bottom with 0.65 GINI index (Cowell, 2011). However, there are some alternative or complementary income inequality estimation methods. Below in Table-1 all the methods are shown.

LITERATURE

In broad terms there are two types of comparison for income inequality level. First type is within a country with respect to different time periods. Second type of comparison is among countries. Both are important for a country. Piketty (2014) claims in his book that with beginning of third stage of capitalism (globalization) income inequalities has started to increase both in countries and among countries but only some exceptional ones. Piketty explains the reasons of this U turn especially in developed countries in his book. For instance he supports the idea that with globalization or liberalization of capital, return to assets has increased to the level higher than the economic growth level of countries and this makes rich people richer. One another argument Piketty tells that inheritance taxes are too low to balance intergenerational earnings which results in persistence of inequality among households (Piketty, 2014).

In the literature there have been many works done about income inequality and some of them are about persistence theory. To mention some as an example, Skidmore (2004) search for inequality within Brazil by looking GINI coefficient between the years 1960-2000. Only some modest changes in latest years were detected. Blanden et al (2012) explains in his work that the persistent inequality in UK is based on the intergenerational income which is independent from social class. Islam and Madsen (2015), tested the Piketty hypothesis for 21 OECD countries over the period 1870–2011. They used Baiand Carrion-i-Silvestre (2009) panel unit root tests for empirical research. Their result is suggesting that shocks to income inequality are likely to be temporary. So in the long run it seems to be constant (Islam

Table 1. Estimation methods

Index	Developed By	Year	Inference from Index
GINI	Max Lorenz	1905	General income distribution of an economy
ATKINSON	Anthony Barnes “Tony” Atkinson	1970	What percent of national income is to be sacrificed in order to maintain an equal distribution
COEFFICIENT OF VARIATION	Champernowne, D.G. & Cowell, F.A	1998	General income distribution of an economy (but has no upper or lower limits like Gini coefficient)
DECILE RATIOS	Gold et al	2001	Proportion of different income level groups in terms of income shares (For instance share of poorest 10% over share of richest 10%)
GENERALIZED ENTROPY	Anthony F. Shorrocks	1980	The difference between different income level groups within the population
PROPERTY OF TOTAL INCOME	Ichiro Kawachi and Bruce P. Kennedy	1997	The percent of the income share of the poorest or richest nth% of the population
ROBIN HOOD (HOOVER)	Edgar Malone Hoover Jr.	1934	The amount of total income to be redistributed in order to reach an equal level of income distribution

Source: De Maio(2007)

and Madsen, 2015). In another work Christopoulos and Mcadam (2017), employ an unbalanced panel data set for $N = 47$ countries which selected having at least 30 data points. This gives a sample from 1975. They found that we cannot reject a unit root in inequality measures according to panel unit root test (Christopoulos and McAdam, 2017). Lastly Gil-Alana et al (2019) investigates Persitence Theory for 26 OECD countries for the period 1963-2008. Similarly they find out that income inequalities are constant in all countries in the long-run. So, on the account of these previous works it can be said that there are both Panel Data Analyses and Time Series Analyses which supports Piketty Persistence Theory.

ECONOMETRİC METHOD

Pesaran et al. (2013) have proposed a test which is an extended form of cross sectionally augmented panel unit root test (CIPS). This extended form takes into account the multifactor structure of the errors. Also, it is estimated with a simple average of cross sectionally augmented Sargan-Bhargava statistics [10]. The fundamental structure of the test is exploiting information which contains a sufficient number of additional regressors. Yet the additional terms have to share the common factors of variable under consideration.

It is supposed that y_{it} has data generating process as $\Delta y_{it} = \beta_i \left(y_{i,t-1} - \alpha'_{iy} d_{t-1} \right) + \alpha'_{iy} \Delta d_t + u_{it}$

$$i = 1,2,...,N; t = 1,2,...,T \quad (1)$$

i denoting cross section unit and *t* denoting time.Where $d_t = (1, t)'$ is a 2×1 vector that it includes an intercept and a liner trend. It is assumed $\beta_i \leq 0$. A multifactor error structure is defined as $u_{it} = \gamma'_{iy} f_t + \varepsilon_{iyt}$ (2)where f_t is an $m^0 \times 1$ vector consisting of unobserved common effects, γ_{iy} is denoting vector of factor loadings and ε_{iyt} is an idiosyncratic errors. This is a general version of Pesaran's(2007) one factor error specification.

Substitutingthedisturbancesgivenby(2)into(1)yieldsas $\Delta y_{it} = \beta_i \left(y_{i,t-1} - \alpha'_{iy} d_{t-1} \right) + \alpha'_{iy} \Delta d_t + \gamma'_{iy} f_t + \varepsilon_{iyt}$ (3)

The null hypothesis is that all observed series contains unit root as follows $H_0 : \beta_i = 0$ is tested for all i's against alternative of stationary.

$$H_1 : \beta_i < 0 \; i = 1,2,...,N_1$$

$$\beta_i = 0 \; i = N_1 + 1, \; N_1 + 2,...,N$$

Under the null hypothesis, the y_{it} given by (4) defined as $y_{it} = y_{i0} + \alpha'_{iy} d_t + \gamma'_{iy} s_{ft} + s_{iyt}$ $i = 1,2,...,N; t = 1,2,...,T$ (4)Where $s_{ft} = f_1 + f_2 + ... + f_t$ and $s_{iyt} = \varepsilon_{iy1} + \varepsilon_{iy2} + ... + \varepsilon_{iyt}$. Let y_{i0} a given initial value. If $m^0 > 1$, it is assumed that there are k additional observation. Let x_{it} includes that observations which share at least the same set of common s_{ft}, but it has different factor loadings. It is assumed that $k \times 1$ vector of additional terms has the general linear process as $\Delta x_{it} = \mathrm{A}_{ix} \Delta d_t + \Gamma_{ix} f_t + \varepsilon_{ixt}$

$i = 1,2,...,N; t = 1,2,...,T$ (5) Where $x_{it} = (x_{i1t}, x_{i2t}, ..., x_{ikt})'$, $\Gamma_{ix} = (\gamma_{ix1}, \gamma_{ix2}, ..., \gamma_{ixk})'$, $A_{ix} = (a_{ix1}, a_{ix2}, ..., a_{ixk})$ and ε_{ixt} is idiosyncratic errors of x_{it} which is independent from ε_{iyt}. Depend on the term given by (6), x_{it} is defined as $x_{it} = x_{i0} + A_{ix} d_t + \Gamma_{ix} s_{ft} + s_{ixt}$ (6)

$$s_{ixt} = \sum_{s=1}^{t} \varepsilon_{ixs}$$

Where, combining (3) and (6) it yields the following cross sectionally augmented regression for a test of the unit root hypothesis $\Delta y_{it} = b_i y_{it-1} + c_i' \bar{z}_{t-1} + h_i' \Delta \bar{z}_t + g_i' d_t + v_{it}$ (7)

$$\bar{z}_t = N^{-1} \sum_{i=1}^{N} z_{it},$$

where $z_{it} = (y_{it}, x_{it})'$.

Panel unit root test can be based on the individual t-ratio derived from OLS estimation b_i.

The CSB Test Depend on Multifactor Error Structure

Sargan ve Bhargava(1983) exploited the cross-section augmentation approach for panel unit root test. Under the null hypothesis, y_{it} has data generating process as

$$\Delta y_{it} = \alpha_{iy}' \Delta d_t + \gamma_{iy}' f_t + \varepsilon_{iyt}$$

For cross section unit i th, Sargan-Bhargava statistics which is depend on cross sectional augmented as

$$CSB_i(N,T) = T^{-2} \sum_{t=1}^{T} \hat{u}_{it}^2 / \hat{\sigma}_i^2$$

Where $\hat{u}_{it} = \sum_{j=1}^{T} \hat{\varepsilon}_{ij}$ and $\hat{\sigma}_i^2 = \sum_{t=1}^{T} \hat{\varepsilon}_{it}^2 / \left[T - (k+1)\right]$.

$\hat{\varepsilon}_{it}$ are the least square residuals which is obtained by regression Δy_{it} on $\Delta \bar{z}_t$ for the models with an intercept only.

CSB test is calculated with cross sectional average individual $CSB_i(N,T)$ statistics, follow as

$$CSB_{NT} = N^{-1} \sum_{i=1}^{N} CSB_i(N,T)$$

The critical value of CSB is computed by Pesaran et. al. (2013).

DATA AND EMPİRICAL RESULTS

In this part of the chapter, some information will be given about the data and empirical results. Firstly, GINI index is used as an income inequality coefficient. Data are taken from the World Income Inequality Database (WIID). The data belongs to **EU(European Union)-15 (Germany, France, Luxembourg, Italy Belgium, Netherlands, United Kingdom, Ireland, Denmark, Greece, Spain, Portugal, Austria, Finland, Sweden).** Time period, which is starting from 1995 till 2016, is determined with respect to the availability of the data.

Secondly, there are two generation panel unit root tests. First generation test assumes cross sectional independence in panel. Second generation test inversely assumes cross sectional dependence. For this reason, cross section dependence test is chosen for the analysis of the data. The results of cross section dependence test are given Table 2.

Thirdly, rejection is made according to the bias-adj CD test because the test is useful for both T larger than N and N larger than T. As seen Table 1, the null hypothesis of no cross sectional independence is rejected. To test convergence hypothesis, one of the second generation unit root test is selected. The test is based on the cross-sectional dependence assumption which is developed by Pesaran et.al.(2013).

As a fourth step, to overcome cross-section dependence problem for the income inequality, two observable factors are chosen which are economic growth and trade/GDP (% of international trade in GDP). They are obtained from World Development Indicator website. The results of panel unit root test are given Table 3.

Finally, both CSB and CIPS test statistics *are greater* than *the* critical values, so *the unit root* null hypothesis is rejected. It can be said that there is persistent income inequality among these 15 countries.

CONCLUSION

As third stage of capitalism put on the screen or as the capital liberalization enacted all over the world, earning money from money extended. From that time till now financial markets dominated the world economy. Today the value of financial markets is nearly 10 times of world real GDP. So, this cyber system constituted an icy path for world economy and that's why during last two decades economic crises have become routine of daily life. During this time welfare economy policies which had been gradually implemented from beginning of 20th century turned upside down. At the end of this period theories like Kuznets' inverted U theory or convergence theory of economies has become invalid. Today increasing income inequality widens the gap between social classes. So society turns into two-type society: rich and poor. Middle class as a keystone has been disappearing from the society. Even developed economies

Table 2. The results of cross section dependence test

The Test	*Test Statistics*	**Probability**
CDLM1	231.736	0.000
CDLM2	8.746	0.000
CDLM	-2.816	0.002
Bias-Adj CD	16.225	0.000

Table 3. The Results of panel unit root test

	Intercept and trend
Number of lag	2
CSB	0.095
%1	0.036
%5	0.043
% 10	0.048
CIPS	-2.99
% 1	-2.57
% 5	-2.68
%10	-2.56

cannot(or do not want to) solve this problem. This is an alarming situation for the future of especially developing economies in socio-economic terms because they are affected much more than developed economies. The owners of financial capital are mostly from developed countries. Although it is claimed that capital has become international, this internationality does not mean nations have disappeared. When people need to make a choice, they will surely choose their nations or countries. So at the end of the day accumulating capital will turn to his/her home.

In this chapter, persistence theory of income inequality is tested with panel unit root test which is developed by Pesaran et.al (2013). To cope with cross section dependence, this test uses extra information about regressor which share same common factor with income inequality. We used economic growth and trade/GDP as the extra regressors. The used data consist of EU-15 countries over 22 years, 1995-2016. According to result of empirical analysis, there is income inequality persistency for these 15 countries. This persistency can be understood either positive or negative which depends on the situation of the country. The important point is the beginning condition of the country. This means at the beginning of the period were the general public of this country pleased with the distribution of income? After all persistency means the continuity of the beginning situation or continuous stability. So on the contrary of general belief stability does not always show a positive condition.

There is a fact that capitalism has never been implemented as a human-oriented or human-centered system. Today although it is generally called that way actually we are not living in a capitalistic system. Until the threat of socialism or communism pure capitalism had been active with all its cruelty. This is not an ancient history. Just a century ago in England or USA most of the people had been living a catastrophic life. A pure poverty had been a normality of life. After two World War government people realized that under these conditions this system would not survive long. To prevent the spread of socialistic ideas they had to take some measures or make some structural reforms in the system. The term called “Social Welfare” had been very popular especially in the second half of the 20th century. So as time passed pure capitalism was transformed into liberalism (half capitalism and half socialism) but only within the control of governments and international organizations like IMF, World Bank, United Nations and the others. Rights for labor union, social security, education and health were guaranteed by governments up to some degree. Direct and indirect taxes, patent laws, antitrust laws, and the other legal measures were taken in order to reshape the life standards of people. Today no one can deny that as compared to one century ago countries more or less have progressed in terms of social welfare. We all have become richer today. However the real problem is the distribution of the total income. Did we reach the ideal level in distribution or can we preserve social harmony?

Beyond these historical changes income inequality has micro and macro levels. At macro level there is inequality between continents like Africa and Europe, between regions like West Europe and East Europe and between countries like USA and Mexico. On the other hand at micro levels there is inequality within the country, within the city or within the family members. The important point is that there is a critical level for income inequality which will change depending on the structure of a society. Above that level there occurs annoyance, anxiety, social struggle or even chaos. On the other hand below that level people can tolerate each other. But what is that level? Or can anyone estimate that level? So these are questions that no one can know exact answers. For this reason, this inequality issue is always needed to be reviewed by the society itself. This is a social issue that governments cannot solve the problem without social approval or support.

SUGGESTION

One of the ancient time motto of classical and neo-classical economics is "laissez faire". Laissez faire means let them do the things that is the prevention of government from intervention with private entrepreneurship or private economic affairs. Rationality is the basic assumption behind this request. Economists assume that people are in general behaving rationally. So in conclusion economists support the idea that people are rational and for this reason government should not interrupt their economic activities. But what is rationality? Adam Smith says people do the things for other people but only for their own benefits. In other words, he says people are selfish but this is not bad for the society. For example, a butcher brings meat to the market not for public benefit but to gain profits. He adds that if everyone follows his or her own benefit social welfare will be maximum. What else about rationality? Rational individual always has the perfect knowledge about his/her utility and profit and about market, always demand for more, always behaves in a consistent manner. This rational individual is called "homo economicus" in economics. So under these circumstances government intervention seems to be unnecessary and useless. But in reality do people look like homo economicus? Don't think so. People mostly know little about their utility and profit situation. They demand some things more but some things not. They usually behave in a volatile manner. They usually make simple mistakes. So there is any perfection for human-beings.

Since the second part of the 20th century behavioral economics has become more and more popular in academic world. What does behavioral economics claim? Behavioral economics claim that people have bounded rationality which means they are sometime rational and sometimes irrational. They make systematic mistakes. They are lazy and open to external effects. They cannot make choices easily. They even don't know themselves enough. For this reason, they need to be motivated and directed in many aspects of life. Nudging people without taking away their self-control is the problem-solving technique in behavioral economics.

On the account of these explanations for the solution especially starting from little ages we need to transform the ideals of capitalism into the ideals of humanism. The ideals of capitalism are:

1. Happiness lies in the consumption
2. Being rich is the most important goal of our life

3. Humans live for themselves
4. Money is the most powerful weapon in this world.
5. Societies can survive only with sustainable economic growth.

This is not the complete list but these are enough to understand the general philosophy in capitalism. On the other hand below the more humanistic ideals are listed:

1. Production has long-lasting pleasure compared to consumption.
2. Wealth has a meaning when you share with other people.
3. Humans do not only live for themselves but also for the society.
4. Cooperation is the most powerful weapon in this world.
5. Societies can survive only with sustainable social harmony.

First of all these ideals should be inspired starting from little ages which means education system should be reformed on the account of this purpose. Secondly movies, theatres and other social activities should be imaged within this framework (at least some of them). Finally social norms consistent with this manner should be revived all around the society.

CRITIQUE OF THE CHAPTER

This chapter tries to investigate one of the ancient problems of humanity with the help of some econometric methods. Also offers a suggestion through a behavioral method. However either inequality or solution has some unique characteristics for every country or society. So it will be better to investigate one country specifically. Secondly GINI coefficient tells some information about income inequality which is persistent according to the results in this study. However perception of people is always changing depending on the general conditions of economy, politics, social relations and etc. So statistics do always tell the truth but do not show the whole picture. Last but not least GINI coefficient should be supported with some other abovementioned indexes to realize the nuances.

REFERENCES

Atkinson, A. B. (1970). On the measurement of inequality. *Journal of Economic Theory*, *2*(3), 244–263. doi:10.1016/0022-0531(70)90039-6

Blanden, J., Gregg, P., & Macmillan, L. (2013). Intergenerational persistence in income and social class: The effect of within-group inequality. *Journal of the Royal Statistical Society. Series A, (Statistics in Society)*, *176*(2), 541–563. doi:10.1111/j.1467-985X.2012.01053.x

Braulke, M. (1983). A note on Kuznets' U. *The Review of Economics and Statistics*, *65*(1), 135. doi:10.2307/1924418

Champernowne, D. G., & Cowell, F. A. (1998). *Economic inequality and income distribution*. Cambridge University Press.

Chang, H. J. (2014). *Economics: The user's guide*. London, UK: Penguin Books.

Christopoulos, D., & McAdam, P. (2017). On the persistence of cross-country inequality measures. *Journal of Money, Credit and Banking*, *49*(1), 255–266. doi:10.1111/jmcb.12374

Cowell, F. A. (2011). *Measuring inequality*. Oxford, UK: OUP Oxford. doi:10.1093/acprof:osobl/9780199594030.001.0001

De Maio, F. G. (2007). Income inequality measures. *Journal of Epidemiology and Community Health*, *61*(10), 849–852. doi:10.1136/jech.2006.052969 PMID:17873219

Diamond, J. M., & Ordunio, D. (1999). *Guns, germs, and steel*. Books on Tape.

Gil-Alana, L. A., Škare, M., & Pržiklas-Družeta, R. (2019). Measuring inequality persistence in OECD 1963-2008 using fractional integration and cointegration. *The Quarterly Review of Economics and Finance*, *72*, 65–72. doi:10.1016/j.qref.2018.12.006

Gold, R., Kawachi, I., Kennedy, B. P., Lynch, J. W., & Connell, F. A. (2001). Ecological analysis of teen birth rates: Association with community income and income inequality. *Maternal and Child Health Journal*, *5*(3), 161–167. doi:10.1023/A:1011343817153 PMID:11605721

Hoover, E. M., Jr. (1936) *The measurement of industrial localization*, Review of Economics and Statistics, 18, No. 162–71

Islam, M. R., & Madsen, J. B. (2015). Is income inequality persistent? Evidence using panel stationarity tests, 1870–2011. *Economics Letters*, *127*, 17–19.

Kawachi, I., & Kennedy, B. P. (1997). The relationship of income inequality to mortality: Does the choice of indicator matter? *Social Science & Medicine*, *45*(7), 1121–1127. doi:10.1016/S0277-9536(97)00044-0 PMID:9257403

Lorenz, M. O. (1905). Methods of measuring the concentration of wealth. *Publications of the American Statistical Association*, *9*(70), 209–219. doi:10.2307/2276207

Pesaran, M. H. (2007). A simple panel unit root test in the presence of cross-section dependence. *Journal of Applied Econometrics*, *22*(2), 265–312. doi:10.1002/jae.951

Pesaran, M. H., Smith, L. V., & Yamagata, T. (2013). Panel unit root test in the presence of a multifactor error structure. *Journal of Econometrics*, *175*(1), 94–115. doi:10.1016/j.jeconom.2013.02.001

Piketty, T. (2014). *Capital in the 21st century*.

Sargan, J. D., & Bhargava, A. (1983). Testing residuals from least squares regression for being generated by the gaussian random walk. *Econometrica*, *51*(1), 153–174. doi:10.2307/1912252

Shorrocks, A. F. (1980). The class of additively decomposable inequality measures. *Econometrica*, *48*(3), 613–625. doi:10.2307/1913126

Skidmore, T. E. (2004). Brazil's persistent income inequality: Lessons from history. *Latin American Politics and Society*, *46*(2), 133–150.

Smith, A. (1937). *The wealth of nations* (p. 423). New York: Modern Library.

Smith, M. P. (2005). *States of liberalization: redefining the public sector in integrated Europe*. Albany, NY: State University of New York Press.

United Nations. (2013). *Confronting inequality in developing countries*. UN Development Programme Bureau for Development Policy.

Yunus, M. (2017). *A world of three zeros: the new economics of zero poverty, zero unemployment, and zero net carbon emissions*. Hachette UK. Retrieved from https://www.uh.edu/engines/epi2744.htm

Chapter 5
Evaluation of the Prosperity Levels of EU and EU Candidate Countries by Clustering and PSI Method

İbrahim Budak
Pamukkale University, Turkey

Günay Kiliç
https://orcid.org/0000-0003-2236-7535
Pamukkale University, Turkey

Arzu Organ
Pamukkale University, Turkey

ABSTRACT

Although prosperity is often associated with the word wealth, it also includes other factors that may be independent of wealth, such as happiness and health. The prosperity state can be defined as a developing, growing, wealth state and a successful social status. Increasing the levels of prosperity is a goal of states. States can create communities in cooperation with other states to improve their level of prosperity. One of these communities is the European Union (EU), which is established by European states. This chapter evaluates the position of EU member states and EU candidate countries' prosperity levels compared to world states. In the study, 2018 Legatum Institute prosperity index of 149 countries was used. These countries are divided into groups by using clustering analysis from data mining techniques. The countries are evaluated using the Preference Selective Index (PSI).

DOI: 10.4018/978-1-7998-1188-6.ch005

INTRODUCTION

Data mining is a multifunctional process, such as extracting previously unpredictable information from large databases and applying the results in decision making. Data mining tools extract models and rules from data. The extracted information can then be applied to the prediction or classification models. These models and rules can guide decision making and predict the effects of these decisions (Benoit, 2002: 265). Clustering techniques, which form part of data mining, work in a multidimensional space, where all points in a single group are in a natural relationship with each other, and in some way differentiate the points that are not in the same group (Dubes & Jain, 1976: 247). According to the characteristics of the cluster members determined by the clustering analysis, the decision maker should make some decisions.

Decision making requires knowing the purpose of the decision, the necessity, the criteria that make up the decision. In this way, a suitable decision can be given among alternatives for a problem (Saaty, 2008: 84). MCDM (Multi-Criteria Decision Making) refers to making decisions when there are multiple, often contradictory criteria. The MCDM problems in daily life are quite common. For example, in the selection of a car in the personal context, MCDM evaluates a complex structure where many criteria, such as price, size, style, safety and comfort, come together (Xu & Yang, 2001: 3). MCDM can be applied in many areas of life. This is an example of evaluating the prosperity of countries.

The prosperity state varies according to the area of responsibility or the purpose it is assigned to. In this respect, prosperity state includes concepts such as citizenship, equality, social rights and social justice. In short, the prosperity state is defined as ‘an organized power’ in a general framework based on similar definitions in the literature (Güç, 2015: 16).

The EU has been established to bring together European countries around common values and to initiate strong cooperation in the economic sphere, especially in order to increase prosperity [https://www.ab.gov.tr/3.html, (Accessed: 21.04.2019)].

In this study, the criteria determined by the Legatum Institute and the prosperity indexes of the countries of 2018 were used. Countries are divided into groups by using clustering of data mining techniques. Then, PSI (Preference Selection Index), which is one of the MCDM techniques, was evaluated for performance of EU and EU candidate countries. As a result of the evaluation, the cluster locations of EU and EU candidate countries were determined and the countries were ranked.

LITERATURE REVIEW

Some of the data mining techniques used in the study, clustering and MCDM methods, are summarized in Table 1.

METHODOLOGY

In this study, data were grouped by using X-means, which is one of the clustering techniques of prosperity indices of countries. Then, EU and EU candidate countries were evaluated by using PSI from the MCDM methods.

Table 1. Some studies with clustering and psi method

Method	Author	Topic
	Gomez-Muñoz & Porta-Gándara (2002: 171-182).	Modeling of Renewable Energy Systems
	Weatherill & Burton (2009: 565-588).	Separation of Shallow Seismic Welding Regions
	Winters et. (1997: 1369-1374).	Classification of Shoulder Pain
	Armstrong et. (2012: 2198-2205).	Investigation of the Heterogeneity of Geriatric Population
Clustering	Park et. (2013: 910-915).	Cluster Selection for Wireless Sensor Network
	Ada (2001: 319-332).	Evaluation of the EU and Turkey's Development
	Öz et. (2009: 1-29).	Comparison of EU and Turkey's Human Capital
	Turanlı et. (2006: 95-108).	Examining the Economic Similarities of EU and EU Candidate Countries
	Maniya & Bhatt (2011: 330-349).	Selection of Flexible Production System
	Madić et. (2017: 214-220).	Determination of Laser Cutting Process Conditions
	Khorshidi & Hassani (2013: 999-1010).	Materials Selection
	Sawant et. (2011: 176-181).	Automatic Vehicle Selection
PSI	Mesran et. (2017: 230-234).	Determination of Education Scholarship Recipients
	Jahan et. (2012: 411-420).	Ranking Stage of Material Selection Process
	Joseph & Sridharan (2011: 201-216).	Ranking of Scheduling Rule Combinations
	Attri & Grover (2015: 207-216).	Evaluation of the Design Phase of the Production System Life Cycle
	Borujeni, M. P., & Gitinavard (2017: 207-218).	Mining Contractor Selection

Clustering Analysis

People are interested in different data types, with different measurements. These data types can be the properties of a type, the results of an experiment, or the values of a running machine. Data are necessary to make a decision and to reach a judgment. One of the most important data analyzes is to separate data into clusters or categories (Xu & Wunsch, 2008: 1).X-means algorithm from data mining clustering algorithms was developed by the development of k-means algorithm (Pelleg & Moore, 2000: 727). The k-means algorithm tries to divide the original data set into k subgroups. k represents the number of unique subsets or clusters in appropriate data mining. The mathematical formula for the k-mean is shown as follows (Tucker et al., 2010: 600):

$$f = \sum_{j=1}^{K} \sum_{x_i \in S_j} x_i - c_j^{\,2}$$

S_j = A set of data points
c_j = The center of a Sj set
x_i = A data point in a cluster
K = Total number of clusters (prescribed by the user)

Pelleg et al. Using the Bayesian Information Criteria (BIC), they have proposed X-means that automatically find the number of clusters. The X-means algorithm aims to develop three basic areas of the k-means algorithm.

a) Eliminate the number of user-specified sets.
b) Developing a computable scale.
c) Developing search criteria to update cluster centers.

Mathematically, the Bayesian Information Criteria are expressed as follows (Pelleg & Moore, 2000: 730, Tucker vd., 2010: 601):

$$BIC\left(M_j\right) = l_j\left(D\right) + \frac{P_j}{2}\log R$$

$l_j \left(D\right)$ = Probability of data being logarithmic at maximum likelihood point
D = Represents the data set.
P_j = The number of parameters in M_j
R = Number of total data points of candidate centers entering the cluster

Preference Selection Index (PSI) Method

The application stages of the PSI method are shown as follows (Mania and Bhatt, 2010: 1786).

Step 1: Define the target
All possible alternative and selection criteria must be determined.
Step 2: Creating the Decision Matrix
In the PSI method, a decision matrix with n criterion, alternative number m is created.

$$A = \begin{bmatrix} X_{11} & X_{12} & \dots & X_{1n} \\ X_{21} & X_{22} & \dots & X_{2n} \\ \dots & \dots & \dots & \dots \\ X_{m1} & X_{m2} & \dots & X_{mn} \end{bmatrix} \text{i=1, 2, …, m, j=1, 2, …, n} \qquad (1)$$

Step 3: Normalization of Decision Matrix

After the decision matrix is formed, linear normalization of the decision matrix elements is made using the following two equations.

Equation for utility criteria;

$$R_{ij} = \frac{X_{ij}}{X_j^{max}} \text{ i=1, 2, …, m, j=1, 2, …, n} \tag{2}$$

The equation to be used for cost or useless criteria;

$$R_{ij} = \frac{X_j^{min}}{X_{ij}} \text{ i=1, 2, …, m, j=1, 2, …, n} \tag{3}$$

Step 4: Calculating the PV_j of Preferred Variation Value

For each attribute, the preferred variation value is calculated with the help of equality (4) and (5).

$$PV_j = \sum_{j=1}^{m} \left(r_{ij} - \overline{r}_j \right)^2 \tag{4}$$

$$\overline{r}_j = \sum_{j=1}^{m} r_{ij} / m \tag{5}$$

Step 5: Determination of the General Preference Values (Ψ) of Each Criteria

The general preference value is determined for each criterion. To find the general preference value, it is necessary to find the deviation in each preference value. Equations (6) and (7) with the help of operations are performed.

$$\Psi_j = \Phi_j / \sum_{j=1}^{n} \Phi_j \tag{6}$$

$$\Phi_j = 1 - PV_j \tag{7}$$

In addition, the sum of all preference values must be 1 as shown in equation (8).

$$\sum_{j=1}^{n} \Psi_j = 1 \tag{8}$$

Step 6. Calculation of PSI (I_i) for Each Alternative

For each alternative, the PSI value is calculated using the equation (9).

$$I_i = \sum_{j=1}^{n} r_{ij} * \Psi \tag{9}$$

Step 7. Ranking All Alternative Values According to PSI Value

In this step, the alternatives are ranked by the lowest value from the highest value, taking advantage of the PSI values obtained. The value with the highest preference value is chosen as the best value.

APPLICATION

In this part of the study, the 2018 prosperity levels of the countries formed by the Legatum Institute were clustered with X-means. Subsequently, the PSI method was used to evaluate the performance of EU and EU candidate countries. 9 criteria and 149 countries were used by the Legatum Institute. Criteria; economic quality, business environment, management, personal freedom, social capital, safety and security, education, health, social environment [https://www.prosperity.com/rankings, (Accessed.: 07.12.2018)]. In the study, the criteria are considered as the benefit criterion.

Economic Quality (R1): Covers issues related to Labor, Trade and Economics.

Business Environment (R2): Measures the suitability of a country for investors.

Management (R3): Covers the concepts of management performance and law of the country.

Personal Freedom (R4): Measures the freedom of individuals in society and the progress of nations in these freedoms.

Social Capital (R5): Measures the power and social relations of civic participation in a country.

Safety and Security (R6): Measures the personal safety of people living in the country and the national security of countries.

Education (R7): It measures the quality and level of education.

Health (R8): Includes health outcomes and health-related risks.

Social Environment (R9): It includes efforts to protect the natural environment and the environment.

CLUSTER ANALYSIS

In this part of the study, prosperity levels of countries are divided into clusters by using X-mean of data mining techniques. The data used for the application are shown in Table 2.

The data in Table 2 were clustered with X-mean using RapidMiner 9.0. The results obtained from the clustering are shown in Table 3.

When countries are clustered with X-mean by 9 criteria, the 1st cluster has the best average, followed by cluster 2 and cluster 3. Table 4 shows the cluster center values of the criteria.

When the results of clustering analysis are evaluated in terms of 149 countries, EU and EU candidate countries, statistical results are given in Table 5.

Table 2. Legatum prosperity index

Country	R1	R2	R3	R4	R5	R6	R7	R8	R9
Afghanistan	50,687	40,497	25,427	29,664	54,312	37,473	25,388	28,399	40,460
Albania	56,099	56,664	48,823	68,816	76,342	75,348	67,050	44,126	56,205
Algeria	55,129	41,398	36,238	58,164	71,412	78,012	30,002	44,977	56,210
Angola	47,238	33,891	28,388	43,892	53,454	65,227	40,369	41,189	40,523
Argentina	56,094	52,156	50,453	66,417	74,961	75,804	78,425	49,483	60,454
Armenia	60,711	51,283	42,456	71,129	69,320	73,277	53,174	42,970	61,203
Australia	72,286	71,674	77,120	84,658	82,188	89,217	84,908	66,828	74,044
Austria	76,087	65,781	74,664	81,241	82,749	92,486	77,996	61,553	77,177
Azerbaijan	60,023	54,629	38,728	70,589	72,965	77,859	45,279	41,717	45,067
Bahrain	77,626	59,043	43,459	69,763	80,978	77,219	43,783	60,283	53,709
Bangladesh	59,635	45,301	43,406	54,630	66,706	77,321	49,818	47,222	48,218
Belarus	67,908	51,226	35,787	72,611	71,735	80,045	36,736	44,273	65,109
Belgium	73,311	66,746	73,855	83,005	82,060	86,660	86,412	59,106	72,829
Belize	62,433	43,821	46,736	64,515	70,612	70,492	64,359	48,060	70,930
Benin	53,979	46,271	47,209	39,120	51,748	68,761	66,118	38,493	56,267
Bolivia	59,544	41,723	41,766	70,933	66,013	69,715	66,360	47,965	63,609
Botswana	56,166	54,444	60,522	59,299	70,207	65,477	63,529	48,626	54,512
Brazil	61,735	47,345	47,560	61,735	72,076	70,519	69,394	48,889	69,431
Bulgaria	61,858	51,797	50,778	74,670	71,701	83,478	63,301	48,551	69,868
Burkina Faso	56,539	45,856	40,935	38,234	59,331	74,419	55,670	47,476	54,692
Burundi	48,440	38,977	33,600	43,647	62,732	54,947	46,975	35,232	48,384
Cambodia	67,111	50,841	35,952	60,720	65,341	70,567	56,822	43,867	53,526
Cameroon	54,932	51,723	33,646	52,200	56,129	56,779	37,370	46,437	56,226
Canada	74,793	74,337	79,745	82,264	81,195	90,278	92,074	63,289	73,226
Central African Republic	46,910	36,842	29,476	27,388	42,144	44,088	36,574	39,085	52,434
Chad	50,555	36,705	25,271	27,948	43,689	58,050	35,617	41,076	53,286
Chile	67,234	59,055	64,373	69,134	75,990	79,603	70,562	51,566	70,808
China	72,679	59,292	38,748	73,182	75,135	80,723	37,877	43,256	53,246
Colombia	62,156	61,864	43,718	65,588	73,538	61,232	70,676	50,823	69,849
Comoros	52,572	41,428	37,754	42,732	61,443	75,368	46,233	47,858	55,007
Congo	44,898	40,557	24,789	50,915	54,562	61,827	50,901	39,611	52,710
Costa Rica	65,011	59,899	64,527	71,673	79,191	74,492	84,861	54,477	69,850
Croatia	63,704	49,509	52,618	77,521	74,239	85,984	71,630	45,896	74,946
Cyprus	72,827	61,364	61,907	72,591	79,171	88,520	78,263	56,679	63,467
Czech Republic	73,049	63,364	62,233	82,978	79,626	89,332	76,424	49,963	71,749
Democratic Republic of Congo	49,138	42,166	25,341	45,638	51,765	45,798	34,100	44,011	36,917
Denmark	77,803	72,304	79,596	83,483	81,562	92,323	84,594	65,840	76,470
Djibouti	61,058	40,311	38,287	52,213	62,832	73,835	52,271	43,846	59,743
Dominican Republic	61,438	50,878	44,336	61,926	71,121	64,879	70,524	53,314	72,911
Ecuador	58,602	47,227	43,759	66,521	73,980	69,792	63,499	49,831	68,839
Egypt	53,772	48,434	38,928	57,814	66,527	69,231	25,185	40,685	59,410

continued on following page

Table 2. Continued

Country	R1	R2	R3	R4	R5	R6	R7	R8	R9
El Salvador	59,686	53,894	45,718	61,341	74,610	63,192	60,021	45,218	53,862
Estonia	70,565	63,621	70,273	83,201	77,052	84,145	72,686	51,083	79,319
Ethiopia	56,286	42,647	40,846	39,566	53,752	63,085	40,942	45,054	44,610
Finland	77,075	72,931	85,126	87,376	80,844	91,863	87,359	62,184	80,470
France	71,587	66,863	69,261	78,750	81,784	86,618	77,281	56,084	78,273
Gabon	46,970	44,605	31,929	51,052	58,610	63,781	51,120	43,508	51,609
Georgia	58,668	55,715	52,220	68,569	69,293	75,414	58,395	44,303	52,540
Germany	77,172	71,028	78,137	80,998	80,878	91,381	82,370	61,602	75,914
Ghana	63,374	50,841	57,790	55,365	61,886	69,372	58,971	54,887	58,829
Greece	57,100	53,276	52,639	69,530	76,911	80,962	60,566	43,344	69,975
Guatemala	59,417	56,066	42,926	57,516	68,350	67,443	56,110	52,222	70,191
Guinea	49,815	46,934	37,839	33,361	48,133	66,795	44,266	46,122	65,059
Guyana	59,626	50,093	50,456	60,851	69,602	73,544	58,729	54,656	62,046
Honduras	57,765	54,558	39,536	63,628	73,319	61,476	64,706	52,831	68,125
Hong Kong	74,825	72,901	63,817	80,335	82,406	93,270	76,157	53,464	59,215
Hungary	66,971	58,891	51,600	78,004	77,221	85,458	64,795	49,437	62,456
Iceland	81,671	68,188	76,681	78,094	81,942	92,162	91,206	65,953	70,294
India	64,423	58,326	58,513	57,818	63,608	67,172	50,304	46,762	48,951
Indonesia	66,082	58,432	58,145	66,912	68,814	80,837	44,306	63,233	61,373
Iran	58,364	47,259	36,504	65,737	73,927	68,896	32,713	52,850	56,737
Iraq	54,891	33,450	30,409	41,909	57,214	36,409	32,836	51,306	43,806
Ireland	77,414	67,781	76,181	85,101	80,397	92,820	90,792	64,895	75,125
Israel	71,015	65,614	69,143	79,259	81,632	79,859	50,007	55,255	57,171
Italy	66,611	55,504	57,248	77,133	77,862	87,482	74,947	55,095	62,504
Ivory Coast	50,808	48,806	41,093	38,402	55,764	64,729	53,647	41,370	56,954
Jamaica	62,353	61,731	53,629	63,861	75,597	66,677	65,498	51,363	62,390
Japan	75,059	65,881	72,803	80,486	84,372	93,788	67,270	46,870	68,585
Jordan	55,452	48,430	47,554	63,334	73,422	76,460	42,520	49,167	61,454
Kazakhstan	66,618	56,326	39,246	79,602	73,019	78,584	40,539	47,698	59,675
Kenya	55,913	58,518	49,595	58,377	60,247	60,189	51,717	59,281	54,733
Kuwait	67,010	50,175	42,257	61,216	79,144	80,977	47,454	56,572	62,533
Kyrgyzstan	63,161	54,123	39,748	70,243	73,484	72,807	50,888	51,484	60,684
Laos	63,105	47,069	39,982	55,705	68,258	71,999	42,539	40,450	53,350
Latvia	64,843	57,704	56,294	78,985	71,657	83,069	67,416	45,504	74,943
Lebanon	56,967	48,875	33,098	61,216	72,260	70,005	44,532	46,860	61,333
Lesotho	47,293	47,379	50,372	51,573	60,959	63,829	60,765	48,465	47,295
Liberia	50,712	49,793	42,679	39,124	54,252	62,970	54,815	55,855	58,919
Libya	51,313	33,999	22,789	62,999	74,974	53,547	39,226	54,700	46,566
Lithuania	64,615	56,789	61,620	78,145	72,246	83,975	71,614	46,976	73,536
Luxembourg	80,008	60,291	80,365	75,766	84,473	91,577	90,818	60,537	79,543
Macedonia	57,156	60,279	48,894	70,980	71,597	81,710	61,719	44,759	62,918

continued on following page

Table 2. Continued

Country	R1	R2	R3	R4	R5	R6	R7	R8	R9
Madagascar	45,161	46,020	38,976	46,649	51,634	69,958	57,479	46,173	53,690
Malawi	49,488	53,584	47,040	50,761	59,368	65,980	56,087	45,142	59,232
Malaysia	73,802	64,398	55,531	73,748	78,128	78,605	42,220	56,684	67,504
Mali	53,105	47,974	38,627	28,084	56,189	56,808	56,049	46,560	53,075
Malta	76,294	57,918	68,175	73,896	81,257	92,777	84,933	63,905	67,745
Mauritania	46,727	37,445	30,617	37,976	58,702	65,006	30,443	41,919	40,858
Mauritius	68,612	61,940	66,137	68,224	76,942	81,352	77,781	59,647	67,185
Mexico	63,461	62,389	46,164	69,651	75,846	62,150	66,744	44,732	66,647
Moldova	59,058	52,373	39,939	69,925	66,170	75,782	51,811	45,048	48,427
Mongolia	61,033	53,611	49,710	68,892	66,525	67,955	55,320	55,855	60,912
Montenegro	63,880	56,172	51,473	70,288	67,195	84,485	63,268	48,872	53,250
Morocco	58,247	52,214	38,695	51,093	69,544	81,660	39,671	42,039	65,512
Mozambique	44,778	43,408	42,409	39,026	54,335	68,087	65,042	47,458	58,081
Namibia	54,808	53,865	64,291	55,649	65,141	64,223	71,845	52,607	60,188
Nepal	67,926	51,750	46,591	47,751	61,939	74,330	67,683	51,467	50,116
Netherlands	78,026	69,778	82,967	85,208	82,327	92,688	89,349	64,139	66,439
New Zealand	76,449	76,408	84,828	81,418	81,621	88,980	91,903	66,848	79,620
Nicaragua	59,319	49,964	39,387	58,254	75,123	70,363	69,075	51,317	65,917
Niger	55,225	43,835	41,803	25,391	52,929	59,276	42,297	44,492	50,423
Nigeria	47,457	55,954	40,372	48,811	52,205	50,256	45,813	54,065	55,948
Norway	77,973	71,541	84,392	85,459	82,451	94,263	88,607	66,397	77,772
Oman	63,814	58,283	42,332	65,780	79,028	86,766	46,835	51,205	49,960
Pakistan	56,752	47,162	42,767	47,779	58,984	57,970	40,569	46,137	37,084
Panama	66,710	64,364	51,040	67,845	72,357	75,104	73,794	52,861	68,641
Paraguay	62,305	50,875	40,361	62,756	76,808	76,472	66,475	53,718	63,083
Peru	63,490	57,258	50,056	64,976	70,129	69,557	62,179	49,107	67,708
Philippines	64,537	52,515	53,183	69,327	67,952	54,845	63,492	56,104	69,913
Poland	68,257	58,550	60,057	79,792	77,596	89,100	65,105	49,446	67,058
Portugal	69,231	61,287	67,238	73,346	78,311	89,651	89,483	55,488	69,441
Qatar	73,789	61,051	50,785	66,184	82,883	82,410	47,759	56,373	62,337
Romania	63,928	60,175	51,031	74,402	71,264	84,380	64,594	48,701	66,013
Russia	63,723	56,519	37,811	80,475	69,570	67,078	32,548	45,324	60,593
Rwanda	61,960	60,663	61,347	49,454	68,808	62,817	55,248	45,806	48,660
Saudi Arabia	65,465	54,364	42,417	65,006	77,601	72,342	36,776	53,887	60,709
Senegal	52,013	47,752	54,116	41,605	63,601	67,739	65,011	48,520	55,161
Serbia	58,260	52,669	49,998	77,862	70,215	85,051	62,834	47,949	55,088
Sierra Leone	51,252	42,617	44,805	36,204	52,657	66,857	54,877	55,660	51,153
Singapore	80,989	73,226	72,219	86,995	85,388	93,468	50,869	61,757	58,702
Slovakia	68,428	56,319	57,236	79,570	78,449	88,152	69,425	52,187	69,824
Slovenia	71,538	59,881	62,461	84,998	78,759	90,127	80,967	60,062	83,033
South Africa	51,542	58,178	58,368	62,812	59,469	63,176	77,772	56,211	56,827

continued on following page

Table 2. Continued

Country	R1	R2	R3	R4	R5	R6	R7	R8	R9
South Korea	72,132	61,379	59,562	81,663	81,454	86,020	57,929	49,245	61,007
Spain	66,499	61,573	63,674	75,785	81,117	90,074	83,679	56,769	73,213
Sri Lanka	64,030	50,700	49,424	65,039	76,191	71,618	46,906	56,037	65,541
Sudan	46,793	36,485	28,782	35,061	57,606	51,977	27,347	46,699	42,914
Suriname	61,531	39,021	52,861	66,636	74,423	77,758	76,565	51,248	65,902
Swaziland	48,431	49,397	28,522	56,088	66,376	70,036	34,019	49,585	43,999
Sweden	79,593	70,266	82,695	81,975	82,464	91,850	88,071	59,510	75,923
Switzerland	79,700	71,556	83,070	87,231	83,974	91,816	80,963	62,377	76,704
Tajikistan	57,727	49,513	39,867	68,531	71,746	77,210	39,550	49,721	48,508
Tanzania	56,283	53,842	50,238	53,947	59,122	69,740	49,160	45,708	59,015
Thailand	70,539	57,596	42,153	67,069	79,135	72,261	41,855	53,184	56,891
Togo	57,766	43,577	36,276	45,217	55,832	66,708	56,704	37,545	57,036
Trinidad and Tobago	62,386	56,179	54,561	67,446	73,652	70,708	65,560	56,184	67,406
Tunisia	54,571	50,070	48,826	57,959	70,535	73,315	42,625	41,933	59,993
Turkey	64,741	50,699	42,708	64,038	76,122	66,512	44,845	46,862	60,911
Uganda	59,047	49,984	41,078	49,006	53,049	58,751	46,095	52,144	43,046
Ukraine	58,036	49,009	36,096	73,272	54,150	61,835	52,599	44,983	55,634
United Arab Emirates	75,761	65,831	53,285	70,446	82,328	86,983	43,668	58,611	66,140
United Kingdom	76,172	73,404	78,068	83,128	80,819	91,653	82,904	64,424	81,549
United States	76,463	76,736	70,368	83,729	78,738	82,275	78,302	65,103	72,263
Uruguay	65,218	59,796	68,754	68,817	77,556	79,863	88,896	54,361	64,190
Venezuela	50,167	31,037	19,890	60,405	70,677	52,337	56,152	45,559	67,788
Vietnam	66,613	54,101	43,320	70,900	71,541	77,932	44,056	47,970	58,632
Yemen	35,754	32,988	22,588	39,331	57,412	51,651	29,570	38,955	47,129
Zambia	49,374	58,425	46,318	54,225	58,514	64,777	51,919	54,480	57,533
Zimbabwe	55,149	42,145	34,918	58,451	65,649	65,229	48,127	47,655	51,152

Source: https://www.prosperity.com/rankings, (Accessed.: 07.12.2018.)

Table 3. Clustering results

1. **Cluster**
Australia, Austria, Belgium, Canada, Chile, Costa Rica, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hong Kong, Iceland, Ireland, Italy, Japan, Lithuania, Luxembourg, Malta, Mauritius, Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States, Uruguay
2. **Cluster**
Albania, Argentina, Armenia, Azerbaijan, Bahrain, Bangladesh, Belarus, Belize, Bolivia, Botswana, Brazil, Bulgaria, Cambodia, China, Colombia, Croatia, Dominican Republic, Ecuador, El Salvador, Georgia, Ghana, Greece, Guatemala, Guyana, Honduras, Hungary, India, Indonesia, Iran, Israel, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Macedonia, Malaysia, Mexico, Moldova, Mongolia, Montenegro, Morocco, Namibia, Nepal, Nicaragua, Oman, Panama, Paraguay, Peru, Philippines, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Serbia, South Africa, South Korea, Sri Lanka, Suriname, Tajikistan, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Arab Emirates, Vietnam.
3. **Cluster**
Afghanistan, Algeria, Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo, Democratic Republic of the Congo, Djibouti, Egypt, Ethiopia, Gabon, Guinea, Iraq, Ivory Coast, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Pakistan, Senegal, Sierra Leone, Sudan, Swaziland, Togo, Uganda, Venezuela, Yemen, Zambia, Zimbabwe.

Table 4. Central values of clusters by criteria

Criteria	1. Cluster	2. Cluster	3. Cluster
R1	73.568	62.548	50.959
R2	66.013	54.203	43.561
R3	71.719	47.514	36.079
R4	79.888	66.270	44.191
R5	80.438	71.739	57.536
R6	88.891	73.661	61.209
R7	80.829	55.753	45.600
R8	58.791	49.792	45.338
R9	72.307	60.842	51.560

Table 5. Statistical results for clustering analysis

Countries	1. Cluster	2. Cluster	3. Cluster
All Countries	36	73	40
EU Members and EU Candidate Countries	22	11	0
EU Member Countries	22	6	0
EU Candidate Countries	0	5	0

Table 6. Decision matrix

Country	R1	R2	R3	R4	R5	R6	R7	R8	R9
Albania	56.10	56.66	48.82	68.82	76.34	75.35	67.05	44.13	56.21
Austria	76.09	65.78	74.66	81.24	82.75	92.49	78.00	61.55	77.18
Belgium	73.31	66.75	73.85	83.01	82.06	86.66	86.41	59.11	72.83
Bulgaria	61.86	51.80	50.78	74.67	71.70	83.48	63.30	48.55	69.87
Croatia	63.70	49.51	52.62	77.52	74.24	85.98	71.63	45.90	74.95
Cyprus	72.83	61.36	61.91	72.59	79.17	88.52	78.26	56.68	63.47
Czech Republic	73.05	63.36	62.23	82.98	79.63	89.33	76.42	49.96	71.75
Denmark	77.80	72.30	79.60	83.48	81.56	92.32	84.59	65.84	76.47
Estonia	70.56	63.62	70.27	83.20	77.05	84.15	72.69	51.08	79.32
Finland	77.08	72.93	85.13	87.38	80.84	91.86	87.36	62.18	80.47
France	71.59	66.86	69.26	78.75	81.78	86.62	77.28	56.08	78.27
Germany	77.17	71.03	78.14	81.00	80.88	91.38	82.37	61.60	75.91
Greece	57.10	53.28	52.64	69.53	76.91	80.96	60.57	43.34	69.97
Hungary	66.97	58.89	51.60	78.00	77.22	85.46	64.79	49.44	62.46
Ireland	77.41	67.78	76.18	85.10	80.40	92.82	90.79	64.90	75.12
Italy	66.61	55.50	57.25	77.13	77.86	87.48	74.95	55.10	62.50
Latvia	64.84	57.70	56.29	78.99	71.66	83.07	67.42	45.50	74.94
Lithuania	64.61	56.79	61.62	78.15	72.25	83.97	71.61	46.98	73.54
Luxembourg	80.01	60.29	80.37	75.77	84.47	91.58	90.82	60.54	79.54
Macedonia	57.16	60.28	48.89	70.98	71.60	81.71	61.72	44.76	62.92
Malta	76.29	57.92	68.18	73.90	81.26	92.78	84.93	63.90	67.75
Montenegro	63.88	56.17	51.47	70.29	67.19	84.48	63.27	48.87	53.25
Netherlands	78.03	69.78	82.97	85.21	82.33	92.69	89.35	64.14	66.44
Poland	68.26	58.55	60.06	79.79	77.60	89.10	65.11	49.45	67.06
Portugal	69.23	61.29	67.24	73.35	78.31	89.65	89.48	55.49	69.44
Romania	63.93	60.17	51.03	74.40	71.26	84.38	64.59	48.70	66.01
Serbia	58.26	52.67	50.00	77.86	70.22	85.05	62.83	47.95	55.09
Slovakia	68.43	56.32	57.24	79.57	78.45	88.15	69.43	52.19	69.82
Slovenia	71.54	59.88	62.46	85.00	78.76	90.13	80.97	60.06	83.03
Spain	66.50	61.57	63.67	75.78	81.12	90.07	83.68	56.77	73.21
Sweden	79.59	70.27	82.70	81.97	82.46	91.85	88.07	59.51	75.92
Turkey	64.74	50.70	42.71	64.04	76.12	66.51	44.84	46.86	60.91
United Kingdom	76.17	73.40	78.07	83.13	80.82	91.65	82.90	64.42	81.55

Table 7. Determination of general preference values of criteria

R1	R2	R3	R4	R5	R6	R7	R8	R9
0.11644	0.11764	0.05810	0.13523	0.14167	0.13705	0.08031	0.10001	0.11356

Table 8. Results of psi method

Cluster	EU-EU Candidate	Ülke	PSI	Sıralama
1.Cluster	EU	Finland	0.97536	1
1.Cluster	EU	Denmark	0.96513	2
1.Cluster	EU	United Kingdom	0.96399	3
1.Cluster	EU	Ireland	0.95848	4
1.Cluster	EU	Sweden	0.95778	5
1.Cluster	EU	Netherlands	0.95610	6
1.Cluster	EU	Germany	0.94562	7
1.Cluster	EU	Luxembourg	0.94310	8
1.Cluster	EU	Austria	0.93619	9
1.Cluster	EU	Belgium	0.92390	10
1.Cluster	EU	Slovenia	0.91581	11
1.Cluster	EU	France	0.90612	12
1.Cluster	EU	Malta	0.90284	13
1.Cluster	EU	Czech Republic	0.88579	14
1.Cluster	EU	Spain	0.88559	15
1.Cluster	EU	Estonia	0.88520	16
1.Cluster	EU	Portugal	0.88046	17
1.Cluster	EU	Cyprus	0.86450	18
1.Cluster	EU	Slovakia	0.84993	19
1.Cluster	EU	Poland	0.84373	20
1.Cluster	EU	Italy	0.83953	21
1.Cluster	EU	Lithuania	0.82845	22
2.Cluster	EU	Latvia	0.82156	23
2.Cluster	EU	Hungary	0.82128	24
2.Cluster	EU	Croatia	0.81496	25
2.Cluster	EU	Romania	0.80493	26
2.Cluster	EU	Bulgaria	0.79204	27
2.Cluster	EU	Greece	0.77564	28
2.Cluster	EU Candidate	Macedonia	0.77234	29
2.Cluster	EU Candidate	Serbia	0.77089	30
2.Cluster	EU Candidate	Montenegro	0.76734	31
2.Cluster	EU Candidate	Albania	0.75475	32
2.Cluster	EU Candidate	Turkey	0.72374	33

Table 9. Comparison of psi, legatum and clustering results

Cluster	EU- EU Candidate	Country	PSI	Leg. mean	Leg. Rank	PSI Rank
1.Cluster	EU	Finland	0,975356	80,58	1	1
1.Cluster	EU	Denmark	0,965129	79,33	2	2
1.Cluster	EU	United Kingdom	0,963993	79,12	4	3
1.Cluster	EU	Ireland	0,958477	78,95	6	4
1.Cluster	EU	Sweden	0,957775	79,15	3	5
1.Cluster	EU	Netherlands	0,956102	78,99	5	6
1.Cluster	EU	Germany	0,945623	77,72	8	7
1.Cluster	EU	Luxembourg	0,943102	78,15	7	8
1.Cluster	EU	Austria	0,936195	76,64	9	9
1.Cluster	EU	Belgium	0,923901	76,00	10	10
1.Cluster	EU	Slovenia	0,915805	74,65	11	11
1.Cluster	EU	France	0,906116	74,06	13	12
1.Cluster	EU	Malta	0,902836	74,10	12	13
1.Cluster	EU	Czech Republic	0,885792	72,08	17	14
1.Cluster	EU	Spain	0,885592	72,49	15	15
1.Cluster	EU	Estonia	0,885196	72,44	16	16
1.Cluster	EU	Portugal	0,880464	72,61	14	17
1.Cluster	EU	Cyprus	0,864503	70,53	18	18
1.Cluster	EU	Slovakia	0,849933	68,84	19	19
1.Cluster	EU	Poland	0,843731	68,33	20	20
1.Cluster	EU	Italy	0,839533	68,27	21	21
1.Cluster	EU	Lithuania	0,828449	67,72	22	22
2.Cluster	EU	Latvia	0,821565	66,71	23	23
2.Cluster	EU	Hungary	0,821279	66,09	25	24
2.Cluster	EU	Croatia	0,814958	66,23	24	25
2.Cluster	EU	Romania	0,804932	64,94	26	26
2.Cluster	EU	Bulgaria	0,792038	64,00	27	27
2.Cluster	EU	Greece	0,77564	62,70	28	28
2.Cluster	EU Candidate	Macedonia	0,772341	62,22	29	29
2.Cluster	EU Candidate	Serbia	0,770894	62,21	30	30
2.Cluster	EU Candidate	Montenegro	0,767344	62,10	31	31
2.Cluster	EU Candidate	Albania	0,754749	61,05	32	32
2.Cluster	EU Candidate	Turkey	0,723738	57,49	33	33

When all countries are considered in Table 5, EU countries constitute 61.11% of the best cluster countries. In addition, 78.57% of the EU member countries are still in the best cluster. All EU candidate countries are in the second cluster. There are no EU and EU candidate countries in the third cluster, which is the lowest cluster.

APPLICATION OF PSI METHOD

In this part of the study, performance evaluation of EU and EU candidate countries was done by PSI method. The decision matrix for evaluation is given in Table 6.

Table 6 shows the decision matrix of each of the 33 EU and EU candidate countries according to each criterion. Each criterion in the decision matrix is the benefit criterion. Using the decision matrix in Table 6, the steps in the PSI method were applied in order, and in step 5, the weights of the criteria in Table 7 was determined.

As can be seen in Table 7, the most important criterion is (R6). The lowest criterion is (R3). In the last step of the method, the results in Table 8 were obtained.

With the PSI method, the results of the data are given from the highest value to the lowest value. According to the methods of ranking results 'Finland' in first place, while 'Turkey' was in last place.

CONCLUSION

Prosperity is often associated with wealth or assets. Besides, according to the researches conducted by Legatum Institute, it has been seen that it should include economic quality, work environment, management, personal freedom, social capital, safety and security, education, health and social environment criteria. For a prosperity state, these criteria should be taken into consideration. In this study, the performance of the EU and EU candidate countries were evaluated by using the PSI method and clustered with X-means on the basis of 149 countries and 9 criteria taken by the Legatum Institute. With X-means, countries are divided according to three clusters. Thus, a set of countries with similar characteristics in terms of prosperity indexes were determined. There are 33 countries with EU and EU candidate countries. These countries were ranked by PSI method and the difference between each country and other countries was revealed. In addition, in Table 9, PSI, Legatum and clustering results were compared.

Table 9 shows similarities in PSI and Legatum Institute ranking results. In addition, the majority of countries in Europe are in the first cluster. In the second cluster, Latvia, Hungary, Croatia, Romania, Bulgaria and Greece are EU member countries. Macedonia, Serbia, Montenegro, Albania and Turkey are not EU member states although they are in the second cluster.

In general, when a similar study is done, data mining techniques can be divided into classes by clustering analysis. Thus, the analysis can determine the location of the alternative. The decision maker can use the MCDM methods to see the rankings of the alternatives.

REFERENCES

Ada, A. A. (2001). Kümeleme Analizi ile AB Ülkeleri ve Türkiye'nin Sürdürülebilir Kalkınma Açısından Değerlendirilmesi. *Dumlupınar Üniversitesi Sosyal Bilimler Dergisi*, *29*, 319–332.

Armstrong, J. J., Zhu, M., Hirdes, J. P., & Stolee, P. (2012). K-means cluster analysis of rehabilitation service users in the home health care system of Ontario: Examining the heterogeneity of a complex geriatric population. *Archives of Physical Medicine and Rehabilitation*, *93*(12), 2198–2205. doi:10.1016/j.apmr.2012.05.026 PMID:22705468

Attri, R., & Grover, S. (2015). Application of preference selection index method for decision making over the design stage of production system life cycle. *Journal of King Saud University-Engineering Sciences*, *27*(2), 207–216. doi:10.1016/j.jksues.2013.06.003

Benoit, G. (2002). Data mining. *Annual Review of Information Science & Technology*, *36*(1), 265–310. doi:10.1002/aris.1440360107

Borujeni, M. P., & Gitinavard, H. (2017). Evaluating the sustainable mining contractor selection problems: An imprecise last aggregation preference selection index method. *Journal of Sustainable Mining*, *16*(4), 207–218. doi:10.1016/j.jsm.2017.12.006

Dubes, R., & Jain, A. K. (1976). Clustering techniques: The user's dilemma. *Pattern Recognition*, *8*(4), 247–260. doi:10.1016/0031-3203(76)90045-5

Gomez-Muñoz, V. M., & Porta-Gándara, M. A. (2002). Local wind patterns for modeling renewable energy systems by means of cluster analysis techniques. *Renewable Energy*, *25*(2), 171–182. doi:10.1016/S0960-1481(01)00013-1

Güç, Y. (2015). *Refah Devletinin Gelişimi ve Türkiye'de Refah Devleti Algısı*. İstanbul İlinde Bir Alan Araştırması. İstanbul Üniversitesi, Sosyal Bilimler Enstitüsü, Doktora Tezi.

Jahan, A., Mustapha, F., Sapuan, S. M., Ismail, M. Y., & Bahraminasab, M. (2012). A framework for weighting of criteria in ranking stage of material selection process. *International Journal of Advanced Manufacturing Technology*, *58*(1-4), 411–420. doi:10.100700170-011-3366-7

Jian, S., & Ying, S. (2017). Preference selection index method for machine selection in a flexible manufacturing cell. *In MATEC Web of Conferences (Vol. 139, p. 00167). EDP Sciences.*

Joseph, O. A., & Sridharan, R. (2011). Ranking of scheduling rule combinations in a flexible manufacturing system using preference selection index method. *International Journal of Advanced Operations Management*, *3*(2), 201–216. doi:10.1504/IJAOM.2011.042141

Khorshidi, R., & Hassani, A. (2013). Comparative analysis between TOPSIS and PSI methods of materials selection to achieve a desirable combination of strength and workability in Al/SiC composite. *Materials & Design* (1980-2015), 52, 999-1010.

Legatum Institute. Retrieved from https://www.prosperity.com/rankings

Madić, M., Antucheviciene, J., Radovanović, M., & Petković, D. (2017). Determination of laser cutting process conditions using the preference selection index method. *Optics & Laser Technology*, *89*, 214–220. doi:10.1016/j.optlastec.2016.10.005

Maniya, K., & Bhatt, M. G. (2010). A selection of material using a novel type decision-making method: preference selection index method. *Materials & Design*, *31*(4), 1785–1789. doi:10.1016/j.matdes.2009.11.020

Maniya, K. D., & Bhatt, M. G. (2011). The selection of flexible manufacturing system using preference selection index method. *International Journal of Industrial and Systems Engineering*, *9*(3), 330–349. doi:10.1504/IJISE.2011.043142

Mesran, K. T., Sianturi, R. D., Waruwu, F. T., & Siahaan, A. P. U. (2017). Determination of education scholarship recipients using preference selection index. *International Journal of Scientific Research in Science and Technology*, *3*(6), 230–234.

Öz, B., Taban, S., Kar, M., Taban, S., & Muhsin, K. A. R. (2009). Kümeleme Analizi İle Türkiye ve AB Ülkelerinin Beşeri Sermaye Göstergeleri Açısından Karşılaştırılması. *Eskişehir Osmangazi Üniversitesi Sosyal Bilimler Dergisi*, *10*(1), 1–29.

Park, G. Y., Kim, H., Jeong, H. W., & Youn, H. Y. (2013, March). A novel cluster head selection method based on k-means algorithm for energy efficient wireless sensor network. In 2013 27th International Conference on Advanced Information Networking and Applications Workshops (WAINA), *(pp. 910-915). IEEE.*

Pelleg, D., & Moore, A. W. (2000, June). X-means: Extending k-means with efficient estimation of the number of clusters. In Icml (Vol. 1, pp. 727-734).

Republic of Turkey, Ministry of Foreign Affairs, Directorate for EU Affairs. Retrieved from https://www.ab.gov.tr/3.html

Saaty, T. L. (2008). Decision making with the analytic hierarchy process. *International Journal of Services Sciences*, *1*(1), 83–98. doi:10.1504/IJSSCI.2008.017590

Sawant, V. B., Mohite, S. S., & Patil, R. (2011). A decision-making methodology for automated guided vehicle selection problem using a preference selection index method. In *Technology Systems and Management* (pp. 176–181). Berlin, Germany: Springer. doi:10.1007/978-3-642-20209-4_24

Tucker, C. S., Kim, H. M., Barker, D. E., & Zhang, Y. (2010). A reliefF attribute weighting and x-means clustering methodology for top-down product family optimization. *Engineering Optimization*, *42*(7), 593–616. doi:10.1080/03052150903353328

Turanlı, M., Özden, Ü. H., & Türedi, S. (2006). Avrupa Birliği'ne aday ve Üye Ülkelerin Ekonomik Benzerliklerinin Kümeleme Analiziyle Incelenmesi. *İstanbul Ticaret Üniversitesi Sosyal Bilimler Dergisi*, 9, 95-108.

Weatherill, G., & Burton, P. W. (2009). Delineation of shallow seismic source zones using k-means cluster analysis, with application to the Aegean Region. *Geophysical Journal International*, *176*(2), 565–588. doi:10.1111/j.1365-246X.2008.03997.x

Winters, J. C., Groenier, K. H., Sobel, J. S., Arendzen, H. H., & Meyboom-de Jongh, B. (1997). Classification of shoulder complaints in general practice by means of cluster analysis. *Archives of Physical Medicine and Rehabilitation*, *78*(12), 1369–1374. doi:10.1016/S0003-9993(97)90312-9 PMID:9421993

Xu, L., & Yang, J. B. (2001). *Introduction to multi-criteria decision making and the evidential reasoning approach* (pp. 1–21). Manchester, UK: Manchester School of Management.

Xu, R., & Wunsch, D. (2008). *Clustering* (Vol. 10). John Wiley & Sons. doi:10.1002/9780470382776

Chapter 6
Financial Globalization and Economic Growth:
Panel Causality Analysis for EU

Murat Gündüz
Usak University, Turkey

ABSTRACT

The relationship between financial development and economic growth is one of the interesting topics of economic researches. Financial globalization is a term used to open up capital markets to the international arena and to capitalize on developed countries to developing countries. This chapter investigates the causality relationship between financial globalization and economic growth. In this study, the panel causality test of Emirmahmutoğlu and Kose (2011) was used for the European Union countries by using data from 1996-2016 period. According to the causality analysis conducted for the European Union, there is a causality from general financial globalization index to economic growth, from de facto financial globalization to economic growth and from economic growth to De jure financial globalization index.

INTRODUCTION

The expression "globalization" is used by some researches in different meanings. Some see it as a process that is a key to the future development of the world economy and also unavoidable. Others regard it with suspicion or even fear as it does believe that it increases inequality within and between countries, threatens employment and the standard of living and prevents social progress (Der IWF-Stab, 2000).

Financial globalization is a concept that expresses the increasing global connections created by cross-border financial flows. The recent wave of financial globalization took place in the mid-1980s, and this led to an increase in capital flows between the industrial countries and, more importantly, the industrial and developing countries. In some developing countries, capital inflows have led to high growth rates. In some developing countries, significant financial crises with periodic collapses and significant macroeconomic and social costs were experienced due to high capital movements. As a result, there has

DOI: 10.4018/978-1-7998-1188-6.ch006

been an intense debate in both academic and policy circles about the effects of financial integration on national economies (Prasad et al., 2005).

The idea of financial globalization is often erroneously equated with the concept of globality. The global nature of the financial markets suggests that the world's major financial markets are integrated and that together they will form a global financial market in which capital no longer knows national barriers and moves freely from one country to another. This notion of the global nature of the financial markets is based on three important assumptions. First, full mobility of capital is required, meaning that both small and large investors invest their capital in a financial market where they find the best combination of profit and risk, regardless of the country in which the investment is to be made. Second, borrowers - individuals, companies and governments - are expected to have unrestricted access to capital, and there are few differences in the cost of capital for comparable investment projects. Third, with such an ideal "global" financial market, it is assumed that there are few differences between national financial markets in terms of financial regulation and that all market participants have the same choice of financial instruments (De Luna Martinez, 2002).

The globalization of financial markets can, in principle, help to increase the growth rates of the respective countries through many channels in developing countries. Some of these channels (increasing internal savings, reducing capital costs, transferring new technologies from developed countries to developing countries, and developing domestic finance sectors) have some direct impact on the determinants of economic growth. The globalization of financial markets can theoretically help to stimulate economic growth through different channels.

There are two extreme views about the effects of financial integration: First, integrated financial systems improve the allocation of productive resources, encourage innovation and entrepreneurship, develop market discipline, and help reduce the macroeconomic volatility of each country. Second, the free flow of capital increases the wealth gap between poor and wealthy countries and puts the local financial systems at risk of instability. Potentially, it is recognized that financial integration can bring many benefits to the economy, and will make economies more stable and flexible. Financial integration increases the flexibility of the global financial system by improving risk sharing and risk-sharing opportunities. Over time, it allows economic agents to better regulate the forms of consumption and investment that have been proven by financial integration and to increase the flow of foreign capital in Central and Eastern European countries (Resulaj, 2013).

BACKGROUND

Globalization, one the most discussed topics, is a very comprehensive concept which covers various disciplines and different perspectives. Although it does not have a definite definition, what is agreed on is that globalization economically, socially and culturally affects almost everything. When we look at globalization in different perspectives, we can see different qualifications. For instance, by multinational companies globalization is appreciated as an environment to enhance their own market shares and the free development of their brand extension, by sociologists it is appreciated as cultural changes and the changes in human behaviours, by political scientists it is appreciated as the role of international institutions and international affairs, by communicators it is appreciated as developing travelling opportunities and the power of internet and social media (EURO Indicators, 2007).

From a broad perspective, globalization is the expansion of material and nonmaterial accumulations of nations beyond their borders to the world, in a sense it is the increase in similarities, but the gradual decrease in differences. We can see this similarity in economy, social life, culture, politics and many other fields. Especially economic dimension of globalization is at the forefront in terms of its effect. Economic operators such as states, multinational companies, foreign trade companies importing and exporting in small and large scales are significant factors of economic globalization which is called as the thought of unification of economic activities around a common market. These factors expects from the economic globalization a continuity in boom, an increase in product, capital and labour mobility and therefore a sustainable profit maximization (Aydemir and Kaya, 2007).

By considering the social, cultural and political effects many economists found out that globalization contributes to countries' economies besides removing the borders economically, However, the thought that the costs concerning with globalization would have adverse effects on local investors bears in our mind the claim that globalization would rather have disadvantages than advantages. Therefore, the benefits and risks of globalization should be evaluated together. Advantages of attracting foreign direct investments, providing technological innovations and applying scale economy are considered among the benefits of globalization. Risks of globalization are stated as countries' gradual dependence to each other, perception of some countries' globalization as a threat for their sovereignty and unfair distribution of resources (Kuepper, 2018).

FINANCIAL GLOBALIZATION

Financial globalization indicates the capital flow from developed countries to developing countries especially over the last decades and the liberalization of capital markets for this purpose (Bordo and Meissner, 2015). Theoretically, one of the essential benefits that financial globalization would provide is to ensure international risk sharing more healthily (Kose et al., 2009a).

Financial globalization led to a clear financial flow by affecting the domestic financial markets and banking systems. This prevented money to be limited by a geography. Many economists claim that this narrowed the gap between central and nearby countries. However, by saying the exact opposite, some economists state that financial globalization increased the central-nearby difference more and more; in a sense it is an inequality factor. They also assert the claim that the monetary flow from central countries to nearby countries may lead to currency crisis, unemployment and economic crisis (Bakırtaş and Karbuz, 2004). There are also studies resulting in the findings that commercial globalization called as the understanding of removing the restrictions about foreign trade reduces the income inequality; however, financial globalization increases the income inequality (Jaumotte et al. 2013).

Development in financial markets, providing foreign direct investments and the liberalization in foreign trade have a positive effect on economic growth as the facilities of economic globalization. In addition, the development in cooperation among countries, tax advantages and employing the resources may lead the stated effect to increase more and more (Altıner et al., 2018).

Financial globalization in developing countries may contribute to increase economic growth via various ways. The determiners of economic growth such as increasing savings, reducing capital costs, ensuring technology transfer and financial growth may directly be affected by financial globalization. Moreover, globalization may indirectly affect also economic growth positively by ensuring discipline for institutions to improve themselves within the framework of a more disciplined acting way. At the same time, it can be said that the contribution of financial integration to the reduction of the local macro economical volatility and the development of local financial sectors has also an effect on economic growth. Financial globalization and financial integration are different concepts. Financial globalization is called as global relationship network created by international financial flows. Financial integration states countries' relationship with international capital markets. Since the increase in the level of financial integration provides the financial globalization, these two concepts may often substitute each other. Although financial integration may have various benefits for developing countries when the realization of macro economical stability is discussed, it may cause fluctuations in consumption increase. Particularly, low or medium levels of financial integration may lead to more consumption fluctuations for some countries. Since the financial globalization has a decreasing effect on consumption volatility as compared to output volatility, it may ensure countries to cope with better with this macro economical volatility (Prasad, 2003).

Although many indicators are defined to measure the financial globalization, one of the most popular indices is KOF globalization index. KOF Globalization Index measuring the globalization in economic, social and political dimensions has already been calculated for 1970 and 2016 and the index covers more than 200 countries and various regions. The index reveals the globalization with the value between 1 and 100 on the variables with different weighs by using basic compounds analysis. The index also includes De facto and De jure differentiation. These two parts form the general globalization index by contributing equally. De facto globalization is calculated upon the variables indicating that the globalization is actually realized. However, De jure globalization is calculated upon the indicators stating the legal framework of globalization, i.e. commercial regulations. De facto financial globalization includes various foreign investment classifications. De jure financial globalization includes investment restrictions, capital account openness and international investment agreements. De facto and De jure indicators used for calculating the financial globalization are presented in Table 1 (Gygli, 2019, KOF, 2019).

De facto financial globalization index is a criterion of the happening capital flow, foreigners' assets and debt stock. During the calculation active and passive total are taken all the variables and they are standardized by GDP. While calculating De jure financial globalization index, the openness of a country to international financial flows and investments and the current investment restrictions are considered (Gygli, 2019)

Table 1. Financial globalization indicators

Financial Globalisation			
Financial Globalisation De Facto		Financial Globalisation De Jure	
Indicator	Rate (%)	Indicator	Rate (%)
International Debt	27.6	Capital Account Openness	38.5
International Income Payments	27.1	Investment Restrictions	33.3
Foreign Direct Investment	26.7		
Portfolio Investment	16.5	International Investment Agreements	28.2
International Reserves	2.1		

LITERATURE REVIEW

When the studies on the relationship between financial globalization and economic growth are analyzed, we can result in some studies with the findings that financial globalization has a direct positive contribution on economic growth. There are also some studies that resulted in the fact that financial globalization had an indirect effect on economic growth by influencing the variables such as financial openness, foreign direct investments and external aids. It is also observed that the remaining studies are the ones concluding that financial globalization has a negative or insignificant effect on economic growth (Gaies et al., 2019).

Edison et al. (2002) conducted a study to investigate the effect of international financial integration on economic growth and also evaluate whether this relationship depends on economic growth, financial development, developing legal system, corruption by the state and macro economical policies or not. Using various international financial integration measures and some statistical methodology for 57 countries they revealed that even the control of certain economic, financial, corporate and political features by international financial integration did not accelerate the economic growth.

Prasad et al. (2003) in their study analyzed the relationship between financial globalization and economic growth, macroeconomic volatility and some other factors for developing countries. In their study they emphasized that good institutions and governance quality were important for also helping not only for them but also for developing countries to get the advantages of globalization and the macroeconomic stability was a significant prerequisite for developing countries to make the financial integration been useful.

Bakırtaş and Karbuz (2004) in their study focused on the consequences of financial globalization and discussed on the approaches of central countries to financial globalization and the policy changes of nearby countries in this process. As a result, they proposed that nearby countries should be globalized after making the necessary regulations on their infrastructures, institutions and laws.

Harman (2006) conducted a study on the globalization in financial markets. In this study, it was emphasized that the most important obstacle for the unstable growth in the globalization process was the high level of public debts, and these debt stocks prevented savings and investments and caused the disruption of social income distribution. They stated that the countries whose capitals increased with an effective structuring and auditing mechanism would make fertile investments and they would be more willing for globalizations since the danger of financial crisis would reduce.

Kose et al. (2009b) in their study evaluated risk sharing, one of the benefits of financial globalization among different country groups, and investigated how international integration affected the risk sharing models. It was concluded that while industrial countries could increase their risk sharing levels in globalization period, developing market economies could not get such advantages. In addition, they directly analyzed the effect of integration with global financial markets on the risk sharing that a country could get and emphasized that they found limited amount of findings indicating that financial integration helped to improve the risk sharing results in industrial countries.

Bakan and Şentürk (2012) theoretically discussed the financial globalization and analyzed the capital movements for Turkey in terms of cause and effect. They presented that there were capital flows to Turkey especially after 2008 crisis and the flows increased more and more in 2010.

Kıvılcım (2013) gave theoretical information about globalization and evaluated the globalization in terms of Turkey. He/she focused on the advantages and disadvantages of globalization on countries and emphasized that countries should develop strategies to contribute to globalization process.

Neto and Veiga (2013) investigated the role of the expansion of technology and innovations and foreign direct investments empirically. As a result of the study they determined that these two mechanisms had a positive effect on productivity increase and GDP growth.

Stoian (2014) conducted a study on the importance of considering to create a financial globalization index in order to measure the financial integration level of the world and some certain country groups and also analyze the patterns in the last decades. In the study it was emphasized to what extent creating Financial Globalization Index was dependent with the world and certain regions and help to measure this dependence financially.

Bordo and Meissner (2015) in their study investigated why some countries did not learn to reach financial stability although some countries learnt it. By analyzing through case studies about three types of financial crisis for four countries (Argentina, Australia, Canada and USA) in long term they concluded that the countries reaching the financial stability had state of law principles, democracy, political stability and other institutional properties.

Lund et al. (2017) published a report to explain the state of global financial market connections, how they changed as of the crisis, changes using the microeconomic predictions in the financial sector and how they would develop in the following years. The report also addressed the reasons for the optimism that financial globalization could be more stable than the crisis and the remaining risks. In the report it was stated that since the global financial crisis began in 2007, gross cross-border capital flows decreased by 65% in absolute terms and decreased fourfold compared to world GDP, and half of this decrease was due to a sharp contraction in cross-border lending, but financial globalization was still active and it would be more stable and inclusive in the future.

Altıner et al., (2018) analyzed the effect of globalization on economic growth for the raising market economy through panel data method. It was determined that the effect of globalization index and its sub-compounds on economic growth was very low and varied from country to country. In addition, causality test was applied and therefore, it was found out that there was a one-directional causality from political globalization to economic growth and from economic growth to social globalization. However, no causality could be found between general index and economic globalization and economic growth.

Güler (2018) conducted a study in order to identify the effect of financial globalization on public social expenditures of Turkey and OECD countries. He/she observed that public social expenditures of Turkey and OECD countries significantly increased in 1980-2015 and concluded that the approach that predicted tax revenues and public expenditures would be reduced in neoclassical economics based financial globalization process was not valid in application.

Li and Liu (2018) in their study analyzed the relative significance of domestic financial freedom and financial globalization in shaping the consequences of risk sharing using a wide nationwide data set. They stated that for most countries in the world, the domestic financial environment was more important than financial integration in balancing consumption fluctuations and they were willing to give up a large part of their consumption in order to achieve international risk sharing. In general it was found that developed industrial countries were the major beneficiaries of financial globalization and developing economies' ability to share risk was weak.

Gygli et al. (2019) in their study gave the theoretical information by reviewing KOF Globalization Index again. They suggested using KOF Globalization Index while analyzing the effect of globalization on economic growth. In addition they suggested using the new KOF Globalization Index to see other significant consequences of globalization in further studies and the reason why globalization progressed more slowly.

METHOD

Meta analysis is a method that aims to evaluate the results together by testing the same hypothesis for different units. The purpose is to obtain only one panel p value by combining the calculated significance values as a result of the test for N unit. Panel Granger causality analysis suggested by Emirmahmutoğlu and Kose (2011) is based on this Meta analysis. This suggested causality analysis emerged as a result of the extension of LA-VAR approach in order to analyze the causality between the variables in heterogeneous mixed panels. However, if a shock derived from any unit in panel analysis affects other units, (this can be observed in economy studies along with globalization), cross sectional dependency should be taken into consideration If this is not taken into consideration, it is natural to get illusive results in conducted analyses. At the same time, while traditional causality analyses are based on cointegration techniques, the causality analysis suggested by Emirmahmutoğlu and Kose (2011) does not require cointegration analysis as a pre-test (Chang et al., 2016). This test has been frequently used recently because it presents both the general relationship and the structure of this relationship according to units by considering cross sectional dependency.

Emirmahmutoğlu-Kose causality analysis considers VAR structure given in Formula 1 (Zeren and Ergün, 2013):

$$z_{i,t} = \mu_i + A_{i1} z_{i,t-1} + \ldots + A_{ik_i} z_{i,t-k_i} + u_{i,t} \text{ i=1,2, …, N, t= 1,2, …, T} \tag{1}$$

In Formula (1) i indicates the cross sectional units, t inidcates the time dimension. Here if $z_{i,t}$, $x_{i,t}$, $y_{i,t}$ are divided as m and p-n dimensioned sub vectors, formula (2 and 3) are obtained by considering k_i + d max_i delay:

$$x_{i,t} = \mu_i^x + \sum_{j=1}^{k_i+dmax_i} A_{11,ij} x_{i,t-j} + \sum_{j=1}^{k_i+dmax_i} A_{12,ij} y_{i,t-j} + u_{i,t}^x \tag{2}$$

here, μ_i^x ve μ_i^y are the two vectors of fixed effects and $u_{i,t}^x$ and $u_{i,t}^y$ are the vectors of error term. k_i, is the delay that is predicted to differ between cross sectional units and $dmax_i$, is the maximum integration degree for each i.

When Formula (1) is checked, it will be witnessed that the causality analysis suggested by Emirmahmutoğlu-Kose is the version of Toda-Yamamoto causality analysis, which is valid for non-stationary variables, adapted to the panel data. In the situation without the causality relationship, hypotheses are set to test the independent q_i linear constraint for each i cross-sectional unit as follows:

H_0: $R_i\alpha_i = 0$ for all the i units,

H_1: $R_i\alpha_i \neq 0$ i = 1, …, N_1; $R_i\alpha_i = 0$ i = N_1+1,…,N

Here, R_i is a (q_ixp^2 k_i) dimensional matrix with the q_i rank for each cross-sectional unit.

Considering the structure expressed in Formula (2) and (3), the bootstrap procedure from x to y follows the process below (Emirmahmutoğlu and Kose, 2011):

-For each cross-sectional unit, the $dmax_i$ value, the maximum integration rank of the variables is determined through the unit root test and the k delay count is identified;

-The Breusch-Pagan LM test statistics, which is used to test the cross-sectional independence given in formula (4) under the causality hypothesis using is re-estimated-dmax$_i$ and k$_i$, and the residuals of each unit is obtained as shown in formula (6);

$$LM = T\sum_{i=1}^{N-1}\sum_{j=i+1}^{N}\hat{\rho}_{ij}^{2} \quad (4)$$

$\hat{\rho}_{ij}^{2}$ in formula (4), is the sample estimation of the duak correlations of the residuals for each i in the structure of the panel data in formula (5).

$$y_{it} = \alpha_i + \beta_i^{'} x_{it} + u_{it} \, \mathrm{i} = 1, 2, \ldots, \mathrm{N}, \mathrm{t} = 1, 2, \ldots, \mathrm{T} \quad (5)$$

In formula (5), i refers to cross-sectional dimension, t to time dimension, x $_{it}$ to descriptive k*1 independent variables vector.

The residuals obtained as shown in formula (6) are centralized as exhibited in formula (7).

$$\tilde{u}_t = \hat{u}_t - (T-k-l-2)^{-1}\sum_{t=k+l+2}^{T}\hat{u}_t \quad (7)$$

Here $\hat{u}_t = \left(\hat{u}_{1t}, \hat{u}_{2t}, \ldots, \hat{u}_{Nt}\right)'$ is the transposition matrix. $k = \max(\mathrm{k}_i)$ and $l = \max(\mathrm{d\,max}_i)$. In addition, $\left[\tilde{u}_{i,t}\right]_{NxT}$ is a matrix produced from residuals. In order to protect the cross-covariance structure of the residuals, a full column is selected randomly instead of the matrix and the bootstrap residuals are shown with $\tilde{u}_{i,t}{}^{*}$.

-The bootstrap sample of y under the presence of Zero hypothesis is created as in formula (8):

$$y_{i,t}^{*} = \hat{\mu}_i + \sum_{j=k_i+1}^{k_i+dmax_i}\hat{A}_{21,ij}x_{i,t-j} + \sum_{j=1}^{k_i+dmax_i}\hat{A}_{22,ij}y_{i,t-j}^{*} + \tilde{u}_{i,t}^{*} \quad (8)$$

Here, $\hat{\mu}_i$, $\hat{A}_{21,ij}$ and $\hat{A}_{22,ij}$ are the estimations obtained from formula (6).

Formula (4) is estimated without a parameter restriction by using $y_{i,t}^{*}$ instead of $y_{i,t}$ in formula (3) for each cross-sectional unit, and the Wald statistics is calculated to test the non-causality hypothesis. The Fisher test statistics λ is obtained as in formula (9) by using the individual p-values (pi) which correspond to the Wald statistics of the cross-sectional unit (Chang et al., 2016):

$$\lambda = -2\sum_{i=1}^{N}\ln(p_i)\, i = 1, 2, \ldots, N \quad (9)$$

The bootstrap empirical distribution of the Fisher test statistics, formula (7-8) is repeated 10000 times and the bootstrap critical values are specified by selecting the appropriate percentages of this sampling distribution.

DATA AND EMPIRICAL ANALYSIS

In the study, the causality relationship between the variables of financial globalization and economic growth including 1996-2016 for 28 countries, which are the members of the European Union. The variable of financial globalization was subjected to the causality analysis separately both as a general value and by utilizing both De facto and De Jure values . Globalization data were obtained from KOF Swiss Economic Institute and ETH Zurich (Swiss Federal Institute of Technology in Zurich), and the variable of economic growth was taken from the World Development Indicators (WDI) database of the World Bank. The variables used in the analysis are shown in Table 2.

In the study, the cross-sectional dependence in the panel was tested first of all. For this purpose, Breusch-Pagan (1980), Pesaran (2004) CD_{LM} and Pesaran (2004) CD cross-sectional dependence tests were applied. While the cross-sectional dependence test is applied, Breusch and Pagan (1980) LM test is used when in constant status and when the time dimension is bigger than the sectional dimension. When the sectional dimension is bigger than the time dimension, Pesaran (2004) CDLM test is applied. On the other hand, when the sectional dimension is equal to time dimension, Pesaran (2004) CD test is used (Şaşmaz and Yayla, 2018). Test results are given in Table 3. Afterwards, integration levels of the variables were determined for all the units. At the degree and first differences level of the variables, The Augmented Dickey Fuller (ADF) unit root test results are given in Table 4.

According to the test results, the cross-sectional dependence was observed in models measuring the relationship between financial globalization and economic growth. Therefore, it is appropriate to use Emirmahmutoğlu-Kose's panel causality test.

Table 2. The variables used in the analysis

Variable Name	Variable Code
Economic Growth	GRW
Financial Globalization-General	FGL
Financial Globalization-De Facto	FGL_DF
Financial Globalization-De Jure	FGL_DJ

Table 3. Cross-Sectional dependence results of the variables

Variables	FGL		FGL_DF		FGL_DJ		GRW	
Cross-Dependency Tests	Stat.	p	Stat.	p	Stat.	p	Stat.	p
Breusch-Pagan LM	3413.558	0.000	6330.649	0.000	3558.623	0.000	2963.541	0.000
Pesaran scaled LM	110.402	0.000	216.495	0.000	115.678	0.000	94.035	0.000
Pesaran CD	50.224	0.000	79.199	0.000	13.740	0.000	51.040	0.000

In Table 4, the unit root test results are shown for the variables Grw, Glf, Glf_Df and Glf_Dj. Stationarity analyses of the variables were performed over the level states and conditions of difference. The maximum integration degree was identified over the stationarity analysis.

In Table 5, the causality analysis between economic growth and general financial globalization was tested with the panel Granger causality analysis presented by Emirmahmutoğlu ve Kose (2011).

When Table 5 where the causality analysis between economic growth and the general financial globalization index is checked, causality is observed from general financial globalization index towards

Table 4. AFD unit root test results of the variables

No	Country Name	Glf	Glf	Glf_ Df	Glf_ Df	Glf_ Dj	Glf_ Dj	Grw	Grw	dmax_ Glf	dmax_ GlfDf	dmax_ GlfDj
		Lev	Dif.1	Lev.	Dif.1	Lev.	Dif.1	Lev.	Dif.1			
1	Austria	0.13	0.00	0.06	0.03	0.64	0.00	0.02		1	1	1
2	Belgium	0.08	0.00	0.00		0.20	0.00	0.00		1	0	1
3	Bulgaria	0.46	0.00	0.35	0.00	0.34	0.00	0.00		1	1	1
4	Croatia	0.12	0.01	0.01		0.39	0.08	0.14	0.00	1	1	2
5	Cyprus	0.52	0.00	0.00		0.65	0.03	0.36	0.00	1	1	1
6	Czech Rep.	0.00		0.11	0.03	0.09	0.02	0.06	0.00	1	1	1
7	Denmark	0.14	0.00	0.42	0.00	0.54	0.00	0.03		1	1	1
8	Estonia	0.00		0.00		0.15	0.00	0.01		0	0	0
9	Finland	0.01		0.00		0.47	0.00	0.04		0	0	0
10	France	0.00		0.00		0.54	0.00	0.06	0.00	1	1	1
11	Germany	0.06	0.03	0.00		0.71	0.00	0.00		1	0	1
12	Greece	0.09	0.01	0.37	0.00	0.79	0.01	0.57	0.00	1	1	1
13	Hungary	0.31	0.00	0.49	0.00	0.32	0.00	0.07	0.00	1	1	1
14	Ireland	0.10	0.01	0.00		0.06	0.00	0.06	0.00	1	1	1
15	Italy	0.10	0.00	0.00		0.61	0.03	0.03		1	0	1
16	Latvia	0.39	0.00	0.53	0.00	0.29	0.00	0.01		1	1	1
17	Lithuania	0.08	0.00	0.23	0.00	0.57	0.00	0.03		1	1	1
18	Luxembourg	0.27	0.00	0.00		0.68	0.00	0.02		1	0	1
19	Malta	0.54	0.00	0.03		0.57	0.00	0.05	0.00	1	1	1
20	Netherlands	0.02		0.01		0.47	0.00	0.12	0.00	1	1	1
21	Poland	0.06	0.00	0.40	0.00	0.26	0.00	0.01		1	1	1
22	Portugal	0.06	0.00	0.00		0.44	0.00	0.17	0.00	1	1	1
23	Romania	0.14	0.00	0.06	0.00	0.53	0.06	0.09	0.00	1	1	2
24	Slovak Rep.	0.23	0.06	0.41	0.00	0.21	0.00	0.03		1	1	1
25	Slovenia	0.06	0.00	0.63	0.04	0.00		0.05	0.00	1	1	1
26	Spain	0.01		0.00		0.70	0.00	0.45	0.00	1	1	1
27	Sweden	0.05	0.01	0.00		0.33	0.00	0.00		1	0	1
28	United King.	0.11	0.02	0.02		0.75	0.00	0.10	0.00	1	1	1

Table 5. Economic growth- financial globalization-overall (Eu)

No	Country	Lag	Glf => Grw	p-value	Grw => Glf	p-value
1	Austria	1.000	0.845	0.358	3.307	0.069***
2	Belgium	1.000	3.841	0.050**	5.913	0.015**
3	Bulgaria	1.000	0.654	0.419	0.051	0.821
4	Croatia	1.000	3.354	0.067***	2.378	0.123
5	Cyprus	3.000	1.358	0.715	1.255	0.740
6	Czech Republic	1.000	2.002	0.157	1.693	0.193
7	Denmark	1.000	0.152	0.697	3.739	0.053***
8	Estonia	2.000	1.913	0.384	2.809	0.245
9	Finland	1.000	0.097	0.756	2.516	0.113
10	France	1.000	0.215	0.643	0.152	0.696
11	Germany	2.000	2.088	0.352	0.959	0.619
12	Greece	1.000	1.302	0.254	0.148	0.700
13	Hungary	1.000	0.006	0.936	0.215	0.643
14	Ireland	1.000	0.281	0.596	1.308	0.253
15	Italy	2.000	6.037	0.049**	1.244	0.537
16	Latvia	2.000	0.744	0.690	1.883	0.390
17	Lithuania	1.000	0.178	0.673	0.540	0.463
18	Luxembourg	1.000	0.002	0.968	0.105	0.746
19	Malta	1.000	1.564	0.211	0.483	0.487
20	Netherlands	1.000	0.156	0.693	1.059	0.304
21	Poland	2.000	3.707	0.157	2.545	0.280
22	Portugal	2.000	10.374	0.006*	1.508	0.470
23	Romania	1.000	0.851	0.356	1.354	0.245
24	Slovak Republic	1.000	2.621	0.105	0.000	0.997
25	Slovenia	1.000	0.013	0.909	2.021	0.155
26	Spain	1.000	2.417	0.120	1.619	0.203
27	Sweden	2.000	1.971	0.373	0.344	0.842
28	United Kingdom	1.000	4.145	0.042**	0.686	0.408
Panel results		**Fisher stat.**	**p-value**			
Glf => Grw		74.524	0.050**			
Grw => Glf		66.301	0.163			

Note: *, ** and *** show significance at 1%, 5% and 10% levels, respectively.

economic growth. This result expresses that general financial globalization is the cause of economic growth at the significance level of 5% for the overall European Union. Moreover, when countries where the causality analysis yields significant results are examined, it can be said that

- For Austria, economic growth is the cause of general financial globalization at the significance level of 10%,
- For Belgium, both economic growth and general financial globalization index are the causes of each other,
- For Croatia, general financial globalization is the cause of economic growth at the significance level of 10%,
- For Denmark, economic growth is the cause of general financial globalization at the significance level of 10%,
- For Italy, general financial globalization is the cause of economic growth at the significance level of 5%,
- For Portugal, general financial globalization is the cause of economic growth at the significance level of 1%,
- For the United Kingdom, general financial globalization is the cause of economic growth at the significance level of 5%.

In Table 6, the causality analysis between economic growth and De Facto financial globalization index was tested with the panel Granger causality analysis presented by Emirmahmutoğlu ve Kose (2011).

When Table 6 where the causality analysis between economic growth and the De facto financial globalization index is checked, causality is observed from De facto financial globalization index towards economic growth. This result expresses that De facto financial globalization is the cause of economic growth at the significance level of 1% for the overall European Union. Moreover, when countries where the causality analysis yields significant results are examined, it can be said that

For Bulgaria, De facto financial globalization is the cause of economic growth at the significance level of 5%,

For Croatia, De facto financial globalization is the cause of economic growth at the significance level of 1%,

For France, both economic growth and De fact financial globalization index are the causes of each other,

For Germany, De facto financial globalization is the cause of economic growth at the significance level of 10%,

For Slovenia, De facto financial globalization is the cause of economic growth at the significance level of 5%,

For Sweden, De facto financial globalization is the cause of economic growth at the significance level of 1%.

In Table 7, the causality analysis between economic growth and De Jure financial globalization index was tested with the panel Granger causality analysis presented by Emirmahmutoğlu and Kose (2011).

When Table 7 where the causality analysis between economic growth and De jure financial globalization index is checked, causality is observed from De jure financial globalization index towards economic growth. This result expresses that economic growth is the cause of De jure financial globalization index at the significance level of 1% for the overall European Union. Moreover, when countries where the causality analysis yields significant results are examined, it has been discovered that

- -For Austria, economic growth is the cause of De jure financial globalization at the significance level of 5%,

Table 6. Economic growth- financial globalization- de facto (Eu)

No	Country	Lag	Glf_Df => Grw	p-value	Grw => Glf_Df	p-value
1	Austria	1.000	2.650	0.104	0.311	0.577
2	Belgium	1.000	1.680	0.195	1.197	0.274
3	Bulgaria	2.000	7.729	0.021**	0.280	0.869
4	Croatia	3.000	16.339	0.001*	3.990	0.263
5	Cyprus	3.000	0.468	0.926	1.842	0.606
6	Czech Republic	1.000	1.886	0.170	0.014	0.906
7	Denmark	1.000	0.099	0.753	0.571	0.450
8	Estonia	3.000	3.666	0.300	0.962	0.810
9	Finland	1.000	2.044	0.153	1.006	0.316
10	France	3.000	21.788	0.000*	11.132	0.011**
11	Germany	2.000	5.430	0.066***	0.612	0.736
12	Greece	1.000	0.185	0.667	1.215	0.270
13	Hungary	1.000	0.389	0.533	0.095	0.757
14	Ireland	1.000	1.408	0.235	1.013	0.314
15	Italy	1.000	1.000	0.317	0.210	0.647
16	Latvia	2.000	0.541	0.763	1.569	0.456
17	Lithuania	1.000	0.109	0.742	2.087	0.149
18	Luxembourg	3.000	2.838	0.417	9.903	0.019
19	Malta	1.000	0.099	0.754	0.095	0.758
20	Netherlands	1.000	0.684	0.408	1.200	0.273
21	Poland	1.000	0.037	0.847	0.017	0.896
22	Portugal	2.000	3.829	0.147	1.857	0.395
23	Romania	1.000	0.004	0.947	0.183	0.669
24	Slovak Republic	1.000	2.187	0.139	0.035	0.851
25	Slovenia	2.000	7.375	0.025**	2.691	0.260
26	Spain	1.000	1.955	0.162	0.433	0.510
27	Sweden	3.000	11.770	0.008*	0.967	0.809
28	United Kingdom	2.000	2.345	0.310	0.516	0.773
Panel results		**Fisher stat.**	**p-value**			
Glf_Df => Grw		108.039	0.000*			
Grw => Glf_Df		52.743	0.599			

Note: *, ** and *** show significance at 1%, 5% and 10% levels, respectively.

- For Belgium, economic growth is the cause of De jure financial globalization at the significance level of 5%,
- For Cyprus, economic growth is the cause of De jure financial globalization at the significance level of 10%,

Table 7. Economic growth- financial globalization- de jure (Eu)

No	Country	Lag	Glf_Dj => Grw	p-value	Grw => Glf_Dj	p-value
1	Austria	1.000	0.394	0.530	5.466	0.019**
2	Belgium	1.000	1.028	0.311	4.376	0.036**
3	Bulgaria	1.000	1.438	0.231	0.189	0.663
4	Croatia	2.000	1.249	0.535	2.898	0.235
5	Cyprus	1.000	0.804	0.370	2.772	0.096***
6	Czech Republic	2.000	4.168	0.124	6.355	0.042**
7	Denmark	1.000	0.121	0.728	3.780	0.052***
8	Estonia	1.000	0.099	0.753	1.394	0.238
9	Finland	1.000	0.031	0.861	11.357	0.001*
10	France	1.000	0.650	0.420	0.305	0.581
11	Germany	1.000	0.636	0.425	2.753	0.097***
12	Greece	1.000	0.055	0.814	0.880	0.348
13	Hungary	1.000	0.178	0.673	0.713	0.399
14	Ireland	1.000	0.020	0.889	1.629	0.202
15	Italy	1.000	1.206	0.272	0.115	0.734
16	Latvia	1.000	1.285	0.257	5.190	0.023**
17	Lithuania	1.000	0.695	0.404	2.342	0.126
18	Luxembourg	1.000	0.055	0.814	0.048	0.826
19	Malta	1.000	0.160	0.690	0.009	0.924
20	Netherlands	1.000	0.472	0.492	2.699	0.100
21	Poland	1.000	0.021	0.885	1.526	0.217
22	Portugal	1.000	8.282	0.004*	3.140	0.076***
23	Romania	2.000	4.076	0.130	1.872	0.392
24	Slovak Republic	1.000	1.500	0.221	0.093	0.761
25	Slovenia	1.000	0.783	0.376	2.980	0.084***
26	Spain	1.000	2.937	0.087	0.714	0.398
27	Sweden	1.000	0.404	0.525	0.447	0.504
28	United Kingdom	1.000	3.704	0.054***	0.232	0.630
Panel results		**Fisher stat.**	**p-value**			
Glf_Dj => Grw		62.385	0.260			
Grw => Glf_Dj		102.524	0.000*			

Note: *, ** and *** show significance at 1%, 5% and 10% levels, respectively.

- For Czech Republic, economic growth is the cause of De jure financial globalization at the significance level of 5%,
- For Denmark, economic growth is the cause of De jure financial globalization at the significance level of 10%,

- For Finland, economic growth is the cause of De jure financial globalization at the significance level of 1%,
- For Germany, economic growth is the cause of De jure financial globalization at the significance level of 10%,
- For Latvia, economic growth is the cause of De jure financial globalization at the significance level of 5%,
- For Portugal, both economic growth and De jure financial globalization index are the causes of each other,
- For Slovenia, economic growth is the cause of De jure financial globalization at the significance level of 10%,

For the United Kingdom, De jure financial globalization is the cause of economic growth at the significance level of 10%.

FUTURE RESEARCH DIRECTIONS

Positive and negative effects of globalization will continue to emerge with the effect of various factors. More easily accessible capital markets and the enhancing level of being influenced from each other will lead to risks and opportunities. When the separation of financial globalization as de facto and de jure are especially considered, this study will contribute to the researchers who will conduct studies on the topics.

CONCLUSION

Many experts state that financial globalization affect almost every country even if on different scales. Researchers have not been able to come to a certain agreement about which aspects of financial globalization are more prominent? Positive or negative characteristics? Especially the removal of the obstacles in front of current transactions and capital flow can be counted among the most important advantages provided by financial globalization (Bulut and Bahişov, 2011). In this study, the causality analysis was examined between financial globalization and economic growth for the European Union countries. Financial globalization was included in the analysis through three different variables by using De facto and De jure indexes.

The causality analysis between economic growth and financial globalization index was tested with the panel Granger causality analysis presented by Emirmahmutoğlu ve Kose (2011). According to the results of the causality analysis, causality was observed from the general financial globalization index towards economic growth for the overall European Union. In other words, it was concluded that general financial globalization was the cause of economic growth. In addition, as a result of the analysis, it was concluded that general financial globalization was the cause of economic growth for Croatia, Italy, Portugal and the United Kingdom. For Austria and Denmark, economic growth was found to be the cause of general financial globalization. For Belgium, it was found out that both economic growth and general financial globalization index were the causes of each other.

According to the results of the causality analysis between economic growth and the De Facto financial globalization index, De facto financial globalization was the cause of economic growth for the overall

European Union. In addition, when a country-based investigation was performed, it was concluded that De facto financial globalization was the cause of economic growth for Bulgaria, Croatia, Germany, Slovenia and Sweden. For France, both economic growth and the De facto financial globalization index were found to be the causes of each other.

When the results of the causality analysis between economic growth and the De jure financial globalization index is checked, causality is observed from economic growth towards the De jure financial globalization index for the overall European Union. Moreover, when countries where the causality analysis yields significant results were examined, it was discovered that economic growth was the cause of De jure financial globalization for Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, Germany, Latvia and Slovenia. For the United Kingdom, it was concluded that De jure financial globalization was the cause of economic growth. For Portugal, both economic growth and the De jure financial globalization index were found to be the causes of each other.

Research results reveal that De facto financial globalization caused economic growth while economic growth caused De jure financial globalization. These results present that practical developments for improving the financial markets increase economic growth and the increase in economic growth develop structural organizations related to financial globalization.

REFERENCES

Altıner, A., Bozkurt, E., & Toktaş, Y. (2018). Globalization and economic growth: an application for the emerging market economies, *Finans. Politik ve Ekonomik Yorumlar Dergisi*, *639*, 117–162.

Aydemir, C., & Kaya, M. (2007). The globalization concept and its economical side. *Elektronik Sosyal Bilimler Dergisi*, *6*(20), 260–282.

Bakan, S., & Şentürk, M. (2012). A research about capital movements towards Turkey in the axis of financial globalization. *Adıyaman Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, 2012*(9), 45-64.

Bakırtaş, T., & Karbuz, S. (2004). *Financial globalization and the condition of periphery countries, İktisat İşletme ve Finans*, *19*(215), 92–107.

Bordo, M. D., & Meissner, C. M. (2015). Growing up to stability? Financial globalization, financial development and financial crises (NBER Working Paper No. 21287). National Bureau of Economic Research.

Breusch, T., & Pagan, A. R. (1980). The Lagrange Multiplier Test and its application to model specifications in econometrics. *The Review of Economic Studies*, *47*(1), 239–253. doi:10.2307/2297111

Bulut, C., & Bahişov, N. M. (2011). Finansal Küreselleşme ve Ekonomik Etkileri, TASAM, http://www.tasam.org/ tr-TR/Icerik /3162/ finansal_kuresellesme_ ve_ekonomik_etkileri, Erişim tarihi:23.06.2019.

Chang, T., Gupta, R., Inglesi-Lotz, R., Masabala, L. S., Simo-Kengne, B. D., & Weideman, J. P. (2016). The causal relationship between natural gas consumption and economic growth: Evidence from the G7 countries. *Applied Economics Letters*, *23*(1), 38–46. doi:10.1080/13504851.2015.1047085

De Luna Martinez, J. (2002). Globalisierung und Finanzkrisen (Doctoral dissertation). Retrieved from https://refubium.fu-berlin.de/handle/fub188/65

Der IWF-Stab. (2000, April 12). Globalisierung: Bedrohung oder Chance? Retrieved from https://www.imf.org/external/np/exr/ib/2000/deu/041200g.htm

Edison, H. J., Levine, R., Ricci, L., & Sløk, T. (2002). International financial integration and economic growth. *Journal of International Money and Finance*, *21*(6), 749–776. doi:10.1016/S0261-5606(02)00021-9

Emirmahmutoglu, F., & Kose, N. (2011). Testing for Granger causality in heterogeneous mixed panels. *Economic Modelling*, *28*(3), 870–876. doi:10.1016/j.econmod.2010.10.018

Gaies, B., Goutte, S., & Guesmi, K. (2019). What interactions between financial globalization and instability?—Growth in developing countries. *Journal of International Development*, *31*(1), 39–79. doi:10.1002/jid.3391

Güler, H. (2018). The impact of financial globalization on the social expenditures in Turkey and OECD Countries, Maliye Dergisi. *Ocak-Haziran*, *174*, 219–239.

Gygli, S., Haelg, F., Potrafke, N., & Sturm, J. E. (2019). The KOF globalisation index–revisited. *The Review of International Organizations*, 1–32.

Harman, N. (2006). *Finansal piyasalarda küreselleşme* [Globalization in financial markets]. Basılmamış Yüksek Lisans Tezi.

Indicators, E. U. R. O. (2007). Selected readings, focus on: Measuring globalisation, December 2007. Retrieved from https://ec.europa.eu/.../2b535cd7-edf0-4e66-a9de-ddaa4121

Jaumotte, F., Lall, S., & Papageorgiou, C. (2013). Rising income inequality: Technology, or trade and financial globalization? *IMF Economic Review*, *61*(2), 271–309. doi:10.1057/imfer.2013.7

Kıvılcım, F. (2013). Globalization and evaluation of globalization process in developing country Turkey. *Sosyal ve Beşeri Bilimler Dergisi*, *5*(1), 219–230.

KOF. 2019. Retrieved from https://kof.ethz.ch/en/news-and-events/media/press-releases/2018/12/kof-globalisation-index-globalisation-lull-continues.html

Kose, M. A., Prasad, E. S., & Terrones, M. E. (2009a). Does financial globalization promote risk sharing? *Journal of Development Economics*, *89*(2), 258–270. doi:10.1016/j.jdeveco.2008.09.001

Kuepper, J. (2018). The impact of globalization on economic growth. Retrieved from https://www.thebalance.com/globalization-and-its-impact-on-economic-growth-1978843

Li, Z., & Liu, L. (2018). Financial globalization, domestic financial freedom and risk sharing across countries. *Journal of International Financial Markets, Institutions and Money*, *55*, 151–169. doi:10.1016/j.intfin.2018.04.003

Lund, S., Windhagen, E., Manyika, J., Härle, P., Woetzel, J., & Goldshtein, D. (2017). *The new dynamics of financial globalization*. McKinsey Global Institute Executive Summary.

Neto, D. G., & Veiga, F. J. (2013). Financial globalization, convergence and growth: The role of foreign direct investment. *Journal of International Money and Finance*, *37*, 161–186. doi:10.1016/j.jimonfin.2013.04.005

Pesaran, M. H. (2004). General diagnostic tests for cross section dependence in panels, CESifo Working Paper Series.

Prasad, E., Rogoff, K., Wei, S. J., & Kose, M. A. (2003). *Effects of financial globalization on developing countries: some empirical evidence. Occasional paper; no. 220*. Washington, D.C.: International Monetary Fund.

Prasad, E., Rogoff, K., Wei, S. J., & Kose, M. A. (2005). Effects of financial globalization on developing countries: some empirical evidence. In W. Tseng & D. Cowen (Eds.), *India's and China's recent experience with reform and growth. Procyclicality of Financial Systems in Asia*. London, UK: Palgrave Macmillan.

Resulaj, P. (2013). Does financial globalization promote economic growth for developing countries: case of Albania as an economy in transition. *International Journal of Business and Management Studies*, *2*(1), 215–229.

Şaşmaz, M. Ü., & Yayla, Y. E. (2018). The causality relationship between taxes and economic growth and human development: example of European Union Transition Economies. *Journal of Turkish Court of Accounts/Sayistay Dergisi*, (111).

Stoian, A. V. (2014). Measuring the evolution of the financial globalization. *Network Intelligence Studies*, *2*(04), 273–285.

Zeren, F., & Ergün, S. (2013). Trade openness and government size relationship: panel causality test. *Atatürk Üniversitesi İktisadi ve İdari Bilimler Dergisi, 27*(4).

Chapter 7
A Socioeconomic Comparison of Turkey vs. Participating Countries in the Fifth and Sixth Waves of European Union Enlargement

İbrahim Akbulut
Usak University, Turkey

Nezih Tayyar
Usak University, Turkey

Koray Yapa
Usak University, Turkey

Mert Durmus
Usak University, Turkey

ABSTRACT

Many social and economic variables are used as indicators of the level of development of countries. To determine the level of social and economic development, many criteria were studied in the fields of education, culture, health, and economy. This chapter analyzes 13 European Union countries that participated in the fifth and sixth enlargement process and Turkey, whose ongoing process of accession to the European Union is determined by using socio-economic indicators. Reference Ideal Method (RIM) is a new Multi Criteria Decision Making (MCDM) method. This method differentiates itself from other methods frequently used in literature by using the ideal points or ideal ranges. The chapter shows Turkey must improve socio-economic indicators to be close to the countries in the fifth and sixth waves of enlargement process of European Union.

DOI: 10.4018/978-1-7998-1188-6.ch007

INTRODUCTION

In general, the responsibilities of country administrations and governments are divided into two parts. The first is to ensure the prosperity and well-being of the country, and the second is to ensure similar levels of social, economic, technological, cultural and educational issues among the other countries. The dynamism of the first part will also be the driving force of the latter. The first is to ensure the rights of the citizens of the country in terms of citizenship, and the second is an important element in ensuring the rights of the citizens of the world. Countries are competing with each other by considering the second part. The choice of countries to compete as much as the choice of competition is important. For this purpose, both competition factors and countries have been classified under certain concepts and groups. In terms of factors, human development, freedom and rights, macroeconomics and socioeconomic concepts are used, while country groups are grouped according to concepts such as economy, human development, geography and technology.

While the development levels of the countries were measured with economic magnitudes at the beginning of the 20th century, after the 1970s, inclusion of the concept of human into the development measurement has been taken into consideration. In 1972, the United Nations Research Institute for Social Development published a development index by using nine economic and social indicators (Mc Granahan et.al., 1972). After this milestone, in most of the studies, education, health, culture and technology concepts related to the economy was used into some scores, indices or calculations.

The socioeconomic status of countries is calculated by some numerical data, indicators that express social life standards are used besides economic indicators. Thus, it is possible to get knowledge about the accession of citizens to reach both economic and social rights. The concept of socio-economics is composed of a large number of indicators, consist of main topics such as education, health, technology and culture, which can be directly or indirectly associated with the economy. After using these indicators, the human factor indicators is more dominant than other economic indicators.

There is a complex relationship between economic, social and environmental factors. The economy depends on the human and the environment, and the human being also depends on the environment and the economy. Therefore, the evaluation of these interrelated variables is important for sustainable development. For the system to be sustainable, these variables that interact must be at a certain level of equilibrium (Babu and Datta, 2014).

Countries forming the European Union are considered as developed in economic, political, social and cultural fields. Turkey expects to join the European Union in a short period and wants to become a member because full membership will provide political, economic and cultural positive developments. Turkey has been showing improvements in some topics in the accession process to the European Union by increasing the interaction and collaboration with EU member states.

LITERATURE

Within the scope of the literature review, there are studies on both socio-economic indicators and the RIM method to be used for analysis in this study.

In some of the studies on socio-economic status, countries are compared with other countries and in some studies the relationships of socio-economic variables with different variables are examined. The level of development of countries, enterprises or communities should be analyzed and quantitatively measured by making comparisons. In the calculation of the level, the indicators of the socio-economic status have considerable effects (Demiray Erol, 2013; Ginevičius et al., 2018).

Krylovas, Dadeliene, Kosareva and Dadelo (2019) used the Weight Balancing Indicator Ranks Accordance (WEBIRA) to examine the relationships between the Human Development Index (HDI) and the World Internal Security and Police Index (WISPI) and ranked the European countries based on both indices. They obtained a different ranking by combining the both indices.

Ginevičius, Gedvilaitė, Stasiukynas and Šliogerienė (2018) compared the constant and strong dynamics of socio-economic development in 12 European Union countries and the group of countries (Italy, Greece and Switzerland) in the period of 2007-2016. They stated that the intensity of development and the consistency of this intensity are the two basic indicators of socio-economic status.

Egilmez, Gumus and Kucukvar (2014) evaluated the Canada and 27 states of the USA with the criteria of more environmental factors rather than economic indicators. In the study, 16 criteria were used under the headings of air pollution, energy use, building quality, water quality, land use and transportation. In order to demonstrate the sustainability performance of the 27 states, hierarchical methods consisting of expert opinion, fuzzy set theory, Multi Criteria Decision Making (MCDM) and statistical analysis were used.

Babu and Datta (2014) evaluated 22 developing countries to investigate the relationship between environmental and social variables of economic factors. Using canonical correlation analysis, they examined the link between the criteria for access to income, health and education. As a result of the study, one of the important problem of developing countries is that there is an income inequality and most of the country's income is in the hands of a few people. Moreover, they stated that the public could not benefit from the necessary level of education and health even there is an economic development in the country.

Because Reference Ideal Method (RIM) is a new method of MCDM, there are few studies that use this method. The method developed by Cables, Lamata and Verdegay (2016) was solved the problem of driver selection using the reference ideal points and ranges. In the first study using RIM, interval, point and nominal values are used in the criteria that are tried to be idealized besides the maximized and minimized criteria. There are five alternatives and six criteria in the problem. Age, experience (year), number of penalties, basic mechanical knowledge, disability status and emotional status were used as criteria. The age of the alternatives ranged from 23 to 60, and ideal reference range was 30 to 35. Alternatives have different year of experience between 0 and 15 years, the values above 10 are considered as ideal. Number of penalties are in the range of 0 -10, and having no penalty is used as an ideal reference point. There are three options for disability status, no disabled, partially disabled and completely disabled, being no disabled is the ideal reference. For the emotional situation, high, slightly high, normal, slightly low and low values were the options for this criteria, while high and slightly high are taken as reference ideal points.

Prasad and Jayswal (2017) used Shannon's Entropy and RIM methods for timeliness of products in a reconfigurable production system. In the problem where three criteria and three alternatives exist, the weights of criteria were determined with Shannon Entropy method and performance evaluation was performed with RIM.

Serrai, Abdelli, Mokdad and Serrai (2017) used RIM to evaluate the performance of internet service providers. There are nine alternatives in the problem. Alternatives were evaluated with three numerical and two verbal criteria and the reference ideal for all criteria was established.

Sofuoğlu, Arapoğlu and Orak (2017b) proposed a hybrid approach using RIM and Taguchi experimental design. The proposed method has been applied to two problems that are related to parameter optimization in material processing. The results of the hybrid approach were found to be very similar to the results obtained with different methods and it was stated that the proposed method could be an alternative for use in such studies.

Sofuoğlu (2017a) has designed twenty experiments with different parameters to optimize surface roughness, shear force and the amount of sawdust when materials are processed on a lathe. Twenty of the experiments were the alternatives of the MCDM problem, while the surface roughness, shear force and the amount of sawdust were the criteria of the problem. MOORA, TOPSIS, VIKOR, WASPAS, RIM and BWM methods were used to solve the problem.

He and Xu (2018) state that the maximum or minimum is not always the best solution. They provide some example of ideal points instead of minimum and maximum values such as plants need an optimal temperature range to grow properly and human needs a range of ph. A series of new decision-making methods based on probabilistic hesitant fuzzy sets are developed in the study. Three different models have been created to help decision makers in multi criteria problems which uses reference ideal and probabilistic hesitant information. The proposed models applied in water conservancy project.

Cables, Lamata and Verdegay (2018) showed how to apply the RIM with fuzzy numbers. The application was made on the example of Zhang and Xu's study. There are 4 alternatives in the study to evaluate the airlines operating in Taiwan. Booking and ticketing service, check-in and boarding process, Cabin service, Responsiveness were the criteria used to evaluate alternatives.

Tayyar, Yapa, Durmuş and Akbulut (2018) examined the performance of insurance companies by using 17 financial ratios. In the study there were four companies as alternatives. The study emphasized that RIM can use the ideal range instead of maximum and minimum values. This method has important advantageous as compared with other MCDM to evaluation of companies by financial ratios.

Prasad and Jayswal (2019) used weighted Jaccard function, ALCA, AHP, RIM to develop a methodology to facilitate the restructuring concept in the manufacturing system. In most of the multi-criteria problems, the fact that the criteria are at extreme values is a problem and it is highlighted that RIM has eliminated this problem by avoiding the rank reversion.

Sánchez-Lozano, Fernández-Martínez and Lamata (2019) examined the trajectories of asteroids with the data obtained by NASA's JPL Sentry monitoring system. A novel methodology has been introduced which aims to rank the impact dates of the Near-Earth Asteroids (NEAs) with the data provided by Sentry. Distance to the Earth, stretch LOV (Earth radii per sigma), width (Earth radii), impact probability and impact energy criteria were used to analyze 118 NEAs' impact dates by using the AHP-RIM hybrid model. It is highlighted in the study that the proposed model can be used to solve similar problems.

METHODOLOGY

In the most commonly used methods, such as VIKOR and TOPSIS, the ideal solution is obtained by using the maximum and / or minimum values of the criteria. Unlike these methods, the RIM is a MCDM method that argues that the ideal solution can be a point or an interval between maximum and minimum values. The RIM is implemented using reference points or intervals defined by the decision makers.

Another differentiation of the study is the preference of the Reference Ideal Method (RIM), which is a new MCDM method rather than the indexing method in the country rankings. In other MCDM methods, the process is performed with the aim of minimizing or maximizing the criteria while the RIM is also performed with the ideal point or range beside the point the aim of maximizing and minimizing (Cables, et al. 2016).

The application of RIM consists of six steps (Cables et al., 2016; Tayyar et al., 2018).

Step 1: In practice, the RIM differs in the sense that it imposes more responsibility on the decision makers than the other MCDM methods. In other methods, decision-makers only determine the decision matrix and benchmark weights, whereas in the RIM decision-makers are responsible for creating the decision matrix, determining the universe for all possible values that the alternatives can take according to the criteria, determining the ideal range, point or set of criteria that the criteria can take in this universe, and determining the weights. In this sense, the conditions in the working context have been determined and the following concepts have been defined for each criterion.

- Universe: The minimum and maximum value range a criteria can take is called the universe. By using the first and last letter of the alphabet, universe is indicated by [A, Z].
- Reference Ideal: Reference ideal can be any range, point or cluster in the universe specified for the criterion. It can be symboled with [B, S] and $\left[\mathrm{B},\mathrm{S}\right]\subset\left[\mathrm{A},\mathrm{Z}\right]$.

Step 2: The decision matrix X, which consists of the values taken by the alternatives according to the defined criteria, is given below.

m: number of alternative n: number of criteria xij: i.alternative value according to j.criteria.

$$X=\begin{pmatrix} x_{11} & x_{12} & \cdots & x_{1n} \\ x_{21} & x_{22} & \cdots & x_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ x_{m1} & x_{m2} & \cdots & x_{mn} \end{pmatrix} \tag{1}$$

Step 3: In order to realize the normalization process of the X decision matrix in RIM, first the specific reference ideal of each criterion is determined and the criteria are positioned according to their own ideal. How the reference ideal will be positioned in the universe may vary depending on the type of criterion (numerical / verbal / nominal) and the ideal values. Therefore, the reference ideal may be any range, point, or set between the minimum value and the maximum value in the respective universe. Normalized values are found using Equation 2.

$$y_{ij}=\begin{cases} x_{ij}\in\left[B_j,S_j\right] \quad => 1 \\ x_{ij}\in\left[A_j,B_j\right]\wedge A_j\neq B_j => \quad 1-\dfrac{min\left(\left|x_{ij}-B_j\right|,\left|x_{ij}-S_j\right|\right)}{\left|B_j-A_j\right|} \\ x_{ij}\in\left[S_j,Z_j\right]\wedge S_j\neq Z_j => \quad 1-\dfrac{min\left(\left|x_{ij}-B_j\right|,\left|x_{ij}-S_j\right|\right)}{\left|Z_j-S_j\right|} \end{cases} \tag{2}$$

$[A_j,Z_j]$ is the universe for the criterion j defined by decision makers. $[B_j,S_j]$ is the reference ideal for the criterion j. $x_{ij} \in [A_j,Z_j]$ and $[B_j,S_j] \subset [A_j,Z_j]$. In Figure 1, the Reference Ideal [B, S] is shown as a range within the universe. It can also be defined as the range extending to the extreme limits of the universe. The reference ideal can also be considered as any point within the range [A, Z].

(y_{ij}) the normalized values are in the range [0, 1]. If this value is equal to 1, the criterion value is within the reference ideal. The distance from 1 means that it is so far away from the ideal. The closeness to 1 means closeness to the ideal, while the distance to 1 means the distance to the ideal.

The normalized matrix is indicated by Y as follows.

$$Y = \begin{pmatrix} y_{11} & y_{12} & \cdots & y_{1n} \\ y_{21} & y_{22} & \cdots & y_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ y_{m1} & y_{m2} & \cdots & y_{mn} \end{pmatrix} \tag{3}$$

Step 4: The weighted normalized matrix Y' is obtained using the weights $W=[w_1, w_2, \ldots, w_n]$ j=1,2,..n.

$$Y' = Y.W = \begin{pmatrix} y'_{11} & y'_{12} & \cdots & y'_{1n} \\ y'_{21} & y'_{22} & \cdots & y'_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ y'_{m1} & y'_{m2} & \cdots & y'_{mn} \end{pmatrix} \tag{4}$$

Each y'_{ij} of the Y' matrix is obtained by multiplying the y' by the weight vector W in the form $y'_{ij}=y_{ij}.w_j$.

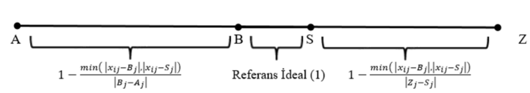
Step 5: Calculate the variation to the normalized reference ideal for each alternative A_i

$$I_i^+ = \sqrt{\sum_{j=1}^{n}\left(y'_{ij} - w_j\right)^2} = \sqrt{\sum_{j=1}^{n} w_j^2.\left(y_{ij} - 1\right)^2} \; and \; i = 1,2,\ldots,m,\; j = 1,2,\ldots,n \tag{5}$$

$$I_i^- = \sqrt{\sum_{j=1}^{n}\left(y'_{ij}\right)^2} = \sqrt{\sum_{j=1}^{n} w_j^2.\left(y_{ij} - 0\right)^2} \; and \; i = 1,2,\ldots,m,\; j = 1,2,\ldots,n \tag{6}$$

Step 6: The relative value of each alternative Ai is calculated with Equation 7.

Figure 1. Universe and reference ideal



$$R_i = \frac{I_i^-}{I_i^+ + I_i^-} = \frac{\sqrt{\sum_{j=1}^{n}\left(y_{ij}^{'}\right)^2}}{\sqrt{\sum_{j=1}^{n}\left(y_{ij}^{'} - w_j\right)^2} + \sqrt{\sum_{j=1}^{n}\left(y_{ij}^{'}\right)^2}}, 0 < R_i < 1, i = 1, 2, \ldots, m \quad (7)$$

Step 7: The R_i values of the alternatives are sorted by decreasing. The alternative with the highest value shows the best solution.

DATA AND APPLICATION OF RIM

In studies which countries are compared by socioeconomic indicators, the indexing method is generally used. In this method, frequently preferred weighting techniques are arithmetic and geometric means. In this study the criteria of socio-economic indicators are average life expectancy at birth, economic growth, share of youth not in education, employment or training (NEET), unemployment with advanced education, inflation, infant mortality rate, share of internet user and freedom score and their weights are calculated by the Best-Worst Method (BWM). The method has been developed by Rezaei and determines the best and worst criteria among the criteria and weighting the remaining criteria based on best and worst. Within the scope of the study, the countries of Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia, Slovenia, Bulgaria, Romania and Croatia which participated to European Union at fifth and sixth enlargement process and Turkey are compared by using socioeconomics indicators. The period of study covers 12 years from 2006 to 2017.

The definition and source of the criteria as follow. The definitions of criteria obtained from International Labour Organization, and World Bank Data.

C1: Average life expectancy at birth defined as indicates the number of years an individual would live and gathered from World Bank Data.

C2: Economic growth indicates annual percentage growth rate of GDP at market prices based on constant 2010 U.S. Dollars and gathered from World Bank Data.

C3: Share of youth not in education, Employment or training (NEET) is new concept on the issue of unemployment. According to the International Labour Organization (ILO), the criteria defined as the percentage of young people who are not in education, employment, or training to the population of the corresponding age group: youth (ages 15 to 24); persons ages 15 to 29; or both age groups. Data is gathered from ILO.

C4: Unemployment with advanced education defined as the percentage of the labor force with an advanced level of education who are unemployed. Data is gathered from World Bank Data.

C5: Inflation is defined as annual percentage change in the cost to the average consumer of acquiring a basket of goods and services yearly by the International Monetary Fund (IMF). Data is gathered from World Bank Data.

C6: Infant mortality rate defined as a number of infants dying before reaching one year of age, per 1,000 live births. Data is gathered from World Bank Data.

C7: Share of internet user defined as the percentage of internet users to the population. Data is gathered from World Bank Data.

C8: Freedom score is published by an independent organization, Freedom House. The score calculation consists of some scores, ratings and statuses for 195 countries. The data is gathered from the reports of *Freedom in the World*.

The eight socioeconomic indicators included in the study were used as a criterion in evaluating the performance of companies by RIM. The criteria's weights were calculated by BWM method. The tables of the related years have been obtained and the analysis of 2017 is presented in detail. The criteria types can be seen in Table 1. Four criteria are in the group of max, three of them are in the group of ideal and just one of them is in min group. There is no need for calculation of the types of min and max criteria.

In order to compute the RIM, reference ideals should be determined by decision maker based on calculation, knowledge or experience. In this study, the criteria of share of youth not in education, employment or training (NEET), unemployment with advanced education and inflation need reference ideal points or intervals. The reference ideals are calculated with some formulas based on the decision of five academics from the department of Economics. The average targeted inflation rate of developed countries is almost %2 (Grohe and Uribe, 2010), therefore this rate determined as a min value of reference ideal.

- share of youth not in education, employment or training (NEET)

- unemployment with advanced education (UWAE)

Table 1. Weight, types, universe and reference ideals of socioeconomic criteria (2017)

		C1. Average life expectancy at birth (years)	**C2. Economic growth (%)**	**C3. Share of youth not in education or employment or training (NEET) (%)**	**C4. Unemployment with advanced education (%)**	**C5. Inflation (%)**	**C6. Infant mortality rate (per 1000 live births)**	**C7. Share of internet user**	**C8. Freedom score**
Criteria Type		Max	Max	Ideal	Ideal	Ideal	Min	Max	Max
Weight		0.134	0.142	0.149	0.112	0.091	0.118	0.098	0.156
Universe	min	74.700	2.921	6.290	1.477	0.532	1.700	63.410	38
	max	81.100	7.441	24.180	12.414	11.144	10.000	88.102	96
Reference Ideal	min	81.100	7.441	10.958	3.654	2.034	1.700	88.102	96
	max	81.100	7.441	13.246	5.205	3.289	1.700	88.102	96

Box 1.

Reference Ideal	min	Minimum of NEET
	max	Minimum of NEET + 0.5* Std. dev of NEET

Box 2.

Reference Ideal	min	Minimum of UWAE
	max	Minimum of UWAE + 0.5* Std. dev of UWAE

Box 3.

Reference Ideal	min	%2
	max	%2 + 0.25* Std. dev of inflation

Table 2. Reference ideals for the criteria

		C3. Share of youth not in education or employment or training (NEET) (%)	C4. Unemployment with advanced education (%)	C5. Inflation (%)
2017	min	6.29	1.48	2.00
	max	8.58	3.03	3.26
2016	min	7.00	1.44	2.00
	max	9.36	3.02	3.11
2015	min	7.47	1.77	2.00
	max	9.76	3.30	3.09
2014	min	8.11	2.58	2.00
	max	10.43	4.03	3.19
2013	min	9.13	2.59	2.00
	max	11.55	4.04	2.94
2012	min	8.89	2.59	2.00
	max	11.43	3.73	2.83
2011	min	7.08	1.75	2.00
	max	9.86	2.82	2.66
2010	min	7.11	1.71	2.00
	max	10.14	3.00	3.17
2009	min	7.46	2.41	2.00
	max	10.76	3.52	2.94
2008	min	6.50	1.28	2.00
	max	10.19	2.19	3.69
2007	min	6.70	1.66	2.00
	max	10.66	2.56	3.38
2006	min	8.32	2.41	2.00
	max	12.14	3.20	3.12

Table 3. Values of each alternative according to the relevant criteria (Decision Matrix)

2017	C1. Average life expectancy at birth (years)	C2. Economic growth (%)	C3. Share of youth not in education or employment or training (NEET) (%)	C4. Unemployment with advanced education (%)	C5. Inflation (%)	C6. Infant mortality rate (per 1000 live births)	C7. Share of internet user	C8. Freedom score
	Max	Max	Ideal	Ideal	Ideal	Min	Max	Max
Bulgaria	74.9	3.81	15.31	3.03	2.06	6.3	63.41	80
Cyprus	80.7	4.23	16.09	9.74	0.53	2.1	80.74	94
Czech Rep.	78.9	4.29	6.29	1.48	2.45	2.6	78.72	94
Estonia	77.7	4.85	9.43	3.2	3.42	2.1	88.1	94
Croatia	77.8	2.92	15.35	7.11	1.13	3.9	67.1	87
Hungary	76.1	3.99	11.04	1.62	2.35	3.8	76.75	76
Lithuania	74.8	3.83	9.15	2.9	3.72	3.4	77.62	91
Latvia	74.7	4.55	10.26	3.9	2.93	3.6	81.32	87
Malta	81	6.42	9.08	2.39	1.36	5.6	80.07	96
Poland	77.8	4.81	9.48	2.44	2.08	4	75.99	89
Romania	75.6	7.26	15.15	2.42	1.34	6.6	63.75	84
Slovak Rep.	77	3.4	12.1	4.15	1.31	4.6	81.63	89
Slovenia	81.1	5	6.52	5.21	1.43	1.7	78.89	92
Turkey	76	7.44	24.18	12.41	11.14	10	64.68	38

Table 4. Normalized matrix (2017)

2017	C1. Average life expectancy at birth (years)	C2. Economic growth (%)	C3. Share of youth not in education or employment or training (NEET) (%)	C4. Unemployment with advanced education (%)	C5. Inflation (%)	C6. Infant mortality rate (per 1000 live births)	C7. Share of internet user	C8. Freedom score
	Max	Max	Ideal	Ideal	Ideal	Min	Max	Max
Bulgaria	0.031	0.197	0.569	1.000	1.000	0.446	0.000	0.724
Cyprus	0.938	0.290	0.519	0.284	0.000	0.952	0.702	0.966
Czech Rep.	0.656	0.303	1.000	1.000	1.000	0.892	0.620	0.966
Estonia	0.469	0.428	0.945	0.981	0.979	0.952	1.000	0.966
Croatia	0.484	0.000	0.566	0.565	0.407	0.735	0.149	0.845
Hungary	0.219	0.236	0.842	1.000	1.000	0.747	0.540	0.655
Lithuania	0.016	0.201	0.963	1.000	0.941	0.795	0.575	0.914
Latvia	0.000	0.360	0.892	0.907	1.000	0.771	0.725	0.845
Malta	0.984	0.775	0.968	1.000	0.567	0.530	0.675	1.000
Poland	0.484	0.417	0.942	1.000	1.000	0.723	0.509	0.879
Romania	0.141	0.960	0.579	1.000	0.550	0.410	0.014	0.793
Slovak Rep.	0.359	0.106	0.774	0.881	0.531	0.651	0.738	0.879
Slovenia	1.000	0.460	1.000	0.768	0.611	1.000	0.627	0.931
Turkey	0.203	1.000	0.000	0.000	0.000	0.000	0.052	0.000

Table 5. Weighted normalized matrix

2017	C1. Average life expectancy at birth (years)	C2. Economic growth (%)	C3. Share of youth not in education or employment or training (NEET) (%)	C4. Unemployment with advanced education (%)	C5. Inflation (%)	C6. Infant mortality rate (per 1000 live births)	C7. Share of internet user	C8. Freedom score
	Max	**Max**	**Ideal**	**Ideal**	**Ideal**	**Min**	**Max**	**Max**
Bulgaria	0.004	0.028	0.085	0.112	0.091	0.053	0.000	0.113
Cyprus	0.126	0.041	0.077	0.032	0.000	0.112	0.069	0.151
Czech Rep.	0.088	0.043	0.149	0.112	0.091	0.105	0.061	0.151
Estonia	0.063	0.061	0.141	0.110	0.089	0.112	0.098	0.151
Croatia	0.065	0.000	0.084	0.063	0.037	0.087	0.015	0.132
Hungary	0.029	0.034	0.125	0.112	0.091	0.088	0.053	0.102
Lithuania	0.002	0.029	0.144	0.112	0.086	0.094	0.056	0.143
Latvia	0.000	0.051	0.133	0.102	0.091	0.091	0.071	0.132
Malta	0.132	0.110	0.144	0.112	0.052	0.063	0.066	0.156
Poland	0.065	0.059	0.140	0.112	0.091	0.085	0.050	0.137
Romania	0.019	0.136	0.086	0.112	0.050	0.048	0.001	0.124
Slovak Rep.	0.048	0.015	0.115	0.099	0.048	0.077	0.072	0.137
Slovenia	0.134	0.065	0.149	0.086	0.056	0.118	0.061	0.145
Turkey	0.027	0.142	0.000	0.000	0.000	0.000	0.005	0.000

- inflation

Based on the formulas above, reference ideals for each year calculated for the criteria as seen in Table 2.

Hereafter, the year of 2017 is presented to save space for all steps. In step 2, decision matrix is presented in Table 3.

In step 3, the values of criteria included in the decision matrix were normalized based on the formulas in the section of methodology. The results are shown in Table 4.

In the fourth step, the matrix obtained as a result of multiplying the matrix subjected to the normalization process with the weight of the criteria is given in Table 2. Table 5 provides the values of the weighted normalized matrix.

In step 5, the calculation of I^- and I^+ are computed based on the formulas 5 and 6 as shown in Table 6 and 7.

In step 6, R_i are calculated for each country by using the equation 7. The results are shown in Table 8 below.

All these steps are implemented for each year besed on the specified reference ideals. The Ri results are presented to evaluate the distance between the countries as seen in Table 9.

The countries are ranked based on the Ri values for each year as seen in Table 10. At the last column the average rank is presented for the countries to evaluate the whole period as a whole.

According to the results obtained from the RIM, Malta is the first place at 10 times out of 12, Slovenia has the first rank two times out of 12. Czech Republic, Estonia and Poland have place in first three in some years. In overall evaluation, both the average of rank and the average of R_i (to save space the average

Table 6. Calculation of I^-

2017	I-	C1. Average life expectancy at birth (years)	C2. Economic growth (%)	C3. Share of youth not in education or employment or training (NEET) (%)	C4. Unemployment with advanced education (%)	C5. Inflation (%)	C6. Infant mortality rate (per 1000 live births)	C7. Share of internet user	C8. Freedom score
	Total	Max	Max	Ideal	Ideal	Ideal	Min	Max	Max
Bulgaria	0.044	0.000	0.001	0.007	0.013	0.008	0.003	0.000	0.013
Cyprus	0.064	0.016	0.002	0.006	0.001	0.000	0.013	0.005	0.023
Czech Rep	0.090	0.008	0.002	0.022	0.013	0.008	0.011	0.004	0.023
Estonia	0.092	0.004	0.004	0.020	0.012	0.008	0.013	0.010	0.023
Croatia	0.042	0.004	0.000	0.007	0.004	0.001	0.008	0.000	0.017
Hungary	0.060	0.001	0.001	0.016	0.013	0.008	0.008	0.003	0.010
Lithuania	0.074	0.000	0.001	0.021	0.013	0.007	0.009	0.003	0.020
Latvia	0.070	0.000	0.003	0.018	0.010	0.008	0.008	0.005	0.017
Malta	0.098	0.017	0.012	0.021	0.013	0.003	0.004	0.004	0.024
Poland	0.077	0.004	0.004	0.020	0.013	0.008	0.007	0.002	0.019
Romania	0.059	0.000	0.019	0.007	0.013	0.003	0.002	0.000	0.015
Slovak Rep.	0.058	0.002	0.000	0.013	0.010	0.002	0.006	0.005	0.019
Slovenia	0.094	0.018	0.004	0.022	0.007	0.003	0.014	0.004	0.021
Turkey	0.021	0.001	0.020	0.000	0.000	0.000	0.000	0.000	0.000

of R_i could not share) show that Malta is the in the first order, Czech Republic is the second order and Slovenia is the third order. On the other hand, the groups of last three countries are Bulgaria, Croatia, Latvia, Romania and Turkey. Turkey is the last country in ranking of each year. In overall evaluation, Romania is the 12th order, Bulgaria is the 13th order and Turkey is the 14th order.

CONCLUSION

In conclusion, there are many studies on the subject of candidacy process of Turkey to the European Union. The majority of these studies contain subjective techniques and interpretations. This study contributed to the membership discussions with numerical data by evaluating the statistical and mathematical methods of socioeconomic indicators. Considering the standings made from 2006 to 2017, Turkey is located at the end of the rankings in all these years. The results indicate that there are significant shortcomings in Turkey. It can be said that to capture the level of developed countries, Turkey has the need for structural reforms under the main headings of economic, health, education and social areas. Based on the technique used in this study, Malta, Czech Republic and Slovenia are in the first three ranking and Romania, Bulgaria and Turkey are in the last three according to the socioeconomic indicators.

Table 7. Calculation of I^{+}

2017	I+	C1. Average life expectancy at birth (years)	C2. Economic growth (%)	C3. Share of youth not in education or employment or training (NEET) (%)	C4. Unemployment with advanced education (%)	C5. Inflation (%)	C6. Infant mortality rate (per 1000 live births)	C7. Share of internet user	C8. Freedom score
	Total	**Max**	**Max**	**Ideal**	**Ideal**	**Ideal**	**Min**	**Max**	**Max**
Bulgaria	0.050	0.017	0.013	0.004	0.000	0.000	0.004	0.010	0.002
Cyprus	0.031	0.000	0.010	0.005	0.006	0.008	0.000	0.001	0.000
Czech Rep	0.014	0.002	0.010	0.000	0.000	0.000	0.000	0.001	0.000
Estonia	0.012	0.005	0.007	0.000	0.000	0.000	0.000	0.000	0.000
Croatia	0.043	0.005	0.020	0.004	0.002	0.003	0.001	0.007	0.001
Hungary	0.029	0.011	0.012	0.001	0.000	0.000	0.001	0.002	0.003
Lithuania	0.033	0.017	0.013	0.000	0.000	0.000	0.001	0.002	0.000
Latvia	0.029	0.018	0.008	0.000	0.000	0.000	0.001	0.001	0.001
Malta	0.007	0.000	0.001	0.000	0.000	0.002	0.003	0.001	0.000
Poland	0.015	0.005	0.007	0.000	0.000	0.000	0.001	0.002	0.000
Romania	0.034	0.013	0.000	0.004	0.000	0.002	0.005	0.009	0.001
Slovak Rep	0.029	0.007	0.016	0.001	0.000	0.002	0.002	0.001	0.000
Slovenia	0.009	0.000	0.006	0.000	0.001	0.001	0.000	0.001	0.000
Turkey	0.101	0.011	0.000	0.022	0.013	0.008	0.014	0.009	0.024

Table 8. The values of R_i for each countries

2017	Ri	Rank
Bulgaria	0.486	13
Cyprus	0.591	8
Czech Rep.	0.721	4
Estonia	0.737	3
Croatia	0.497	12
Hungary	0.589	9
Lithuania	0.600	7
Latvia	0.609	6
Malta	0.793	1
Poland	0.690	5
Romania	0.568	11
Slovak Rep.	0.584	10
Slovenia	0.761	2
Turkey	0.312	14

Considering that the criteria used in the study, Turkey has superiority in certain criteria. On the other hand, it is seen that there is a big negative difference in criteria such as freedom score, inflation rate and NEET. It is necessary to achieve sustainability in the superior criteria and to make progress with the

Table 9. The values of R_i for each country for the period of 2006-2017

Countries	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Bulgaria	0.49	0.46	0.41	0.38	0.42	0.45	0.40	0.48	0.54	0.56	0.54	0.52
Cyprus	0.59	0.63	0.52	0.51	0.50	0.58	0.61	0.71	0.74	0.78	0.74	0.71
Czech Rep	0.72	0.67	0.73	0.72	0.73	0.72	0.69	0.75	0.75	0.80	0.76	0.76
Estonia	0.74	0.63	0.62	0.69	0.74	0.76	0.66	0.63	0.56	0.60	0.71	0.74
Croatia	0.50	0.54	0.46	0.47	0.53	0.50	0.50	0.54	0.62	0.64	0.61	0.60
Hungary	0.59	0.55	0.56	0.63	0.65	0.57	0.58	0.61	0.63	0.67	0.57	0.63
Lithuania	0.60	0.57	0.55	0.62	0.63	0.66	0.59	0.57	0.53	0.61	0.66	0.63
Latvia	0.61	0.54	0.55	0.56	0.57	0.62	0.53	0.42	0.49	0.52	0.61	0.64
Malta	0.79	0.83	0.84	0.82	0.82	0.85	0.71	0.81	0.84	0.81	0.68	0.67
Poland	0.69	0.63	0.61	0.66	0.67	0.70	0.66	0.71	0.75	0.74	0.71	0.61
Romania	0.57	0.50	0.43	0.48	0.51	0.52	0.41	0.43	0.49	0.57	0.54	0.50
Slovak Rep	0.58	0.60	0.57	0.63	0.66	0.68	0.60	0.66	0.68	0.74	0.75	0.72
Slovenia	0.76	0.70	0.64	0.73	0.73	0.66	0.63	0.76	0.73	0.81	0.81	0.76
Turkey	0.31	0.14	0.20	0.25	0.33	0.32	0.31	0.31	0.20	0.20	0.18	0.20

Table 10. Ranks of the countries for each year in the period of 2006 – 2017

Countries	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Mean	Rank
Bulgaria	13	13	13	13	13	13	13	11	10	12	13	12	12.42	13
Cyprus	8	6	10	10	12	9	6	4	4	4	4	5	6.83	7
Czech Rep	4	3	2	3	4	3	2	3	2	3	2	2	2.75	2
Estonia	3	4	4	4	2	2	4	7	9	10	6	3	4.83	4
Croatia	12	10	11	12	10	12	11	10	8	8	9	11	10.33	11
Hungary	9	9	7	7	7	10	9	8	7	7	11	8	8.25	8
Lithuania	7	8	9	8	8	7	8	9	11	9	8	9	8.42	9
Latvia	6	11	8	9	9	8	10	13	13	13	10	7	9.75	10
Malta	1	1	1	1	1	1	1	1	1	1	7	6	1.92	1
Poland	5	5	5	5	5	4	3	5	3	6	5	10	5.08	5
Romania	11	12	12	11	11	11	12	12	12	11	12	13	11.67	12
Slovak Rep	10	7	6	6	6	5	7	6	6	5	3	4	5.92	6
Slovenia	2	2	3	2	3	6	5	2	5	2	1	1	2.83	3
Turkey	14	14	14	14	14	14	14	14	14	14	14	14	14.00	14

structural reforms in the weak criteria. In order to identify these situations, studies using criteria to be determined in education, health and economic fields will help in which areas to focus.

In an economic sense, the high unemployment rate is an economic problem. It is considered as a loss for the country especially if the youth unemployment is high, the educated individuals cannot find a job according to their education and skills. Governments need to pay attention to structural reforms, even if the result is long-term, rather than saving the day to eliminate the loss.

Along with the structural reforms, increasing joint projects and collaboration with member countries will contribute to Turkey's development. Particularly in the projects and collaborations financed by the European Union, the relevant governmental and non-governmental organizations should show the necessary interest and relevance. These projects and collaborations will be very useful in adapting to Turkey's European Union norms.

REFERENCES

Babu, S. S., & Datta, S. K. (2015). Revisiting the link between socio-economic development and environmental status indicators—Focus on panel data. *Environment, Development and Sustainability*, *17*(3), 567–586. doi:10.100710668-014-9561-6

Cables, E., Lamata, M. T., & Verdegay, J. L. (2016). RIM-reference ideal method in multicriteria decision making. *Information Sciences*, *337*, 1–10. doi:10.1016/j.ins.2015.12.011

Cables, E. H., Lamata, M. T., & Verdegay, J. L. (2018). The Reference Ideal Method and the Pythagorean fuzzy numbers. *Fuzzy Optimization And Modelling*, *1*, 31–40.

Egilmez, G., Gumus, S., & Kucukvar, M. (2015). Environmental sustainability benchmarking of the US and Canada metropoles: An expert judgment-based multi-criteria decision-making approach. *Cities (London, England)*, *42*, 31–41. doi:10.1016/j.cities.2014.08.006

Erol, E. (2013). Turkey and the European Union Member States Comparative Analysis of Socio-Economic Development Levels. *Journal of Social Sciences and Humanities*, *5*(1), 198–208.

Ginevičius, R., Gedvilaitė, D., Stasiukynas, A., & Šliogerienė, J. (2018). Quantitative assessment of the dynamics of the economic development of socioeconomic systems based on the MDD method. *The Engineering Economist*, *29*(3), 264–271.

Grohe, S. S., & Uribe, M. (2010). The optimal rate of inflation. Handbook of monetary economics, Vol. 3. pp. 653-722.

He, Y., & Xu, Z. (2018). Multi-attribute decision making methods based on reference ideal theory with probabilistic hesitant information. *Expert Systems with Applications*, *118*, 459–469. doi:10.1016/j.eswa.2018.10.014

Krylovas, A., Dadeliene, R., Kosareva, N., & Dadelo, S. (2019). Comparative evaluation and ranking of the european countries based on the interdependence between human development and internal security indicators. *Mathemetics*, *7*(3), 293.

McGranahan, D. V., Richard-Proust, C., Sovani, N. V., & Subramanian, M. (1972). *Contents and measurement of socioeconomic development, a staff study of the United Nations Research Institute for Social Development (UNRISD)* (pp. 3–136). New York: Praeger.

Prasad, D. & Jayswal, S. C. (2017). Reconfigurability consideration and scheduling of products in a manufacturing industry. International Journal of Production Research, 1-20, doi:10.1080/00207543.2017.1334979

Prasad, D., & Jayswal, S. C. (2019). Assessment of a reconfigurable manufacturing system. *Benchmarking. International Journal (Toronto, Ont.)*.

Sánchez-Lozano, J. M., Fernández-Martínez, M., & Lamata, M. T. (2019). Near-Earth asteroid impact dates: A Reference Ideal Method (RIM) approach. *Engineering Applications of Artificial Intelligence*, *81*, 157–168. doi:10.1016/j.engappai.2019.02.010

Serrai, W., Abdelli, A., Mokdad, L., & Serrai, A. (2017). Dealing with user constraints in MCDM based web service selection. In *2017 IEEE Symposium on Computers and Communications (ISCC),* (pp. 158-163). IEEE. 10.1109/ISCC.2017.8024522

Sofuoğlu, M. A. (2017a). Hybridizing Taguchi Algorithm with Reference Ideal Method to solve machining problems. *International Journal of Intelligent Systems and Applications in Engineering*, *5*(2), 64–69. doi:10.18201/ijisae.2017528730

Sofuoğlu, M. A., Arapoğlu, R. A., & Orak, S. (2017b). Multi objective optimization of turning operation using hybrid decision making analysis. *Anadolu University of Sciences & Technology-A: Applied Sciences & Engineering, 18*(3).

Tayyar, N., Yapa, K., Durmuş, M., & Akbulut, İ. (2018). Financial performance analysis with Reference Ideal Method: An application on BIST insurance companies. *Journal of the Human and Social Science Researches*, *7*(4), 2490–2509.

Zhang, X., & Xu, Z. (2014). Extension of TOPSIS to multiple criteria decision making with Pythagorean Fuzzy Sets. *International Journal of Intelligent Systems*, *29*(12), 1061–1078. doi:10.1002/int.21676

Chapter 8
How to Reform the Incomplete EMU?
Present Outlook and Challenges for the Future

Utku Utkulu
https://orcid.org/0000-0002-8419-0598
Dokuz Eylül University, Turkey

ABSTRACT

The chapter examines how it is possible to design a mechanism to relieve the well-known problems of the incomplete Economic and Monetary Union (EMU) and thus reduce its costs. A monetary union can be very fragile and governments of member countries face serious adjustment problems, especially when hit by large, permanent asymetric shocks This leaves the EU with the problem of unsustained debts and fiscal unsustainability. This chapter explores the possibility the EU becomes a fiscal union i.e. "full/complete monetary union" by focusing on the EMU agenda of the EU and evaluating future challenges. In light of findings, some policy implications are drawn.

INTRODUCTORY ARGUMENT AND CURRENT OUTLOOK

Twenty years of Euro Era reveals some positive and negative facts. On the positive side one can mention Euro's stability, ECB's success in keeping inflation at low levels, that is, maintaining price stability (monetary discipline) and sustaining the strong global currency position in time. Monetary discipline in the union level mainly resulted from the existence and the use of the Common Monetary Policy. i.e. compulsory rules, time consistent, credible joint decision mechanisms to get and sustain monetary discipline.

In this respect, current outlook of the EMU reveals following strengths and opportunities:

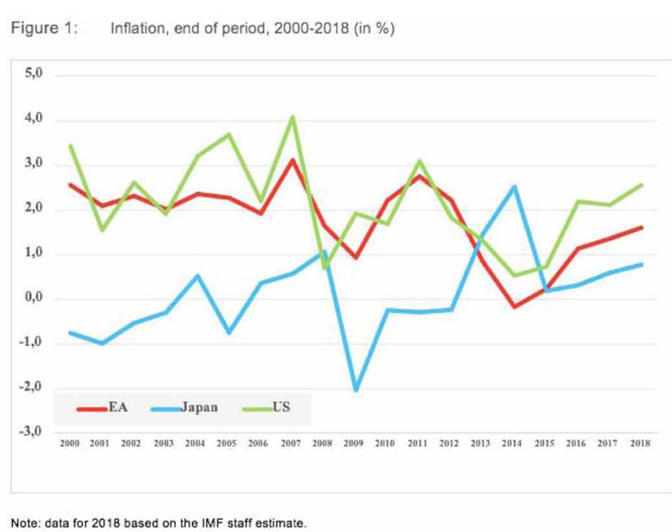
DOI: 10.4018/978-1-7998-1188-6.ch008

- Maintenance of the price stability thanks to the Common Monetary Policy (ie. monetary policy coordination and joint policy decision mechanism in the Euro Area) (thus, inflation rates are low and close to each other). See Figure 1.
- Properly working Single Market.
- Existence of trade openness, trade partnerships and export diversification among members; implying the competitive advantage in global competition.
- Elimination of exchange rate uncertainty (Single Currency /Euro), and low transaction costs; being the second most used currency around the world.
- Awareness of the shortcomings of today's incomplete EMU and existence of a formal initiative to complete the EMU. Europe discusses its future.
- The Eurozone, has become stronger and more stable power in the world economy in last twenty years.

On the negative side, however, global economic/ financial crisis and the European debts produced fiscal instability and debt insolvency. Thus, fiscal/budgetary discipline has not been achieved in the union level due to the absence of a supranational mechanism such as Common Fiscal Policy, which means absence of compulsory fiscal rules, time consistent policies, and joint decision mechanism on the fiscal/ budgetary side. This leaves the EU with the problem of unsustained debts and fiscal unsustainability.

A monetary union can be very fragile and governments of member countries face serious adjustment problems when especially hit by large permanent asymmetric shocks since asymmetric demand shocks lead to increasing budget deficits and liquidity crises via fragile financial markets facing very high interest rates and reduced economic activity. This may force the government to introduce fiscal austerity measures, such as increasing taxes reducing spending and thereby worsen the recession. In this case, wage flexibility and labor mobility are necessary to correct for these asymmetric shocks, that is so called "automatic adjustment mechanism" which works as an insurance mechanism. However, the

Figure 1. Inflation, end of period, 2000-2018 (in %)



adjustment for wage and labor mobility is proved to be costly and painful in times of financial crises and recession (de Grauwe, 2017: 17-19).

That is, current outlook of the EMU also reveals following weaknesses and threats (See Figure and Table in the Appendix):

- Existing economic performances among member states are divergent (growth, unemployment rate and etc.) The unemployment costs of sustaining price stability are different among member states (i.e. Phillips Curve/Trade off);
- Social and economic divergences remain.
- Fragility against asymmetric shocks remain (not able to fight asymmetric shocks by using symmetric policy tools); Possibility of risk of having a big scale asymmetric shock in the future once again.
- Existence of labor immobility among member countries; inelastic prices and real wages also so that degree of centralization in labor markets in member countries differ (the nature and structure of labor markets in Euro countries are different). Automatic adjustment mechanism is not working meaning that adjustment to asymmetric macroeconomic shocks would be costly.
- Fiscal instability and debt insolvency due to lack of a supranational mechanism in the field of fiscal /budgetary side, i.e. weak fiscal surveillance:
    - absence of compulsory fiscal rules and no credible sanctions (failure of Stability and Growth Pact),
    - time inconsistent policies,
    - no joint decision mechanism on the fiscal/budgetary side,
    - high public debt creates significant weaknesses for a sustained growth.
- Insufficient ‘political will’ for further integration (anxiety and sensitivity of sovereign states).
- Economic integration versus political fragmentation (Conflict/Paradox).
- How could economies face and overcome a new financial crisis when they have not fully recovered from the previous one?
- The rise of right-wing populist movements – Political instability.
- Low level of financial integration and stability among member countries. Without credible fiscal rules, it is difficult to reach and sustain financial integration and stability. (note that borrowing interest rates in the Euro area differ remarkably among member states).
- Consequently, the EMU is not complete (thus it is not yet an Optimal Currency Area).

DOES A MONETARY UNION NEED DEEPER FISCAL AND POLITICAL UNION?

The dominant view is that a monetary union must be accompanied by a fiscal and political union in order to survive. Surprisingly, this is the opinion of both supporters and opponents of the EURO project. However, while the former (e.g. De Grauwe, 2006; Wolff, 2012) believe this is both possible and desirable, the latter (e.g. Feldstein, 1997; 2012) doubt it will ever happen due to the long historical tradition of sovereign nation states in Europe (Dabrowski,2019).

The conclusions drawn from this debate can be summarized as follows: while deeper fiscal and political integration (beyond what has been accomplished so far) is not critical for EMU survival, the Optimum Currency Area Theory (OCA) suggests that greater factor mobility and some fiscal redistribution on a federal level can decrease adjustment costs in the case of asymmetric shocks. This underlines once again the importance of deepening the Single European Market, completing the Banking Union and Capital Market Union projects and liberalizing the market on a national level, especially with respect to the labor market (for more detailed discussion details, see Dabrowski, 2019; Matthes and Lara, 2017; de Grauwe, 2017).

CHALLENGES FOR THE FUTURE: REFORMING THE INCOMPLETE EMU

In principle, it is possible to design a mechanism to relieve the problems of incomplete EMU and reduce the costs of it. The design is twofold. The first one is related to the role of the common central bank by which liquidity crises can be avoidable. The second one includes centralizing the national budgets into a common union budget enabling the utilization of common fiscal/budgetary policy. This implies having a monetary union together with a fiscal union. Such a fiscal union is able to realize two important things. First, it acts as an "*insurance mechanism"* initiating income transfers from one country (country with welfare) to another (country hit by crisis). This will reduce the pain in the country facing negative shock. Second, a fiscal union permits consolidation of national government debts, thus defending its members from liquidity crises and forced defaults, called "*protection mechanism"*. Protection mechanism implies that strong union government is capable of forcing common central bank to provide liquidity in times of crises. In such a regime, unsovereign national governments are protected by the union government (possibility of moral hazard risk!). In this case, union government can issue debt in a currency it has control over, unlike a monetary union in which each country keeps its budgetary independence. Note that in a monetary union without budgetary union, national governments are vulnerable to movements of distrust which may lead to liquidity crises and forced defaults. It is clear that fiscal union can solve this problem, in principle. A monetary union without a fiscal union is called *"incomplete monetary union"* while monetary union with fiscal union is called *"full/complete monetary union"* (de Grauwe, 2017: 17-19).

Our Economic and Monetary Union still falls short on three fronts. First, it is not yet able to reverse sufficiently the social and economic divergences between and within euro area members that emerged from the crisis. Second, these centrifugal forces come with a heavy political price. If they remain unaddressed, they are likely to weaken citizens' support for the euro and create different perceptions of the challenges, rather than a consensus on a vision for the future. Finally, while the EMU is stronger, it is not yet fully shock-proof. A strong euro requires a stronger Economic and Monetary Union (Reflection Paper on Deepening of the Economic and Monetary Union, 2017).

In these times of change, and aware of the concerns of our citizens, we commit to the Rome Agenda, and pledge to work towards (...) a Union where (...) a stable and further strengthened single currency open(s) avenues for growth, cohesion, competitiveness, innovation and exchange, especially for small and medium-sized enterprises; a Union promoting sustained and sustainable growth, through investment, structural reforms and working towards completing the Economic and Monetary Union; a Union where economies converge (Rome Declaration, EU leaders, 25 March 2017).

A complete Economic and Monetary Union is not an end in itself. It is a means to create a better and fairer life for all citizens, to prepare the Union for future global challenges and to enable each of its *members to prosper (The Five Presidents' Report: Completing Europe's Economic and Monetary Union Jean-Claude Juncker in close cooperation with Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz, 22 June 2015).*

The single currency is one of Europe's most significant and tangible achievements. It has helped our economies to integrate and has brought Europeans closer together. But it has always been much more than a monetary project. It was conceived as a promise of prosperity – and that is how it must remain, also for those that will become members of the euro area in the future. That promise of prosperity became more important than ever as Europe was shaken by the financial and economic crisis. The painful legacy of those years has led Europeans wanting more of what the single currency offers: more stability, more protection, and more opportunities. Determined action in response to the crisis to improve the instruments and architecture of the euro area partially met these expectations. Today the EU economy is growing again and unemployment has fallen to its lowest level in eight years. But the euro area does not need only firefighters. It also needs builders and long-term architects (Reflection Paper on Deepening of the Economic and Monetary Union, 2017).

The above quotations reflect the strong commitment and will of the European Commission towards a stronger EMU, that is reforming the incomplete EMU. According to the Commission's plan, *In the first stage ('deepening by doing', 1 July 2015 - 30 June 2017),* the EU institutions and euro area Member States would build on existing instruments and make the best possible use of the existing Treaties. *In the second stage (at the latest by 2025, 'completing EMU'),* concrete measures of a more far-reaching nature would be agreed to complete EMU's economic and institutional architecture. (The Five Presidents' Report: Completing Europe's Economic and Monetary Union, 2015: 3). From 2015 to date, progress has already been made to strengthen the EMU. The following table shows the level of significant progress in terms of economic union; banking and capital markets union; fiscal union, and democratic accountability and strong institutions.

In order to complete the EMU architecture, much has been done and significant progress has been made to date. However, they are yet to complete and the followings need to be realized till 2025:

- **Economic Union:** Formalize and make more binding the convergence process
- **Fiscal Union:** Set up a macroeconomic stabilization function for the euro area. Convergence towards similarly resilient national economic structures would be a condition to access this mechanism.
- **Democratic Accountability, Legitimacy and Institutional Strengthening:** Integrate the European Stability Mechanism (ESM) into the EU law framework. Set up a euro area treasury accountable at the European level.

The recent euro debt crisis has shown that the Economic and Monetary Union (EMU) is not sustainable without fiscal risk sharing. The underlying line of reasoning rests on several arguments, summarized in the following table. It is commonly argued that common fiscal policy is of particular importance to get rid of the adverse effects of the asymmetric shocks in a complete monetary union. This analysis does not only depend on optimum currency area theory but also analysis of the balance of payments crises, and the private debt crises (Matthes and Lara, 2017)

Figure 2. Progress already made to strengthen the economic and monetary union (from 2015 to date)
Source: *Commission Note ahead of the European Council and the Euro Summit of 28-29 June 2018, Deepening Europe's Economic and Monetary Union.*

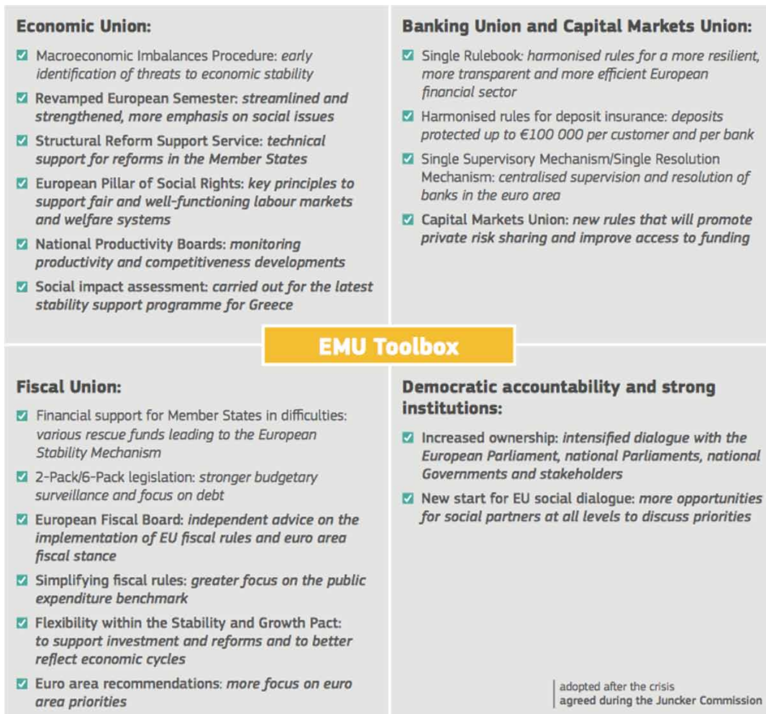
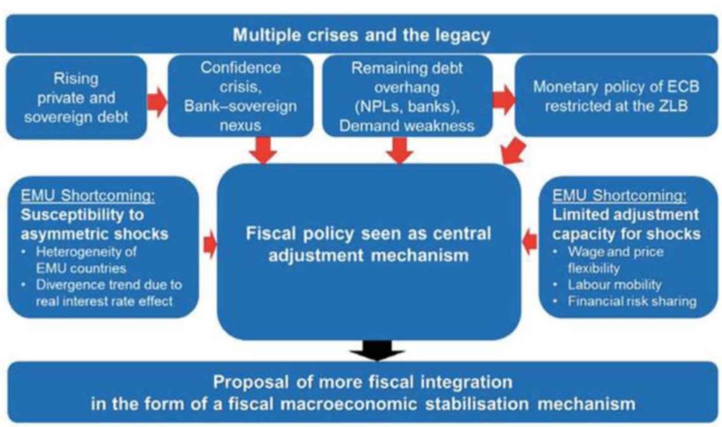


Figure 3. Fiscal policy as a central stabilization mechanism
Source: Matthes and Lara, 2017



Notes: NPLs = non-performing loans; ECB = European Central Bank; ZLB = zero lower bound of interest rates to be set by monetary policy.

CONCLUDING REMARKS: RISKS STILL REMAIN TO COMPLETE THE EMU

Euro has always been both political and economic project since the beginning.

- 'Political will' of the members for a deeper integration for the complete EMU will determine the outcome.
- Therefore, to overcome the fragile design of the Euro, further economic, political and institutional convergence necessary. However, the way will depend on political cohesion among member states.
- Euro crisis, Brexit, Syrian refugee crisis and increasing nationalist trends; deepened the differences between the member states. Therefore, it does not seem possible to complete the EMU with a uniform policy that fits all member states. In this context, reconciliation on the multi-speed Europe as a differentiated integration model would be important although there are certain risks associated with this move (see Öniş and Kutlay, 2012).
- The recent global economic crisis however deepened the divergences rather than enhancing the integration.
- Euro and Schengen -the best achievements of the EU- This time crisis hit the core of the EU due to Syrian refugee crisis, Euro crisis – Solidarity and attitude towards burden sharing should not be forgotten.
- The EMU is still fragile against asymmetric shocks, not fully shock-proof yet in the absence of common fiscal policy. There are still question marks over the implementation and the political will of new fiscal rules and measures. In principle, new fiscal and financial arrangements look promising. However, without agreeing on a 'political union', it will not be easy to convince sovereign member states on compulsory fiscal commitments till 2025.
- Social and economic divergences are still obstacles for further and deeper integration. Convergence towards similarly flexible national economic structures is the key condition to fulfil the task (i.e. fiscal union)
- As a result of the Six-Pack legislation and Fiscal Compact, the EU member states adopted or strengthened already existing national fiscal rules such as upper deficit and debt limits written into countries' constitutions and secondary legislation. This can help in strengthening fiscal discipline on a national level without the need for further developing bureaucratic and intrusive surveillance procedures at the EU level.

REFERENCES

Dabrowski, M. (2019). *The Economic and Monetary Union: Its past, present and future.* Retrieved from http://www.europarl.europa.eu/cmsdata/159703/CASE_final%20publication.pdf

De Grauwe, P. (2006). "On monetary and political union". CESifo Forum, No. 4/2006. Available at http://www.cesifo-group.de/DocDL/forum4-06-focus1.pdf

De Grawue, P. (2016). *Economics of Monetary Union* (11th ed.). Oxford, UK: Oxford University Press.

European Commission. (2015). *Completing Europe's Economic and Monetary Union*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/5-presidents-report_en.pdf

European Commission. (2017). *Reflection paper on the deepening of the economic and monetary union*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-emu_en.pdf

European Commission. (2018). *Deepening Europe's Economic and Monetary Union*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/euco-emu-booklet-june2018_en.pdf

Feldstein, M. (1997). *EMU and international conflict.* Foreign Affairs, November/December. Available at https://www.foreignaffairs.com/articles/europe/1997-11-01/emu-and-internationalconflict

Feldstein, M. (2012). *The failure of the euro.* Foreign Affairs, January/February. Available at https://www.foreignaffairs.com/articles/europe/2011-12-13/failure-euro

Matthes, J., & Iara, A. (2017). On the future of the EMU: Is more fiscal integration indispensable. *European View*, *16*, 3–22.

Öniş, Z., & Kutlay, M. (2012). Ekonomik Bütünleşme/Siyasal Parçalanmışlık Paradoksu: Avro Krizi ve Avrupa Birliği'nin Geleceği. *Uluslararası İlişkiler*, *9*(33), 3–22.

Wolff, G. B. (2012): A budget capacity for Europe's Monetary Union. Bruegel Policy Contribution, Issue 22/2012, December. Available at http://bruegel.org/wpcontent/uploads/imported/publications/pc_2012_22_EA_budget_final.pdf

APPENDIX

Table 1. General government gross debt, 1999-2018 (in % of gdp)

Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austria	61.1	65.7	66.4	67.0	64.9	64.8	68.3	67.0	64.7	68.4	79.6	82.4	82.2	81.7	81.0	83.8	84.3	83.6	78.6	74.2
Belgium	114.4	108.8	107.6	104.7	101.1	96.5	94.7	91.1	87.0	92.5	99.5	99.7	102.6	104.3	105.5	107.0	106.1	106.0	103.4	101.2
Cyprus	55.7	56.0	57.5	61.0	63.0	64.7	64.0	59.0	53.1	44.1	52.8	55.8	65.2	79.2	102.1	107.5	107.5	106.6	97.5	112.3
Estonia	6.0	5.1	4.8	5.7	5.6	5.1	4.5	4.4	3.7	4.5	7.0	6.6	6.1	9.7	10.2	10.7	10.0	9.4	9.0	8.8
Finland	44.0	42.5	40.9	40.2	42.7	42.6	39.9	38.1	34.0	32.7	41.7	47.1	48.5	53.9	56.5	60.2	63.5	62.9	61.3	60.5
France	60.5	58.9	58.3	60.3	64.4	65.9	67.4	64.6	64.5	68.8	83.0	85.3	87.8	90.6	93.4	94.9	95.6	96.6	96.8	96.7
Germany	60.0	58.9	57.7	59.4	63.1	64.8	67.0	66.5	63.7	65.2	72.6	80.9	78.6	79.8	77.5	74.6	70.9	67.9	63.9	59.8
Greece	98.9	104.9	107.1	104.9	101.5	102.9	107.4	103.6	103.1	109.4	126.7	146.3	180.6	159.6	177.9	180.2	178.8	183.5	181.8	188.1
Ireland	46.6	36.1	33.2	30.6	29.9	28.2	26.1	23.6	23.9	42.4	61.5	86.0	110.9	119.9	119.8	104.3	76.9	73.6	68.6	66.6
Italy	109.7	105.1	104.7	101.9	100.5	100.1	101.9	102.6	99.8	102.4	112.5	115.4	116.5	123.4	129.0	131.8	131.5	132.0	131.8	130.3
Latvia	11.8	12.1	13.9	13.1	13.9	13.8	11.2	9.2	7.2	16.2	32.5	40.3	37.5	36.7	35.8	38.5	34.9	37.4	36.3	35.0
Lithuania	28.1	23.5	22.9	22.1	20.4	18.7	17.6	17.2	15.9	14.6	29.0	36.2	37.2	39.8	38.8	40.5	42.6	40.1	39.7	37.0
Luxembourg	7.1	6.5	6.9	6.8	6.8	7.3	7.4	7.8	7.7	14.9	15.7	19.8	18.7	21.7	23.7	22.7	22.0	20.8	23.0	22.8
Malta	69.5	64.2	70.1	64.9	68.7	71.1	70.0	64.5	62.3	62.6	67.6	67.5	70.1	67.7	68.4	63.7	58.6	56.3	50.7	45.1
Netherlands	57.5	50.9	48.2	47.5	48.7	49.1	48.5	44.1	42.0	53.8	55.8	58.6	60.8	65.5	67.0	67.1	64.0	61.3	56.5	53.1
Portugal	51.0	50.3	53.4	56.2	58.7	62.0	67.4	69.2	68.4	71.7	83.6	90.5	111.4	126.2	129.0	130.6	128.8	129.9	125.7	120.8
Slovakia	47.1	49.6	48.3	42.9	41.6	40.6	34.1	31.0	30.1	28.5	36.3	41.2	43.7	52.2	54.7	53.5	52.3	51.8	50.9	49.2
Slovenia	22.0	29.0	28.5	28.4	27.0	26.8	26.3	26.0	22.7	21.6	34.5	38.2	46.4	53.8	70.4	80.3	82.6	78.6	73.6	69.7
Spain	62.5	58.0	54.2	51.3	47.6	45.3	42.3	38.9	35.5	39.4	52.7	60.1	69.5	85.7	95.5	100.4	99.4	99.0	98.4	97.2
Japan	131.1	137.9	146.8	156.8	162.7	171.7	176.8	176.4	175.4	183.4	201.0	207.9	222.1	229.0	232.5	236.1	231.3	235.6	237.6	238.2
UK	39.8	37.0	34.3	34.4	35.6	38.6	39.8	40.7	41.7	49.7	63.7	75.2	80.8	84.1	85.2	87.0	87.9	87.9	87.5	87.4
US	n/a	n/a	53.2	55.6	58.7	66.2	65.6	64.3	64.8	73.8	86.9	95.5	99.9	103.3	104.9	104.6	104.8	106.8	105.2	106.1

Note: red font IMF staff estimate.

Source: IMF Staff Estimates.

Chapter 9
Does the Euro Zone Really Need a Common Budget?
Challenges of an Incomplete EMU

José Caetano
https://orcid.org/0000-0002-9991-2178
CEFAGE, University of Évora, Portugal

Isabel Vieira
CEFAGE, University of Évora, Portugal

Carlos Vieira
https://orcid.org/0000-0001-8112-2736
CEFAGE, University of Évora, Portugal

ABSTRACT

The implementation of a monetary union in Europe, to take full advantage of the Single Market's potential benefits, has not hitherto delivered the expected results. On the contrary, the euro area has been afflicted by many troubles, including anemic growth, unemployment, and inequality. Many blame the euro's defective design, and especially its incapacity to promote economic convergence and provide adjustment and stabilization mechanisms. Others blame fiscal indiscipline by some of its members. The latter view prevailed when shaping the austerity policies imposed on the countries more affected by the financial and sovereign debt crises, intensifying an economic recession with dramatic social consequences. As a result, citizens' distrust in the European Union's institutions grew, along with support for nationalistic political forces opposing the European integration project. This chapter assesses one of the main deficiencies of the euro's governance model – lack of automatic stabilization – and discusses proposals to overcome it.

DOI: 10.4018/978-1-7998-1188-6.ch009

INTRODUCTION

The creation of an economic and monetary union (EMU) in Europe was a notable achievement. Never before did such a large group of countries voluntarily surrender autonomy over domestic monetary and foreign exchange policies, while maintaining, *de jure* if not absolutely *de facto*, fiscal and political independence. In fact, the introduction of the euro twenty years ago, after decades of advances and setbacks, and much debate over its most adequate institutional framework and probable advantages and costs, marked the beginning of a rare real life experiment – one where a group of diverse economies adopt a common currency without having created mechanisms to promote real convergence, and to provide stabilization in the aftermath of shocks.

So far, the experiment has not lived up to expectations. If the euro is assessed taking into account its broader historical context, the outcomes up to now are, in many facets, almost the exact opposite of what they should have been. For the single currency was not an end on itself, but a phase in a process initiated after the Second World War primarily to end a long time series of military confrontations in Europe. The project of economic integration initiated in 1957 was conceived as a pact for peace, a first step for the creation of a community of prosper and solidary citizens. The Treaty of Rome reflects these ambitions. In its preamble, the signatories proclaim their determination to attain economic and social progress, balanced trade and fair competition, to eliminate the barriers dividing Europe, to improve living and working conditions, to promote harmonious economic development by reducing existing regional differences and the backwardness of the less favored areas.

Thirty five years later, when agreement was reached over the conditions for adopting a common currency, the Treaty on European Union (EU) – often referred to as Maastricht Treaty – confirmed the compromise to promote "a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment, a high degree of convergence of economic performance, a high level of employment and of social protection, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States"(Title II, p. 11).

However, EMU's design ended out somewhat misaligned with such objectives. The convergence criteria to allow membership comprised a set of nominal (rather than real) macroeconomic indicators, the union's monetary policy was solely assigned to price stability, and no common risk sharing and stabilization institutions were created. In the subsequent years, real convergence did not occur and financial markets' euphoria triggered a credit boom that contributed to intensify current account disequilibria amongst member states. By the time the 2007 financial crisis hit, the consequences of EMU's deficient architecture became painfully visible. The shock impacted the euro area differently and no stabilization device was available to help the more affected peripheral members. A sovereign debt crisis and economic recession ensued.

The first reactions to such dire state of affairs were also not in line with the treaties' principles. The countries more in need of help were held responsible for problems they mostly did not create, and could not have avoided, and forced to endure the whole weight of the measures taken to resolve them. Financial funds were provided but at high interest rates and under the obligation of applying a pro cyclical austerity program which comprised many ill-timed and counterproductive reforms. The conditions were so harsh and so at odds with promoting repayment that it has been questioned whether the intention was to help or to punish. The result was a prolonged recession, very high unemployment, especially amongst youngsters, and increased inequality between and within euro members. Instead of prosperity and cohesion, the euro had produced the opposite. As a result, the divide between countries grew up, confidence in EU's institutions is fading and political extremism is on the rise.

Driven by these events that might ultimately endanger EMU's survival, EU leaders and institutions have eventually introduced some reforms in the euro zone governance. However, more actions are required, since the slowness and complexity of the ongoing reforming process is not generating the desired immediate corrective effects or promoting the structural modification of existing imbalances. This is an essential issue because, in the absence of responses to the institutional failures in the functioning of the euro, the reaction of financial markets will be heavy and its effects may devastate the weakest links, as the recent crises have shown. Therefore, to delay the implementation of effective reforms is a risky strategy. In the meantime, the monetary union remains incomplete and fundamentally destabilizing. There are thus crucial questions that need to be addressed in the short-term, which are mainly related to the degree of sovereignty that states are willing to abdicate in order to accept greater risk-sharing in EMU and to support greater economic convergence. Some relevant steps forward have already been taken, or are being proposed. Amongst them, the measures more directly related to the stabilization function at the euro area level are assessed in this chapter.

Following these introductory remarks, the chapter is organized into five sections. The first describes one of the debates that took place before the adoption of the single currency, concerning the adequate preconditions for EMU membership and the potential consequences in case they were not met. The second assesses the critical events occurred in the euro's first two decades, confirming the monetary union's deficient design and the concretization of the most pessimistic anticipated scenarios. In the third section, the focus is on one of the most problematic institutional failures of the single currency - the absence of stabilization and adjustment mechanisms to replace those lost in the process of integration. The fourth section discusses ways to overcome such failures. The last section concludes, defending one of the options currently being considered to solve the many problems generated by the lack of an EMU wide stabilization function, on the basis of its economic rational and political feasibility.

BACKGROUND

The European ambition of taking full advantage of the benefits of the single market by advancing to a full monetary union with a shared single currency took a long time to materialize. The road to EMU was long and paved with uncertainty. For many years it was not possible to reach a consensus concerning the conditions for participation or the adequate institutions and rules for the single currency. Two main perspectives were in confront: one defending ex ante real convergence and the creation of adjustment and stabilization mechanisms capable of replacing the ones lost in the process of integration; another demanding nominal convergence, fiscal discipline and a monetary authority committed to price stability (Vieira and Vieira, 2019). The former anticipated that the integration of heterogeneous economies would produce specialization and thus a higher probability of asymmetric disturbances. The latter expected that nominal convergence would bring up real convergence, rendering stabilization mechanisms dispensable.

The Maastricht Treaty of 1992 embodied the second point of view, which chiefly coincided with German leaders' judgment that low inflation, fiscal discipline and a credible no bail out stance would suffice in making the monetary union succeed. The single currency's institutional framework was rooted on the belief that, as long as institutions ensure low inflation and fiscal discipline, markets provide overall prosperity. It was somewhat acknowledged that the institutional framework underlying EMU was incomplete, but it was expected that eventual deficiencies could be fixed as experience deemed necessary.

Critics of the chosen strategy anticipated the euro's future problems. They pointed out that although it was expected that the process of integration by itself would render core and peripheral economies more similar, most trade theories suggest that integration reinforces diversity (see for instance Krugman, 1993). In a currency area, diversity of economic systems and specialization patterns is challenging because it increases the probability of asymmetric shocks, or of common ones having distinct impacts on some members. In such cases, without the possibility of using foreign exchange or monetary policies, individual countries need the freedom to manage fiscal policies according to domestic circumstances. However, the dominant German perspective defended that fiscal flexibility is harmful, especially in a context of monetary integration, as spillovers from fiscal indiscipline could negatively affect other countries and may force the European Central Bank (ECB) to inflate (Eichengreen and Wyplosz, 2017). Therefore, public budgets and debts were limited to arbitrary maximum values of 3% and 60% of domestic GDPs, respectively. Such limits were inherently destabilizing because they forced procyclical fiscal policies - the decrease of tax revenues in a recession would necessarily force cuts in public spending.

Another theoretical possibility for adjustment and stabilization under the highly restricted context of EMU would be through the financial markets. In case of a crisis, financial flows could help by flowing from the less affected areas (where relative abundance results in lower remuneration) into the more fragile ones (where scarcity allows higher returns). If financial adjustment does not occur, recovery would be prolonged and penalizing in terms of unemployment, deflation and recession. In such a scenario, EMU would produce the opposite of what was contemplated in the treaties.

EMU'S FIRST TWO DECADES

In order to better understand some of the euro's shortcomings, the potential economic and social consequences of its design, and discuss some possible solutions for the particular problem of the lack of a stabilization mechanism that addresses the heterogeneity of its member countries, it is crucial to review the two decades of the single currency, with a particular consideration to the effects of the financial and sovereign crises.

Before the Crises

There was always criticism of the criteria for EMU membership and the single currency's institutional architecture although in the euro's early years, domestic economic cycles did not lead to major setbacks. Nevertheless, as many had predicted, monetary integration failed in promoting the real convergence of central and peripheral economies. Income convergence stagnated at first and reversed following the financial crisis (Franks et al., 2018). In such circumstances, the euro was prone to be a dangerous hindrance to member states. Given the impossibility of adjusting foreign exchange rates and the limitations of domestic fiscal policies, a common interest rate has the potential to become disruptive. In fact, even if monetary policy is tuned to benefit the majority of EMU members, there will always be some for which it is inadequate and that therefore need assistance. This cannot however be granted because the institutional framework of the euro prevents risk-sharing and transfers amongst members. As a result, imbalances accumulated in the euro area.

Financial markets did not help and even aggravated the limitations of the single currency. Mistakenly believing that the common currency had abolished not only foreign exchange risk but also sovereign credit risk, they fueled a credit boom that sustained the growth of current account disequilibria steadily building up from the inception of EMU amongst its members.

Following the crisis, various countries did not have the fiscal margin required to adopt countercyclical policies to sustain economic activity and income while, simultaneously, respecting the limits of the Maastricht rules. As national banking systems increasingly required governmental bailing outs, indebtedness levels soared and financial markets prevented some countries from accessing funds to service their obligations. The financial crisis plus the euro's flawed design had produced the sovereign debt crisis.

Outcomes and Reactions to the Crises

One of the euro's key problems is that it was conceived to circulate within a homogeneous economic area where all member states run nearly equilibrated public budgets. It was hoped that such conditions would prompt overall economic growth, which in turn would expand employment and improve standards of living. In such conditions, one interest rate would be adequate for most members and those out of line with the dominant business cycle, or suffering from asymmetric disturbances, would be able to accommodate their specific needs within the Maastricht fiscal limits. As economic diversity prevailed instead and many EMU members were not able, without extraordinary measures, to contain their public deficits well below the imposed maximum threshold, many euro area members were not prepared to absorb the impacts of shocks. However, and in spite of the single currency's foundational and structural problems, after the first crisis occurred, there were economic policy and political choices that could have contributed to reduce the social and economic costs. Yet, again, they were not sufficient.

At first, in line with the strategy adopted in many countries (including the US, the country originating the financial crisis), the EU launched a recovery plan to stimulate demand, investment and reforms. As a consequence, substantial fiscal stimulus packages were implemented, prompting record increases in public expenditures and raising anxieties amongst defenders of fiscal restraint. Consequently, against many economists' advice and forgetting the relatively fresh experience of Japan's 1997 premature fiscal tightening and ensuing new prolonged recession, the fiscal stimulus to drive recovery was short-lived in the EU. By June 2009, Germany was announcing its return to fiscal discipline and pressing the other members to follow suit. Various countries did not agree initially, either anticipating that it was too soon or following electoral timetable convenience.

However, faced with the additional pressure of financial markets (which, disregarding the fact that most of the fiscal stimulus in the EU had been employed to rescue domestic banks, accused governments of overspending and increased the cost of sovereign credit) the EU followed Germany. The expansionary fiscal stance gave way to the reinforcement of fiscal discipline and austerity. For some members of the euro area such strategy overturn was voluntary. Others were forced into it, in some cases even against the will of the elected governments, a disregard for the principles of self-government and democracy and a fertile ground for political extremists and EU 'leavers'.

The leaders of the EU's central economies did not recognize that the main problems affecting mostly the peripheral euro members were a consequence of the way the single currency had been projected and implemented. Having failed in promoting real convergence, the euro governance model forced a diverse set of economies to co-exist under one single monetary policy (which could only be adequate for some), a set of fiscal rules that enhance the effects of booms and busts, no central budget to provide stabilization, and no banking union or single financial market to provide private risk sharing and reduce the relevance of unbalanced trade relations within the euro area.

Faced by the high probability of sovereign defaults, and anticipating that such extreme scenarios would also hurt investors in their own countries, the dominant economies decided to assist the countries in crisis. But they did not accept the euro needed fundamental reforming and pointed out the faults that, according to them, had been committed by the more affected countries: their governments and citizens had been living in profligacy and the necessary measures to boost competitiveness had not been implemented. Therefore, and again in their view, the peripheral countries needed punishing, and punished they were. Money was lent to those lacking access to financial markets but at very high interest rates and under the obligation of applying harsh reforms and austerity. The latter aggravated the already dire economic and social conditions and the reforms, announced as a way to promote competitiveness, were misdirected and ill-timed, and consequently counterproductive. The programs did nothing to stimulate adjustment after the crises and contributed to worsen their social and economic impacts.

It took years and a large number of victims to admit that the crises had highlighted shortcomings of the Maastricht model. And even when this started to occur, official reactions were very slow and ineffectual remaining focused on reforming individual countries rather than the single currency's model and on reinforcing strategies that had been proven incapable of avoiding fiscal and other imbalances across the euro area.

The 1997 Stability and Growth Pact, established to enforce the fiscal rules of the Maastricht Treaty and to promote fiscal discipline and fiscal coordination in the euro zone, was reformed in 2011 by the so-called Six Pack, which included more fiscal rules and conditions to penalize non-compliant countries, as well as the Macroeconomic Imbalance Procedure, to monitor and prevent events capable of disturbing macroeconomic stability. Subsequently, in 2012, the Fiscal Compact contained in the Treaty on Stability, Coordination and Governance imposed the rule of balanced budgets into domestic legal orders. In 2013, the Two Pack forced the members of the euro zone to submit the drafts of their budgets for the following year in order to have them evaluated by the European Commission before approval by the respective parliaments.

Therefore, until 2013, these operational reactions of the European authorities suggested that the foremost reasons for the single currency problems rested chiefly on the leniency of the fiscal discipline procedures. The answers to the crises consisted mostly in reinforcing rules and procedures that had previously failed, prompting Eichengreen and Wyplosz (2017, p. 63) to recall "Einstein's definition of insanity: doing the same thing over and over again and expecting different results". Additionally, the new procedures made the euro governance model more complex, less transparent and less democratic and did not contribute to reverse the economic recession and rising unemployment, and thus the social unrest. The distrust of citizens towards EU institutions grew and substantial support for nationalist and populist movements that had for long been absent from most countries' political scenes emerged, putting at risk the whole European integration project (Armingeon and Guthmann, 2014).

Eventually, the seriousness of the economic and social consequences endured by some members of the single currency forced the EU leaders to admit that substantial change was required to give rise to a 'genuine economic and monetary union' (European Council, 2012). Various institutional and inter-institutional initiatives were proposed (a review is provided in D'Alfonso and Stuchlik, 2016) and the agenda appears to be currently framed within the documents produced by the report on "Completing Europe's Economic and Monetary Union" (also known as The Five Presidents' Report, which is based on previous documents, namely the June 2012 Van Rompuy's report and the December 2012 Report of the Four Presidents). The objective of this document was the definition of a concrete plan, containing specific stages to deepen and to increase fairness in EMU and to make its members more prosperous.

The four building blocks of such process for EMU completion are: the economic union (to promote convergence, prosperity and social cohesion), the financial union (including the banking union and the capital markets union), the fiscal union (for sound and integrated fiscal policies), and improvement of democratic accountability and legitimacy, and institutional consolidation. In what follows, the focus of analysis is on the financial and fiscal unions, which are both relevant in the context of the main fragility of the single currency discussed in this chapter – the lack of automatic adjustment and stabilization mechanisms.

Reflections on the Future of EMU

In the short life of the single currency, its member countries have experienced shocks with differentiated impacts that jeopardized their social and economic stability, exposed the fragility of EMU's governance model and the urgency of its transformation. A broader agreement has been reached over the fact that monetary integration is still incomplete and that its completion must take place within a context of price stability and fiscal discipline, but also of social well-being and inclusive and balanced growth.

While the crises' divergent effects were also due to imbalances accumulated from the first years of the single currency, it is also clear that the weakness of EMU's reaction to external shocks has worsened their consequences, provoked deflation and prolonged the recession. Unemployment reached unimaginable levels, wages had to be adjusted downwards to restore competitiveness and the purchasing power and living conditions of millions of people deteriorated, generating distrust and disillusionment within the euro zone.

Structural reforms to make economies more resilient to shocks are crucial but it is also essential to trigger a process of real economic convergence capable of restoring confidence in the European institutions. Higher income and better living standards are needed, as the ultimate goals of the whole integration project. Hence the first pillar in the defined process to complete EMU and to make it more deep and just is the economic union, aimed at promoting convergence, prosperity and social cohesion. Without these, it makes no sense to discuss the other aspects related to the smooth functioning of the single currency because the whole project of European integration will be destroyed by the extremist political forces that oppose it.

The other three unions – banking, capital markets and fiscal – are essential to provide an element to support a successful monetary union: risk sharing. Even though some view it as a moral hazard inducer, and thus oppose it in principle, both economic theory and historical evidence indicate that risk sharing does not promote moral hazard as long as credible and clear rules are enforced at the regional level (Bordo, et al. 2011).

The Banking Union, consisting of single supervisory and resolution mechanisms plus common deposit insurance is a way of solving problems resulting from the "deadly embrace" between banks and sovereigns. The banking Union would allow the inclusion of the private sector in the risk sharing process and prevent taxpayers from ultimately shouldering the full costs of saving banks. In the recent past, and also in the present, taxpayers have not only paid for the banking sector rescue with their money but also by enduring the related consequences of public spending cuts in education, health care, security and basic infrastructures.

The capital markets union will also provide a degree of private sector risk sharing and, at least theoretically, an alternative to absorb shocks. In fact, the free flow of capital, within the context of an integrated financial market, should be capable of sustaining domestic consumption and domestic investment throughout a crisis. This would occur via the capital market channel (geographical diversification reduces the volatility of financial portfolios' returns and their correlation with GDP) and the credit market channel (through cross-border lending and borrowing).

But reality has shown time and again that capital markets can be more a source of disruption then of stabilization. Also, if structural imbalances persist, these capital flows will continually be unidirectional, resulting in the accumulation of large external deficits. Therefore, even though the future capital markets union may function well in terms of providing a degree of short-term stabilization, it will never be able to ensure the reliable, complete and automatic mechanism that EMU needs to be sustainable.

A substantial degree of public risk sharing will also be required and thus the relevance of the fiscal union. According to the strategy already agreed (European Commission, 2017a), the fiscal union will have to provide adjustment and stabilization but its implementation will not take place before a high degree of convergence has been achieved, the level of financial integration has increased, and further transference of autonomy over decision making concerning domestic budgets to the euro area level has occurred. In the meantime, and in the short run, the focus continues to be on fiscal discipline within the context of the established rules. A function that many consider to be of uttermost importance for the survival of the monetary union is thus postponed for an uncertain future date.

A EURO AREA STABILIZATION AND REDISTRIBUTIVE FUNCTION

Although no decisions have been taken concerning the type or timing for implementation, various proposals for EMU's common fiscal capacity have emerged. The different approaches are compiled and reviewed by D'Alfonso and Stuchlik (2016). They comprise insurance mechanisms, to absorb cyclical disturbances or crisis generated unemployment, a fund to sustain investment during economic lows, and a euro area central budget. These mechanisms differ in terms of stabilization scope, payment trigger (automatic or discretionary) and funding sources.

The creation of an autonomous budget for the euro zone was mentioned in a European Commission discussion paper on the future of the EU (European Commission, 2017b), which explicitly addresses the possibility of creating a specific budget to support EMU countries. More recently, following a Franco-German summit held in June 2018, the two countries, which have a decisive influence on EU's strategic orientations, have produced the *Meseberg Declaration*, proposing, *inter alia*, the creation of a fund to support investment projects aimed at promoting convergence within the euro zone economies (Keller, 2018).

This is an eminently political matter, very sensitive to domestic public opinions. In fact, the existence of a budget for the euro zone, in recognition of the fact that this subset of EU countries has specific needs, distinct from those of other non-EMU members, would translate into a situation requiring the design of different budgets within the EU. Such issue is at the heart of the intense debate between holders of different views concerning the future of the EU and of the euro zone, especially in what concerns the question of which of these geometries will in the future be the engine for further economic and political integration in Europe.

The Traditional Role of Public Finances in the European Context

In Musgrave's original approach to the role of public finances and of public budgets, the author argues that the latter are crucial instruments of economic management and their size and structure reflect the political, social and economic objectives of the state or the integration group concerned. In reality, the budget is a key element because it influences an economy in a number of ways, in practice indivisible, but which, for analysis purposes, can be divided into three public policy objectives related to the allocation of resources, the redistribution of incomes and economic stabilization (Musgrave, 1939).

The allocation function is related to the provision or incentive to supply public goods and services (i.e. those not effectively supplied by the market, either due to their specific characteristics or to imperfections in market functioning). The redistribution function deals with the use of fiscal policies to modify the distribution of income provided by market mechanisms. Finally, the stabilization function involves the use of fiscal policies to achieve the macroeconomic objective of stability, that is, to minimize deviations between real and potential GDP and allow more smooth business cycles. The question then arises as to whether, in the case of international groups of countries undergoing economic and/or political integration, these functions should be left to the individual states that carried them out before formal integration, or whether, for reasons of greater effectiveness, they should be allocated in full or in part to central (supranational) institutions, together with any additional functions, including regulatory ones.

The principles pointed out in the literature for the efficient allocation of responsibilities between different levels of authority rest basically on the following three criteria: the existence of cross-border spillovers, economies of scale, and the degree of homogeneity of political preferences (Oates, 1972). The general orientation of these criteria can be described as follows: cross-border spillovers are relevant where policies decided in one country have effects that also impact agents located in other countries and that should therefore be taken into account. Such spillovers are an essential decision factor for assigning policy or activities' responsibility to a higher-level of authority in order to internalize the inherent costs and benefits of the policy in question. Moreover, if clear economies of scale are generated when the function is exercised centrally, it is advisable to refer the function to this governance level. However, such allocations should only be finally granted when the gains clearly outweigh the costs caused by market failures and the centralization of functions does not lead to an increase in administrative costs or a lower quality of the public policies and goods provided.

Choosing the Level of Public Policies' Intervention

The political dimension that is always present in any process of assigning functions to a given level of government should not be devalued. In fact, the existence of a high degree of political homogeneity, as measured by the similarity of preferences over the provision of public goods, calls for the assignment of specific functions to the wider territorial jurisdiction. Instead, the diversity of preferences acts in the opposite direction and advocates that welfare will be maximized when deciding on decentralization in the provision of public goods.

The theory of fiscal federalism (Oates, 1972 and 1999) is a key framework for the application of these criteria to the functions and objectives of fiscal policy. Its principles, according to Robson (1999), can be summarized as follows: the function of allocating resources should be shared between the upper and lower levels of government, according to the characteristics of the public goods or services to be provided, taking into account the homogeneity or diversity of preferences; the redistribution and stabilization functions must, on the other hand, be exercised at a higher level, i.e. at the central level.

Although the decisions concerning the structure and the size of the budget are clearly political in nature, the pursuits of efficiency and rationality are also crucial in any process of economic integration. It is therefore necessary to assess the efficiency considerations that apply to the allocation of jurisdiction over tax policies in a given community of states. The economic literature produced during the last decades has evolved in order to base the optimal allocation of public functions in a structure with multiple levels of government (see, for instance, Charbit, 2011). Since the exercise of those functions and their policies involve expenditures and resources, this analysis has been largely applied to fiscal integration processes. More recently, the efficiency aspects have also been applied to the assignment of regulatory functions at a central level, although these have generally no significant budgetary implications (Berger et al., 2018).

The analysis of policy integration, focusing on different budgetary functions, should thus include not only efficiency considerations, but also a set of other dimensions that are relevant to policy decision making, especially those that have been advanced by the theory of public choice (Wiener et al., 2018). Finally, the proper allocation of responsibilities between the levels of national and supranational authority in a given community should be the reflection of a cost/benefit analysis (Daniele and Geys, 2015).

DISCUSSION AND FUTURE RESEARCH DIRECTIONS

Besides the discussion over the ideal level of government to accomplish the musgravian functions, it is also important to investigate whether there should be different budgets for the EU and for the EMU. In its assessment of the possibility of creating a specific budget for the euro area, Wolf (2017) defends that only the economic stabilization function has significantly different characteristics in the EU and in the euro zone. The author argues that the (re)distribution function refers to the distribution of fiscal resources amongst agents, thus being a political choice based on collective preferences, where each country opts for the level of redistribution appropriate to such function. In this logic, it will not be easy to shift this function from the member states to the central level, given the different views that prevail over the role of the nation-states, which have crystallized over time. This view that 'collective preferences' should only matter at the national level, and that solidarity schemes should not be developed at a European level, may appease some more EU-distrustful fringes of the political spectrum, but is an obstacle to one of the drives behind the Treaty of Rome, to "strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions". As Wolf (2017) admits, to better fulfill this function, the supranational (European) level can supplement national tax systems.

Besides, in the EU, the redistribution function has been oriented in recent decades to consolidate the functioning of the single market, since the removal of barriers to economic flows is not neutral in terms of income distribution across the integrated area. The Single European Market created conditions for the free flow of labor, capital, services and products, and the removal of pre-existing obstacles to mobility has generated tensions between countries with different GDP *per capita* levels. In this context, the redistributive function in the EU has focused on supporting the reduction of economic asymmetries between and within countries and is therefore clearly linked to the EU's operation (Aussilloux et.al 2017).

Has the introduction of the euro brought social implications in addition to those of the Single European Market, thus justifying a specific budget for the euro zone? The European Commission has defined the features to be included in the social dimension of EMU (European Commission, 2017b), but has not added much to the rationale of its choice, and we therefore believe that it is useful to go into this issue in some detail. In fact, by removing currency uncertainty within the euro zone, the adoption of the single currency has accentuated and deepened the integration of national markets. Therefore, if we admit that the single market requires a redistributive function, then it will be coherent to concede that such function should be strengthened in countries that share the euro. However, contrary to initial expectations, there is no evidence that, at the level of the euro area, integration of factors, goods and services markets has become higher than vis-à-vis the rest of the EU, or that the euro has strengthened the trade flows between the members of the monetary union (Mika and Zymek, 2018). Even before the financial crisis, trade-related effects appeared to be modest (Tenreyro, 2010) and evidence of the euro promoting migration and labor mobility was also not abundant (Farhi and Werning, 2014).

We also believe that the distributive function is not disconnected from the exercise of the stabilization function in integrated economies. In fact, the members of EMU have their fiscal capacity restrained by the quantitative limits imposed on the shares of public deficits and debts on domestic GDPs, but also by the loss of the possibility of issuing debt in their own currency. The latter makes them more prone to liquidity crises and puts them at the mercy of financial markets, which have the power to force their default. Without the support of the ECB, the liquidity provider and the lender of last resort, members of the euro area cannot guarantee conditions for full debt repayment, as was the case before, when they had the sovereignty over monetary policy and a domestic central bank (De Grauwe, 2011).

The redistributive question to compensate for the uneven effects of the creation of the euro persists, since its members still display diverse and often divergent economic performances, expressively highlighted by the recent crises (De Grauwe, 2016). In fact, adjustment mechanisms to asymmetric shocks are distinct when countries do not control their currency, but in the case of the sovereign debt crisis the means of correcting these imbalances have been ineffective, or nonexistent. Without the instrument of foreign exchange rate depreciation, real adjustment is slow and the high current account imbalances display no visible reversing trend (Kang and Shambaugh, 2016). In such conditions, being able to use the compensatory redistributive function of the budget can make all the difference.

Redistribution can then be assumed as a way of compensating for imbalances of a more or less lasting nature. However, there are political and economic reasons why centralizing this function may not be adequate. At the political level, the possibility of permanent transfers within the EMU may be considered unsustainable by the net contributor countries. Furthermore, permanent transfers can lead to the crystallization of the imbalances they were intended to compensate for. According to Wolf (2017), correcting imbalances should be a priority exercised through more proactive policies and reforms. Thus, support for the implementation of structural reform programs, to facilitate market adjustments or even to strengthen infrastructure endowments, may be relevant.

CONCLUSION

In the twenty years since the adoption of the single currency, social and economic inequality has grown within and amongst its members, economic growth rates have declined and the euro's model of institutional governance has increased in complexity and opacity. Quick and effective reforms are required and a 'road map' has been proposed by EU's main institutions with the objective of deepening economic and monetary integration. Short term plans for completion of the banking union are already being executed but the implementation of a common stabilization function has been relegated as a possible later step. In the meantime, the main focus continues to be on strengthening fiscal countenance rules and promoting the structural reforms that many view as the single way to achieve real convergence and to stimulate competitiveness, and thus as a pre-condition for further integration.

In this context, it is worth noting that after the adjustment programs imposed on some euro area countries have been completed and assessed (Pisani-Ferry et al., 2013), results indicate that the measures to promote competitiveness by lowering production costs, and mainly wages, have been successful in a few cases. Some countries have undertaken labor market reforms to give them flexibility and to promote the liberalization of specific sectors (Auf dem Brinke and Enderlei, 2017). However, the countries more affected by the crises have not as a result attenuated the social impact of the liberalization process. Nor have they improved their long term productivity levels, which would have only been possible through the implementation of active employment policies or the renewal of domestic education and training systems.

According to Rubio (2013), two reasons justify this divergence: first, although reforms are crucial for the sustainability of economic and social adjustment, they are not adequately valued by financial markets, whose perception of risk is often short-term focused; secondly, legislative reforms on the liberalization of the economy are not very demanding in terms of financial resources, contrary to what happens with the labor market or social policy empowerment, which require significant resources and strong coordination of different entities. Thus, scarce resources and poor coordination are decisive for the absence of effective structural reforms, especially in labor markets, justifying specific funding for this dimension.

Therefore, while adjustment programs have solved short-term financial issues, they do not appear to constitute the ideal solution for the greatest problem faced by the more affected countries. Indeed, more than an incentive system to facilitate structural reforms, the euro area would benefit from a temporary financial assistance mechanism to promote more socially demanding adjustments, as advocated by Delors (2013). Such an intervention would be justified because the structural shortcomings of EMU contributed to create financial instability and economic degradation in some of its members. If there had been means available to act on divergences of competitiveness, dramatic situations demanding severe processes of internal devaluation would never have occurred (Caetano and Rico, 2018). The reflections of academics and of EU policy makers since 2012 suggest that there is now a consensual view that an adequate response to the social effects of the crises is the consolidation of the European Single Market - in particular in what concerns the free movement of workers and the strengthening of human capital capacity to respond to the new labor markets' challenges. Auf dem Brinke and Enderlein (2017) even consider that to make EMU viable, there must be a strengthening of investment capacity, in line with broad structural reforms that promote employment, competitiveness and economic growth.

In what concerns adjustment and stabilization, there is currently more institutional support for the economic arguments suggesting that EMU must quickly provide alternatives to what it has taken away and thus that a fully functional central stabilization scheme is required to stop the repetition of crises induced deflationary and impoverishing vicious cycles. Notwithstanding, the much needed euro budget appears to still be too politically unpalatable to become a short-term reality. In the meantime, and taking into account the various proposals already put forward by academics and politicians, it could be efficiently replaced by two funds, distinct in nature, but aimed at providing effective adjustment and stabilization in the aftermath of shocks. One would provide short-term unemployment insurance in non-conditional terms. It could be funded by euro area countries according to their position in the business cycle and would automatically trigger transfers for countries displaying increases in unemployment rates above a defined threshold. The other, funded by already existing (i.e. the European Investment Bank) or specifically created organisms, and/or commonly issued debt, would finance strategic infrastructural investments. Payments would be discretionary and subject to pre-defined conditionality but they would support domestic economic activity following general or geographically specific crises. The two funds avoid permanent transfers between euro area members and may for this reason be more easily accepted than the more controversial euro budget.

Some believe that the creation of a European unemployment protection system should be anchored in a common budget. For instance, Dullien and Fichtner (2013) argue that such a system would have advantages over other types of financial transfers, as it would depend on the trend dynamics of short-term unemployment, triggering automatic transfers dependent on the specific business cycle situation of each domestic economy, and preventing any country from becoming a permanent net beneficiary or contributor. But a specific fund with the same objectives would be comparable in terms of stabilization capacity. Provided that it would also respond immediately to avoid the social impacts of economic shocks, it could ensure a minimum level of social protection.

With few examples to put forward as illustrations of the euro's success, mounting social unrest and increasing support for radical, anti EU, political forces, EMU leaders have to realize that the time allowed for procrastinating is rapidly vanishing. Acknowledgement that the euro governance model is more in need of restructuring than the most problematic single currency members is of essence. Implementation of common stabilization devices should not be dependent on the achievement of convergence because the absence of a common stabilizer is one of the inducers of economic divergence.

Some of EMU's needed reforms will both promote convergence, and help smooth economic activity and maintain citizens' wellbeing when crises occur. As the experience of other currency areas suggest, a common budget would be an efficient way of achieving such benefits. Yet, if some sensibilities remain incapable of accepting it, the two funds to insure short term unemployment and to promote investment would fulfill the same common stabilization function. When the survival of the whole project of European integration may be at stake, the substance of the required stabilization mechanism is more important than its designation. After all, as William Shakespeare put it, "a rose by any other name would smell as sweet".

ACKNOWLEDGMENT

This research was supported by National Funds of the FCT – Portuguese Foundation for Science and Technology within the project: ID/ECO/04007/2019.

REFERENCES

Armingeon, K., & Guthmann, K. (2014). Democracy in crisis? The declining support for national democracy in European countries, 2007–2011. *European Journal of Political Research*, *53*(3), 423–442. doi:10.1111/1475-6765.12046

Auf dem Brinke, A. & Enderlein, H. (2017). How to make sense of the structural reform lists for the euro area. Jacques Delors Institut – Berlin, Policy Paper 184.

Berger, H., Dell'Ariccia, G., & Obstfeld, M. (2018). Revisiting the economic case for fiscal union in the euro area. Retrieved from https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2018/02/20/Revisiting-the-Economic-Case-for-Fiscal-Union-in-the-Euro-Area-45611

Bordo, M., Markiewicz, A., & Jonung, L. (2011). A fiscal union for the euro: some lessons from history. NBER Working Paper No. 17380.

Caetano, J., & Rico, N. (2018). Does the European and economic and monetary union requires a social dimension? In J. Caetano & M. Rocha de Sousa (Eds.), *Challenges and opportunities for the eurozone governance* (pp. 183–202). Nova Science Publishers.

Charbit, C. (2011). *Governance of public policies in decentralised contexts: the multi-level approach*. OECD Regional Development Working Papers, 2011/04.

D'Alfonso, A., & Stuchlik, A. (2016). A fiscal capacity for the euro area? Options for reforms to counter asymmetric shocks. Retrieved from https://infoeuropa.eurocid.pt/files/database/000060001-000061000/000060063.pdfhttp://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_IDA%282016%29589774

Daniele, G., & Geys, B. (2015). Public support for European fiscal integration in times of crisis. *Journal of European Public Policy*, *22*(5), 650–670. doi:10.1080/13501763.2014.988639

Delors, J. (2013). Rethinking the EMU and making greater Europe positive again. Tribune, Notre Europe – Jacques Delors Institute. Retrieved from S. Dullien, & F. Fichtner (Eds.), *A common unemployment insurance system for the euro area. DIW Economic Bulletin*, *3*(1), 9–14.

Eichengreen, B., & Wyplosz, C. (2017). Europe's fiscal conundrum. In A. Bénassy-Quéré, & F. Giavazzi (Eds.), *Europe's political spring: fixing the Eurozone and beyond* (pp. 61–68). London, UK: CEPR Press.

European Commission. (2017a). Appendix 1: A roadmap for deepening Europe's Economic and Monetary Union. Retrieved from https://ec.europa.eu/commission/news/deepening-europes-economic-and-monetary-union-2017-dec-06_en

European Commission. (2017b). *Reflection paper on the deepening of the Economic and Monetary Union*. Brussels, Belgium: European Commission.

European Council. (2012). Towards a genuine Economic and Monetary Union - Report by President of the European Council Herman Van Rompuy. Retrieved from https://www.consilium.europa.eu/media/33785/131201.pdf

Franks, J., Barkbu, B., Blavy, R., Oman, W., & Schoelermann, H. (2018). Economic convergence in the euro area: coming together or drifting apart? IMF Working Papers, WP18/10.

Keller, E. (2018). From Meseberg to nowhere? A Franco-German impetus for the Eurozone. Visions franco-allemandes, 29, Ifri, November.

Krugman, P. (1993). Lessons of Massachusetts for EMU. In F. Torres & F. Giavazzi (Eds.), *Adjustment and growth in the European Monetary Union* (pp. 241–266). London, UK: Cambridge University Press. doi:10.1017/CBO9780511599231.016

Musgrave, R. A. (1939). The voluntary exchange theory of public economy. *The Quarterly Journal of Economics*, *53*(2), 213–237. doi:10.2307/1882886

Oates, W. (1972). *Fiscal federalism*. New York: Harcourt Brace Jovanovich.

Oates, W. (1999). An essay on fiscal federalism. *Journal of Economic Literature*, *37*(3), 1120–1149. doi:10.1257/jel.37.3.1120

Pisani-Ferry, J., Sapir, A. & Wolff, G. (2013). EU-IMF assistance to euro-area countries: an early assessment. Blueprints, Bruegel, number 779.

Rubio, A. (2013). Which financial instrument to facilitate structural reforms in the euro area? Jacques Delors Institut – Berlin, Policy Paper 104.

Vieira, C., & Vieira, I. (2018). The endogeneity of OCA conditions and macroeconomic imbalances in EMU. In J. Caetano & M. Rocha de Sousa (Eds.), *Challenges and opportunities for the eurozone governance* (pp. 19–34). Nova Science Publishers.

Wiener, A., Börzel, T. A., & Risse, T. (2018). European integration theory (3rd ed.). Oxford, UK: Oxford University Press. doi:10.1093/hepl/9780198737315.001.0001

Wolf, G. (2017) Eurozone or EU budget? Confronting a complex political question. Retrieved from http://www.worldcommercereview.com/html/wolff-eurozone-or-eu-budget-confronting-a-complex-political-question.html

Chapter 10
Brexit Dilemma for the UK and the European Union:
Expectations, Feared Scenarios, and Possible Effects

Naib Alakbarov
Usak University, Turkey

Utku Utkulu
https://orcid.org/0000-0002-8419-0598
Dokuz Eylül University, Turkey

ABSTRACT

On June 23, 2016, a referendum took place in the UK with 51.89% of voters voting in favor of the UK's exit from the EU. On March 29, 2017, British Prime Minister Theresa May formally notified the European Council of the intention of the UK to leave the EU in accordance with Article 50 of the EU Treaty. With this declaration of withdrawal, a period of two years contractually stipulated under Article 50 of the EU Treaty for the UK and the other EU-27 states has begun to negotiate an agreement on the details of withdrawal. But it was clear the negotiation process would be difficult because it is expected the UK leaving the EU will have negative effects on both. The postponement of the period of Brexit, which should have been officially realized on March 29, 2019, indicates that both parties want to avoid the unintentional Brexit. This chapter details the Brexit process. The possible effects of Brexit on both sides are investigated and different expectations of the parties from the Brexit process are explained.

INTRODUCTION

On 23 June 2016, a referendum took place in the United Kingdom, with 51.89% of voters (37.44% of electoral register) voting in favor of the United Kingdom's exit from the European Union (Britain + Exit = Brexit). On 29 March 2017, British Prime Minister Theresa May formally notified the European

DOI: 10.4018/978-1-7998-1188-6.ch010

Council of the intention of the United Kingdom to leave the European Union in accordance with Article 50 of the EU Treaty. With this declaration of withdrawal, a period of two years contractually stipulated under Article 50 (3) of the EU Treaty for the United Kingdom and the other EU-27 states has begun to negotiate an agreement on the details of withdrawal. But it was clear from the beginning of the negotiations that the negotiation process would be difficult. Because it is expected that leaving of the UK from the EU will have negative effects both for the EU and the UK. Due to the EU-Treaty, the postponement of the period of Brexit, which should have been officially realized on March 29, 2019, indicates that both parties avoid the unintentional Brexit due to feared scenarios. At the same time, the explanations for the search for return from Brexit have been increasing from both sides. This study aims to explain the Brexit process in detail. In addition to this, the possible effects of Brexit on both sides are investigated and different expectations of the parties from the Brexit process are explained.

WHAT IS BREXIT?

A referendum on Brexit was made on 23 June 2016. 51.9 per cent of those attending the referendum voted in favor of Brexit (about 17.4 million votes were used for the exit of the EU from the EU). 48.1 percent of voters voted in favor of keeping the UK in the European Union (16.1 million votes).

There were large differences in voting behavior among the regions of the country. England and Wales voted in favor of Brexit, and the Scots and Northern Ireland voted to remain mainly in the EU. In England, 46.6 percent of voters voted in favor of the EU and 53.4 percent voted in favor of Brexit (voter turnout 73 percent). In Wales, only 47.5 percent voted in favor of the EU, and 52.5 percent voted for Brexit (voter turnout 72 percent). In Scotland, 62 percent voted in favor of the EU, 38 percent voted for Brexit (voter turnout 67 percent). In Northern Ireland, 55.8 percent of the EU preferred to stay, while 44 percent chose Brexit (63 percent) (Großbritannien, 2016).

WHY DID A PART OF THE BRITISH WANT TO STAY IN THE EU?

The advocates of Britain's EU membership argue above all about the economic benefits that Britain derives from EU membership. However, they also cite security policy and foreign policy arguments (Brexit - Großbritannien verlässt die EU, n.d.).

Economy: EU advocates say that, while Britain is one of the EU's net payers, it does get back much of the invested money - by facilitating trade with other EU member states. In the UK, this would mean lower prices as well as higher investments and the creation of additional jobs.

EU advocates believe that three million jobs in the UK are linked to EU trade. Every day, investors from EU countries invest 66 million pounds sterling (just under 84 million euros) in the UK. The import of cheap goods from the EU would ensure that every Briton could save 350 pounds (445 euros) per year.

Immigration: EU advocates argue that the number of EU immigrants would not automatically decline. As an example, they cite Norway and Switzerland, which are not EU members, but still have a significant number of EU immigrants. (Explanation: Norway is part of the European Economic Area, which governs the free movement of persons, and similar treaties exist between the EU and Switzerland.)

World-Political Validity: the EU supporters say that the UK, in conjunction with the other EU states, can better express its positions than outside the EU.

Labor Market: EU advocates point out that many EU regulations protect workers' rights. For example, EU law guarantees paid maternity leave and the rights of women at work.

WHY BRITAIN VOTED TO LEAVE THE EUROPEAN UNION?

Here are the reasons why some Britons want to get out of the EU (Schmidt, 2016).

1. British History

Many Britons seem to have an instinctive aversion to political influence from mainland Europe. This is deeply rooted in British history.

2. The Resulting Lack of Will to Political Union

Thus, Britain's accession to the European Economic Community took place in 1973, mainly for economic reasons. To date, the British public considers the European Union essentially an economic project.

3. The Resulting Lack of European Identity of Many Britons

Both British history and the communicative behavior of many top British politicians over decades have led to a fundamental lack of European identity for many Britons.

4. The Decades-Long Denigration of the European Institutions, Their Representatives and Their Staff

British history, British leaders' communication behavior and the resulting basic lack of identification with a united Europe have led to an incredible lack of British respect for the European institutions, their representatives and their staff.

5. The Mistakes and Omissions of the British Governments

In addition to the failure of much of Britain's political class, specific mistakes and omissions by a number of British governments are also responsible for the referendum outcome. For example, the British government under Tony Blair introduced no transitional periods for the free movement of workers in 2004 when the European Union opened ten new member states, although many other member states, including Germany and France, did.

6. The Perfidious Demagogy of the Leave Campaign

The Leave campaign has mercilessly exploited people's fear of alienation, alleged loss of control over their own destinies, a worldwide loss of confidence in social elites, and the "Eurosceptic" stance of the British people.

7. The Strategic Mistakes of the IN Campaign

The official IN campaign, on the other hand, has focused primarily on showing the British the economic disadvantages of leaving the country (and especially David Cameron). They were fundamentally lacking in Britain's positive, sustainable vision within the European Union.

8. The Failings of the European Union and Its Citizens

Political leaders, the media and civil society in the European Union have also contributed to the British result.

HOW CAN A COUNTRY LEAVE THE EU?

Since the Lisbon Treaty of 2009, countries can leave the European Union. The exit process is governed by Article 50 of the Treaty of Lisbon. The withdrawal clause of Article 50 grants two years for the divorce talks. It provides the following steps:

- Britain must tell the European Council that it wants to leave the Union.
- The European Council lays down guidelines for negotiating a withdrawal agreement. This is done excluding the UK.
- The EU Commission then negotiates the details of the withdrawal agreement. It also sets out how the EU and Britain will stand after each other's final exit.
- The exit agreement must be approved by the European Parliament and a qualified majority of EU countries (excluding the UK).
- From the day on which the withdrawal agreement comes into force, the EU treaties are no longer for Great Britain.
- If the EU member states and Great Britain cannot agree on a withdrawal agreement, the EU Treaties automatically cease to be applicable no later than two years after the submission of the withdrawal request.

However, since the founding of the European Union in 1993 with the Maastricht Treaty, no Member State has left the European Union apart from Great Britain.

Greenland left the European Community (EC) in 1985, the predecessor of the European Union. The sparsely populated island had become a member of the EC in 1973 as part of Denmark. In 1979, Denmark dismissed the Greenlanders into self-government. In 1982, the islanders then voted against the EC membership - despite high subsidies from Brussels. The reason given was, above all, autonomy for fishing, the most important business sector of the Greenlanders (Pure Dummheit, n.d.).

Greenland became an EU member in 1973 when Denmark was included in the Union, whose name was then the European Communities. However, after the autonomy that came in 1979, the people of the island did not want to be subject to the restrictions of the European Economic Community, particularly fisheries and declared their will to change their relations with Europe as a result of the referendum on 23 February 1983. As a matter of fact, as of February 1, 1985, Greenland has been withdrawn from the European Communities and has become one of the Union member Denmark, and thus the Union, as an

Table 1. Results of the House of Commons on 8 June 2017

Parties	Election Results (%)	Number of MPs (Total: 650)
Conservative Party	42.45	318
Labor Party	39.99	262
Scottish National Party	3.04	35
Liberal Democrats	7.37	12
Democratic Union Party	0.91	10
Sinn Fein	0.74	7
Plaid Cymru	0.51	4
Green Party	1.63	1
Independents	0.45	1
Ulster Unity Party	0.26	-
Social Democrat and Labor Party	0.3	-
United Kingdom Independence Party	1.84	-
Others	0.52	-

Source: UK election 2017: full results, theguardian, https://www.theguardian.com/politics/ng-interactive/2017/jun/08/live-uk-election-results-in-full-2017 (23.01.2019).

overseas territory under the Treaty signed (The overseas land and country status is detailed in the fourth section of the Treaty of Rome, signed in 1957, which regulates the relations between the Community and the territories where the Member States have special relations. These lands are not members of the European Economic Community, so Union law does not apply here). In short, it is legally dependent on North America, but legally it has the status of overseas territory of a European Union member country. He is also a party to the Schengen Treaty because he is bound by Denmark, although he has left the EU[1] (Akçadağ Alagöz, 2009).

BREXIT: A FLASHBACK

June 8, 2017

Early Elections - Conservatives Lost the Majority in the House of Commons

On June 8, 2017, "House of Commons" elections were held in the UK. The election took place despite terrorist attacks on London Bridge and Borough Market on June 3, 2017. Therefore, election campaigns were interrupted for a short period of time (Harper, 2017).

The Conservatives lost the absolute majority, even though they received the most votes. Prime Minister Theresa May did not receive support for a bargaining position strengthened with the rest of the EU, with the loss of the majority (Frankfurter Allgemeine, 2017, June. 6).

June 19, 2017

Brexit Negotiations Start in Brussels

Almost a year after the UK voted to leave the EU, negotiations began in Brussels under Article 50 of the Lisbon Treaty. In a joint statement from the EU and the UK, Michel Barnier, Chief Negotiator of the European Commission, and David Davis, the UK's Minister of Brexit, announced on Monday (June 19th) that they have decided to start negotiations on Article 50 (Brexit Bites, 2017).

Michel Barnier, Chief Negotiator for the EU, and Brexit Minister of the UK, David Davis, stated that they intend to negotiate a friendly separation before the departure of BK in March 2019. Extremely difficult negotiations are expected, and Brussels and London await a tough negotiating marathon. Prime Minister Theresa May's government weakened after the general election on June 8, 2017, making it difficult for the EU to become a negotiating partner of the EU. First, it was necessary to talk about the process and organization of the negotiations. Then three topics should be discussed:

- Civil rights of approximately one million British citizens in the UK and approximately one million British citizens in the remaining 27 EU countries after the UK's departure from the EU;
- The last bill of British EU membership (Brexit Bill);
- -The next situation of the border between the UK member of Northern Ireland and the EU member Ireland;

November 10, 2017

There İs No Agreement on Brexit Negotiations: The EU Presented the Ultimatum

Five months after the start of negotiations on Britain's exit from the EU, key issues could not be reached in the first phase of negotiations. UK payments for joint commitments, guarantees to EU citizens living in the UK, and the future of Ireland's Northern Irish border need to be clarified (Meier, 2017).

EU chief negotiator Michel Barnier said that the EU would not be able to start talks on future relations with the EU as planned in December, unless a general agreement on exit conditions is made within 14 days (Sparrow, 2017).

December 4, 2017

No Progress Has Been Made in Talks Between Prime Minister Theresa May and EU Commission President Jean-Claude Juncker in Brussels

Negotiations on the Irish border have failed, despite the UK's concessions to the rights of EU citizens in the UK and the final bill for British EU membership. What should be the border between Ireland (still EU member) and Northern Ireland after Brexit? The Irish government has made it clear that it will not accept strict rigid border practices. Theresa May's proposal to take private status and continue to abide by EU rules and standards in Northern Ireland led to protests by the Democratic Union Party in Northern Ireland, which supported Brexit. Scotland, Wales and London immediately demanded a special status. As a result, Theresa May ended the negotiations in Brussels (Frankfurter Allgemeine, 2017, Dec. 4).

December 8, 2017

Breakthrough in Brexit Negotiations: Juncker Announces Second Phase

EU and UK negotiations on Brexit reached an agreement at the last minute. The EU gave the UK time to submit a new proposal by 10 December 2017. Following a meeting with Prime Minister Theresa May and EU Commission President Jean-Claude Juncker in Brussels on 8 December, the EU Commission proposed the second phase of the Brexit talks. According to the results of the agreement reached follows (Banks, 2017):

- Border with Ireland

The negotiation of Brexit by the negotiating partners is a guarantee that there will be no hard border practices with Ireland. There will also be no customs clearance between the UK region of Northern Ireland and the island of Ireland. At the same time, Northern Ireland should not be given a special status and should remain an integral part of the UK.

- Clarifying the rights of EU citizens

According to May, the courts in the UK are responsible for clarifying the rights of EU citizens. However, for questions to be resolved, the UK Government and the European Commission may apply to the European Court of Justice. Mutual rights must remain unchanged. Juncker said that the current EU citizens in the UK are certain to continue their lives as before. For example, EU citizens will continue to access health services.

- Financial liabilities

The UK will continue to pay its contributions to the EU budget between 2019 and 2020 as if it were a member. In addition, the UK government needs to share the EU's long-term financial obligations. The amount is expected to reach 50 billion euros.

President of the European Council, Donald Tusk, said that the UK will continue to meet all EU membership requirements. But Britain should not have any say in making decisions.

The heads of state and government of the other 27 Member States, at the EU summit on December 14-15, 2017, must decide whether there is "sufficient progress" in the key issues in the negotiations with the UK. Only then should the second phase be reached in Brexit negotiations. The Commission President officially recommended the 27 Member States to enter the second stage of the negotiations.

The second phase will focus on the close trade relations between the EU and the UK, as well as the transition phase after Brexit for several years.

December 12, 2017

EU Launches Second Phase of Brexit Talks

At the EU summit, the remaining 27 EU countries officially noted that they had made sufficient progress in previous talks with the UK. With this, the EU approved the extension of the negotiations. In the coming period, first a two-year transition phase after Brexit, then the actual exit agreement will be discussed (BBC News, 2017).

March 19, 2018

21 Months Transition Time After Brexit

EU Chief Negotiator Michel Barnier said in Brussels that the EU and the UK have moved to a new phase in Brexit negotiations: an agreement was reached for a 21-month transition period after the UK's departure from the EU in March 2019. During this transition period, the UK will continue to comply with all EU rules and will continue to transfer financial contributions to Brussels as before, but will not have the right to vote in EU institutions. The country will have access to the EU domestic market and will continue to be part of the customs union. Even after the Brexit deadline of 29 March 2019, free movement of persons and the case-law of the European Court of Justice and new EU laws should be applied in the UK. In the transition period, the UK should be allowed to negotiate trade agreements. The transitional rules can only come into force if a contract for the orderly withdrawal is ratified right on time. No solution, however, was found on the Northern Ireland question, the main point is that Ireland has a non-controlled border (Barker & Khan, 2018).

July 9, 2018

Government Crisis in London: Brexit Minister David Davis and Foreign Minister Boris Johnson resigned

Just nine months before the UK's departure on March 29, 2019, the government of Prime Minister Theresa May entered a governmental crisis and Brexit Minister David Davis and Foreign Minister Boris Johnson resigned. On July 6, May had already committed her cabinet to a new exit strategy. The British government had submitted plans for a free trade area between Britain and the EU. In addition, Britain should keep the same rules for goods and agricultural products as the EU. Davis had called for a tough break with the European Union. In his letter of resignation, Davis accused the prime minister of putting the country in a "weak position". The "new trend" of Brexit policy makes it less likely that Britain will leave the Single Market and the Customs Union. Dominic Raab, the former Minister of State for Housing, will now lead the department responsible for the UK's exit from the EU. Raab is considered a staunch Brexit advocate. Boris Johnson, the face of the Brexit campaign and the spokesman for Europe in Britain, resigned on 9 June. Johnson justified his resignation with the fact that he could not support the new line of government. The consequence is that the UK is heading for a Brexit, in which large parts of the economy are integrated into the EU system without having any influence at the same time (Brexit - Großbritannien verlässt die EU, n.d.).

July 12, 2018

UK Presents Brexit's White Book

With the Brexit White book, Theresa May presented a soft Brexit oriented plan. The main element of the UK's proposals is the establishment of a common free trade zone for industrial products and agricultural products between the UK and the EU. For the service sector, for example, for banks and insurance companies, the British wanted to set their own rules. The White Paper also states that the free movement for EU citizens in the UK has ended. The White Paper foresees that EU citizens cannot reside on the island without a residency permit. The plan suggest following proposals (DPA, 2017):

- The plans provide for a free trade zone between the EU and the UK for goods.
- The country wants to continue to comply with European rules and product standards.
- In terms of services, such as banking and insurance, London wants to go its own way and accept that access to the single market will be limited in the future.
- The uncontrolled immigration of EU citizens should come to an end.
- In the future, Britain will no longer want to coordinate with the EU on import duties.
- In order to be able to set tariffs in the future, the country wants to collect two different customs duties at its borders for imports. One for goods intended for the UK market and another for goods brought into the EU. According to the plan, the proposals could be implemented under an association agreement with the EU.

The EU largely rejected the White Book. In the common market, there should be no access to separate sectors. EU chief negotiator Michel Barnier said it could provide a basis for constructive negotiations. According to Barnier, the most important issue for the EU is the protection of the common internal market and the customs union. This includes the indivisibility of the four fundamental freedoms: the free movement of goods, services, capital and persons. But in the really important points, Barnier made it clear, there are hardly any significant progress (Becker, 2018).

November 13, 2018

Agreement on Text Draft

A soft Brexit now seems to be possible. On 13 November 2018, the British government announced its breakthrough in negotiations with the EU. EU negotiator Michel Barnier has meanwhile informed the Commission that a draft exit agreement has been drafted. It had agreed on a political declaration on future relations between the UK and the EU. Nothing is yet known about the content of the draft contract. Only when the Cabinet has approved the text, the British government wants to publish. Neither in the

British Cabinet nor in Parliament, where MPs would have to approve the deal in December, is a majority certain. On November 14, Mays Cabinet agrees after a long discussion. EU Council President Tusk announces a special summit to sign the treaty. Representatives of the 27 EU countries are planning a special meeting in Brussels to study the text (NTV, 2018; DW, 2018a).

November 15, 2018

Agreement on a Draft Brexit-Agreement

The EU and the UK negotiators agreed on a draft Brexit agreement. The text of the treaty for the UK to leave the EU in March 2019 consists of 585 pages.

It is stated that the framework of a future trade agreement will be negotiated with Great Britain in the coming years (Gatzke & Schulz, 2018).

- Transition Period

According to the agreement, in the transition phase, the UK will remain in the EU single market and in the customs union to prevent a sharp break in the economy. The transition period must continue until 31 December 2020, but may be extended if necessary. The UK should continue to recognize EU rules and pay membership fees without having the right to vote in EU institutions.

- EU citizens in the UK / UK citizens in the EU

Three million EU citizens living in the UK and one million British citizens living in the EU have the right to work or study. Health insurance, pensions and other benefits are guaranteed. The same rules apply to citizens arriving in the UK or the EU during the transition period.

- Great Britain's financial commitments

The UK must fulfill all financial obligations during its membership. Thus, it is estimated that 45 billion euros will be transferred to Brussels.

- Ireland - Northern Ireland border

The controversial border between Northern Ireland and EU member Ireland will remain a soft border. With Brexit, both sides want to avoid strict border practices with new controls on people and goods. Therefore, for now, the UK will remain in the customs union with the EU. The final decision will be made by July 2020.

- Future relations

The United Kingdom and the EU will form a single customs association consisting of the EU Customs Union and the UK customs territory until the entry into force of a permanent trade agreement. The UK will thus legally withdraw from the EU Customs Union, but will immediately re-form a customs union with the EU. This is important because it allows Theresa May to claim that Britain is effectively leaving the EU Customs Union. That could reassure some British parliamentarians.

In practice, the agreement implies that there will be no tariffs, no trade quotas and no border controls with regard to the origin of the goods on both sides. This solution is important to the British: because the UK as a whole should remain in a common customs union with the EU, there is no need for an extra taxation on Northern Ireland for customs matters. The border between Northern Ireland and the Republic of Ireland may remain open. It will also allow Britain to start and conclude negotiations with other parts of the world on new free trade agreements during the transitional period. This is only allowed to a third country, but not a member of the EU Customs Union. The UK also undertakes not to undercut EU tariffs in external relations. This guarantees that there will be no additional controls or disruptions to the frontier, especially at the ports of Dover and Calais, as well as at the Irish border.

EU Council President Donald Tusk convened a special summit. The EU Heads of State and Government meeting is scheduled to take place in Brussels on 25 November 2018. In London, several ministers and secretaries of state have resigned in protest against the deal. Among them were Brexit Minister Dominic Raab and Labor Minister Esther McVey. In addition, Northern Ireland Secretary of State Shailesh Vara, Britain's Brexit ministry Suella Braverman, a ministerial aide in the Department for Education Anne-Marie Trevelyan, the parliamentary private secretary to the Ministry of Justice have quited (BBC News, 2018a; Cuddy, 2018).

November 22, 2018

The EU and the UK Brexit Negotiators Have Agreed on a Political Statement on Future Relations

The heads of state and government of the EU should agree to the explanation at the special Brexit summit on 25.11.2018 (Kahlweit, 2018).

- EU and UK representatives have "in principle" agreed on a political statement on future relations.
- Both strive for an "ambitious" and "deep" economic and political partnership. One of the goals is the "creation of a free trade area".
- The nearly two-year transition period following the British exit could be extended for a year or two - until the end of 2022 at the latest.
- The Gibraltar issue and the issue of fishing rights in British waters still needs to be clarified.

The EU and UK Brexit negotiators have agreed on a political statement on future relations. EU Council President Donald Tusk said on Twitter that he had sent the draft statement to the governments of the 27 remaining EU countries. According to the EU Commission, it is already "fundamentally agreed at the political level", and now the heads of state and government still have to agree at the Brexit special summit on Sunday.

British Prime Minister Theresa May defended the Brexit statement in a brief public statement. In the future, Britain will be able to redefine its borders, laws and money, emphasized May.

November 25, 2018

EU-27 Approves Exit Agreement with Great Britain

Following the agreement of Spain and the United Kingdom on the future status of Gibraltar - Spain has a veto right in all future decisions on the area - the EU's 27 leaders signed a withdrawal agreement with the UK on 25 November at the EU special summit in Brussels agreed. Now the British and European Parliament still have to agree. Whether there is a majority of parliamentarians in the British House of Commons for the Brexit deal is uncertain. More than 80 members of the government party have recently spoken out against the agreement. All the opposition parties have said that they will vote against the treaty. In just over four months, Britain is to leave the EU. If no Brexit agreement has been signed then, Britain will leave the EU without any agreements (BBC News, 2018b).

December 10, 2018

Vote in the British House of Commons İs Postponed

The decisive vote in the British House of Commons on the Brexit Treaty scheduled for 11 December 2018 will be postponed. This was announced by Theresa May in Parliament, after it became clear that she would not get a majority. "The agreement would have been rejected by a sizeable majority," said May in Parliament, citing the reservations of some MPs. She wants to renegotiate the Northern Ireland regime with the EU. The EU Commission confirmed that there would be no renegotiation of the agreement (DW, 2018b).

December 12, 2018

Theresa May Remains Prime Minister

British Prime Minister Theresa May won the vote of no confidence in lower house. 200 MPs voted for May, 117 against them. This leaves May chairman of her party and at the same time head of government. Within twelve months no new vote of no confidence can be requested in the group. 48 May critics in the faction around the arch-conservative MP Jacob Rees-Mogg had requested the vote. They are particularly dissatisfied with the May negotiated Brexit agreement with the EU. The biggest issue is the "backstop" clause, which aims to secure an open border between the EU member Ireland and the British Northern Ireland following the exit of Great Britain from the EU. The Brexit hardliners fear that Britain will remain closely tied to the EU even after leaving the country (Zeit Online, 2018).

January 15, 2019

Brexit is Rejected in the House of Commons

Under the European Union's withdrawal 2018 Act, the House of Commons must approve a negotiated withdrawal agreement between the UK and the EU before it can be implemented. At present, the United Kingdom is still planning to leave the EU by 29 March 2019. This deadline was triggered when the UK announced its official withdrawal under Article 50 of the Treaty of Lisbon.

The British House of Commons has clearly rejected the Brexit Agreement. 432 MPs voted against, 202 MPs for it. Tonight they vote on a vote of no confidence against Prime Minister May. British Prime Minister Theresa May has clearly lost the vote on her Brexit agreement. The lower house rejected the agreement negotiated with the EU.

It is the greatest defeat for a British government in recent British history, and for the first time since 1864, that Parliament brings down a government agreement. The outcome had been expected in advance, because many deputies from May's Conservative Party were against the deal (Tagesschau, 2019a; Behles, 2019).

January 16, 2019

Theresa May Received the Vote of Confidence

British Prime Minister May has survived the vote of no confidence in Parliament. 325 MPs voted for the government, 306 against them. May announced immediate talks with the opposition. The British Parliament backed Prime Minister Theresa May the day after the Brexit Treaty was rejected. Despite the failure of the agreement she negotiated with the EU, May remains in office. "I am ready to cooperate with every member of the House," the Prime Minister said after the vote. It now has until Monday to bring Parliament a Plan B on Britain's exit from the EU. Before that, she wants to consult with the other parties in the lower house.

May explained that a way had to be found at Brexit, which is also backed by parliament. The talks begin in the evening. "I believe that, everyone in this House is committed to leaving the EU." Opposition leader Jeremy Corbyn demanded that the government now make it clear that there was no unregulated exit from the EU (Tagesschau, 2019b).

January 21, 2019

Plan B Is Like Plan A

Theresa May presented her "Plan B" to the Brexit Agreement in the British House of Commons. May had stated in the British Parliament that she wanted to re-negotiate the difficult issue of Ireland with all parties and the EU. Everything revolves around the guarantee of an open border between the EU state of Ireland and the British Northern Ireland, the so-called backstop. May had also rejected demands to exclude a Brexit without agreement. In the former trouble-free region of Northern Ireland, it has been largely peaceful since the Good Friday Agreement of 1998. One of the reasons for this success is that the border between Ireland and Northern Ireland, which is part of Great Britain, is open. Brexit could lead to a hard border between Northern Ireland and Ireland and jeopardize peace. Opposition leader Jeremy Corbyn announced that his Labor Party would bring a number of petitions to Parliament (Tagesschau, 2019c).

January 29, 2019

British House of Commons Rejects No-Deal-Brexit

The majority of the British House of Commons opposed an EU exit without agreement. Theresa May had previously backed the proposal and promised to reopen the Brexit agreement with the EU. Parliament wants to renegotiate the guarantee of an open border in Ireland in the Brexit deal with the EU. The backstop, the guarantee of an open border between Northern Ireland and Ireland, is to be replaced by "alternative arrangements". So far, the EU rejects changes to the Brexit deal, but is open to postponing the Brexit date of 29 March (Euronews, 2019).

February 14, 2019

May Loses Again Brexit Vote in the Lower House

British Prime Minister Theresa May has again lost a Brexit vote in parliament. The deputies rejected by 303 to 258 votes from the Government application, which should confirm both a mandate for renegotiation of the Brexit deal and a rejection of the EU exit without agreement. Conservative MPs had announced they would vote against the government's proposal before the vote because they wanted to get the option of leaving the EU without an agreement.

Two weeks ago, MPs gave May an order to renegotiate the agreement with the EU. The Prime Minister had backed the new application. Although May is not forced by the current vote to change the course. But the decision of Parliament weakens its position in the negotiations with the EU.

A Prime Minister spokesman said after the defeat in parliament, May will continue to work to bring about changes to the EU's exit treaty. "The government continues to pursue this goal to ensure a timely withdrawal from the EU on 29 March," said the spokesman. May announced a third round of voting for the 27th of February (Zeit Online, 2019a).

Table 2. Which Brexit amendments were passed?

Amendment	Tabled by	Calls for	Rejected/ Accepted
A	Jeremy Corbyn	parliament to consider options to prevent a no deal Brexit, including a permanent customs union and second referendum.	X
O	Ian Blackford	the government to seek an extension to Article 50, rule out a no deal Brexit and not take the people of Scotland out of the EU against their will.	X
G	Dominic Grieve	lawmakers to have the opportunity to debate their own Brexit proposals on certain days in February and March.	X
B	Yvette Cooper	control of the Brexit process to shift to parliament, could see request to extend Article 50 if parliament does not approve deal by February 26.	X
J	Rachel Reeves	the government to request the extension of Article 50 if parliament has not approved a deal by February 26.	X
I	Dame Caroline Spelman	a no-deal Brexit to be ruled out.	✓
N	Sir Graham Brady	the Irish backstop to be replaced with alternative arrangements	✓

Source: UK MPs say they want a new Brexit deal. EU says ‘No’, 29.01.2019, https://www.euronews.com/2019/01/29/watch-live-uk-parliament-votes-on-brexit-amendments (28.04.2019).

February 26, 2019

May Offers Shift of Brexit

British Prime Minister May has offered a postponement of Britain’s exit from the EU. In a speech in parliament, she said a “short and limited” respite would be possible if there was no majority in the House of Commons for another solution by mid-March (MDR Aktuell, 2019).

Prime Minister Theresa May announced in a statement to the House of Commons a three-step strategy that could bring Brexit’s postponement. So far, May had always excluded a shift in Brexit (Marquardt, 2019).

First: On 12 March, it will once again put the exit agreement negotiated with the EU to a vote in the House of Commons. It will put the EU-negotiated resignation agreement, which had failed in January, once again in the House of Commons to vote.

Second: If the agreement does not get a majority again, the government will ask the lower house of the Parliament on March 13 if they would accept an unregulated resignation on March 29. Only if the lower house says yes, Britain will leave the EU without a deal.

If the lower house says no to a hard Brexit, she wants to ask on March 14 for the approval of Parliament to postpone the resignation limited. However, this shift would then have to be agreed by the EU, which is likely. Thus, the “No Deal” -Brexit on March 29 would be off the table for now, a solution for a later exit but still not reached. May now called the end of June as a new deadline. It should only be a short extension.

March 11, 2019

The EU Makes Concessions to the Controversial Backstop

On the eve of the renewed vote on the withdrawal agreement in the British Parliament, Brussels and London have signed a new supplementary declaration to the Treaty. By the end of 2020, a substitute solution for the particularly controversial "backstop" emergency clause will be negotiated on the border between the EU member Ireland and Northern Ireland.

The EU is committed to starting work on alternatives to backstop as soon as possible. The declaration now provides that Britain may also call an arbitral tribunal to be released from the backstop and thus from the customs union with the EU. Britain can now be sure that it will not be permanently forced into a customs union with the EU, Theresa May said (Brexit - Großbritannien verlässt die EU, n.d.).

March 12, 2019

British Parliament Rejects the Brexit Deal Again

May had hoped that the EU's renegotiations on Monday (11.03.2019) could bring her a majority vote in the evening's parliamentary vote. May and Juncker presented on Monday evening three points to convince the skeptics:

- A "common tool" that allows the United Kingdom to seek arbitration and exit from the backstop if the EU purposely tries to keep the UK permanently inside it by failing to do so in good faith to negotiate a new trade agreement.
- A "Joint Statement by the United Kingdom and the EU" has been attached to the Political Declaration dealing with future relations. This requires both sides to look for alternative rules for the Irish border to replace the backstop by December 2020.
- The UK government will come up with its own "unilateral statement" stating that Britain will not stop taking steps to override the backstop should EU-UK relations collapse.

The British House of Commons once again rejected the Brexit agreement negotiated with Brussels despite minor improvements. With 391 to 242 votes, the deputies voted against the contract. Theresa May had already failed with her deal on 15 January in the British House of Commons. Thus, 17 days before the planned Brexit it is completely unclear whether and under what circumstances Britain will actually leave the Union. The EU stated that it regrets the outcome of the vote. The risk of leaving without an agreement was now "significantly increased," said a spokesman for EU Council President Donald Tusk. If Britain decides to extend Article 50, the EU will decide unanimously. However, one expects a "credible reasoning," it said (Zeit Online, 2019b).

March 13, 2019

British Commons Rejects Brexit Without Agreement

Two weeks before the planned Brexit, the British Parliament voted against leaving the EU without an agreement. 321 MPs were in favor of excluding Brexit without an agreement, 278 parliamentarians voted against. Head of Government Theresa May announced immediately after the vote that she wanted Parliament to vote for a third time on 20 March on the agreement that she had negotiated with the EU on Brexit. If the agreement is approved, May would therefore ask the EU leaders for a short reprieve for Brexit until June 30 (SRF, 2019).

March 14, 2019

The House of Commons Wants Extension of Time

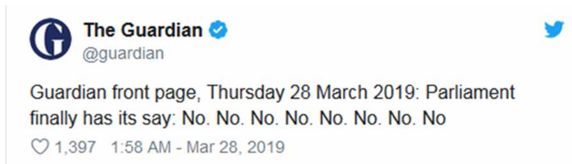
The UK Parliament voted by a clear majority for a delay of the EU exit 29 March 2019. The MPs voted in London with 412 to 202 votes for a time extension. However, the extension of the withdrawal period, which has now been decided upon, can only be implemented if all 27 EU member states approve. British Prime Minister Theresa May is now asking the EU to postpone the Brexit for three months. However, May will only apply for the extension until the end of June if the lower house accepts its controversial Brexit deal on March 19 at the third attempt. A second referendum on the withdrawal of Great Britain from the EU had previously rejected the MPs. Only 85 deputies wanted to vote again on the whereabouts, 334 MPs were against it. EU Council President Donald Tusk wants to promote a long delay in Brexit in the European Union (Rovnick, Noble, & Thomas, 2019).

March 21, 2019

The EU Has Approved a Postponement of Brexit by 12 April 2019

At the EU summit on 21 March 2019, the remaining 27 EU countries agreed to postpone Brexit. However, only for two weeks and not as desired by Prime Minister Theresa May three months. This means there will be a short Brexit delay until May 22, 2019, assuming the lower house approves the withdrawal agreement in the last week of March. If Parliament does not do so, the extension will only apply until 12 April 2019. Then Britain will have to decide whether to take part in the European elections and request a longer shift by the end of the year or accept a disorderly exit. The danger of the no-deal Brexit is not banished and in the coming week follows again a fateful vote in the British House of Commons (Dikov, 2019).

Figure 1.
Source: The Guardian, 'I'm off': How the papers covered May's resignation offer and the indicative votes, 28.02.2019, https://www.theguardian.com/politics/2019/mar/28/im-off-how-the-papers-covered-mays-resignation-offer-and-the-indicative-votes (30.04.2019).



March 23, 2019

Brexit Opponents Mobilize

Resistance of Brexit opponents on the road ahead of the crucial week is increasing. According to the organizer "People's Vote", more than one million people took part in an anti-Brexit demo in London on March 23. The demonstrators called for a second referendum in which citizens are allowed to vote on the now negotiated Brexit deal. An online petition for the UK's survival in the EU has reached just under five million signatories in just a few days (BBC News, 2019a).

March 27, 2019

British Parliament Rejects All Brexit Variants

There is no end to the chaos in the British House of Commons: MPs voted on eight possible alternatives to find out which of them could reach a majority. The result: The lower house rejected all eight possibilities. Once again they voted against leaving without agreement. The narrowest proposal was that Britain should remain in a customs union with the EU after Brexit: 264 MPs voted in favor, 272 against. More MPs were in favor of holding a referendum on the Brexit withdrawal agreement: 268 were in favor, 295 against (Walker, 2019).

The British House of Commons has rejected all alternative proposals to the Brexit Agreement[2] (Iser et al., 2019, March 27):

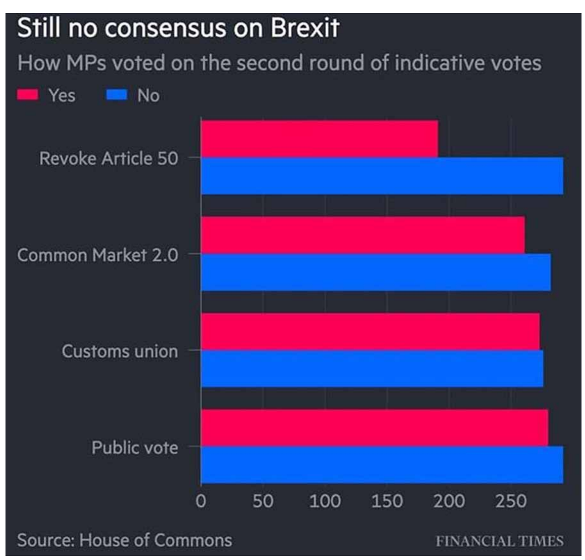
- No Deal - 160 for and 400 against: Britain is due to leave the EU on April 12 without any agreement.
- Soft Brexit - 188 for and 283 against it: Britain should remain closely tied to the EU, including membership in the internal market and customs union.
- Norway model - 65 for and 377 against it: Great Britain, like Norway, should remain a member in the internal market, but not in the customs union.
- Customs Union ll - 264 for and 272 against: Britain should remain in a customs union with the EU.
- Customs Union and closer integration with the single market - 237 for and 307 against: Britain should remain in the Customs Union and follow the rules of the internal market (official Labor proposal).

Figure 2.
Source: İngiltere'de tarihi Brexit oylaması: 202'ye karşı 432 oyla reddedildi, 15.01.2019, https://tr.euronews.com/2019/01/15/ingiltere-de-tarihi-brexit-oylamasi-basliyor-anlasma-neleri-iceriyor#;

Grafik: UK House of Commons

- Brexit revocation against a No Deal - 184 for and 293 against: If two Brexit Agreements are not adopted by two sitting days before leaving the EU, the government must hold a vote on whether the country should leave without a contract. If that is rejected, London should withdraw its resignation.
- Second referendum - 268 for and 295 against: The Brexit agreement is to be presented before the exit of the population in a second referendum.
- Transition phase without agreements - 139 for and 422 against: After the EU-Exit Britain is to keep the benefits of EU membership for the time being, until the new relations are negotiated.

Figure 3.
Source: No! No! No! No! No! No! No! No! Commons votes down EIGHT different Brexit proposals - including second referendum AND no deal - leaving EU exit plans mired in new level of chaos, https://www.dailymail.co.uk/news/article-6855167/Labour-not-Remain-party-Senior-Corbyn-ally-sparks-party-chaos.html (10.05.2019).



March 29, 2019

British Parliament Rejects Brexit Agreement Again

The British House of Commons has rejected the government's exit treaty for the third time. Only the exit agreement had been voted on, but not the political declaration on future relations, which was also negotiated with the EU. 344 MPs voted against the contract, 286 for. Now, the UK government must tell the EU by 12 April how to proceed with Brexit. The hard Brexit is approaching. EU Council President Donald Tusk convened a special EU summit on 10 April after the No vote in London (Spiegel Online, 2019).

April 1, 2019

Unterhaus Again Rejects All Brexit Alternatives

Also in the second attempt, the British Parliament had failed to agree on an alternative to the withdrawal agreement of Prime Minister May. The vote in the lower house included four alternatives to the Brexit deal: two options for closer ties to the European Union, the proposal for a second referendum, and the plan to cancel Brexit if necessary, in order to avoid leaving without agreements. The lower house rejected all four proposals (Kirby, 2019):

C) Customs Union (273/276);
D) Common Market (261/282);
E) Second referendum (280/292);
G) Brexit cancellation if no deal until 10.4. (191/292);

April 3, 2019

Brexit- Postponement

The British House of Commons approved a law on Wednesday that would oblige the government to postpone Brexit further. The bill went through all three readings in the lower house in just one day. He was accepted in third reading with 313 to 312 votes. But before he becomes law he has to be sanctioned by the House of Lords (DW, 2019).

April 11, 2019

Brexit Is Being Moved

The hard Brexit on the 12th of April is averted for the time being. At their EU special summit in Brussels, 27 EU leaders agreed to postpone Brexit after an eight-hour session. The EU gives Britain a delay, as requested. However, it is longer than the British wanted: instead of leaving the EU on June 30, as suggested by Theresa May, the new official exit date is October 31, 2019. The British parliament passes the exit agreement sooner, and will do so by the Ratified by the EU, the Kingdom is leaving the EU the first of the following month. If the agreement is not ratified by the House of Commons by May 22, Britain must attend the European elections from May 23 to 26 (BBC News, 2019b).

ALTERNATIVES TO THE EU MEMBERSHIP AND THEIR CONSEQUENCES

The following are the models of cooperation for post-Brexit of the UK-EU relations (OECD, 2016). European Economic Area (EEA) - Examples: Iceland, Norway and Liechtenstein; Characteristics - contributions to the EU budget- free movement of goods, capital, services and people- outside the EU Customs Union- very limited influence on regulation;

1. European Free Trade Association (EFTA)- Example: Switzerland; Characteristics- - contributions to the EU budget- requires trade agreements with individual EU countries and across industry sectors- no passporting rights for banks- outside the EU Customs Union- very limited influence on regulation;
2. Customs union – Example: Turkey - tariff-free access to most of the EU Single Market, except for financial services- adoption of EU external tariffs for non-EU trade- very limited influence on regulation;
3. Free Trade Agreement- Example: Canada: - mostly tariff-free Single Market access, but compliance needed with EU standards and product regulations- no full access for services and no automatic passporting rights for banks;
4. World Trade Organization - Most- Favoured Nation- - trade with the EU subject to the EU's common external tariff;

By and large, three scenarios for future trade relations between the EU and the UK outside the EU are conceivable (Erken, Hayat, Heijmerikx, Prins, & deVreede, 2017).

1. "soft" Brexit: The UK continues to be fully involved in the European single market and the costs of trade arise only from non-tariff barriers as the UK leaves the Customs Union.
2. Bilateral Free Trade Agreement (FTA): Tariffs on products are expected to remain zero, but the increase in non-tariff barriers will be greater than in the soft scenario. Services can no longer move freely.
3. "Hard" Brexit: The negotiations between the EU and the UK fail in this scenario, and the UK is leaving the EU without a trade agreement. The WTO agreements form the basis for the hard Brexit scenario. The United Kingdom is expected to copy the EU's WTO tariff and quotas systems.

The results show that a hard Brexit would cost the UK's growth by 18% by 2030 compared to a situation where the UK would continue its EU membership. In absolute terms, this represents a cumulative amount of £ 400 billion, which is £ 11,500 per British worker. The economic damage in the FTA and soft-brexit scenarios is lower than in the hard Brexit scenario, although by 2030 the UK economy will

Table 3. Alternatives to EU membership and their consequences

		Norway (EEA)	Switzerland	Canada	Turkey	WTO
Single Market	Tariffs on UK exports of industrial products to the EU	No	No	No, with transitional rules	No	Yes
	Costs by customs clearance	Yes	Yes	Yes	No	Yes
	Rising trading costs due to rules of origin	Yes	Yes	Yes	No	No
	Free movement of persons	Yes	Yes[1]	No	No	No
	Free movement of capital	Yes	Yes	Partially	No	No
	Free movement of services	Yes	Partially	Partially	No, GATT rules	No, GATT rules
Negotiation of Free Trade Agreements		Yes	Yes	Yes	Yes	Yes
Regulatory autonomy		very limited	limited	Yes	Yes[2]	Yes
Influence on EU regulations		No	No	No	No	No
Financial contributions		Yes	Yes, partially	No	No	No

Notes: 1) Switzerland wants to limit freedom of movement; 2) Turkey needs to apply EU foreign trade policy.

Source: Berthold Busch and Jürgen (2016). Ökonomische Konsequenzen eines Austritts aus der EU, Am Beispiel des Brexits, Institut der deutschen Wirtschaft Köln, https://www.iwkoeln.de/fileadmin/publikationen/2016/319476/IW_Analyse_112_2016_Brexit-Konsequenzen.pdf (08.04.2019).

still cost around 12.5% and 10% of GDP growth, respectively. This equates to £ 9,500 (FTA) and £ 7,500 (soft) per British worker during this period.

The Netherlands is an important trading partner of the United Kingdom. A Brexit will therefore hurt the Dutch economy more than the EU average. A hard Brexit will lead to long-term GDP losses between 3.5% and 4.25%. This corresponds to around EUR 25 billion - EUR 35 billion or EUR 3250 - EUR 4 000 per Dutch worker. The negative impact on euro area GDP growth in 2024 is about 2% in all three Brexit scenarios.

If the UK leaves the EU, two results emerge: either the contribution of other countries to the EU budget should be increased, or the expenditure should be reduced (BPB, 2018).

From the difference between the financial benefits paid by the individual Member States to the European Union (EU) and the benefits they receive from the EU, Member States consider either a positive balance (net recipient) or a negative balance (net contributors). However, there are many factors that unevenly affect states' spending and revenue. For example, coastal countries with international ports, such as the Netherlands, incur significant customs duties on imported goods that are passed on to other Member States. Other states - such as Belgium - receive reimbursements for the seat of large EU institutions. The "operational budget balances" calculated by the European Commission allow for a comparison that largely excludes these factors.

Table 4. Some consequences of Brexit

	Bremain	Hard Brexit	Free Trade Agreement	Soft Brexit
	The UK decides not to leave the EU	The UK leaves the EU without a trade agreement	The UK negotiates a new FTA, similar to the FTA between Switzerland and the EU	The UK remains part of the Single Market but does leave the Customs Union
Trade barriers		+11%	+6%	+3%
R&D investments	152 billion £ in 2030	-12%	-9%	-5%
Labour migration (mln. employees)		-1.3	-0.7	-

Source: The permanent damage of Brexit, https://economics.rabobank.com/publications/2017/october/the-permanent-damage-of-brexit/ (10.04.2019).

According to the European Commission and based on the respective gross domestic product (GDP) of the states, in 2017 Germany was the largest net contributor to the EU. Germany's negative balance was 0.32 percent of GDP. This was followed by Sweden (minus 0.29 percent), Austria (minus 0.25 percent), Denmark (minus 0.24 percent) and the United Kingdom (minus 0.23 percent). On the other hand, the largest net recipients in 2017 were Lithuania (3.14 per cent of GDP), Bulgaria (2.92 percent) and Hungary (2.66 percent), as well as Greece and Estonia (plus 2.10 percent), (plus 2.09 percent).

A slightly different order arises when the operational budget balances are related to the respective population of the Member States. With an average of € 139 per person, 2017, nobody paid as much to the EU as the citizens of Sweden. In second and third place were Germany (129 euros) and Denmark (122 euros). Austria (€ 106) also made more than € 100 per capita to the EU. By contrast, Lithuania and Estonia received € 451 and € 357 per capita from the EU, respectively. And in Greece and Hungary (348 and 321 euros, respectively), the positive budget balance in 2017 was more than 300 euros per capita.

In terms of absolute figures, Germany once again ranks first among all EU Member States in 2017: Germany's negative balance was 10.7 billion euros. This was followed by the United Kingdom (minus 5.3 billion euros), France (minus 4.6 billion euros), Italy (minus 3.6 billion euros) and Sweden (minus 1.4 billion euros). On the other hand, in terms of absolute numbers, Poland (+ 8.6 billion euros), Greece (+ 3.7 billion euros), Romania (plus 3.4 billion euros), Hungary (plus 3.1 billion euros) Euros) and the Czech Republic (plus 2.5 billion euros) are the largest net recipients.

In the optimistic scenario, total income declines by 1.28%, largely due to current and future changes in non-tariff barriers. Non-tariff barriers play a specially important role in restricting trade in services. The United Kingdom is a major exporter in this area. In the pessimistic scenario, the total loss of income increases to 2.61%. Expressed in terms of cash, the Brexit for the average UK household is £ 850 per year in the optimistic scenario and £ 1,700 per year in the pessimistic scenario.

Table 7 shows that unilateral liberalization reduces the cost of Brexit by 0.3 percentage points in both scenarios. The overall effect of Brexit, however, is still negative.

Table 8 shows the economic impact of Brexit under according to different scenarios of different studies. These scenarios are as follows.

- EEA – the UK remains a member of the EU Single Market, and thus no tariffs are imposed on goods traded between the UK and the EU, provided that goods meet UK and EU rules of origin.

Table 5. Net payer and net receiver: budget balances of the Member States of the European Union (EU), 2017

States	Operational budget balances according to the European Commission		
	Share of GDP, in percent	Euro, per capita	in million euros
Germany	-0.32	-128.9	-10,675.4
Sweden	-0.29	-138.7	-1,403.5
Austria	-0.25	-105.8	-933.1
Denmark	-0.24	-121.5	-702.6
United Kingdom	-0.23	-80.7	-5,345.1
Italy	-0.21	-59.2	-3,577.8
France	-0.20	-68.0	-4,569.3
Netherlands	-0.19	-81.0	-1,391.6
Belgium	-0.16	-62.7	-715.7
Finland	-0.12	-50.0	-275.4
Ireland	-0.07	-35.7	-172.6
Luxembourg	0.04	23.1	13.9
Spain	0.06	15.6	729.4
Cyprus	0.27	58.8	50.8
Slovenia	0.34	70.2	145.1
Croatia	0.55	63.8	261.9
Malta	1.00	220.1	104.7
Slovakia	1.17	180.0	979.6
Portugal	1.29	236.8	2,437.2
Czech Republic	1.37	233.7	2,479.5
Romania	1.85	173.2	3,380.9
Poland	1.92	225.6	8,565.9
Latvia	1.98	272.6	527.3
Estonia	2.09	357.1	471.1
Greece	2.10	348.3	3,740.7
Hungary	2.66	320.9	3,137.5
Bulgaria	2.92	208.7	1,471.3
Lithuania	3.14	450.5	1,265.5

Source: Europäische Kommission: EU-Haushalt 2017 – Finanzbericht; Eurostat: Online-Datenbank.

- FTA – the UK and EU sign a comprehensive FTA, which reduces tariffs on goods traded between the UK and EU to below the EU's current MFN rates. The EU's guidelines state that it would want tariff-free trade; however, some studies model scenarios in which some tariffs remain.
- WTO rules – the UK and EU trade with each other in future under WTO rules, with each imposing MFN tariffs on the other. The UK is assumed to continue to levy the same MFN tariffs as the EU currently does.

Table 6. The effects of Brexit on UK living standards

	Optimistic	Pessimistic
Trade Effects	-1.37%	-2.92%
Fiscal benefit	0.09%	0.31%
Total change in income per capita	-1.28%	-2.61%
Income change per household	-£850	-£1,700

Notes: Optimistic scenario: Increase in EU/UK Non-Tariff Barriers (+2%) + exclusion from future fall in NTB within EU (-5.7%), saving of 17% of 0.53% lower fiscal transfer. Pessimistic scenario: MFN Tariff + increase in EU/UK Non-Tariff Barriers (+6%) + exclusion from future fall in NTB within EU (-12.8%), saving of 0.31% net fiscal transfer.

Source: Dhingra, S., Ottaviano, G. I., Sampson, T., & Reenen, J. V. (2016). The consequences of Brexit for UK trade and living standards, Centre for Economic Performance, http://personal.lse.ac.uk/sampsont/TradeLivingStandards.pdf.

- Unilateral free trade (UFT) – the UK is assumed to face EU MFN tariffs for any goods sold to the EU, but the UK government unilaterally abolishes all tariffs on imported goods (from the EU and all other countries).

WHAT IS BACKSTOP?

In the UK, not only the opposition, but the conservative Democratic Union Party (DUP) of Northern Ireland, which supports the government externally, and a large number of MPs from the ruling Conservative Party in the UK are strongly opposed to the arrangement described as backstop in the Brexit agreement. What is included in the Backstop arrangement is described below.

At Brexit, “backstop” means a safety net for the Irish island. After Brexit on 29 March 2019, Ireland will remain in the EU, but not Northern Ireland, it will then belong only to Britain. Brexit will create an external border of the European Union on the Irish island. Normally border guards inspect goods and persons at such borders, there are barriers and border fences. But this is precisely what should not happen on the historically sensitive border, so that old conflicts between Northern Ireland and Ireland do not rekindle. This is exactly where the backstop becomes important. It said that if the European Union and Britain fail to put in place a common trade agreement during the transitional phase, then the whole of the United Kingdom in the customs union of the European Union and Northern Ireland will remain in the single European market. Thus, free movement of goods should be guaranteed and border controls

Table 7. The effects of Brexit and unilateral trade liberalization on UK living standards

	Optimistic	Pessimistic
Trade Effects	-1.37%	-2.92%
Fiscal benefit	0.09%	0.31%
Unilateral liberalisation	0.30%	-0.32%
Total change in income per capita	-0.98%	-2.29%

Source: Dhingra, S., Ottaviano, G. I., Sampson, T., & Reenen, J. V. (2016). The consequences of Brexit for UK trade and living standards, http://personal.lse.ac.uk/sampsont/TradeLivingStandards.pdf.

Table 8. Uncertainty around the central projections for the economic impact of Brexit

Study	EEA	FTA	WTO	UFT
Rabobank	-10 (-8.4 to -11)	12.5 (-11.3 to -13.7)	-18 (-18 to -18.5)	-
CEP dynamic	(-6.3 to -9.5)	-	-	-
CPB dynamic	-	-5.9	-8.7	-
Treasury	-3.8 (-3.4 to -4.3)	-6.2 (-4.6 to -7.8)	-7. 5 (-5.4 to -9.5)	-
HMG	-1.6 (-0.6 to -2.6)	-4.8 (-3.1 to -6.6)	-7.7 (-5.0 to -10.3)	-
CPB Static	-	-3.4	-4.1	-
RAND	-1.7	-1.9	-4.9	-
NIESR	-1.8 (-1.5 to -2.1)	-2.1 (-1.9 to -2.3)	-3.2 (-2.7 to -3.7)	-
Oxford Economics	-	(-0.8 to -2.3)	(-1.5 to -3.9)	-
PwC	-	-1.2	-3.5	-
CEP Static	-1.3	-	--2.7	-2.3
Ciuriak	-1.0	-	-2.8	-
Bertelsmann	-0.6	-	(-1.6 to -3.0)	-
Open Europe	-	- 0.8	-2.2	+1.6
EFT				+4

Note: CEP - Centre for Economic Performance; CPB – Netherlands Bureau for Economic Policy Analysis; Treasury - HM Treasury; HMG – HM Government; RAND - RAND Corporation; NIESR – National Institute of Economic and Social Research; PwC- PwC United Kingdom; Ciuriak- Ciuriak Consulting; Bertelsmann – Bertelsmann Stiftung; EFT – Economists for Free Trade;

Source: Tetlow, G., & Stojanovic, A. (2018). Understanding the economic impact of Brexit. Institute for Government. https://www.instituteforgovernment.org.uk/sites/default/files/publications/2018%20IfG%20%20Brexit%20impact%20%5Bfinal%20for%20web%5D.pdf (03.05.2018).

prevented. The "backstop" is unlimited. It applies as long as there is no common trade agreement between the EU and the UK. And: He cannot be terminated from one side. The transitional phase after Brexit is scheduled for the end of 2020, just under two years after Britain withdrew from the EU. It could be extended until 2022. According to this, the EU and Britain have just under two, but no more than four years, to conclude a joint trade agreement. Critics doubt that time will suffice. Because with other free trade agreements, it took much longer until they were ready for signing. The worry of many Britons is that as the United Kingdom, they are stuck in the customs union of the European Union for a long time. This means that Britain should not conclude any new trade agreements with other countries in the world and would have to continue to comply with EU rules long after Brexit. The Brexit supporters do not want that and therefore go against the "backstop" on the barricades. For the EU, the "backstop" is a nice thing. Because the free movement of goods is guaranteed and the EU member Ireland is protected (Bensch, 2019).

CONCLUSION

When Cameroon took a decision on the Brexit referendum, he did not want the result of the referendum to occur in this way. It is clear that Brexit will have many effects for both the EU and the UK.

There are many predictions about how expensive the EU exit can be for the British. Federal Agency for Civic Education in Germany summarize these results (Theurer, 2016). The economic impact is strongly related to Britain's future relationship with the EU. However, among the economists, negative predictions are clearly seen in the majority. By the end of the decade, about 950,000 jobs would be lost in the UK, according to the CBI employer organization. The economic cost of Brexit can reach 100 billion pounds (around 130 billion euros). There are even far-fetched predictions: the Bertelsmann Foundation's research with the Munich economic research institute, Ifo, is important here. In this study, it is concluded that Brexit could cost even the British up to 300 billion euros in the long term. A study by the London School of Economics and Political Science (LSE) predicted that Britain would experience a similar decline after the 2008-9 global financial crisis. The OECD also sees possible Brexit in a negative light: Depending on the scenario, Brexit will cost 1500 to 5000 pounds (equivalent to 1900 to 6500 euros) for each British household in the future. For this reason, the UK will lose its free access to the domestic market and face new obstacles to trade with third world countries where the EU has already established free trade agreements. "A Brexit would be a big negative shock to the British economy, with economic consequences for the rest of the OECD, especially other European countries." In some ways, Brexit would equate to a tax on gross domestic product that would impose permanent and rising costs on the economy." says the study. But also among the economists are advocates of a Brexit. These include the Economists for Brexit, a group of eight British economists, including Patrick Minford, a professor of applied economics at Cardiff University, and Gerard Lyons, adviser to former London mayor Boris Johnson. "We have more faith in the UK's ability to achieve longer-term economic success with a Brexit than would be the case in an EU where reforms are unlikely and which is likely to become more centralized," it says the report that the eight economists published. They forecast economic growth of 3.4 percent in 2020, should it come to Brexit, compared to growth of 2.5 percent, should Britain remain in the EU. The lost EU membership fee would be used according to its model to reduce the income tax. They also expect major benefits from the removal of EU legislation. However, there are doubts about how many EU rules would actually be dropped if the EU is to remain as a trading partner. According to the Economists for Brexit, Britain would not negotiate a new agreement on trade relations with the EU after Brexit. Instead, Britain should be guided by the rules of the World Trade Organization (WTO) in foreign trade alone. However, analysts also point to an analysis by the British Ministry of Finance and Economy, according to which the WTO model was the worst. This study expects an annual loss of 5200 pounds (equivalent to 6800 euros) per household. Another optimistic estimate comes from the London think tank Open Europe. It also considers scenarios in which the country outside the EU could do better economically. However, the problem is that, realistically, it can only be expected if the UK remains an open economy and continues to accept the unpopular immigrants in large numbers.

Here, it is useful to mention a statement made by Stiglitz about Brexit (Stiglitz, 2016). According to Stiglitz, the first goal of every EU government should be to improve the well-being of ordinary citizens. More neoliberal ideologies will not help. And now we shouldn't confuse the tools for purposes. For example, free trade can bring more shared prosperity when managed well. But if it cannot be managed well, it will certainly reduce the living standards of many - probably the majority - of the citizens.

REFERENCES

Akçadağ Alagöz, E. (2009). Avrupa Birliği ve Grönland. Retrieved from http://www.bilgesam.org/incele/805/-avrupa-birligi-ve-gronland/#.XLubithS-M9

Aktuell, M. D. R. (2019). Großbritannien: May bietet Brexit-Verschiebung an. Retrieved from https://www.mdr.de/nachrichten/politik/ausland/may-bietet-verschiebung-von-brexit-an-100.html

Banks, M. (2017, Aug. 12). Breakthrough in Brexit talks paves way for second phase of negotiations. Retrieved from https://www.theparliamentmagazine.eu/articles/news/breakthrough-brexit-talks-paves-way-second-phase-negotiations

Barker, A., & Khan, M. (2018, March 19). UK and EU agree 'decisive step' with 21-month Brexit transition. Retrieved from https://www.ft.com/content/f418a8b2-2b69-11e8-9b4b-bc4b9f08f381

Becker, M. (2018, July 13). Brexit-Debatte: So reagiert Brüssel auf Mays Weißbuch. Retrieved from https://www.spiegel.de/politik/ausland/brexit-weissbuch-eu-reagiert-skeptisch-auf-britischen-plan-a-1218260.html

Behles, C. (2019, Jan. 17). American Society of International Law. Retrieved from https://www.asil.org/ILIB/uk-house-commons-rejects-brexit-deal-january-15-2019

Bensch, K. (2019, April 15). Brexit-Vertrag, Was ist der "Backstop"? Retrieved from https://www.tagesschau.de/ausland/backstop-101.html

BPB. (2018). Nettozahler und Nettoempfänger, 16.12.2018, Haushaltssalden der Mitgliedstaaten der Europäischen Union (EU), verschiedene Bezugsgrößen. Retrieved from http://www.bpb.de/wissen/P16RQL,0,Top_5_Nettozahler_und_Nettoempf%E4nger_der_EU.html

Brexit bites. (2017, June 19). Retrieved from https://www.charteredaccountants.ie/News/brexit-bites-19-june-2017

Frankfurter Allgemeine (2017, Dec. 4). Brexit-Gespräche. Kein Schöner Tag für May. Retrieved from https://www.faz.net/aktuell/wirtschaft/brexit-gespraeche-zwischen-theresa-may-und-jean-claude-juncker-am-montag-15323452.html

Brexit - Großbritannien verlässt die EU. (n.d.). Retrieved from https://www.lpb-bw.de/brexit.html

Cuddy, A. (2018, Nov. 15). UK Brexit Minister Dominic Raab and others resign over deal. Retrieved from https://www.euronews.com/2018/11/15/uk-s-northern-ireland-minister-resigns-over-brexit-deal

Dikov, I. (2019). EU agrees to delay Brexit till day before European Elections if UK parliament adopts deal. Retrieved from https://www.european-views.com/2019/03/eu-agrees-to-delay-brexit-till-day-before-european-elections-if-uk-parliament-adopts-deal/

DPA. (2017). Chaos im Parlament: Neuer Brexit-Plan der britischen Regierung: Das steht im Weißbuch. Retrieved from https://www.shz.de/deutschland-welt/Neuer-Brexit-Plan-der-britischen-Regierung-Das-steht-im-Weissbuch-id20423372.html

DW. (2018). EU-Austritt: Britisches Kabinett stimmt Brexit-Vertragsentwurf zu. *Deutsche Welle*. Retrieved from https://www.dw.com/de/britisches-kabinett-stimmt-brexit-vertragsentwurf-zu/a-46299383

DW. (2018b). May verschiebt Parlamentsabstimmung über Brexit-Abkommen. *Deutsche Welle*. Retrieved from https://www.dw.com/de/may-verschiebt-parlamentsabstimmung-%C3%BCber-brexit-abkommen/a-46668255

DW. (2019). Britisches Unterhaus stimmt für Brexit-Verschiebung. *Deutsche Welle*. Retrieved from https://www.dw.com/de/britisches-unterhaus-stimmt-f%C3%BCr-brexit-verschiebung/a-48192690

Erken, H., Hayat, R., Heijmerikx, M., Prins, C., & deVreede, I. (2017). The permanent damage of Brexit. *Rabobank Special. Utrecht: Rabobank/Raboresearch*. Retrieved from https://economics.rabobank.com/publications/2017/october/the-permanent-damage-of-brexit/

Euronews. (2019). UK MPs say they want a new Brexit deal. EU says ‘No’, 29.01.2019. Retrieved from https://www.euronews.com/2019/01/29/watch-live-uk-parliament-votes-on-brexit-amendments

Gatzke, M., & Schulz, B. (2018, Oct. 15). 585 Seiten Brexit, *Zeit.* Retrieved from https://www.zeit.de/politik/ausland/2018-11/brexit-grossbritannien-europaeische-kommission-vertragsentwurf-handelsabkommen

Großbritannien. Amtliches Endergebnis des EU-Referendums (Brexit) aufgeschlüsselt nach Landesteilen vom 23. Juni 2016. Das Statistik-Portal. Retrieved from https://de.statista.com/statistik/daten/studie/566936/umfrage/brexit-ergebnisse-des-eu-referendums-in-grossbritannien/

Harper, C. (2017). The British election: After the terror. *Pursuit*. Retrieved from https://pursuit.unimelb.edu.au/articles/the-british-election-after-the-terror

Iser, J. C., Klaus, J., Zacharakis, Z., & Schulz, B. (2019, March 27). Britisches Parlament lehnt alle Brexit-Varianten ab, *Zeit.* Retrieved from https://www.zeit.de/politik/ausland/2019-03/brexit-alternativen-abstimmung-britisches-unterhaus-liveblog

Kahlweit, C. (2018, April 26). Unterhändler einigen sich auf Brexit-Erklärung, *Süddeutsche.* Retrieved from https://www.sueddeutsche.de/politik/brexit-grossbritannien-eu-1.4222312 (26.04.2019).

Kirby, J. (2019, Jan. 3). UK Parliament fails to agree on a new Brexit plan — again. Retrieved from https://www.vox.com/world/2019/4/1/18290766/brexit-news-parliament-indicative-votes-common-market

Marquardt, J.-P. (2019, Feb. 26). Brexit-Verschiebung Mays Drei-Stufen-Strategie. Tagesschau. Retrieved from https://www.tagesschau.de/ausland/brexit-821.html

Meier, A. (2017, Oct. 11). Ultimatum bei Brexit-Verhandlungen EU gibt Briten zwei Wochen. Retrieved from https://www.tagesspiegel.de/politik/ultimatum-bei-brexit-verhandlungen-eu-gibt-briten-zwei-wochen/20568584.html

News, B. B. C. (2017). Brexit: EU leaders agree to move talks to next stage. *BBC News*. Retrieved from https://www.bbc.com/news/uk-politics-42368096

News, B. B. C. (2018a). Brexit: Dominic Raab and Esther McVey among ministers to quit over EU agreement, *BBC News*. Retrieved from https://www.bbc.com/news/uk-politics-46219495

News, B. B. C. (2018b). EU leaders agree UK's Brexit deal at Brussels summit, *BBC News.* Retrieved from https://www.bbc.com/news/uk-46334649 (26.04.2019).

News, B. B. C. (2019a). Brexit march: Million joined Brexit protest, organisers say. *BBC News.* Retrieved from https://www.bbc.com/news/uk-politics-47678763

News, B. B. C. (2019b). Brexit: UK and EU agree delay to 31 October. *BBC News*. Retrieved from https://www.bbc.com/news/uk-politics-47889404

NTV. (2018). Einigung auf Austrittsabkommen: London verkündet Brexit-Durchbruch. Retrieved from https://www.n-tv.de/politik/London-verkuendet-Brexit-Durchbruch-article20720313.html

OECD. (2016). The economic consequences of Brexıt: A taxing decision, OECD Economıc Polıcy Paper No. 16. Retrieved from https://www.oecd-ilibrary.org/docserver/5jm0lsvdkf6k-en.pdf?expires=1554928940&id=id&accname=guest&checksum=20BA46DD3C0FABD0A25875D2A3FC6D7B

Pure Dummheit. (n.d.). *Der Spiegel*. Retrieved from https://www.spiegel.de/spiegel/print/d-14347973.html

Rovnick, N., Noble, J., & Thomas, D. (2019, March 14). Brexit vote: MPs debate delay to UK exit – as it happened, *Financial Times.* Retrieved from https://www.ft.com/content/5605c7ee-5436-3f3f-9af5-e0d17a57f365

Schmidt, O. H. (2016, April 7). 8 Gründe, Warum die Briten für den Austritt aus der EU gestimmt haben, und ein Zwischenfazit. Retrieved from https://thefutureoftheeuropeanunion.blogactiv.eu/2016/07/04/8-grunde-warum-die-briten-fur-den-austritt-aus-der-eu-gestimmt-haben-und-ein-zwischenfazit/

Sparrow, A. (2017). Barnier: UK must offer concessions within two weeks to ensure Brexit progress – as it happened, *The Guardian,* Oct. 10, 2017, https://www.theguardian.com/politics/blog/live/2017/nov/10/david-davis-and-michel-barnier-to-hold-brexit-talks-press-conference-politics-live?page=with:block-5a059174c0cdb10716cc10f9

Spiegel Online. (2019). Britisches Parlament lehnt Mays Brexit-Vertrag erneut ab, *Der Spiegel.* Retrieved from https://www.spiegel.de/politik/ausland/brexit-britisches-parlament-lehnt-mays-brexit-vertrag-erneut-ab-a-1260367.html

SRF. (2019). Kein No-Deal-Brexit: Das Protokoll zum Entscheid im britischen Unterhaus. Retrieved from https://www.srf.ch/news/international/kein-no-deal-brexit-das-protokoll-zum-entscheid-im-britischen-unterhaus

Stiglitz, J. E. (2016, June 6). Stiglitz, Brexit sonrasını yazdı..., *Dünya.* Retrieved from https://www.dunya.com/gundem/stiglitz-brexit-sonrasini-yazdi-haberi-322553

Tagesschau. (2019a). Abstimmung im Unterhaus: Mays Brexit-Abkommen scheitert klar. Retrieved from https://www.tagesschau.de/ausland/brexit-abstimmung-111.html

Tagesschau. (2019b). Britisches Parlament May übersteht Misstrauensvotum. Retrieved from https://www.tagesschau.de/ausland/may-misstrauensvotum-105.html

Tagesschau. (2019c). Mays Brexit-Konzept: "Plan B" ist wie "Plan A". Retrieved from https://www.tagesschau.de/ausland/brexit-775.html

Theurer, M. (2016). Mögliche wirtschaftliche Folgen des Brexit. Retrieved from https://www.bpb.de/internationales/europa/brexit/228809/wirtschaftliche-folgen

Frankfurter Allgemeine (2017, June. 6). Wahl in Grossbritanien. Schlappe für May. Retrieved from https://www.faz.net/aktuell/politik/wahl-in-grossbritannien/wahl-in-grossbritannien-2017-theresa-may-verliert-mehrheit-15053185.html

Walker, P. (2019). MPs reject all alternative Brexit options. *The Guardian.* Retrieved from https://www.theguardian.com/politics/2019/mar/27/mps-reject-all-alternative-brexit-options

Zeit Online. (2018). Britisches Parlament: Theresa May bleibt Premierministerin. *Zeit*. Retrieved from https://www.zeit.de/politik/ausland/2018-12/britisches-parlament-theresa-may-gewinnt-misstrauensvotum

Zeit Online. (2019a). Brexit: Theresa May verliert weitere Abstimmung im Unterhaus. *Zeit*. Retrieved from https://www.zeit.de/politik/ausland/2019-02/brexit-theresa-may-grossbritannien-abstimmung-parlament-unterhaus

Zeit Online. (2019b) Großbritannien: Britisches Parlament lehnt Brexit-Deal erneut ab. Retrieved from https://www.zeit.de/politik/ausland/2019-03/britisches-parlament-lehnt-brexit-abkommen-erneut-ab

Chapter 11
Institutions for Wage Determination in the EU and Turkey:
A Comparative Perspective

Gürdal Aslan
https://orcid.org/0000-0003-2745-4363
Izmir Katip Çelebi University, Turkey

ABSTRACT

This study provides information on wage floor determining institutions, the statutory minimum wages, and collective bargaining agreements, in the EU countries to examine differences and commonalities of these institutions between the EU countries and Turkey. The interaction between these institutions and the labor market performance of the EU Member States and Turkey is also investigated. Therefore, the minimum wage levels and the collective bargaining coverage with the labor market indicators, namely the wage inequality measured with D1/D9 ratio and the incidence of low-wage workers, are compared. Findings indicate that the wage inequality and the incidence of low-wage workers are relatively lower in the countries with comprehensive collective bargaining systems characterized by high rates of collective bargaining coverage and union density. Turkey is one of the countries with the highest wage inequality compared to the EU countries. Improving the coverage rate of collective bargaining might help to reduce wage inequality.

INTRODUCTION

The European Union (EU) is supposed to bring people together and contribute to the prosperity of all European citizens despite the heterogeneity between countries. In the EU area economic dynamics are heterogenous in terms of the level of industrialization or deindustrialization, employment, wages, social protection, public services and the standard of living. Due to these differences, in an increasingly

DOI: 10.4018/978-1-7998-1188-6.ch011

competitive economic environment the cooperation between EU countries is becoming more and more difficult as evidenced by the failures of fiscal and social harmonization attempts.

One of the EU harmonization projects is building a European minimum wage, which has not been achieved so far. The debate on the possibility of building a unique and common wage floor at the EU level has started in the1990s. In recent years, more and more academics, observers or some European institutions (such as the European Trade Union Confederation) have proposed the establishment of an EU-wide minimum wage to strengthen social Europe and to reconcile citizens with the European project (Schulten et al., 2016). According to its supporters, if a common minimum wage is set for the EU countries, it would enable to improve two major issues: the fair remuneration of work and the convergence of standard of living within the EU (Vaughan-Whitehead, 2012).

However, according to some observers, this harmonization project is not easy to implement because wages are heterogenous and there are institutional differences in the determination of the minimum level of wages among EU countries (such as collective bargaining agreements or statutory/legal minimum wages) (Vaughan-Whitehead, 2012). Besides, countries where collective bargaining is the only mechanism for setting minimum wages (especially Nordic countries) perceive a common European minimum wage as a threat to their well-functioning collective bargaining systems (Eldring and Alsos, 2012).

Even though the possibility of implementing a common wage floor at the EU level is still under debate between its supporters and opponents, the interest in institutions for wage determination (or determination of minimum level of wages) has increased in EU countries (BIT, 2010; Vaughan-Whitehead, 2010). The increases in wage inequality, the incidence of low-paid workers and the incidence of the working poor in EU countries after the 1980s have led to this renewed interest in minimum wage institutions. At the same time, the decline in the collective bargaining coverage rates, the weakening of trade unions and the increasing incidence of irregular employment have contributed to this renewed interest (Vaughan-Whitehead, 2012).

Consequently, minimum wage fixing systems have been established or strengthened to address unduly low pay and to reduce wage inequality in some countries where there is not any effective collective bargaining system or the existing collective bargaining systems become less effective. Since the early 1990s, eight EU countries have introduced legal minimum wages at national level. These countries are Czech Republic, Slovakia, Poland, Estonia, Slovenia, the UK, Ireland, and, most recently, Germany (in 2015). While 22 out of 28 EU countries have national statutory minimum wages, remaining six EU countries (Denmark, Italy, Cyprus, Austria, Finland and Sweden) do not have nation-wide minimum wages. Collective bargaining is the only mechanism which enables to fix wage floors in these countries (Eurofound, 2018).

The two major labor market institutions determining wage floors- minimum wages and collective bargaining- are implemented in order to restrict the degree of wage inequality, to tackle with poverty and to reduce the incidence of low-paid work (OECD, 2000). Therefore, the role of minimum wages and collective bargaining systems is important for a better labor market performance. In addition, while collective bargaining coverage and union density rates show to what extent collective bargaining systems are comprehensive, the significance of legal minimum wages primarily depends on its absolute and relative level (BIT, 2010).

There are similarities and differences in the extent to which either minimum wages or collective bargaining have been implemented across the EU countries. This study aims to assess the role of the minimum wage and the collective bargaining for the labor market performance in the EU countries and Turkey, a candidate country to EU membership. Accordingly, we will first discuss the purpose and the evolution of wage floor institutions in general and provide theoretical background. Secondly, the main features and recent developments with regard to mechanisms determining minimum level of wages and the existing institutional frameworks for setting wage floors in the EU countries and Turkey will be explained. Then we will provide labor market indicators to analyze the interaction between wage floor institutions and the labor market performance of the EU countries and Turkey. The study will conclude with the discussion on policy lessons for improving the existing minimum wage setting mechanism in Turkey.

PURPOSE AND EVOLUTION OF WAGE FLOORS

In an economy, the level of wages affects aggregate demand and saving rates as a source of household income on the one hand and firms' production costs and thereby firms' decisions on prices, investments and employment on the other hand. Alongside its important role for the economy, wage rates are the main source of the conflict between employees and employers because economic and social aspects of wages are different for these two groups. The rationale for labor market institutions determining wage floors or minimum levels of wages is to reduce this conflict between social actors (Starr, 1982).

In the labor history, the fundamental change has occurred in the philosophical, political, economic and social environment after the Industrial Revolution. In this period, there was no mechanism or regulation to prevent wages from falling below the minimum subsistence level. On the other hand, the modern capitalist system has led to a new class structure in the industrialized countries, and the working class has grown in size and social importance and their demands have changed during the 19th century. These conditions have required governments to be involved in the production-distribution processes to reduce social conflicts and to sustain industrial peace (Prasch, 2007). Consequently, the modern minimum wage was introduced in New Zealand in 1894, in Australia in 1986 and in England in 1909. The term modern 'minimum wage' refers to the lowest regulated wage rate that can be paid to workers (Parsons, 2008; Eurofound, 2018). Moreover, in France a form of minimum wage was adopted only for homeworkers in 1915 and a Guaranteed Minimum Inter-Professional Wage (SMIG) was introduced in 1950. Until the 1930s, in the US, since the commitment to free negotiation was deeply anchored in the liberal conception of freedom of contract, employers opposed to any regulation of the minimum wage, and more broadly any intervention in the field of wage formation (Gautie, 2018). In addition, several Supreme State Courts and then the Federal Supreme Court (1923) invalidated the laws establishing the minimum wage (Gautié, 2018). In 1938, the US adopted an official minimum wage at the federal level. After the 1950s, legal minimum wages were introduced in many developed and developing countries. The implementation of the minimum wage in Turkey started in 1951. It was initially local and sectoral but became regional in 1967 and nationwide in 1974.

Nowadays, wage floors in various forms are used in most countries throughout the world. They are generally implemented as a single minimum wage at national level or per region or minima set at industry level through negotiations between employers and trade unions (Eyraud and Saget, 2005). In the literature, there are four major reasons for why policy makers use wage floors: to restrict the degree of wage inequality, to tackle with poverty, to reduce the power imbalance in employment relations between firms and vulnerable groups in the workforce and to promote work incentives (OECD, 2000).

THE THEORETICAL BACKGROUND

Although the central aim of wage floors is to provide pay protection to vulnerable workers, their use can potentially affect various aspects of an economy such as labor costs, employment, inflation, wage inequality and poverty. Among these various effects, a considerable amount of the literature has investigated the effects of wage floors on the labor market outcomes (Meer and West, 2016).

As for the minimum wage literature, economists have long been interested in the effects of minimum wage increases and a considerable attention has been devoted to its effects on employment. Although several theoretical and empirical studies in the literature have examined the relationship between the minimum wage and employment so far, there is still no consensus on to what extent an increase in the minimum wage affects employment. According to the traditional model of perfect competition, a minimum wage set above the equilibrium wage rate, all things being equal, results in a reduction in employment (Neumark and Washer, 2008). Alternatively, a high minimum wage level or an increase in the minimum wage does not always reduce employment according to Keynesian economists or monopsony models (Card and Krueger,1995; Manning, 2010). Existing empirical studies on the link between minimum wage and employment have also yielded contradictory results. Some studies show that an increase in the minimum wage reduces the employment of young workers (Neumark and Wascher, 1992; Curie and Fallick, 1996; Abowd, Kramarz and Margolis 2000), but others conclude that an increase in the minimum wage does not always reduce the employment of young people, even in some cases, it might have a positive effect on the youth employment (Card and Krueger, 1995, Dickens, Machin and Manning, 1999, Metcalf, 2008, Dube, Lester, and Reich, 2010). In other words, while some of the existing studies in the literature highlight the positive effects of the increase in the minimum wage on the employment, while others provide evidence on its employment-reducing effects.

Although one of the major goals of the minimum wage is to support the standard of living of the lowest paid workers and, more broadly, to reduce inequalities, theoretical and empirical work on the effects of the minimum wage has focused more on the employment than on the distribution of wages (Neumark and Wacher, 2008; Lemos, 2009). However, according to the economic theory, an increase in the minimum wage might help to reduce wage differentials (Lemos, 2009). There are empirical studies on the relationship between the minimum wage and wage inequality, which generally find that minimum wage increases reduce wage inequality (Bell, 1995; Card and Krueger, 1995; Lee, 1999; Rama, 2001). For example, Lee (1999) finds that the increase in wage inequality between the lowest wage percentile and the median wage in the USA during the 1980s is largely due to the decrease in the real value of the minimum wage.

On the other hand, apart from the evolution of the minimum wage level, the evolution of collective wage bargaining rates also might have an impact on the incidence of low-wages and wage inequalities. Some studies show that the low proportions of low pay observed in some EU countries are associated with the regulation of minimum wages either through collective bargaining or by a national minimum wage (Bosch, 2009; Gautié and Schmitt, 2010). Recent studies (including a comparative study of the Russell Sage Foundation on low-paid employment in the USA and Europe), setting the low wage threshold at two-thirds of the median hourly wage, show that the situation of low-paid workers rather relies on national institutions such as active labor market policy, social protection, collective bargaining and the minimum wage, which act directly on wage inequality and low pay (Bosch, 2009; Gautié and Schmitt, 2010).

As for the relationship between wage inequality, low pay and the collective bargaining, a recent ILO (2017) publication, in cooperation with the European Commission, shows that the decline in collective wage bargaining rates has contributed to the increasing wage inequality and the incidence of low-paid jobs in several European countries. On the other hand, in countries with more centralized or better coordinated collective bargaining systems, such as Sweden and Belgium, these systems help to reduce wage disparities and contribute to the creation of a more egalitarian society (Reegard, 2011; ILO, 2017). In fact, several studies show that the more the wage negotiations are centralized, the more the wage distribution is compressed (Blau and Kahn 2002, OECD 2004, Wallerstein 1999).

INSTITUTIONAL FRAMEWORKS FOR SETTING WAGE FLOORS IN THE EU

This section overviews the existing institutional frameworks for setting wage floors in the EU countries and Turkey. In the EU countries, minimum wages are determined by two basic mechanisms: statutory minimum wages or collective bargaining agreements (Eurofound, 2018). Table 1 shows the distribution of the EU countries according to the mechanism determining the minimum wages. As noted above, the majority of EU countries - 22 out of 28 – and Turkey have statutory minimum wages (Eurofound, 2018). In Austria, Denmark, Finland, Italy, Sweden and Cyprus minimum wages are fixed through collective bargaining agreements. However, only in Cyprus statutory minimum wages also exist for specific occupations along with collective bargaining agreements.

NATIONAL MINIMUM WAGES

This section provides information on the existing minimum wages systems (determination mechanism, scope, fixing criteria) in the EU countries and Turkey. In countries with national minimum wages, the legislation usually obliges the public authority to consult the social partners or a specialized commission in which social partners are represented (Eyraud and Saget, 2005; ILO, 2013). However, the nature of consultation varies according to the legislation in each country. Table 2 provides the distribution of the EU countries and Turkey by the degree of consultation in the minimum wage setting processes. As can be seen in Table 2, governments fix national minimum wages in the majority of EU countries. Among these countries where governments set the minimum wage rates, while there is no obligation to consult social partners in Luxembourg, governments consult social partners or a bipartite or tripartite commission in others. In two EU countries (Poland and Slovakia), minimum wages are determined by bi- or tripartite committees. Turkey is also one of the countries where the minimum wage rate is set by a tripartite commission. The Minimum Wage Determination Commission in Turkey is composed of

Table 1. The mechanism determining the minimum level of wages in the EU and Turkey

Statutory minimum wage	Belgium, Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, United Kingdom and **Turkey**
Collective bargaining	Austria, Denmark, Finland, Italy, Sweden, Cyprus (statutory minimum wage exists only for some occupations)

Source: (Eurofound,2018)

Table 2. Degree of consultation in setting the minimum wage in the EU and Turkey

Government fixes: No obligation to consult social partners	Croatia, Luxembourg, Netherlands
Government fixes: Following direct consultation with the social partners	Czech Republic, Estonia, Romania, Spain, Ireland, Slovenia
Government fixes: Following advice and/or recommendation of specialized body	Bulgaria, Hungary, France, United Kingdom, Latvia, Lithuania, Portugal, Malta,
Specialized body sets minimum wage rates	Poland*, Slovakia*, and Turkey

Source: (ILO, 2013; Eyraud and Saget, 2005)

* More recent study ILO (2013) does not provide information on Poland and Slovakia. These countries are categorized according to information provided by Eyraud and Saget (2005).

representatives of trade unions, employers' organizations and the state, and this tripartite commission decides on the minimum wage rate by the majority rule.

Although the statutory minimum wages are set at national level, the same rate is not always applied to all workers. By 2018, a number of the EU countries set different rates of minimum wage for particular groups, as summarized in Table 3. In 12 out of 22 EU countries, there is no specific statutory minimum wages applied for certain categories of workers and they set a single nation-wide minimum wage for all workers. In the remaining ten EU countries, different minimum wage rates are applied to some group of workers with respect to occupation, age, tenure and education. France, Greece, Luxembourg, the Netherlands, Malta and the UK set different rates for young workers and workers in ongoing education and training are subject to different minimum wages in the UK, France, Belgium and Ireland. Moreover, minimum wage rates are also adjusted according to the length of tenure in Malta, France and Ireland (Eurofound, 2018). Note that France also has different minimum wage rates for disabled workers. The minimum wage is binding for all workers except jobs requiring at least secondary education in Hungary (Eurofound, 2018). As for Turkey, a single nation-wide minimum wage rate is legally binding for all workers in Turkey.

Figure 1 provides the monthly nominal and adjusted for purchasing power parity minimum wage rates in January 2019 for the EU countries and Turkey. As can be observed in Figure 1, the minimum wage rates vary widely among the EU countries. The nominal monthly minimum wage rates in January 2019 range between 286 Euros and 2071 Euros- one to seven- across the EU countries. The lowest nominal minimum wage is 286 Euros in Bulgaria and Luxembourg has the highest nominal minimum wage with 2071 Euros. Figure 1 shows also the difference between Eastern and Western European countries in

Table 3. Minimum wage rates for specific groups in the EU and Turkey

A single statutory minimum wage	Czech Republic, Latvia, Lithuania, Slovenia, Estonia, Portugal, Spain Slovakia, Poland, Bulgaria, Croatia, Romania and **Turkey**
Specific minimum wage for young workers	France, Greece, Malta, United Kingdom, Luxembourg, Netherlands, Ireland
Specific minimum wages for workers in education and training	Belgium, France, United Kingdom, Ireland
Specific minimum wages by tenure	France, Ireland, Malta
Specific minimum wages by occupation	Germany, Hungary

Source: (Eurofound, 2018)

terms of nominal minimum wages. Ten Eastern European countries have monthly nominal minimum wages less than 600 euros and the monthly minimum wages are more than 1400 euros in seven Western European countries. Monthly nominal minimum wages vary between 680 Euros to 1050 Euros in other countries. The disparity in the minimum wage levels in the EU shrinks substantially when price differences across countries are taken into account: the ratio of one to seven decreases to the ratio of one to three as can be seen in Figure 1. While Luxembourg has the highest monthly minimum wage adjusted for purchasing power parity, the analogous wage rate in Turkey is 422 euros, which is the lowest level following Bulgaria.

Nevertheless, international comparisons of minimum wage levels have some limitations. The level of minimum wage and the overall earnings distribution in each country should be considered in order to compare the labor market performance of the nation-wide minimum wages (Rutkowski, 2003; Schulten et al., 2016). The minimum wage to mean wage ratio is one of the most frequently used indicators to assess the relative position of minimum wage workers in a country. The higher ratio indicates that the minimum wage is close to the center of the overall wage distribution and thereby the position of minimum wage workers is relatively better. Figure 2 shows the minimum wage to mean wage ratios of full-time workers in 2017 for the 19 EU member countries and Turkey. According to OECD data, the average ratio in 19 EU countries is 41 percent. While the minimum wage to mean wage ratios are above the EU average in nine EU countries (Slovenia, France, UK, Poland, Romania, Portugal, Lithuania, Luxembourg and Germany), analogous ratios are less than the EU average in remaining ten EU countries. The monthly minimum wage to mean wage ratio is 42 percent in Turkey, which is close to the EU-19 average ratio.

Although the minimum wage to mean wage ratio is commonly used, it can be misleading to understand the importance and economic significance of nation-wide minimum wages. Any changes at the upper part of overall wage distribution might affect the mean wage and therefore, the mean wage does not always reflect the labor market conditions of low-paid workers and minimum wage workers. A more relevant reference point to assess the labor market conditions of low-paid workers and minimum wage

Figure 1. Minimum wages, January 2019 (EUR per month and PPS per month) in the EU and Turkey
Data Source: Eurostat Minimum Wage Statistics

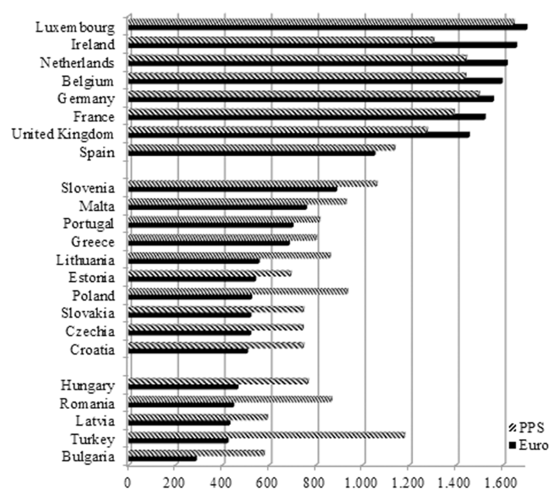
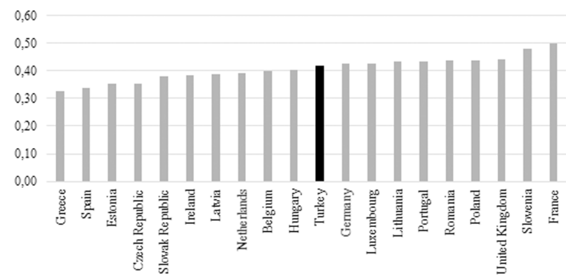


Figure 2. The minimum wage to mean wage ratios of full-time workers in 2017[1]
Data Source: OECD Statistics



workers can be the median wage (Rutkowski, 2003). The minimum wage to median wage ratio shows the relative level of the minimum wage compared to the average worker in a country.

Figure 3 provides the minimum wage to median wage ratios of full-time workers in 2017 for 19 EU member countries. The average ratio of minimum wages to median wages in 19 EU countries is 52 percent. While the minimum wage to median wage ratios in France, Portugal, Romania, Slovenia, Poland, Lithuania, UK, Hungary, Luxembourg are more than the average minimum wage to median wage ratio in 19 EU countries while the rest of the countries have the minimum wage to median wage ratios below the EU-19 average in Figure 3, except Turkey. The Turkish minimum wage seems to be the highest when it is compared to the median wage. The gross minimum wage represents 74% of the median wage in Turkey according to Figure 3.

Collective Bargaining

Collective agreements are important wage-setting institutions in many EU countries. Like statutory minimum wages, they are used with the aim of setting wage floors at national, industry or company level as well as determining non-wage working conditions (OECD, 2017). As mentioned previously, EU countries such as Austria, Denmark, Finland, Italy and Sweden do not have nation-wide statutory minimum wages and minimum wage rates are determined only through collective bargaining in these countries. On the other hand, collective bargaining agreements at local or company level also exist in EU countries with statutory minimum wages (Eurofound, 2015).

Figure 3. The minimum wage to median wage ratios of full-time workers in 2017[2]
Data Source: OECD Statistics

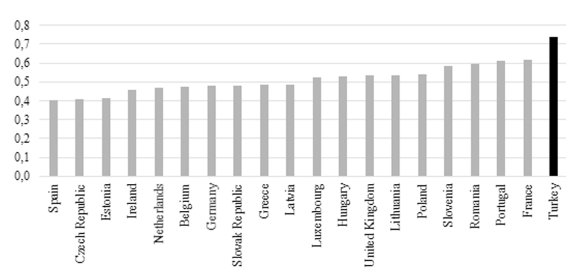


Figure 4 provides the collective bargaining coverage rates, which correspond to the percentage of employees with the right to bargain, in the EU countries and Turkey. The collective bargaining coverage is essential to measure the relevance of the collective bargaining systems (OECD, 2017). If collective bargaining agreements cover a large proportion of workers, they might have sizeable effects on the labor market performance. According to Figure 4, the average collective bargaining coverage rate in 25 EU countries is 55 percent. Depending on the country, the coverage rates vary roughly from 7.1 percent in Lithuania to 98.5 percent in France. Turkey has the lowest collective bargaining coverage rate with 7 percent compared to the EU countries.

Existing studies provide evidence that countries without statutory minimum wages are more likely to have higher collective bargaining coverage rates (Vaughan-Whitehead, 2010; Eldring and Alsos, 2012; OECD, 2012). This finding is also verified by the data provided in Figure 4. Compared to the EU countries with statutory minimum wages, countries without statutory minimum wages such as Austria, Denmark, Finland, Italy and Sweden have higher collective bargaining coverage rates. More than 80 percent of workers are covered by collective agreements in these countries. However, France and Belgium are exceptions because they have both statutory minimum wages applied at national level and high collective bargaining coverage rates. The collective bargaining rates are 98 percent and 96 percent in Belgium and France, respectively. The high coverage rate for example in France is partly due to the use of collective bargaining agreement extension mechanisms to cover all workers at industry levels.

While the collective bargaining coverage rate shows the share of workers subject to collectively-bargained wage floors, the union density rate measures potential union bargaining clout (CESIFO, 2004). Figure 5 shows trade union density rates (%) in 19 EU Member States and Turkey in 2017. As can be seen in Figure 5, trade union density rates vary significantly from country to country. The trade union density rates are highest in Denmark, Sweden, Finland and Belgium. High rates of union density in these countries might be explained by the existing system whereby unemployment benefit is administered by union-affiliated institutions (CESIFO, 2004). On the other hand, trade union density rates are very low in Estonia, Lithuania and France. Compared to the EU countries, the union density rate in Turkey is quite low with 8 percent. It seems that the EU countries without statutory minimum wages and set the minimum wages solely through collective agreements such as Denmark, Sweden, Belgium, Finland and Italy have comprehensive bargaining systems with high rates of coverage and union density. In general, sector-level or national agreements are expected to reduce wage inequality by lowering wage differentials between employees (OECD, 2017).

Figure 4. Collective bargaining coverage rate (%)
Data Source: OECD Statistics

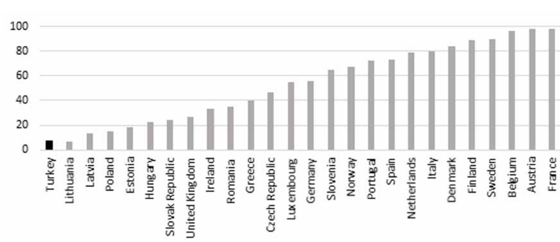
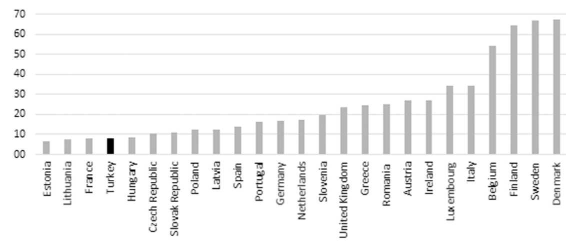


Figure 5. Trade union density rates (%)
Data Source: OECD Statistics



WAGE FLOORS AND LABOR MARKET INDICATORS IN THE EU

Labor market institutions include a broad set of rules, actors and policies (Gazier, 2013). These include labor law's rules (governing dismissals, the right to unionization and collective bargaining) as well as labor market policies such as unemployment compensation, training and subsidized jobs, minimum wages etc. As mentioned before, this study focuses on the impact of two labor market institutions determining wage floors on the labor market performance in EU countries: the collective bargaining and the minimum wage.

First, we show to what extent the collective bargaining and statutory minimum wages are effective in each EU country and Turkey. The degree of their effectiveness is assumed to be measured with the collective bargaining coverage rate (low, medium, high) and the minimum wage to the median and the minimum wage to mean wage ratios. Second, we will rank countries under interest according to the degree of effectiveness and compare countries in terms of the level of wage inequality and the incidence of low-paid work assuming that all other things are equal between countries. As pointed out previously, these two wage-floor setting mechanisms are implemented with the aim of restricting the degree of wage inequality, tackling with poverty and reducing the incidence of low-paid work.

As mentioned in the theoretical background section, minimum wages and collective agreements are theoretically expected to have significant effects on the wage inequality and the incidence of low-paid work. A special issue of the ILO International Labour Review (2012) on low-wage work in several developing countries confirms the importance of national labor market institutions, especially the collective bargaining and the minimum wage, for reducing low-paid work. In other words, the higher collective bargaining coverage rate and/or union density rate and/or the level of minimum wage, the lower the probability of being poorly paid. Moreover, some empirical studies examining the impact of the minimum wages on the wage distribution also conclude that an increase in the minimum wage has wage-inequality reducing effects (for example, Bell, 1995; Card and Krueger, 1995; Lee, 1999; Rama, 2001). On the other hand, a number of studies show that centralized bargaining agreements also decrease level of wage inequality (for the review of studies, see Hayter, 2011:141-152; 2015). Another example of these studies is Visser (2015) that finds a strong negative relationship between the collective bargaining coverage and the wage inequality in OECD countries.

Table 4 provides collective bargaining coverage rates, union density rates, the ratios of minimum wage to mean and median wages and inter-decile ratio of earnings (D9/D1) and the incidence of the low-pay for the EU countries and Turkey in 2017. In this study, the inter-decile ratio D9/D1 of earnings will be used as a measure of wage inequality. The inter-decile ratio D9/D1 is a simple way to measure of the wage inequality. It is the ratio of the highest income decile (D9) to the lowest decile (D1). The advantage of the inter-decile ratio is that it measures how many times the average earnings of the "rich" is higher than that of the "poor". In the OECD database, D9/D5 and D5/D1 ratios are also available. While the former compares the top of the distribution to the median value, the latter compares the median to the bottom of the distribution. In this study, we use D9/D1 ratio to analyze the inequality of the whole distribution in each country. The average D9/D1 ratio is 3.30 for the EU countries in the Table 4 and this ratio is 3.53 in Turkey. The D9/D1 ratios in the UK, Czech Republic, Slovak Republic, Turkey, Hungary, Lithuania, Estonia, Ireland, Poland, Portugal, Latvia, Romania are above the EU-average D9/D1 ratio and those in Austria and Greece are quite close to the EU-average. The EU countries with inter-decile ratios lower than the EU-average are Luxembourg, the Netherlands, France, Denmark, Finland, Belgium, Sweden, Italy.

The disparity in the wage inequality across countries can be partially explained by the differences in union density and the collective bargaining coverage rates. The wage inequality is relatively lower in the countries where the union density rates are relatively higher such as Denmark, Sweden, Finland and Belgium. In contrast, the wage inequality is relatively higher in the countries with relatively low union density rates such as Latvia, Poland, Slovak Republic, Czech Republic, Hungary, Turkey, Lithuania, Estonia. Moreover, the wage inequality is relatively lower in the countries such as Sweden, Belgium, Finland, Denmark where collective bargaining coverage rates are high. In these countries, wage rates of more than 80 percent of workers are determined by collective bargaining agreements. On the other hand, the wage inequality is relatively higher in the countries with relatively low collective bargaining coverage rates. It seems that the wage inequality is relatively lower in the countries with comprehensive collective bargaining systems characterized by high proportion of workers covered by collective bargaining agreements and high union density rate. Note that the association between wage inequality measures and collective bargaining and union density rates does not mean that there is always a cause-and-effect relationship between them. Other factors such as macroeconomic conditions, cultural, institutional and technological characteristics affect the cross-country differences in the wage inequality. In Turkey, the proportion of workers who are union members and the proportion of workers covered by collective bargaining are low compared to the EU countries and D9/D1 ratio is above the EU-average.

On the other hand, Table 4 also shows other notable results on the association between wage floor institutions (the national minimum wage and the collective bargaining system) and the wage inequality. First, in the EU countries such as Italy, Denmark, Finland, Sweden and Belgium, which do not use statutory minimum wages but have high union density and collective bargaining coverage rates, the wage inequality is relatively lower compared to other EU countries. Second result comes out when the indicators provided in Table 4 are closely examined for the EU countries with the statutory nation-wide minimum wages. In these EU countries, the union density and the collective bargaining coverage rates are generally relatively lower, and the wage inequality is relatively higher. Even in the countries where the national minimum wages are relatively high (higher the minimum wage to mean and median wages ratios) such as Turkey, Portugal, Romania, Slovenia, Poland, Lithuania, the United Kingdom, Hungary, the wage inequality is higher than the EU-average. In other words, it is clear that the wage inequality is not always low in the countries with high ratios of minimum wage to median and mean wages. This could be due to the fact that the median wage earner is often relatively low-paid. However, France represents an exception because it is the country with high relative level of the national minimum wage and low wage inequality. Different from other countries with high relative level of national minimum wages, the coverage rate of collective bargaining in France is very high with 98,5 percent.

Table 4. Indicators for the EU Member States and Turkey

Countries	Collective bargaining coverage rate (%)	Union density rates (%)	Minimum wages to median wages	Minimum wage to mean wages	D9/D1	Low-Pay Incidence (%)
Turkey	7.0	8.2	0.74	0.42	3.53	NA
Lithuania	7.1	7.7	0.54	0.43	3.78	21.3
Poland	14.7	12.4	0.54	0.44	3.81	21.7
Hungary	22.8	9.0	0.53	0.40	3.73	19.6
Latvia	13.8	12.6	0.48	0.39	4.00	26.0
Estonia	18.6	4.5	0.41	0.35	3.78	22.1
Slovak Republic	24.4	10.9	0.48	0.38	3.49	19.0
United Kingdom	26.3	23.7	0.54	0.44	3.43	19.3
Romania	35.0	NA	0.60	0.44	4.67	24.7
Luxembourg	55.0	34.1	0.53	0.43	3.15	12.2
Slovenia	65.0	19.6	0.58	0.48	3.33	19.2
Ireland	33.5	23.3	0.46	0.38	3.79	22.5
Greece	40.0	24.7	0.48	0.33	3.27	15.8
Czech Republic	46.3	10.5	0.41	0.35	3.46	19.8
Germany	56.0	17.0	0.48	0.43	3.33	18.9
Portugal	72.3	16.1	0.61	0.43	3.95	11.4
Spain	73.1	13.9	0.40	0.34	3.12	14.6
Netherlands	78.6	17.3	0.47	0.39	3.02	14.5
Austria	98.0	26.9	NA	NA	3.27	15.4
France	98.5	7.9	0.62	0.50	2.81	9.1
Countries without statutory minimum wage						
Italy	80.0	34.4	NA	NA	2.25	7.7
Denmark	84.0	67.2	NA	NA	2.57	8.2
Finland	89.3	61.8	NA	NA	2.50	7.1
Sweden	90.0	66.8	NA	NA	2.28	NA
Belgium	96.0	54.2	0.47	0.40	2.41	4.1
EU-average	54.9	25.1	0.51	0.41	3.30	16.2

Data Source: Eurostat and OECD. NA means not available.

In sum, the descriptive analysis shows that in the EU countries with relatively high rates of union density and collective bargaining coverage, the wage inequality is lower than the EU average. On the other hand, the wage inequality is not always lower than the average rate in EU countries with high national minimum wage rates. Therefore, the implementation of statutory minimum wage at national level alone is not enough for a better labor market performance in terms of wage inequality.

The incidence of low-paid workers is also provided in Table 4. The incidence of low-paid workers corresponds to the share of full-time workers earning less than two-thirds of gross median earnings of all full-time workers (Bosch, 2009; Gautié and Schmitt, 2010). When we examine the relationship between the incidence of low-paid workers and the union density and the collective bargaining coverage rates on one hand, and the national minimum wage on the other, the findings are similar to those obtained from the analysis of the D9/D1 ratio. In countries such as Portugal, France, Denmark, Italy, Finland and Belgium where the collective bargaining coverage rate is high (over 70 percent), the low-pay incidence is below 11 percent much less than the EU19 average. Among the EU countries with a high collective bargaining coverage rate and a low incidence of low-wage workers, while Portugal and France have statutory national minimum wages, Denmark, Italy and Finland do not have any. On the other hand, in the EU countries such as Latvia, Romania, Ireland, Estonia, Poland and Lithuania, where the national minimum wage is applied, the national minimum wage level and the low-pay incidence are relatively high.

CONCLUSION

Institutions determining the minimum level of wages are in focus in each individual EU country. The main reason for this interest is the decreasing trade union membership, the increasing wage inequality, the increasing share of low-paid workers and the increasing number of working poor in several EU countries since the1980s. The wage differentials and the incidence of low-wages are growing both within and between countries in Europe, which is certainly one of the most worrying trends for the major economies of the EU.

The aim of this study is to provide information on wage floor determining mechanisms that are national minimum wages and collective bargaining on the one hand, to examine differences and commonalities of these mechanisms in the EU countries on the other hand. We also study the interaction between these two mechanisms and the labor market performance in the EU countries and Turkey. While the effectiveness of the collective bargaining systems depends on their coverage, the impact of the statutory minimum wages depends primarily on their absolute and relative levels. Therefore, we compare the minimum wage levels and the collective bargaining coverage between EU countries and analyze their association with the wage inequality measured with D1/D9 ratio and the incidence of low-paid workers.

National minimum wages exist in 22 out of 28 EU countries and the rest of EU countries rely on collective bargaining agreements when fixing minimum wages. Among EU countries with national minimum wages, the criteria and the degree of consultation in setting minimum wage processes as well as minimum wage levels differ from country to country. In Turkey, a unique nation-wide statutory minimum wage is fixed by a tripartite commission and the minimum wage rate do not differ according to age, qualification, region, industry and occupation. In other words, all workers are subject to the same minimum wage rate. Similarly, the union density rate and the coverage rate of collective bargaining vary considerably from one country to another. In general, the proportion of union member workers and the proportion of workers covered by collective bargaining are relatively high in Scandinavian countries without national minimum wages. However, there are also EU countries with high collective bargaining coverage rate and national minimum wages such as France and Belgium. Compared to EU countries, Turkey has the lowest coverage rate of collective bargaining and is one of the countries where union density rate is lowest. Moreover, Turkey has one of the highest ratios of minimum wage to mean and median wages compared to the EU countries.

When we analyze the association between the relative level of minimum wages and the wage inequality and the incidence of low-wages in EU countries, we observe that the level of wage inequality and the incidence of low pay is higher than the EU average even in EU countries with high levels of minimum wage relative to mean and median wages. On the other hand, countries with high union density and collective bargaining coverage rates, the incidence of low-wages and the wage inequality are lower than the EU-19 average. In other words, a high minimum wage alone is not enough to reduce the degree of wage inequality and the incidence of low-paid workers.

In the Turkish labor market, the role of the minimum wage policy has become much more important and the minimum wage has become the main determinant of the wage levels due to the limited role of trade unions and collective bargaining agreements in determining wage floors. However, wage inequality is high in Turkey is compared to the EU countries. Improving the coverage rate of collective bargaining and the union density might contribute to the promotion of redistributive social policies and help to reduce wage inequality.

REFERENCES

Abowd, J. M., Kramarz, F., & Margolis, D. N. (2000). Minimum wages and employment in France and the United States. *NBER Chapters*. In *Youth Employment and Joblessness in Advanced Countries* (pp. 427–472). National Bureau of Economic Research.

Bell, L. A. (1995). The impact of minimum wage in Mexico and Colombia. *Policy Research Working Paper, No. 1514*.

Blau, F., & Kahn, L. (2002). *At home and abroad: U.S. labor market performance in international perspective*. Russell Sage Foundation.

Bosch, G. (2009). Le travail faiblement rémunéré dans cinq pays européens et aux Etats-Unis. *Revue internationale du Travail, 148*(4), 365-387.

Bureau international du Travail. (2010). *Rapport mondial sur les salaires 2010-11, Politiques salariales en temps de crise*. Geneva, Switzerland: Bureau international du Travail.

Card, D., & Kreuger, A. (1995). *Myth and measurement: The new economics of the minimum wage*. Princeton, NJ: Princeton University Press.

CESIFO. (2004). Wage setting institutions. *CESifo DICE Report*, *2*(4), 65–66.

Currie, J., & Fallick, B. C. (1996). The minimum wage and the employment of youth: Evidence from the NLSY. *The Journal of Human Resources*, *31*(2), 404–428. doi:10.2307/146069

Dickens, R., Machin, S., & Manning, A. (1999). The effects of minimum wages on employment: Theory and evidence from Britain. *Journal of Labor Economics*, *17*(1), 1–22. doi:10.1086/209911

Dube, A., Lester, W. T., & Reich, M. (2010). Minimum wage effects across state borders: estimates using contiguous counties. *The Review of Economics and Statistics*, *92*(4), 945–964. doi:10.1162/REST_a_00039

Eldring, T., & Alsos, K. (2012). *European minimum wage: A Nordic outlook*. Norway: Fafo.

Eurofound. (2015). *Collective bargaining in Europe in the 21st century*. Luxembourg: Publications Office of the European Union.

Eurofound. (2018). *Statutory minimum wages 2018.* Luxembourg: Publications Office of the European Union.

Eyraud, F., & Saget, C. (2005). *The fundamentals of wage fixing*. Geneva, Switzerland: ILO.

Gautié, J. (2018). D'un siècle à l'autre, salaire minimum, science économique et débat public aux États-Unis, en France et au Royaume-Uni (1890-2015). *Revue Economique*, *69*(1), 67–109. doi:10.3917/reco.pr2.0109

Gautié, J., & Schmitt, J. (Eds.). (2010). *Low wage work in the wealthy world*. New York: Russell Sage Foundation.

Gazier, B. (2013). Labour market institutions. Employment targeting and sectoral approaches to job creation. Genève, Switzerland.

Hayter, S. (2011) Bargaining in the global economy – Negotiating for social justice. Cheltenham, UK: Edward Elgar. Geneva, Switzerland: ILO International Labor Organization.

ILO. (2017). Inequalities and the World of Work: What role for industrial relations and social dialogue? Retrieved from https://www.ilo.org/brussels/press/press-releases/WCMS_545476/lang--en/index.htm Curbing inequalities in Europe – How can social dialogue and industrial relations help to close the gap?

Lee, D. S. (1999). Wage inequality in the United States during the 1980s: Rising dispersion or falling minimum wage? *The Quarterly Journal of Economics*, *114*(3), 977–1023.

Lemos, S. (2009). Minimum wage effects in a developing country. *Labour Economics*, *16*(2), 224–237. doi:10.1016/j.labeco.2008.07.003

Manning, A. (2010). Imperfect competition in the labour market. In D. Card & O. Ashenfelter (Eds.), *Handbook of labor economics* (pp. 973–1041). Elsevier.

Meer, J., & West, J. (2016). Effects of the minimum wage on employment dynamics. *Journal of Human Resources, University of Wisconsin Press*, *51*(2), 500–522.

Metcalf, D. (2008). Why has the British National Minimum Wage had little or no impact on employment? *The Journal of Industrial Relations*, *50*(3), 489–512. doi:10.1177/0022185608090003

Neumark, D., & Wascher, W. (1992). Employment effects of minimum and subminimum wages: Panel data on state minimum wage laws. *Industrial & Labor Relations Review*, *46*(1), 55–81. doi:10.1177/001979399204600105

OECD. (2000), OECD Economic Studies No. 31, 2000/II

OECD. (2012). *OECD Employment Outlook 2012*. Paris, France: OECD Publishing.

OECD. (2017). *OECD Employment Outlook 2017*. Paris, France: OECD Publishing.

Prasch, R. E. (2007). Professor Lester and the Neoclassicals: The marginalist controversy and the post-war academic debate over minimum wage legislation, 1945-1950. *Journal of Economic Issues*, *41*(3), 809–825. doi:10.1080/00213624.2007.11507062

Rama, M. (2001). The consequences of doubling the minimum wage: the case of Indonesia. *Industrial & Labor Relations Review*, *54*(4), 864–881. doi:10.1177/001979390105400407

Reegaard, S. (2011). Strengthen labor market institutions over big finance. In *Priorities for a new political economy: Memos to the left*. London, UK: Policy Network.

Rutkowski, J. (2003). *The minimum wage: Curse or cure?* Human Development Economics Europe and Central Asia Region The World Bank.

Schulten, T., Muller, T., & Eldring, L. (2016). Pour une politique de salaire minimum européen: Perspectives et obstacles. *La Revue de l'IRES*, *89*(2), 89–117. doi:10.3917/rdli.089.0089

Starr, G. (1982). *La fixation des salaires minima: Objet, méthodes et problèmes, Une étude internationale*. Genève, Switzerland: BIT.

Vaughan-Whitehead, D. (Ed.). (2010). *The minimum wage revisited in the enlarged EU*. Cheltenham, UK: Edward Elgar. doi:10.4337/9781781000571

Vaughan-Whitehead, D. (Ed.). (2012). *Work inequalities in the crisis: Evidence from Europe*. Cheltenham, UK: Edward Elgar.

Visser, J. (2015). Data Base on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts, 1960–2014 (ICTWSS). Version 5.0, Institute for Advanced Labour Studies AIAS. October 2015. Amsterdam, The Netherlands.

Wallerstein, M. (1999). Wage-setting institutions and pay inequality in advanced industrial societies. *American Journal of Political Science*, *43*(3), 649–680. doi:10.2307/2991830

ENDNOTES

1. Bulgaria, Croatia and Malta are excluded due to the lack of information in OECD database. In Austria, Denmark, Finland, Italy and Sweden there is no any statutory minimum wages and Cyprus has minimum wages for specific occupations.
2. The Eurostat database does not provide information on the ratio of the minimum wage to the median wage and thus, the data is extracted from OECD database. Bulgaria, Croatia and Malta are excluded due to the lack of information in OECD database. In Austria, Denmark, Finland, Italy and Sweden there is no any statutory minimum wages and Cyprus has minimum wages for specific occupations.

Chapter 12
Comparison of the European Union Countries and Turkey's Macroeconomic Indicators with Best Worst Method

Koray Yapa
Usak University, Turkey

Mert Durmus
Usak University, Turkey

Nezih Tayyar
Usak University, Turkey

İbrahim Akbulut
Usak University, Turkey

ABSTRACT

Macroeconomic indicators are used to evaluate the current performance and forecast the future state of the economy. Within the scope of the chapter; macroeconomic indicators such as GDP per capita, unemployment, inflation, real interest rates, and growth rates constitute the criteria of Multi-Criteria Decision Making (MCDM) model. The European Union (EU) countries and Turkey are the alternatives of the MCDM problem. Best Worst Method (BWM) is an MCDM method developed by Jafar Rezaei in 2015. In this method, the decision-maker identifies only the best and worst criteria and compares them with the remaining criteria. In this chapter, the macroeconomic indicators of Turkey and EU countries analyzed by BWM. As a result of the study, Luxembourg ranks first, Denmark second, and Sweden third. The last three countries are Portugal, Croatia, and Greece. Turkey ranks 24th.

DOI: 10.4018/978-1-7998-1188-6.ch012

INTRODUCTION

The European Union was established because they thought that diversity would give them power. The European Union made the biggest wave of enlargement in its history in 2004. In the latest wave of enlargement, ten new countries (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) joined the European Union. In 2007, the number of European Union members rose to 27 with the participation of Bulgaria and Romania. With the participation of Croatia in 2013, the number of European Union Member countries reached to 28. Turkey was accepted as a full member candidate of the European Union in 1999. It has been requested to provide the conditions in many areas including economy and politics from Turkey for European Union membership. The economy is one of the most important conditions for European Union membership.

In the EU countries, significant deterioration occurred in economic indicators especially in 2009 due to the impact of the European debt crisis. While economic growth rates decreased significantly, unemployment also increased. After the deterioration that continued until 2013, while the growth increased, inflation rates started to decline and unemployment rates showed a downward trend (Ulusoy and Ela, 2015; Eser and Ela, 2015). The current account deficits before the European debt crisis started to be reduced in many countries in 2012 and 2013 (Eurostat, 2018). In 2016, partial economic recovery continued in EU economies. As a result of the monetary policy imposed by the European Central Bank (ECB) together with the falling oil prices and the exchange rate, the decreasing funding cost and the pro-growth fiscal policy have supported growth in the EU. On the other hand, the current account balance continued its positive development in recent years. Germany and the Netherlands contributed positively to the current account balance of the European Union. Inflation rates in the European Union remained low due to the decrease in energy prices. Similarly, labour market conditions in EU countries continued to improve and unemployment decreased in 2016 (European Union, 2016, pp.22-47).

Macroeconomics data are the main indicators of the changes in the national economies. Economic performance of countries can be compared with macroeconomics indicators. Moreover, comments can be made about the countries' economic situation with the help of these indicators. Multi-Criteria Decision-Making methods are used to determine the performance of alternatives or to compare alternatives with each other in the case of two or more conflicting criteria. In this study, it is expected to find out Turkey's macroeconomics position among European Union countries according to macroeconomics indicators by using Multi-Criteria Decision-Making methods.

There are studies that compare the economic performances of Turkey and European Union countries with macroeconomics indicators by using Multi Criteria Decision Making methods. In the six studies examined, commonly used MCDM methods were used, such as AHP, ELECTRE, MOORA, PROMETHEE and TOPSIS. Criterion weights were usually taken as equal and only one year period was studied excluding Ekren and Fındıkci (2016). As a result, it is obvious that new studies should be conducted in this area. Criteria weights should be calculated by using experts' opinion, more period should be covered and newly developed MCDM methods should be used. Therefore, Best Worst Method (BWM), a newly developed Multi Criteria Decision Making method based on linear and non-linear programming, will be used in our study and the data for nine-year period covering 2009-2017 years will be used. Expert opinions will be utilized in determining the criteria weights. Long-term bond interest rates, GDP per capita, unemployment rate, inflation rate and growth rate which are the criteria of this study were chosen from the most frequently used variables in the studies using macroeconomics indicators.

LITERATURE

The literature review is divided into three sections. In the first section; the studies using macroeconomics variables were examined. In the second section; the studies comparing the economic performance of countries with macroeconomics indicators using Multi Criteria Decision Making methods were examined. In the third section; the studies about the BWM are examined.

Albeni and Demir (2005) investigated the macroeconomics factors that have an impact on the stock prices of companies. Inflation rate, financial index, savings deposit interest rates, treasury bond interest rates, US dollar and German mark, emission volume, Republic gold, international portfolio investments and money supply constitute macroeconomics variables of the study. Multiple regression analysis was used in the application, time series data of the 1991-2000 period for the dependent and independent variables were evaluated according to the Least Square Method and the calculated coefficients were tested statistically. This study differs from the others by examining the relationship between financial sector stock prices and macroeconomics variables. As a result of the study, it was found that macroeconomics factors affecting the financial sector stock prices were deposit interest rates, Republic gold, international portfolio investments and German Mark.

Kılıç (2005) compared economic performances of the EU countries and four candidate countries in the process of full membership negotiation by ELECTRE TRI. The level of readiness of candidate countries to the process of economic integration with the EU was examined. Seven macroeconomics variables including public finance balance / GDP, public debt / GDP, inflation rate, interest rate, real growth in GDP, GDP per capita and labour productivity were used. It was observed that seven countries and four candidate countries from EU countries were not ready for economic integration with the EU.

Karabulut, Ersungur & Polat (2008) analysed macroeconomics performance levels of Turkey and the European Union (EU) member states using data set in the period 2001-2005. The technical efficiency and total factor productivity of the countries and the changes in their components were taken as the basis in the performance measurement. Data Envelopment Analysis (DEA) and Malmquist total factor productivity index were used to measure changes in technical efficiency and total factor productivity.

Koyuncu (2010) identified effective macroeconomics factors in the determination of foreign investment inflows in Turkey. Structural VAR method was applied for the variables that were thought to be effective on foreign direct investment (FDI) inflow. Macroeconomics indicators were used such as interest rate, openness rate, real exchange rate, net international reserves, inflation rate and GDP. The data used in the study were obtained from the Central Bank database. As a result, it was observed that foreign direct investment inflows were significantly affected by the changes in previous foreign direct investment, GDP, openness ratio and net international reserves. In other words, FDI in Turkey is affected by the relationship of the previous level of foreign investment and global markets.

Altıntaş and Tombak (2011) aimed to estimate the relationships between the real and monetary variables that play a role in the determination of the stock prices with the VAR method and Granger causality tests. Quarterly data were used between 1987 and 2008. Economic growth, money supply, real exchange rate, foreign exchange reserves and GDP are the macroeconomics variables of the study. It was determined that there is a positive and significant relationship between stock prices and real exchange rate, economic growth and international reserves. However, negative and significant long-term relationship between stock prices and monetary expansion was observed.

Özden (2012) made the ranking of EU members and Turkey's levels of development with AHP by using macroeconomics indicators. Macroeconomics indicators such as Public Debt / GDP, Unemployment

Rate, Budget Deficit / GDP, Current Account Balance / GDP, GDP / Population, Short Term Interest Rate, Euro Exchange Rate and Inflation were used in consideration of Maastricht Criteria in the study. The weight of macroeconomics criteria was determined by taking the opinions of experts and academicians. As a result of the analysis, the country with the highest economic performance was Luxembourg and the lowest was Greece. Turkey was ranked the 24th among 28 countries.

Arıç and Erkekoğlu (2013), studied the similarities between Turkey and the EU countries in terms of macroeconomics indicators. The ratio of the current account balance to GDP, net trade rate index, GDP per capita, GINI, inflation rate, unemployment rate, export value index (2000 = 100), total demand growth were used as macroeconomics variables in the study. Clustering analysis was used in the study. In addition to this analysis, sigma (σ) approximation analysis was used to determine the country rapprochement in terms of the variables used. Macroeconomics variables before and after the 2008 crisis were used. The study is different from other studies in terms of examining whether there has been a change in the cluster membership of the EU countries by years and whether there is a differentiation in these memberships. Results showed that the EU members and Turkey, while closer to each other according to the inflation rate and current account deficit variable rate, the unemployment rate and in terms of national income per capita was seen away from one another.

Demir and Bakırcı (2014) examined the macroeconomics activities of OECD member countries for the period of 2006-2010 by DEA method. 6 inputs and 6 outputs were determined to reveal the economic dimension. The lowest inputs of Iceland and Korea are the unemployment rate and they are at a very low level compared to the data of all other countries. Moreover, their GNP and purchasing power parity data were higher than other countries.

Cihan and Salur (2017) analysed the BRICS countries and Turkey's financial performance with the TOPSIS method using macroeconomics data. Five macroeconomics variables including growth rate, inflation rate, unemployment rate, budget deficit / GDP and current account / GDP were used and the performances of the countries were evaluated.

Eyüboğlu (2017) aimed to compare the macroeconomics performance of developing countries between 2003 and 2013 with AHP and TOPSIS methods. Macroeconomics indicators such as economic growth, inflation rate, unemployment rate and current account balance / GDP were the criteria of the study. As a result of the analyses, performance rankings of the countries according to the macroeconomics criteria were obtained.

Erdogan (2017) analysed and compared the effects of macroeconomics variables on foreign direct investment movements in some of the Latin American countries and Turkey. Foreign direct investment, external openness, per capita income, inflation and current deficit were used as macroeconomics indicators, the period between 1980 and 2012 were studied. Study results showed that the most important variable affecting foreign direct investment in Latin American countries is openness. For Turkey, the most important macroeconomics variables are income per capita and inflation. These findings indicate how effective macroeconomics figures are on direct foreign investments.

Masca (2017) investigated the macroeconomics performance of 28 EU countries based on 6 basic macroeconomics indicators for the 2015 period by using the TOPSIS method. According to the results of the analysis using economic indicators such as long-term interest rates, general budget balance / GDP, total public debt / GDP, gross fixed capital formation, inflation rate and unemployment rate, Sweden showed the best performance. Greece showed the worst performance.

There are seven studies that compare the performances of Turkey and European Union countries with macroeconomics indicators by using Multi Criteria Decision Making methods. The first one was studied by Özden in 2011. Özden used the data of 2009 in his study. 27 member countries of the European Union, Turkey and Croatia were included in the study. The macroeconomics indicators used in the study were Public Debt / GDP, Unemployment Rate, Budget Deficit / GDP, Ratio of Exports to Imports, GDP per capita and Inflation Rate. These indicators are the criteria of multi criteria decision making model. No procedure was carried out to determine the criteria weights. They were taken as equal. TOPSIS method was used for performance measurement. Turkey's macroeconomics performance ranks 27th out of the 29 countries in front of Latvia and Greece.

Dinçer (2011) compared the macroeconomics performance of 30 countries, including EU countries and EU candidate countries. TOPSIS and WSA methods were applied by using six basic macroeconomics indicators for the year 2008 in this study. Economic indicators such as growth rate, inflation rate, export, import and unemployment rate were used as decision criteria. The results showed that the most successful countries were Luxembourg, the Netherlands and Denmark. Turkey occupies the 27th in both methods according to the analysis results.

Urfalioglu and Genc (2013) aimed to find out Turkey's economic situation among the European Union countries by applying Multi-Criteria Decision Making methods. In the study, three different Multi-Criteria Decision Making methods including ELECTRE, PROMETHEE and TOPSIS were used. The study used data of 2010, 27 European Union member countries and Turkey, Macedonia, Iceland, Montenegro and Croatia total of 32 countries, constituted the alternatives of MCDM model. Six macroeconomics indicators were used as criteria: Inflation, Growth and Employment rates and Export, Import and GDP per capita. Criteria weights were taken as equal. Turkey's performance ranks 13th by TOPSIS and 31th and 32th by ELECTRE and PROMETHEE respectively out of the 32 countries. The fact that the rankings show such a difference according to the Multi-Criteria Decision Making methods used reduces the confidence in this study.

Genc and Masca (2013), compared 28 European Union countries and Turkey's macroeconomics performance for the year 2012 by using TOPSIS and PROMETHEE methods. The macroeconomics performance criteria of the study are Public Debt / GDP, Unemployment Rate, Budget Deficit / GDP, Inflation, Long-Term Interest Rates and Growth. In the study, where criterion weights were taken as equal, it was stated that the methods gave similar results because of the high rank correlation between the results of the two methods. Turkey's macroeconomics performance ranks 18th by TOPSIS and 21th by PROMETHEE out of the 29 countries.

28 European Union countries and Turkey's macroeconomics performance, for the six-year period covering the years 2010-2015, were examined using AHP and VIKOR methods (Ekren and Fındıkci, 2016). The criteria of the study were Public Debt / GDP, Growth Rate, Interest Rate, Exchange Rate, Current Account Balance / GDP, Unemployment Rate, Inflation and Budget Balance / GDP. A hybrid approach was used in the study. The weights of the criteria were determined by AHP and the performances of the countries were determined by using these weights in VIKOR method. Turkey's performance, in the six-year period examined, ranks among 23th-27th out of the 29 countries.

Sevgin and Kundakci (2017) analysed 28 European Union countries and Turkey's macroeconomics performance for the year 2013 by using TOPSIS and MOORA methods. The same six macroeconomics indicators in Özden (2011) were used in the study where criterion weights were taken as equal. Turkey ranks 29^{th}, 28^{th} and 29^{th} by TOPSIS, MOORA Ratio and MOORA Reference Point methods respectively out of the 29 countries.

Ela et al. (2018) compared 28 European Union countries and Turkey's macroeconomics performance for the year 2015 by using TOPSIS method and four macroeconomics indicators. Criteria weights were taken from Eyupoglu (2017). When the results obtained from the study are taken into consideration, Ireland, Cyprus and Poland are the most prominent countries in terms of macroeconomics performance. The countries with the lowest macroeconomics performance are Turkey, Austria and Belgium.

This study will be performed to compare the EU countries and Turkey with the BWM. Therefore, the studies conducted with this method in the literature are also examined. BWM is a multi-criteria decision making method that was introduced to the literature by Rezaei in 2015. During the three-year period until 2018, the method was very popular and more than 40 studies on BWM were produced. BWM has been applied in many areas and subjects such as production (Rezaei, 2015; Rezaei, 2016; Moktadir et al., 2018 Beemsterboer, Hendrix and Claassen, 2018), supply chain (Sadaghiani et al., 2015; Ahmadi et al., 2017; Mohaghar et al., 2017; Rezaei and Lajim, 2018; Rezaei et al., 2018; Kusi-Sarpong, Gupta and Sarkis, 2018; Setyono and Sarno, 2018), risk assessment (Torabi et al., 2016), education (Salimi and Rezaei, 2016), energy (Gupta, Anand and Gupta, 2017; van de Kaa et al., 2018), technology (Ghaffari, 2017; van de Kaa et al., 2019), transportation (Rezaei et al., 2017; Kaa et al., 2017; Groenendijk, Rezaei and Correia, 2018; Rezaei et al., 2018; Sharma, Mangla and Patil, 2019), and performance evaluation etc. (Salimi and Rezaei, 2018; Bonyani and Alimohammadlou, 2018).

METHODOLOGY

The Best-Worst method is a new multi-criteria decision-making method based on linear and nonlinear programming. This method gives more consistent results than AHP and requires less calculation. The steps involved in BWM are described below (Gupta & Barua, 2016; Gupta et. al., 2017; Rezaei, 2015; Rezaei, 2016):

Step 1: Construct the decision matrix as given in the following equation:

$$x = \begin{pmatrix} x_{11} & x_{12} & \cdots & x_{1n} \\ x_{21} & x_{22} & \cdots & x_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ x_{m1} & x_{m2} & \cdots & x_{mn} \end{pmatrix} \tag{1}$$

where x_{ij} denotes the performance rating of the alternative i with respect to the criterion j and m represents the number of the alternatives and n the number of the criteria.

Step 2: Determine the best and worst criteria among all the criteria using experts' opinion.

Step 3: Determination the preference rating of best selected criteria over all other criteria using 1-9 scale. These ratings can be represented as a vector $A_B = (a_{B1}, a_{B2}, \ldots, a_{Bn})$ where $a_{BB} = 1$.

Step 4: Determination the preference rating of worst selected criteria over all other criteria using 1-9 scale. These ratings can be represented as a vector $A_w = (a_{w1}, a_{w2}, \ldots, a_{wn})^T$ where $a_{ww} = 1$.

Step 5: Find the optimized weights $(w_1^*, w_2^*, \ldots, w_n^*)$ of criteria, where the maximum absolute differences for all j is minimized of the following set $\{|w_B - a_{Bj}w_j|, |w_j - a_{jW}w_W|\}$. This can be represented as the following model:

$$\min \max\{|w_B - a_{Bj}w_j|, |w_j - a_{jW}w_W|\}$$

s.t.

$w_j \geq 0$, for all j (2)

Model (2) can be solved by the following linear programming problem model:

min ξ^L
s.t.
$|w_B - a_{Bj}w_j| \leq \xi^L$, for all j
$|w_j - a_{jW}w_W| \leq \xi^L$, for all j

$w_j \geq 0$, for all j (3)

Values of optimized weights $(w_1^*, w_2^*, \ldots, w_n^*)$ and ξ^L can be obtained by solving linear programming model (3). Closer values of ξ^L to 0 indicates higher consistency and values below 1 indicates consistent comparison.

Step 6: Alternative scores can be obtained by the following equation.

$$v_i = \sum_{j=1}^{n} w_j x_{if} \tag{4}$$

Larger V_i value means a better alternative. If the values of decision matrix (x_{ij}) are not known, then by applying the procedure in steps 2-5 these values can be obtained. If the decision matrix values are of from different scales they can be normalized by the following equation (Zhai et. al., 2009).

$$x_{ij}^{normalized} = \begin{Bmatrix} \dfrac{x_{ij} - \min\{x_j\}}{\max\{x_j\} - \min\{x_j\}} ifjisbenefitcriterion \\ \dfrac{\max\{x_j\} - x_{ij}}{\max\{x_j\} - \min\{x_j\}} ifjis \cos tcriterion \end{Bmatrix} \tag{5}$$

RESULTS

The aim of this study is to measure macroeconomics performances of Turkey and EU countries by using macroeconomics indicators and BWM for the nine-year period between 2009 and 2017. The study was planned to include 28 EU countries and Turkey, however Estonia could not be included because of the lack of data. In addition, 2018 data could not be included in the study since it is not yet fully disclosed. Data were obtained from EUROSTAT (https://ec.europa.eu/eurostat/home?), IMF (https://www.imf.org) and World Bank (https://www.worldbank.org/). Macroeconomics indicators, long-term bond yields, GDP per capita, unemployment rate, inflation rate and growth rate are the criteria of this study. The alternatives of the study are 27 EU countries and Turkey.

In order to find the criterion weights, four experts were interviewed and asked to reach a compromise group decision. The experts determined that the most important criterion is GDP per capita and the worst criterion is inflation. The experts were then asked to determine the ratings of GDP per capita over all other criteria using 1-9 scale. The results of the experts' ratings are given in Table 1. Similarly, the experts compared the other criteria with the inflation criterion, the results are given in Table 2.

In the study, the nine-year period among 2009-2017 were evaluated separately for each year. Therefore, nine decision matrix were formed. The decision matrix for the year 2009 is given in Table 3.

The steps given in section 3 were applied in the analysis. Decision Matrices were created for each year as stated in Step 1. In order to carry out steps 2, 3 and 4, expert opinions were used as mentioned above. Best and worst vectors were obtained as $A_B = (2, 5, 7, 3, 1)$ and $A_w = (6, 2, 1, 4, 8)^T$ respectively. In order to find the optimal weights in step 5, the model (3) has been solved by the Microsoft Excel Solver add-in. The weights obtained as a result of step 5 are given in Table 4. The weight of the most important criterion is 43%, while the worst criterion is 5%. The ξ^L value was calculated as 0.07. This value is very close to 0 indicates high consistency.

The measurement units of the criteria are different and therefore normalization is performed using Equation (5). The normalized decision matrix of the 2009 is given in Table 5.

Scores of all alternatives were obtained by using the equation (4). Table 6 shows the scores for each year and averages of alternatives.

The rankings and averages corresponding to these scores can be seen in Table 7.

CONCLUSION

Turkey has been Europe's most powerful and most important partner for many years. The relations between Turkey and the Europe have very strong roots and crucial outputs after the second World War. Turkey

Table 1. Comparison of the best criteria and other criteria

The Best and Others	Growth	Unemployment	Inflation	Bond yields	GDP per capita
GDP per capita	2	5	7	3	1

Table 2. Comparison of the worst criteria and other criteria

Others and the worst	Inflation
Growth	6
Unemployment	2
Inflation	1
Bond yields	4
GDP per capita	8

Table 3. Decision matrix for 2009

Country	Bond Yields (%)	GDPPC (US$)	Unemployment (%)	Inflation (%)	Growth (%)
Austria	3.9	47963	5.3	0.4	-3.8
Belgium	3.9	44881	7.9	0.0	-2.3
Bulgaria	7.2	6970	6.8	2.5	-3.6
Croatia	7.8	14169	9.3	2.2	-7.3
Cyprus	4.6	32106	5.4	0.2	-2.0
Czech Republic	4.8	19742	6.7	0.6	-4.8
Denmark	3.6	58163	6.0	1.0	-4.9
Finland	3.7	47107	8.2	1.6	-8.3
France	3.7	41575	9.1	0.1	-2.9
Germany	3.2	41733	7.6	0.2	-5.6
Greece	5.2	29711	9.6	1.3	-4.3
Hungary	9.1	13030	10.0	4.0	-6.6
Ireland	5.2	52104	12.6	-1.7	-5.0
Italy	4.3	36977	7.7	0.8	-5.5
Latvia	12.4	12219	17.5	3.3	-14.4
Lithuania	14.0	11837	13.8	4.2	-14.8
Luxembourg	4.2	103199	5.1	0.0	-4.4
Malta	4.5	20676	6.9	1.8	-2.5
Netherlands	3.7	51900	4.4	1.0	-3.7
Poland	6.1	11528	8.1	4.0	2.8
Portugal	4.2	23064	10.7	-0.9	-3.0
Romania	9.7	8475	6.5	5.6	-5.5
Slovakia	4.7	16513	12.1	0.9	-5.4
Slovenia	4.4	24634	5.9	0.8	-7.8
Spain	4.0	32334	17.9	-0.2	-3.6
Sweden	3.3	46207	8.3	1.9	-5.2
Turkey	12.9	9036	13.1	6.3	-4.7
United Kingdom	3.4	38262	7.6	2.2	-4.2

Table 4. Criterion weights

Bond Yields (%)	GDPPC (US$)	Unemployment (%)	Inflation (%)	Growth (%)
0.17	0.43	0.10	0.05	0.25

Table 5. Normalized decision matrix for 2009

Country	Bond Yields (%)	GDPPC (US$)	Unemployment (%)	Inflation (%)	Growth (%)
Austria	0.93	0.43	0.93	0.74	0.63
Belgium	0.94	0.39	0.74	0.79	0.71
Bulgaria	0.63	0.00	0.82	0.47	0.64
Croatia	0.57	0.07	0.64	0.51	0.43
Cyprus	0.87	0.26	0.93	0.76	0.73
Czech Republic	0.85	0.13	0.83	0.71	0.57
Denmark	0.97	0.53	0.88	0.66	0.56
Finland	0.95	0.42	0.72	0.58	0.37
France	0.96	0.36	0.65	0.77	0.68
Germany	1.00	0.36	0.76	0.76	0.52
Greece	0.82	0.24	0.61	0.62	0.60
Hungary	0.45	0.06	0.59	0.28	0.47
Ireland	0.81	0.47	0.39	1.00	0.56
Italy	0.90	0.31	0.76	0.69	0.53
Latvia	0.15	0.05	0.03	0.37	0.02
Lithuania	0.00	0.05	0.30	0.26	0.00
Luxembourg	0.91	1.00	0.95	0.79	0.59
Malta	0.88	0.14	0.81	0.56	0.70
Netherlands	0.96	0.47	1.00	0.66	0.63
Poland	0.73	0.05	0.73	0.28	1.00
Portugal	0.91	0.17	0.53	0.90	0.67
Romania	0.40	0.02	0.84	0.08	0.53
Slovakia	0.86	0.10	0.43	0.67	0.53
Slovenia	0.89	0.18	0.89	0.69	0.40
Spain	0.93	0.26	0.00	0.81	0.64
Sweden	1.00	0.41	0.71	0.55	0.55
Turkey	0.10	0.02	0.36	0.00	0.57
United Kingdom	0.99	0.33	0.76	0.51	0.60

applied to be a member of the union, after 19 months of establishing the union. In macroeconomics sense, the relations have more complicated than other unions in terms of import, export and investments. For example, EU share in Turkey's exports was 43.4% in 2014, 44.4% in 2015 and 48.5% in 2016 and the EU's share of imports in Turkey was 30.6% in 2014, 37.9% in 2015 and 38.9% in 2016 whereas the share of exports to the member countries of the Islamic Cooperation Organization in total exports was 30.8% in 2014, 29.7% in 2015 and 28.3% in 2016 and the share of imports from the member countries of the Islamic Cooperation Organization in Turkey's total imports was 12% in 2014, 10.8% in 2015 and 11.2% in 2016 (Çolak, 2016).

Table 6. Scores and averages of alternatives for 2009-2017

Country	2009	2010	2011	2012	2013	2014	2015	2016	2017	Mean
Austria	0.63	0.60	0.61	0.64	0.57	0.51	0.48	0.56	0.51	0.57
Belgium	0.62	0.57	0.55	0.60	0.54	0.50	0.45	0.50	0.45	0.53
Bulgaria	0.37	0.31	0.36	0.40	0.35	0.32	0.29	0.44	0.37	0.36
Croatia	0.32	0.28	0.34	0.34	0.30	0.24	0.25	0.39	0.31	0.31
Cyprus	0.57	0.47	0.45	0.41	0.25	0.24	0.29	0.50	0.43	0.40
Czech Republic	0.46	0.46	0.47	0.47	0.43	0.44	0.41	0.47	0.47	0.45
Denmark	0.65	0.63	0.63	0.67	0.63	0.58	0.53	0.62	0.55	0.61
Finland	0.53	0.60	0.59	0.58	0.54	0.46	0.45	0.57	0.50	0.54
France	0.59	0.54	0.55	0.58	0.53	0.47	0.42	0.47	0.44	0.51
Germany	0.57	0.61	0.61	0.63	0.57	0.55	0.48	0.57	0.50	0.57
Greece	0.48	0.18	0.13	0.12	0.16	0.20	0.10	0.12	0.17	0.18
Hungary	0.29	0.28	0.35	0.35	0.36	0.38	0.31	0.38	0.40	0.34
Ireland	0.57	0.50	0.50	0.56	0.53	0.69	0.77	0.76	0.81	0.63
Italy	0.53	0.50	0.49	0.45	0.40	0.38	0.37	0.41	0.35	0.43
Latvia	0.08	0.10	0.39	0.49	0.42	0.36	0.34	0.40	0.43	0.34
Lithuania	0.07	0.30	0.41	0.49	0.43	0.40	0.33	0.42	0.43	0.36
Luxembourg	0.87	0.90	0.86	0.88	0.89	0.87	0.77	0.84	0.72	0.85
Malta	0.49	0.48	0.46	0.54	0.51	0.59	0.46	0.62	0.59	0.53
Netherlands	0.65	0.61	0.61	0.61	0.56	0.53	0.49	0.58	0.54	0.58
Poland	0.48	0.38	0.42	0.45	0.39	0.38	0.32	0.41	0.42	0.41
Portugal	0.49	0.40	0.30	0.30	0.31	0.32	0.31	0.37	0.35	0.35
Romania	0.29	0.20	0.34	0.45	0.38	0.35	0.30	0.48	0.49	0.36
Slovakia	0.40	0.45	0.40	0.46	0.40	0.40	0.35	0.46	0.39	0.41
Slovenia	0.45	0.45	0.45	0.41	0.34	0.41	0.36	0.48	0.49	0.43
Spain	0.47	0.37	0.36	0.36	0.31	0.34	0.33	0.44	0.37	0.37
Sweden	0.58	0.67	0.65	0.66	0.62	0.58	0.53	0.61	0.51	0.60
Turkey	0.20	0.34	0.42	0.46	0.40	0.25	0.16	0.22	0.32	0.31
United Kingdom	0.56	0.53	0.53	0.62	0.56	0.53	0.48	0.52	0.44	0.53

In this study, Turkey is evaluated with the European countries based on macroeconomics indicators which are long term bond yields, GDP per capita, unemployment, inflation and growth rates. The period of the study is between 2009 and 2017. A new technique of MCDM, Best-Worst Method (BWM), was applied to macroeconomics data to determine the weights of criteria and ranks of the countries. As seen in the section of results, while the process of Turkey's adventure of being a member of the EU is floating, also the macroeconomics status is fluctuating in the period of the study.

As a result of the study, the best and worst nine groups of the first three and last three countries were formed. While Luxembourg was among the best in all groups, Denmark took 6 times, Sweden 5 times. On the other hand, Greece was among the worst group in 8 times, Croatia was 5 times and Turkey was 4

Table 7. Rankings and averages of alternatives for 2009-2017

Country	2009	2010	2011	2012	2013	2014	2015	2016	2017	Mean
Austria	4	6	6	4	5	9	8	9	7	6.4
Belgium	5	8	8	8	9	10	11	11	13	9.2
Bulgaria	22	22	23	23	22	24	24	19	22	22.3
Croatia	23	25	25	26	26	26	26	24	27	25.3
Cyprus	8	14	15	22	27	27	25	12	17	18.6
Czech Republic	19	15	13	15	13	13	13	16	12	14.3
Denmark	2	3	3	2	2	4	4	3	4	3.0
Finland	12	7	7	9	8	12	10	7	8	8.9
France	6	9	9	10	11	11	12	15	15	10.9
Germany	9	4	5	5	4	6	6	8	9	6.2
Greece	16	27	28	28	28	28	28	28	28	26.6
Hungary	25	24	24	25	21	17	22	25	20	22.6
Ireland	10	12	11	11	10	2	2	2	1	6.8
Italy	13	11	12	19	16	19	14	22	24	16.7
Latvia	27	28	21	13	15	20	17	23	16	20.0
Lithuania	28	23	19	14	14	15	18	20	18	18.8
Luxembourg	1	1	1	1	1	1	1	1	2	1.1
Malta	14	13	14	12	12	3	9	4	3	9.3
Netherlands	3	5	4	7	6	8	5	6	5	5.4
Poland	17	19	18	18	19	18	20	21	19	18.8
Portugal	15	18	27	27	25	23	21	26	25	23.0
Romania	24	26	26	20	20	21	23	14	11	20.6
Slovakia	21	17	20	17	17	16	16	17	21	18.0
Slovenia	20	16	16	21	23	14	15	13	10	16.4
Spain	18	20	22	24	24	22	19	18	23	21.1
Sweden	7	2	2	3	3	5	3	5	6	4.0
Turkey	26	21	17	16	18	25	27	27	26	22.6
United Kingdom	11	10	10	6	7	7	7	10	14	9.1

times. To evaluate the all period, mean of the rankings was computed and a new ranking was calculated based on the means. According to the last ranking, Luxembourg is the first, Denmark is the second and Sweden is the third. Last three countries are Portugal, Croatia and Greece. Turkey's order is 24 in this ranking.

After the global crisis of mortgage, all countries' macroeconomics indicators have been affected in a serious way as seen in Table 7 for 2009. For example, according to the ranking of countries in Table 7, Greece is 16, and Romania is 24. Because Greece has been intensively affected from the crisis, Greece could never returned its previous level. On the other hand, Romania was behind the Greece in 2009, after the improvements in macroeconomics issues, at the end of the period, in 2017 the Romania's order was

11 as seen in Table 7. In 2009 Turkey's order is 26. Because of having a powerful and dynamic banking systems and structure and also constituting decisive and coherent regulations, Turkey has successfully overcome the worst effects of the crisis. As a result of this, Turkey's orders were 21 in 2010, 17 in 2011, 16 in 2012 and 18 in 2013. With the start of Turkey's shrinking economy, GDP was decreased and inflation, unemployment and the budget deficit were increased. As a result of the having these indicators, in 2014 Turkey's order was 24 as seen in Table 7. After 2014, Turkey's order was 27 in 2015 and 2016 and 26 in 2017. It seems that there is a structural break in the period of the study. As a result of both the weakening of economic indicators in Turkey, and the economic empowerment of the European Union countries, Turkey has fallen back in the rankings.

REFERENCES

Ahmadi, H. B., Kusi-Sarpong, S., & Rezaei, J. (2017). Assessing the social sustainability of supply chains using Best Worst Method. *Resources, Conservation and Recycling*, *126*, 99–106. doi:10.1016/j.resconrec.2017.07.020

Albeni, M., & Demir, Y. (2005). The effects of macroeconomics indicators on stock prices of financial sector: An application on Istanbul stock exchange. *Journal of Social Sciences and Humanities Researches*, *1*(14).

Altintas, H., & Tombak, F. (2011). The econometric analysis of the relationship between stock prices and macroeconomics variables in Turkey: 1987-2008. *Anadolu International Conference in Economics II*, 1-21.

Arıç, K., & Erkekoğlu, H. (2013). Statistical analysis of the EU countries and Turkey's macroeconomics indicators. *Cumhuriyet University Journal of Economics and Administrative Sciences*, *14*(2), 291–306.

Beemsterboer, D. J. C., Hendrix, E. M. T., & Claassen, G. D. H. (2018). On solving the Best-Worst Method in multi-criteria decision-making. *IFAC-PapersOnLine*, *51*(11), 1660–1665. doi:10.1016/j.ifacol.2018.08.218

Bonyani, A., & Alimohammadlou, M. (2018). A new approach for evaluating international EPC contractors in Iran's energy sector. *International Journal of Construction Management,* 1-8.

Cihan, Y., & Salur, M. N. (2017). Comparison of the economic performance between Turkey and BRICS countries using TOPSIS method. *Journal of Current Researches on Business and Economics*, *7*(2), 349–358.

Çolak, Ö. F. (2016). EU-Turkey relations discussion. Retrieved from https://www.dunya.com/kose-yazisi/ab-turkiye-iliskileri-tartismasi/338370

Demir, A., & Bakırcı, F. (2014). Measurement of economic activities of OECD member countries by Data Envelopment Analysis. *Atatürk University Journal of Economics and Administrative Sciences*, *28*(2), 109–132.

Dinçer, S. E. (2011). Multi-criteria analysis of economic activity for European Union member states and candidate countries: TOPSIS and WSA applications. *European Journal of Soil Science*, *21*(49), 563–572.

Ekren, N., & Fındıkçı, M. (2016). The analysis of macroeconomics performance for European countries and Turkey with AHP and VIKOR Method. *Istanbul Commerce University Journal of Social Sciences*, *15*(29), 1–17.

Ela, M., Doğan, A., & Uçar, O. (2018). Comparison of EU countries and Turkey's macroeconomics performances with Topsis Method. *Osmaniye Korkut Ata University Journal of Economics and Administrative Sciences*, *2*(2), 129–143.

Erdoğan, S. (2017). A study on macroeconomics determinants of foreign direct investment: A comparison of Latin America – Turkey. *Marmara University Journal of Economic & Administrative Sciences, 39*(1).

Eser, L. Y., & Ela, M. (2015). European debt crisis: How, why and where? *Eskişehir Osmangazi University Journal of Economics and Administrative Sciences*, *10*(1), 209–232.

European Union. (2016). European economic forecast autumn 2016. European Economy Institutional Papers, No. 038.

Eurostat. (2018). Current account balance – 3 year average. Retrieved from http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tipsbp10&tableSelection=1

Eyüboğlu, K. (2017). Comparison of macro performance of the countries in the Turkish world. *Bilig*, *83*, 331–350.

Genç, T., & Masça, M. (2013). The comparison of the outranking results of TOPSIS and PROMETHEE methods. *Afyon Kocatepe University Journal of Economics and Administrative Sciences*, *15*(2), 539–567.

Ghaffari, S., Arab, A., Nafari, J., & Manteghi, M. (2017). Investigation and evaluation of key success factors in technological innovation development based on BWM. *Decision Science Letters*, *6*(3), 295–306. doi:10.5267/j.dsl.2016.12.001

Groenendijk, L., Rezaei, J., & Correia, G. (2018). Incorporating the travellers' experience value in assessing the quality of transit nodes: A Rotterdam case study. *Case Studies on Transport Policy*, *6*(4), 564–576. doi:10.1016/j.cstp.2018.07.007

Gupta, H., & Barua, M. K. (2016). Identifying enablers of technological innovation for Indian MSMEs using best-worst multi criteria decision making method. *Technological Forecasting and Social Change*, *107*, 69–79.

Gupta, P., Anand, S., & Gupta, H. (2017). Developing a roadmap to overcome barriers to energy efficiency in buildings using Best Worst Method. *Sustainable Cities and Society*, *31*, 244–259. doi:10.1016/j.scs.2017.02.005

Karabulut, K., Ersungur, Ş. M., & Polat, Ö. (2008). European countrıes and comparison of Turkey's economıc performance: Data Analysıs Envelopment. *Atatürk University Journal of Economics and Administrative Sciences*, *22*(1), 1–11.

Kılıç, Ö. (2005). Classification of EU member states and candidate countries according to some basic macroeconomics criteria: Estimation of a model based on multi criteria decision making analysis. *Çukurova University Journal of the Institute of Social Sciences, 14*(2), 339-351.

Koyuncu, F. T. (2010). The effects of some macroeconomics variables on FDI in Turkey: A structural vector autoregression analysis between the period 1990-2009. *Journal of Economics Sciences*, *2*(1), 55–62.

Kusi-Sarpong, S., Gupta, H., & Sarkis, J. (2018). A supply chain sustainability innovation framework and evaluation methodology. *International Journal of Production Research*, 1–19.

Masca, M. (2017). Economic performance evaluation of European Union countries by TOPSIS method. *North Economic Review*, *1*(1), 83–94.

Mohaghar, A., Sahebi, I. G., & Arab, A. (2017). Appraisal of humanitarian supply chain risks using Best-Worst Method. *International Journal of Social, Behavioral, Educational, Economic Business and Industrial Engineering*, *11*(2), 309–314.

Moktadir, M. A., Ali, S. M., Kusi-Sarpong, S., & Shaikh, M. A. A. (2018). Assessing challenges for implementing Industry 4.0: Implications for process safety and environmental protection. *Process Safety and Environmental Protection*, *117*, 730–741. doi:10.1016/j.psep.2018.04.020

Özden, Ü. H. (2011). TOPSIS method with the European Union member states of the candidate and mapping of economic indicators. *Trakya University Journal of Social Science*, *13*(2), 215–236.

Özden, Ü. H. (2012). EU member states and Turkey's economic performance sorting according to the VIKOR method. *Istanbul Commerce University Journal of Social Sciences*, *11*(21), 455–468.

Rezaei, J. (2015). Best-worst multi-criteria decision-making method. *Omega*, *53*, 49–57. doi:10.1016/j.omega.2014.11.009

Rezaei, J. (2016). Best-worst multi-criteria decision-making method: some properties and a linear model. *Omega*, *64*, 126–130. doi:10.1016/j.omega.2015.12.001

Rezaei, J., & Fallah Lajim, H. (2018). Segmenting supplies and suppliers: bringing together the purchasing portfolio matrix and the supplier potential matrix. *International Journal of Logistics Research and Applications,* 1-18.

Rezaei, J., Hemmes, A., & Tavasszy, L. (2017). Multi-criteria decision-making for complex bundling configurations in surface transportation of air freight. *Journal of Air Transport Management*, *61*, 95–105. doi:10.1016/j.jairtraman.2016.02.006

Rezaei, J., van Roekel, W. S., & Tavasszy, L. (2018). Measuring the relative importance of the logistics performance index indicators using Best Worst Method. *Transport Policy*, *68*, 158–169. doi:10.1016/j.tranpol.2018.05.007

Sadaghiani, S., Ahmad, K. W., Rezaei, J., & Tavasszy, L. (2015). Evaluation of external forces affecting supply chain sustainability in oil and gas industry using Best Worst Method. In *2015 International Mediterranean Gas and Oil Conference (MedGO)* (pp. 1-4). IEEE. 10.1109/MedGO.2015.7330322

Salimi, N., & Rezaei, J. (2016). Measuring efficiency of university-industry Ph.D. projects using Best Worst Method. *Scientometrics*, *109*(3), 1911–1938. doi:10.100711192-016-2121-0 PMID:27942084

Salimi, N., & Rezaei, J. (2018). Evaluating firms' R&D performance using Best Worst Method. *Evaluation and Program Planning*, *66*, 147–155. doi:10.1016/j.evalprogplan.2017.10.002 PMID:29091790

Setyono, R. P., & Sarno, R. (2018). Vendor track record selection using Best Worst Method. In *2018 International Seminar on Application for Technology of Information and Communication* (pp. 41-48). IEEE.

Sevgin, H., & Kundakçı, N. (2017). Ranking of European Union member countries and Turkey according to the economic indicators with TOPSIS and MOORA methods. *Anadolu University Journal of Social Sciences*, *17*(3), 87–107.

Sharma, Y. K., Mangla, S. K., & Patil, P. P. (2019). Analyzing challenges to transportation for successful sustainable food supply chain management ımplementation in Indian Dairy Industry. In *Information and communication technology for competitive strategies* (pp. 409–418). Singapore: Springer. doi:10.1007/978-981-13-0586-3_41

Torabi, S. A., Giahi, R., & Sahebjamnia, N. (2016). An enhanced risk assessment framework for business continuity management systems. *Safety Science*, *89*, 201–218. doi:10.1016/j.ssci.2016.06.015

Ulusoy, A., & Ela, M. (2015). *Turkey and the macroeconomics effects of the European debt crisis.* Paper presented at the International Conference on Eurasian Economies, Sept. 9-11, 2015, Kazan, Russia. Retrieved from https://www.avekon.org/papers/1363.pdf

Urfalıoğlu, F., & Genç, T. (2013). Comparison of the economic performance between Turkey and the European Union members with multi criteria decision making methods. *Marmara University Journal of Economic & Administrative Sciences, 35*(2).

van de Kaa, G., Fens, T., & Rezaei, J. (2019). Residential grid storage technology battles: A multi-criteria analysis using BWM. *Technology analysis and strategic management*, *31*(1), 40–52. doi:10.1080/09537325.2018.1484441

van de Kaa, G., Janssen, M., & Rezaei, J. (2018). Standards battles for business-to-government data exchange: Identifying success factors for standard dominance using the Best Worst Method. *Technological Forecasting and Social Change*, *137*, 182–189. doi:10.1016/j.techfore.2018.07.041

van de Kaa, G., Scholten, D., Rezaei, J., & Milchram, C. (2017). The battle between battery and fuel cell powered electric vehicles: A BWM approach. *Energies*, *10*(11), 1707. doi:10.3390/en10111707

Zhai, L. Y.-K., Pheng-Zhong, L., & Wei, Z. (2009). Design Concept Evaluation in Product Development Using Rough Sets and Grey Relational Analysis. *Expert Systems with Applications*, (36): 7072–7079.

Chapter 13
Tax Security Methods Implemented in Selected OECD Countries

Ahmet Tekin
Eskisehir Osmangazi University, Turkey

Serhat Gözen
Dumlupınar Universitesi, Turkey

ABSTRACT

Taxes have the most significant share among the usual income sources of states. Taxes, the most important part of public revenues, are considered as a burden on taxpayers and therefore this leads taxpayers to try some tax base erosive practices to minimize the tax burden. This situation necessitated states to take tax security measures to prevent revenue losses. Tax security measures are the institutions established to prevent tax base erosion primarily through taxpayers' declaration in fair manner by also including the autocontrol mechanism. Therefore, it is inevitable for the states which do not want to lose and suffer due to an erosion in their revenues to implement some tax security measures. In many countries today, various tax security measures are implemented. This chapter analyzes the tax security methods implemented in USA, Germany, and UK.

INTRODUCTION

Taxation has social, economic, moral, religional and financial purposes. Its main purpose is to bring-in revenues. In fact, the share of most of the tax revenues in total budget revenues reaches to 70-90% although it varies depending on economic patterns and development levels of countries today. Therefore, a series of measures are taken in order to prevent losses and erosion of taxes which constitute the most important part of the state's revenue items. These measures are called as tax security measures. Supporting the principle of statement essentially tax security measures are the institutions which aim to ensure autocontrol and prevent the tax erosion or delay of the tax (Bıyık, 2017). In other words, tax security

DOI: 10.4018/978-1-7998-1188-6.ch013

expresses all of the measures which ensure the taxes to be implemented with the highest productivity in accordance with their purposes (Aksoy, 1999: 262). At that point, countries may appeal to take some measures for the behaviours of taxpayers that would affect tax revenues negatively. In this study tax security measures implemented in some selected countries are analyzed.

TAX SECURITY MEASURES IMPLEMENTED IN THE USA

Distribution of Hidden Income Through Transfer Pricing

The first essential regulation in transfer pricing field was performed in 1954 and it was aimed to prevent companies to decrease their tax burden through transfer pricing as it is in today (Nazalı, 2007:115). Because legislative regulations are one of the results of the conflict between the company management that desires to maximize the profitability and the state authority taxing depending on the power of sovereignty (Kapusuzoğlu, 1999: 57).

In the studies conducted in the United States, which is one of the countries where transfer pricing is the most common, the reasons for taking hard measures regarding transfer pricing are that approximately 40% of the whole trade of the USA consists of the trade by affiliated companies with other affiliated foreign companies, i.e. creating commercial activities between partners (Clausing, 2003:2207).

Transfer pricing which is an important issue in terms of taxation in the meaning of state sovereignty in the USA was regulated by US Revenue Act. In 1963, Puerto Rico protested US Internal Revenue Service (IRS) against the unlimited distribution of revenues between companies, and therefore the United States issued a revenue distribution guide with regard to the companies in Puerto Rico. Therefore, the first guide used even today as transfer pricing guides was published (Işık, 2005: 67).

According to the Article no. 482 which still maintains its influence "the ministry may divide or allocate total revenues, expenses, credits for two or more organizations that are directly or indirectly owned or controlled by the same interests association. For this, it is sufficient to consider that the distribution or allocation of the distribution in question is necessary to prevent tax avoidance or to reflect the income clearly." The prevention of company's tax base erosion can be indicated as the reason for it (Kapusuzoğlu, 1997: 57).

Later, with the arm's length principle Comparible Uncontrolled Price Method, Free Sale Price Method and Cost Plus Methods were recommended by the regulations in 1962 and 1968 (Biyan, 2007: 82). Following the official report issued in 1988, various regulations were made in the section numbered 482 for transfer pricing. The methods about material and non-material rights were determined in 1994 and cost-sharing regulations were made in 1995 (Bayram, 2006: 54).

The penalties calculated by implementing on goods and services in the USA are as the following (Biyan, 2007: 84):

- If the price based on the report is 200% or more, or 50% or less than its equals, 20% rate of the underpaid tax is fined.
- If the price is 400% or more or 25% or less as compared to its equals, the fine is increased to 40% rate.
- The underpaid taxes below 10.000 $ are not fined.

The penalty practice will be as the following if the corrections in 482nd section are performed:

- If the correction in taxable revenues is more than 5 million $ or more than 10% of total invoices, 20% of the understated revenues is fined.
- If the correction in taxable revenues is more than 20 million $ or more than 20% of total invoices, the fine is increased to 40%.

Foreign Accounts Tax Compliance Act

Foreign Account Tax Compliance Act (FATCA) is a tax security measure which was implemented by US Ministry of Finance in 2010 and aims to register all of the revenues of the taxpayers in the USA through enjoining the financial institutions out of the USA to report the assets of the taxpayers in the USA among their customers (Tüfekçi and Fidan, 2014: 3). It is valid for the financial institutions all over the world. Many countries implement FATCA within the local acts. FATCA stipulates the non-US originated financial institutions called as Foreign Financial Institutions to determine and report the accounts of reportable customers.

The customers who do not comply with FATCA are reported. ING Securities will report in accordance with the rules of the country they are in. In this context, we can see that some sanctions were prepared by USA for the institutions which did not report. There are some regulations such as the banks which do not comply with FATCA are subject to sanctions within the scope of legislative risk, 30% of cut back on the revenues of institutions that they get from the USA and these institutions are excluded from the financial system (Bulut, 2015: 33).

Alternative Minimum Tax Practice

Altenative minimum tax or i.e. minimum tax in American Internal Revenue Code (Internal Revenue Code Article 55) was designed in order to decrease the tax liabilities in revenue and corporate taxes below certain amount and their rate is 20% (Tünal, 1993: 69). Because special discounts by Internal Revenue Code for some revenues leads some taxpayers to not to pay any taxes, this practice provides the related taxpayers to pay their taxes at certain rates even in less amounts. Therefore, it is aimed to prevent the inequalities that these discounts would cause among the taxpayers and eliminate the negative effects.

Minimum tax rate varies depending on the taxpayers to be person or corporatation. If the taxpayer is a person, the marital status is even regarded in determining this rate. Accordingly, if the alternative minimum tax amount in question is more than the corporate tax amount to be paid, the difference is the alternative minimum tax to be paid by the corporation. If the calculated alternative minimum tax is less than the corporate tax to be paid, there is no corporate tax to be paid by the corporation. Alternative minimum tax was implemented as a tax security item in order to prevent taxpayers to not to pay taxes due to returns, reductions and incentives (Kızılot, 2003:71).

Declaration of Wealth

As an answer to Watergate and other public scandals and weakening in public trust to the government US Congress adopted Federal Goverment Code (The Code of Ethics) dated 1978 and necessitated a detailed financial declaration by top civil servants in all of three branches of federal government (Article 101).

This federal legislation is fulfilled by a series of financial declaration code in both state and local level. The Code of Ethics necessitates the financial information to be declared by the President, vice president, members of Congress, federal judges and other officials and employees with responsibilities to assign the president and earn at certain payment degree or more (Article 101). In the USA, the extent of the required explanations is indicated in the Public Financial Information Report of Executive Council Staff in Annex. There are quality, source and amount of revenue, gifts and repayments, assets and debts and transactions in real estates and securities among the necessary statements (Article 102). The employees within the context should make similar statements about financial status of their partners and dependent children (Article 102). In addition, the Code of Ethics necessitates the statements to be openly available for general public for six months except for restricted exemptions (Article 105). Restricted exemptions are valid for (i) the member of intelligence agency (provided that the president identifies that the statements of these people would endanger the national security) and (ii) members of judiciary. In accordance with the Code of Ethics, a member of the judicial report may be rearranged (i) only to the extent necessary to protect the individual who submitted the report or the family member of that individual; and (ii) as long as such an individual is dangerous" (Article 105.3.B.). Whether the requirement is relevant and there is no danger for the reporting person is determined by Judiciary Conference by discussing with US Marshall Service (Article 105.3.D.) Every year, Administritive Office of US Courts has to submit a report to the Congress declaring the reconstruction demands and what kind of information were edited and detailing which procedures were implemented in order to provide satisfactory explanation to the public (Article 105.3.C.).

TAX SECURITY METHODS IMPLEMENTED IN GERMANY

Revenue of Controlled Foreign Corporations

German Revenue of Controlled Foreign Corporation (CFC) rules were firstly declared in 1972. It was prepared in order to fight against harmful tax practices established for tax evasion in Germany. A CFC under German CFC regime is defined as the following (Weiss, 2015: 439):

- Majority of the capital or voting powers of a foreign company directly or indirectly belongs to the German citizens at the end of the fiscal year.
- "Passive" revenues, i.e. the revenues not included in the detailed list of "active revenue" types and the revenues under the threshold of 25% are taxed with an effective tax rate.

All of these requirements should be simultaneously fulfilled for CFC rules to be implemented. When it is thought that CFCs may be involved in different economic activities some of which are considered as "active" and some of which are considered as "passive", only a part of the revenue of a CFC can be subject to CFC rules. If CFC rules are valid, they replace for any protection of a tax agreement that may exist between Germany and the foreign country that CFC lives in.

In accordance with the second requirement, the people of German origin have to keep the majority of voting power and share capital of the foreign company at the end of fiscal year. The people living in Germany are natural or legal persons subject to settled taxes in Germany. Shareholding of all German residents is united together under this rule. If the sum exceeds 50%, this rule is applied for individual shareholders; it is applied for all German shareholders even the sum is less than 50% (Weiss, 2015: 440).

9th section of FTTA foresees a minimis rule that prevents attributing CFC revenues under very restricted conditions to German shareholders. The CFC revenue exempted in accordance with this rule must not exceed 80.000 Euro for a general CFC or German taxpayer. In addition, passive revenue share of CFC in total revenue must not exceed 10% within the minimis rule (Weiss: 2015: 441).

Regulation About Hidden Revenue Distribution Through Transfer Pricing

Relevant persons and arm's length standards were regulated in the first paragraph of the first section of Foreign Transactions Tax Act. "Hidden Revenue distribution" was regulated in the 3rd paragraph of the 8th section of Corporate Tax Act. In addition to these regulations, German Parliament passed the following legislative regulations in 2003 (Raby, 2009: 420):

- Documentation requirements regarding cross-border transactions were arranged in the third paragraph of Article 90 of the General Financial Law.
- The results of incompetent or non-submitted documents were arranged in the thrid paragraph of Article 162 of General Financial Law.

The doctrine of the related persons was regulated in the second paragraph of the first section of the Foreign Transactions Tax Code. In order for a person to be a related person of a taxpayer, one of the following conditions must realize (Pehlivan, 2010: 39):

- A person must have at least ¼ of the capital of a taxpayer, directly or indirectly, or the taxpayer must considerably participate in the capital of a person directly or indirectly.
- A person must have a controlling effect on the taxpayer or the taxpayer must have a controlling effect on a person.
- Third persons must considerably participate in the capitals of the taxpayers and related persons mentioned above or must have a controlling effect on these persons.

The German Tax Procedure Law did not impose any special certification requirements for transfer pricing until 2003. In 2003 a comparison was made with other countries and an effective tool was ensured for tax auditing. New rules necessitate to document the size, type and contents of cross-border transations with the related persons and economic and legal fundamentals and other business conditions in determining transfer pricing in documentation.

Documentation should be prepared in a reasonable short period. No time limit was determined. Documents must be sent within 60 days when requested by tax auditors. If needed, 30 days of additional time can be granted. (Raby, 2009: 426-427).

As a principle, a taxpayer is required to prove that all the transactions including transfer pricing comply with the German Tax Law. He has to prove how the transfer pricing is determined. Tax administration should also prove that these prices determined by the taxpayer comply with the arm's length. The tax administration proves by making comparableness analysis and estimating suitable prices. However, the taxpayer cannot select the data he / she wants in order to determine the arm's length price range when making the proof. According to "Auditing Principles" declared in 2005, arm's length price range should be created based on the comparableness level of these data. However, if the comparableness is limited, the arm's length range can be reduced (Raby, 2009: 424-425).

German Ministry of Finance supports Advance Pricing Agreements for the aims of transfer pricing. This reduces the tax auditing period but it was not prepared in order to approve one-sided agreements in transfer pricing. Because one-sided agreements have no effect when they relate to another country. Therefore, German Advance Pricing Agreements cover two or multilateral agreements. This also necessitates other countries to join in the agreement and this was mentioned in Article 25 of OECD's Model Agreement as "Mutual Agreement Procedure". Advance Pricing Agreements are conducted in the center of Federal Ministry of Finance in Bonn. Local Tax Administration participates the agreement procedures regularly including the tax auditors. Senior auditors of the Ministry of Finance are also included in the agreement (in the issues of International Taxes) (Raby, 2009: 432-433).

(CbC) Reporting According to Countries

Germany is one of the signatories of a multilateral competent authority agreement for the automatic exchange of CbC reports and implemented the necessary legislation. In accordance with CbC reporting provisions, multinational company groups having at least 750 million Euro of consolidated revenue belonging to the previous year are required to prepare a CbC report every year The first CbC report should be submitted for the accounting period beginning on the 1st January,2016 and later (except for the secondary reporting liability, in which the requirement is valid for the accounting periods beginning on the 1st January 2017 and later) (Delotitte, 2017: 18).

Primary CbC reporting liability belongs to the ultimate parent asset of the group if they reside in Germany. A foreign ultimate parent organization may appoint a settled German founder of the group as an assignee to submit a CbC report on behalf of the group. In case of a foreign group, each group of local group assets (including the PEs) has a secondary reporting liability when the competent tax authority (the German Federal Tax Office) does not receive a CbC report. However, the fact that the report is failed by the organization of a domestic group constrains the others from the liabilities. A CbC report should include the followings (Deloitte, 2017: 18):

1. Revenue amount (paid income tax, income tax and accrued income tax) of the group (divided into the revenues of the related or unrelated sides), total info income tax for each tax region that activates via a group organization (including PEs) related with the profit (loss), capital, accumulated earnings, the number of employees and tangible assets (except for cash or cash equivalents);
2. The list of all groups of businesses (including PEs) presenting the quality of principal commercial activity or the activities of the business according to taxing authority and
3. Additional information that the reporting institution considers as necessary in order to understand the information given under the titles of (1) and (2). The report must be filed using an e-screen within 12 months after the fiscal year of the group ends. According to the fiscal years beginning on 1st January, 2017 and later, the German institutions must declare whether they included the following items in their tax statements: (i) ultimate parent company of a group, (ii) a determined assignee parent company or (iii) domestic group company owning a foreign ultimate parent company. In the last situation, The German entity is responsible for indicating which group of institutions will submit reports and which taxation authority will be reported. If this information is mising in tax statement, the German entity itsely should submit the CbC report to the German Taxation authori-

ties. Violation of CbC rules is regarded as an administrative crime that can be fined up to 10.000 Euro.

Anti-Treaty Shopping Rule

There are two methods in order to get a discount or an exemption in German stoppage tax in certain cross-border revenue items (for instance dividend payment or copyrights); using the German internal law (considers EU instructions) or the related double taxation agreement. The party requesting a reduction or an exemption should decide whether German taxaion authorities will approve later or not. If the request is approved, the reduction or exemption will be performed by either repayment or an "exemption certificate". However, Germany can implement restrictions to this reduction or exemption through Shopping Rules by Agreement / Instructions (German Revenue Tax Code Third section Article 50d).

According to the current German Shopping Rules by Agreement Prevention / Instructions (2012 German Revenue Tax Code Third section Article 50d) (the Rule of 2012) a foreign company can not request for repayment for the stoppage tax or apply for an exemption certificate in the following situation

(i) a foreign company with no shareholders to get fund or exemption power in case of getting the related revenue directly;
(ii) a foreign company with no gross revenue from its own commercial activities and
(iii) (a) a foreign country with no economic or other reason to be included for that revenue (b) a foreign company not participating in general trade via a relevant commercial organization.

Certain qualifications (for instance, organizational and economic) of a group will not be considered in classifying the conditions mentioned above about the foreign company.

In accordance with the old rule implemented from 2007 to 2012 (The Rule of 2007), a foreign company cannot request repayment for German stoppage tax or apply for an exemption certificate in the following situations:

(i) a foreign company owning shareholders with no repayment or exemption power provided that they get the related revenue directly and
(ii) (a) a foreign country with no economic or other reasons to be included for that revenue (b) if the foreign company did not get more than 10% of its total gross revenue from its own commercial activities for the related fiscal year or (c) the foreign company did not participate in general trade via a relevant commercial organization

In other words, if the partners of the foreign companies get the related revenue directly or under all of the conditions, they will not be excluded within the Rule of Repayment / Exemption in 2007. Organizational, economic or similar qualifications of a group will not be considered in classifying the conditions mentioned above about the foreign company.

At that point, it is very important that the German Shopping Rule by Agreement Prevention / Instruction will not be implemented to the foreign companies regularly trading in an approved stock market and having publicly open stocks regularly trading in foreign investment funds subject to German Investment Tax Code.

TAX SECURITY METHODS IMPLEMENTED IN UK

Regulations About Hidden Revenue Distribution Through Transfer Pricing

Taxpayers evaluate their compliance with arm's length principle in transfer pricing and fill out their statements accordingly. Taxpayers and their partners make the corrections on transfer pricing according to their own evaluations. Taxpayers are fined if they make mistakes in the evaluation. There is a one-way approach in correction. While the corrections increasing taxable revenues are approved, the corrections reducing taxable revenues can only be made according to the double taxation prevention agreements. Some of the small and medium-sized enterprises in a group of companies are exempt from transfer pricing rules. However, this exemption is not valid if the following conditions happen (Raby, 2009: 710):

- The group with more than 250 employees,
- The group with more than 50 Million Euro of turnover,
- The group with more than 43 Million Euro of balance sheet value,
- The small and middle-sized in-group company operating with a company in tax heaven.

If a company directly or indirectly participates in the management, control and capital of another company or if the same person or persons participate in the management, control and capital of both companies, the transactions between them are defined as the transaction between the related persons. In this case, transfer pricing rules should be obeyed. However, 51% of control rate is generally requested. However, this rate can be reduced to 40% (Deloitte, 2009: 62).

A guideline was issued in Tax Bulletin 37 in October,1998 about the record keeping liability. 5 spaces were arranged in the guideline about the documents that taxpayers should prepare and protect (Raby, 727-728):

- The transactions about commercial and financial relations within the scope of law,
- Personal transactions and their contents,
- Prices and pricing methods determined in related person transactions, including arm's length studies and function analyses,
- Calculations and corrections about the arm's length pricing method, v. Commercial agreements by both related and unrelated persons.

Detailed documents are requested from taxpayers about the issues of HMRC transfer pricing with this guideline. The keeping period of such documents is 6 years from the year following the relevant fiscal year. When these documents are requested, they should be submitted in 30 days (Deloitte, 2009: 16-20).

Revenue of Controlled Foreign Corporations (CFC)

In UK in Article 747 of 1988 Taxes Act in which CFC regulations are included it was arranged that the rules in this section would be implemented to the companies controlled by persons who were settled and were not settled in UK within any time of the accounting period if they were established in the countries implementing low tax rates (Lang, 2004: 611).

CFC rules can only be implemented if the controlled foreign corporation is controlled by the persons settled in UK (not only companies) (Tilley, 2005: 1140). Control means having more than 50% of the foreign company's share and right to vote (Rohatgi, 2007: 241).

UK legislative regulation also includes more detailed regulations about the control and these legislative regulations not only include any type of the control or the authority in the company but also include actual economic control, direct or indirect right to vote via share or owning the company officially. Briefly, it means operating the company in accordance with the demands of a UK citizen or UK citizens (Rohatgi, 2007: 242).

In order to be attributed as a shareholder of a controlled foreign corporation, this rate indicating that joint venture of the a partner in the company is required to be more than 50% can be 40% in international joint venture. In CFC implementations in UK, the principle of regional approach has been adopted in the determination of taxable income. If a company is not subject to low tax rates in the country they settle in, this company is not CFC (Gedik, 2012: 29).

There are a lot of exceptions in determining the revenue to be appreciated within CFC implementation in UK (Tilley, 2004: 1140). These are the de minimis exception, real industrial and commercial activity exemption, excluded countries, trading companies with a limited UK connection and temporary exemption (Gedik, 2012: 30).

The amendments in 2012 in UK about CFC provisions will be implemented enacted in 1st January,2013 and these related amendments generally focus on the activities aiming to give the revenue off from UK and include thesc detailed explanations about CFC revenues and exemptions.

Declaration of Wealth

According to Article 6 of the Code of Conduct 2012, the House of Commons has two but corresponding and interdependent mechanisms to explain the personal financial interests of its members: registry of interests open to public audit and and the relevant explanations during discussions in the Assembly and other contexts.

The register was established in May, 1974 and protected by the Commissarait of Parliamentary Standards. The aim of registry is to encourage transparancy and accountability. It was not aimed to be an indicator of personal wealth of the parliament and a sign indicating that a member is faulty (U4 Anti-Corruption Resource Centre, 2008: 4).

As well as it is certain that working record is obligatory except for employment, sponsorship, properties and shareholdings, the requirement in terms of other gifts and interests is to record the interests arising from the membership of the House of Commons. According to this principle, the interests of couples, partners and dependent children should be recorded only if they are removed from their relatives as members or jointly or partners held by the member. (U4 Anti-Corruption Resource Centre, 2008: 4).

In 1974, with a rule the Assembly amended the necessity to disclose a long-term contract directly or indirectly, any material interest to discussions or other transactions (Davranış Kuralları, Madde 72).

The rule on the declaration of interest is broader than the rules on recording interests in three important respects. Besides the existing interests, members are required to declare both their interests in the past and the potential expected interests. Members are also required to declare their respective indirect interests, such as their spouse or partner, as well as the unregistered interests with financial quality which they are affected from the relevant transactions. (Article 73).

REFERENCES

U4 Anti-Corruption Resource Centre. (2008). International Experience with Asset Declarations. Retrieved from https://www.right2info.org/resources/publications/asset-declarations/u4-anti-corruption-resource-centre_international-experience-with-asset-declarations

Ak, M. S. (2010). Kontrol Edilen Yabancı Kurum Rejimi Uygulaması. *Vergi Dünyası*, *348*, 44–52.

Aksoy, Ş. (1999). *Vergi Hukuku ve Türk Vergi Sistemi*. İstanbul, Turkey: Filiz Kitapevi.

Bayram, H. D. (2006). *Uluslararası Transfer Fiyatlandırması ve Türkiye Uygulaması, (Yüksek Lisans Tezi)*. İstanbul, Turkey: Marmara Üniversitesi Sosyal Bilimler Enstitüsü.

Biyan, Ö., (2007). Transfer Fiyatlandırması Yoluyla Örtülü Kazanç Dağıtımı, *Mali Çözüm Dergisi*, (82). 77-102.

Bıyık, R. (2017). Vergi Güvenlik Önlemi mi, Ek Vergileme mi? *Dünya Gazetesi*. Retrieved from https://www.pwc.com.tr/tr/medya/kose-yazilari/recep-biyik/vergi-guvenlik-onlemi-mi-ek-vergileme-mi.html

Bulut, S., (2015). Vergide Ülke Sınırlarını Aşmak: FATCA ve BEPS, *Vergi Sorunları Dergisi*, (326). 31-43.

Clausing, K. A. (2003). Tax-motivated transfer pricing and U.S. intrafirm trade prices. *Journal of Public Economics*, *87*(9-10), 2207–2223. doi:10.1016/S0047-2727(02)00015-4

Deloitte. (2009). 2009 strategy matrix for global transfer pricing staying on top. Retrieved from https://www.iasplus.com/en/binary/dttpubs/0807transferpricing.pdf

Deloitte. (2017). Taxation and investment in Germany 2017. Retrieved from https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-germanyguide-2017.pdf

Farley, W., & Williams. (2018). German Ant I - Treaty/Dırectıve Shoppıng Rule Breaches EU Law. Retrieved from http://www.wfw.com/wp-content/uploads/2018/07/WFWBriefing-German-Limitation-of-Benefits.pdf

Gedik, G. (2012). *Kontrol Edilen Yabancı Kurumların Vergilendirilmesi, (Yayımlanmamış Doktora Tezi)*. Marmara Üniversitesi Sosyal Bilimler Enstitüsü.

Işık, H. (2005). *Çok Uluslu İşletmelerde Örtülü Kazanç ve Örtülü Sermaye*. Ankara, Turkey: Maliye Bakanlığı Araştırma, Planlama ve Koordinasyon Kurulu Başkanlığı.

Kapusuzoğlu, T. (1999). Transfer Fiyatlandırmasına İlişkin Olarak ABD'de Yapılan Yasal Düzenlemeler (I), *Vergi Dünyası*, (214).

Kızılot, O., (2003). Amerika Birleşik Devletleri'nde Vergi Oranları ve En Az Geçim İndirimi, *Yaklaşım Dergisi*, (123), 67-72.

Lang, M., Aigner, H.-J., Scheuerle, U., & Stefaber, M. (2004). *CFC legislation, tax treaties and EC law, EUCOTAX series on European taxation, Vol. 8*. Kluwer Law International.

Nazalı, E. (2007). Transfer Fiyatlandırması I, *Yaklaşım Dergisi*, (175), 115-125.

Pehlivan, S. (2010). *Transfer Fiyatlandırması Yoluyla Örtülü Kazanç Dağıtımında Vergi Denetiminin Etkinliği, (Yayımlanmamış Yüksek Lisans Tezi)*. Manisa, Turkey: CBÜ Sosyal Bilimler Enstitüsü.

Raby, N. (2009). International Transfer Pricing, Pricewaterhousecoopers. Retrieved from https://www.pwc.com/gx/en/international-transfer-pricing/assets/itp-2009.pdf

Rohatgi, R. (2007). *Basic international taxation, 2. Edition, Volume: II: Practise*. Taxmann.

Sağlam, F. (1982). Temel Hakların Sınırlanması ve Özü, Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları: 506, S.B.F. İnsan Hakları Merkezi Yayınları: 4, Ankara, Turkey.

Tiley, J. (2005). *Revenue Law, 5*. Hart Publishing.

Tüfekçi, I. ve Fidan, N., (2014). Yabancı Hesaplar Vergi Mevzuatına Uyum Yasası (FATCA) Genel Bakış, *Vergide Gündem*, FATCA Özel Sayısı.

Tünal, S. S. (1993). Genel Hatları ile Amerikan Kurumlar Vergisi Sistematiği, *Vergi Dünyası*, (145), 77-89.

Weiss, M. (2015). Recent developments in the German tax treatment of CFCs, *European Taxatıon*, 439-444.

Chapter 14
Historical Development and Restructuring of CAP Towards a Sustainable Agriculture

Esin Candan Demirkol
https://orcid.org/0000-0002-6419-9990
Dokuz Eylul University, Turkey

ABSTRACT

This chapter addresses the changes through the years in the Common Agricultural Policy (CAP), one of the oldest and most established policies of the European Union, within the framework of the sustainability and environment, and evaluates the impacts of this change within the Turkish agricultural policies. The chapter has three sections. The introduction offers a background knowledge about CAP. In the second section, the reform progress of the CAP is examined through the years. The third section compares economic data on agriculture in Turkey and the EU. Results of the chapter highlight restructuring of CAP towards policies towards sustainability.

INTRODUCTION

The Common Agricultural Policy (CAP) is one of the oldest policies of the European Union. Following the end of World War II, the six founding members of the Community agreed that the operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy among the Member States.

The objectives of the common agricultural policy, defined in Article 39 of the Rome Treaty (1958) include the followings:

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labor

DOI: 10.4018/978-1-7998-1188-6.ch014

- thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilize markets;
- to assure the availability of supplies
- to ensure that supplies reach consumers at reasonable prices.

In order to achieve the objectives of CAP, EU adopted three principles. “Single Market” aims to enable free movement of the agricultural products and common prices for the same good within the Member States. “Community Preference” refers to preference of consumption of agricultural goods which are domestically produced within the Union rather than those from outside. “Financial Solidarity” principle aims to finance the expenses arises from implementing Single Market and Community Preference from a jointly created budget.

Beginning from 1970s, European Union become self- sufficient, even gave surplus, in many agricultural products due to the increase in productivity, high support price policy and unlimited buying guarantee. Export incentives and inventory costs of agricultural goods with the fiscal burden of the accession of Spain, Portugal and Greece, which were less developed in agriculture, led to the necessity of reforms in CAP (Anderson & Tyers, 1993).

Common Agricultural Policy was renewed with a number of reforms due to the changing needs of the rural, agriculture. With the so-called Mac Sharry reforms of 1992, the environmental concerns were included within the CAP. Through 2000s, an agricultural policy aspiring “sustainable and comprehensive growth” came into effect.

During the recent years, the agricultural sector faced a series of problems (like climate and environmental effects, decline in production, ageing agrarian population) which hinder access and sustainability of food.

CAP provides a policy framework, remaining coherent with other EU policies, for viable food production, sustainable management of natural resources and climate action and balanced territorial development. Therefore, CAP became more focused on the operational objectives of delivering more effective policy instruments, designed to improve the competitiveness of the agricultural sector and its sustainability over the long term (European Commission, 2013).

THE REFORMS OF CAP

For the period 1962-1980, The CAP was very successful in moving the EU towards self-sufficiency. However, by the 1980s the EU had to contend with almost permanent surpluses of the major farm commodities, some of which were exported (with the help of subsidies), while others had to be stored or disposed of within the EU. The costs of storage and subsidies laid a heavy burden on the budget, whereas they distorted some world markets. At the same time society became increasingly concerned about the environmental sustainability of agriculture.

Mac Sharry Reform (1992)

Mac Sharry Reform of 1992 can be counted as a breaking point of the CAP. Budget responsibility, enlargement, environment, food quality and food security are the reasons of the reform necessity. But the Uruguay Rounds, which got stuck due to the EU, started in 1986 and continued during 1990s can be counted as the main reason of the reform (Coleman & Tangermann, 1999; Tangermann, 1998).

This reform consisted of four main elements: cuts in support prices, introduction of direct (compensation) payments, stricter control over production, and greater environmental protection.

Support prices have been reduced leading to a decline in feed costs and consumer food prices. In order to compensate the loss of the farmers, direct income supports/payments have been introduced. Thus, a strong support policy continued to be pursued, while on the other hand, the transition process to a support tool with less effective and less disruptive effects has begun (Cardwell & Rodgers, 2006, p. 809).

The Mac Sharry reform increased attention to the rural development and environmental standards. The reform had a dual purpose of limiting agricultural production and recognizing the farmers as guardians of natural resources. The farmers were set stricter environmental standards, but also granted financial support if they (a) substantially reduced the use of fertilizers and agricultural chemicals, or introduced and continue with organic farming; (b) changed to more extensive crop or livestock production; (c) assisted with the maintenance of the countryside; (d) introduced long-term set-aside for environmental reasons; or (e) made land available for public access or recreation.

Agenda 2000

Sustainable agriculture concept first appeared in the 1997 Luxembourg European Council declaration. According to the Council, European agriculture should be multifunctional, sustainable, and competitive and spread throughout European territory (Massot, 2018).

CAP reached its two-pillared structure by the Agenda 2000 Reform that came into force following the Berlin European Council 1999. The aims of the Agenda can be stated as follows;

- alignment of EU prices with world prices,
- food security and quality,
- introduction of environmental cross-compliance as a condition for granting aid by the Member States,
- introduction of new rural development policy- second pillar of the CAP.

Direct income payments to the farmers became contingent to certain rules. Farmers should apply appropriate environmental and cross-compliance measures, which are introduced by the Member states, for protecting environment. In cases of mismatching the measures, such as renouncement of earth and water polluting farming activities, Member states had the right to reduce or even cancel direct payments (Pezaros, 1999).

Agenda 2000 introduced modulation principle, allowing member states to reallocate direct payments per farm in a way that related to employment on the farm. In case of a fall in agricultural labor force, the Member States has the right to reduce the direct payments to an amount, which cannot exceed 20% of the total of payments.

The savings from cross-compliance and modulation used in funding for both agri-environmental purposes and other rural development measures, such as early-retirement schemes, Less Favored Areas, areas with environmental restrictions and forestry.

Fischler Reform of 2003

In 2003, the Council of Ministers decided a major reform of the CAP, named after the name of Agriculture Commissioner Franz Fischler. Among the objectives of this reform was to better align EU farm policy with "the demands of [...] citizens for healthy food, better quality, and environmentally-sound production methods which respect animal welfare principles" (Fischler, 2003).

The Reform introduced 'decoupling' of direct payments from production and Single Payment Scheme (SPS) to the farmers based on the amount of land. The decoupled direct payment ensures a basic income support for producers. The rest of the producers' income is determined by the market. In order to maximize profits producers must respond to market signals, producing products that are demanded by consumers.

Condition for receiving SPS was to meet the criteria of the 'cross-compliance', which is a mechanism that links direct payments to compliance by farmers with basic standards concerning the environment, food safety, animal and plant health and animal welfare, as well as the requirement of maintaining land in good agricultural and environmental condition. Cross compliance conditions need to be respected in order to receive full payment under the SPS, independent of what the farmer produces. The conditions entail Statutory Management Requirements (SMRs) and Good Agricultural and Environmental Conditions (GAECs); if they are not met by the farmer, the single payment may be reduced or completely cancelled.

The decoupled direct payment therefore not only ensures that farmers respond to market signals while providing income support, but it also contributes to keeping sustainable farming in place by ensuring the longer-term economic viability and a smooth structural adjustment of the farming sector. In combination with cross compliance, direct payments contribute to providing basic public goods delivered through sustainable farming.

Greater attention to rural development and environmental policies, already raised in the Mac Sharry and Agenda 2000 reforms, resulted in modulation, shifting a percentage of direct aid payments from Pillar 1 to supplement Pillar 2. From 2004, the first EUR5000 received by farmers are excluded from modulation. Moreover, an additional cut of 4% is made on payments above EUR300.000 a year. All direct aid payments (coupled or decoupled) are to be reduced by 3% in 2005, 4% in 2006, 5% in 2007 (and every year thereafter until 2013). In each case, 1% of the modulated money is retained by the member state. (See Figure 1) The remainder is redistributed across the EU according to the criteria proposed by Commission.

Beginning of the Future CAP: 2013 Reforms

CAP reforms of 2013 started with the public debate started in 2010 and followed by European Commission's Communication, The Cap towards 2020. The Commission's Communication included its vision of agriculture and the challenges/ priorities for the future CAP (European Commission, 2010). In 2013, after intensive negotiations on CAP and the Multiannual Financial Framework for 2014-2020, the new CAP 2014-2020 agreed by the Council and the European Parliament EU.

European Commission stated three challenges for the future; a) food security/economic challenges (such as a declining rate of productivity growth, price volatility, pressures on production costs due to high input prices and the deteriorating position of farmers in the food supply chain) b) Environment and climate change (Resource efficiency, soil and water quality and threats to habitats and biodiversity), c) Territorial balance.(where rural areas are faced with demographic, economic and social developments including depopulation and relocation of businesses) (European Commission, 2010, pp. 4–5).

Figure 1. Modulation Rates, 2003-2012
Source: OECD 2011, 78

Thresholds	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Compulsory modulation rates										
EUR 1-5 000	0	0	0	0	0	0	0	0	0	0
EUR 5 000- 299 999	0	3%	4%	5%	5%	5%	7%	8%	9%	10%
Above EUR 300 000	0	3%	4%	5%	5%	5%	11%	12%	13%	14%
Voluntary modulation rates										
England	0	3%	5%	10%	12%	13%	14%	14%	14%	14%
Scotland	0	3%	4%	5%	5%	8%	8.5%	9%	9%	9%
Northern Ireland	0	3%	4%	5%	4.5%	6%	7%	8%	8%	8%
Wales	0	3%	4%	5%	2.5%	4.2%	5.8%	6.5%	6.5%	6.5%

Since the role of the CAP is to provide a policy framework that supports and encourages producers to address these challenges while remaining coherent with other EU policies, this translates into three long-term CAP objectives: viable food production, sustainable management of natural resources and climate action and balanced territorial development. (See Figure 2)

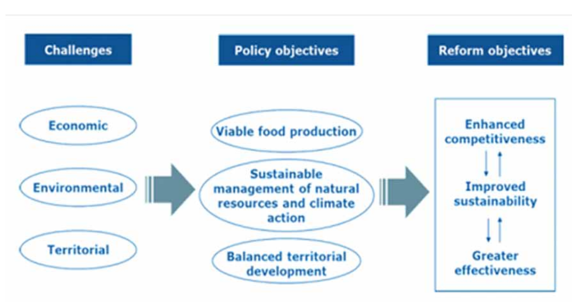
To achieve these long-term goals, the existing CAP instruments had to be adapted. The reform therefore focused on the operational objectives of delivering more effective policy instruments, designed to improve the competitiveness of the agricultural sector and its sustainability over the long term.

The reform is fully in line with the fundamental principles of the Common Agricultural Policy. These will continue to focus on providing sufficient high-quality safe food at affordable prices to consumers in the EU and globally. At the same time, the reform fully respects EU rules on animal welfare and the environment, and ensures a fair standard of living for European farmers.

The reformed CAP includes:

- the '**greening**' of farm payments, through the introduction of environmentally sound farming practices, such as crop diversification, and maintaining ecologically rich landscape features and a minimum area of permanent grassland
- more **equality** in the distribution of support in order to reduce the biggest differences in the levels of income support received by farmers across the EU, and a reduction in payments above a certain amount for the biggest farms
- **better targeting of income support** to farmers most in need, particularly young farmers, farmers in low income sectors and farmers in areas with natural constraints

Figure 2. The CAP post-2013/ challenges to reform objectives
Source: (Özçatalbaş, 2014)



The CAP's pillar structure is maintained. Pillar 1 includes income support and market management measures, while pillar 2 covers rural development.

FUTURE CAP-2020

On 1 June 2018, the European Commission presented legislative proposals on CAP beyond 2020 (European Commission, 2018a, 2018b, 2018c). The proposals included rules on support for strategic plans to be drawn by member states under the CAP. These proposals aim to make the CAP more responsive to current and future challenges such as climate change or generational renewal, while continuing to support European farmers for a sustainable and competitive agricultural sector.

They include provision for a new delivery model. While the EU would set the basic policy parameters as well as the different types of intervention, the member states would have the responsibility for translating the framework into support arrangements for beneficiaries.

The Commission also identified higher ambitions in relation to the achievement of EU environment and climate related objectives and a better targeting of direct payments with a shift towards a more result-based approach. In practical terms, it would involve each member state establishing a single CAP Strategic Plan for its entire territory covering the period 1 January 2021 to 31 December 2027.

The 9 key objectives will be the basis upon which the future CAP Strategic Plans will be built and will be the cornerstone of a more results-oriented policy (European Commission, 2019b). The objectives are

- to ensure a fair income to farmers
- to increase competitiveness
- to rebalance the power in the food chain
- climate change action
- environmental care
- to preserve landscapes and biodiversity
- to support generational renewal
- vibrant rural areas
- to protect food and health quality

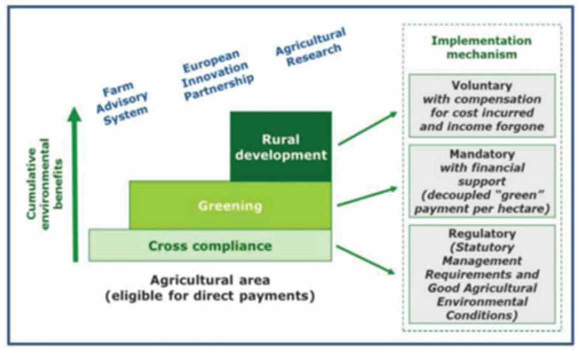
Sustainable Agriculture In CAP

Agriculture can play a broader role in sustainability: by providing the recreational and landscape resource which will accommodate a switch to rural consumption and away from energy-intensive, polluting, and resource-intensive consumption activities. (Bowers, 1995)

According to the Commission (2011), "sustainable agriculture" is the key concept the way how environmental requirements are integrated in the CAP. The concept of "sustainability" refers, beyond the preservation of the environment, to the need to ensure economic viability and social acceptability. Pursuing sustainable agriculture means addressing economic, environmental, and social targets in a coherent and mutually reinforcing manner.

CAP contains tools which are intensely interacted in order to achieve sustainable agriculture; like Cross-compliance, greening policies and Rural development. (See Figure 3)

Figure 3. CAP tools for sustainability
Source: (DG Agriculture and Rural Development., 2019)



In overall EU budget in 2017, expenditures for Sustainable Growth constitutes 48% of the EU budget. (See Figure 4)

A BRIEF OVERVIEW OF AGRICULTURE IN TURKEY

Turkey and EU agricultural relations date back to the Ankara Agreement of 1963. Since that date, economic growth and restructuring of the Turkish economy have changed agriculture's role in the economy at large. A decades-long shifting labor from agriculture to other sectors has facilitated overall growth and lifted average income in the both sectors (Boratav, 2013; Candan, 2014; Kazgan, 2003).

Turkey has been on a decades-long path towards membership of the European Union. At times, advancement of that goal stalled when events intervened or when the prospects for success dimmed. Nevertheless, the path already taken has shaped Turkish institutions fundamentally and, via trade and investment, the Turkish economy. The consequences for the agricultural sector are less direct, due in part to the historical political hurdles that kept primary agriculture out of the original form of the European Union–Turkey Customs Union; important as well were the divergent paths of domestic policies that the Customs Union exclusion permitted (Larson, Martin, Şahin, & Tsigas, 2016).

Figure 4. Expenditures In 2017
Source: (European Commission, 2019a)

Total Employment Share in the Agricultural Sector in the EU and Turkey

Turkey and the European Union show different characteristics in the share of agriculture in total employment for the last 10 years, from 2008 to 2018. Looking at the data of the World Bank and ILO, it can be stated that the share of agriculture in total employment was 23.1 percent in 2008, and declined to 19.2 percent share in Turkey. Over the years, in Turkey, the share of agriculture in employment has significantly decreased and the agricultural enterprise has closed. EU-28's agricultural employment share declined from 5,1 in 2008 to 4,2 in 2018.(See Table 1) Agriculture, maintaining an important share of employment rate, continues to be an important sector of Turkey.

Share of agriculture in GDP in the EU and Turkey Sector

The share of agriculture in the GDP of the agricultural sector is another important indicator, like employment rate. Between years 2008-2017, the share of agriculture in the EU-28 slightly fluctuated and remained 1,5% of GDP. Among the European Union members, Bulgaria (4.1%), Romania (4.4%), Hungary (3.8%) and Greece (3.7%) are above the EU average. In Turkey, the share of agriculture in GDP declined from 7,5% (2008) to 6.1% in 2017 (Table 2).

The GDP of EU has a tendency to decline within the 2008-2017 period from US$ Billion 19.137 to US$ Billion 16.842. In Turkey, however, the GDP increased from US$ Billion 777 (2008) to US$ Billion 950 (2013), and declined until 2017, US$ Billion 852. (See Table 3)

CONCLUSION

Agriculture constitutes an important source of development, by providing food, employment, and input for production. Therefore, agriculture policies should be carefully planned and applied. CAP is the one of the most important policies of the EU. It occupied the major share of the regions budget and had

Table 1. Employment in agriculture (% of total employment)

Country/ Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EU	5,1	5,1	5,2	5,0	5,0	4,8	4,7	4,5	4,3	4,2	4,2
TURKEY	23,1	22,9	23,7	24,2	23,6	22,9	21,1	20,4	19,5	19,4	19,2

Source: International Labour Organization 2019

Table 2. Agriculture, forestry, and fishing, value added (% of GDP)

Country / Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU	1,5	1,4	1,4	1,5	1,5	1,6	1,5	1,5	1,5	1,5
TURKEY	7,5	8,1	9,0	8,2	7,8	6,7	6,6	6,9	6,2	6,1

Source: World Bank 2019

Table 3. GDP (current US$ Billion)

Country/ Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU	19.137	17.101	16.992	18.352	17.290	18.026	18.632	16.410	16487	16.842
TURKEY	777	647	772	832	871	950	935	862	863	852

Source: World Bank 2019

profound effects on farm structures, agricultural employment and rural areas, as well as wider economic, social, political, environmental and cultural implications, for old and new member states. Beginning with 2003 reforms until today, sustainability, environment and rural development became the objectives of CAP. It is important to reconsider the transformation in agricultural policies and address them in a sustainability perspective in Turkish Agricultural Policy.

Turkey and the EU have been on a long path towards integrating their economies. The institutions, established following the Ankara Agreement, provided steady technical support and moved quickly to advance the long-standing goals of the Agreement. The agricultural trade regimes of Turkey and the EU remain different, but the agreements by the Association Council have whittled them down. Consistent with this, it can be stated that further integrating the economies of Turkey and the EU would generate wage benefits for Turkish workers and welfare gains for Turkish consumers.

REFERENCES

Anderson, K., & Tyers, R. (1993). Implication of EU expansion for European agricultural policies, trade, and welfare. *CEPR Discussion Paper No. 829*, 15–22.

Boratav, K. (2013). Tarımsal Fiyatlar, İstihdam ve Köylülüğün Kaderi. In N. Oral (Ed.), *Türkiye'de Tarımın Ekonomi Politiği (1923-2013)* (pp. 53–67). Ankara, Turkey: NotaBene Yayınları.

Candan, E. (2014). *Tarımın 1980 Sonrasında "Kalkınmanın" Finansmanına Katkı Kanalları, Köylülükte Sonra Tarım*. Ankara, Turkey: Epos Yayınları.

Cardwell, M., & Rodgers, C. (2006). Reforming the WTO legal order for agricultural trade: Issues for European rural policy in the Doha round. *The International and Comparative Law Quarterly*, *55*(4), 805–838. doi:10.1093/iclq/lei131

Coleman, W. D., & Tangermann, S. (1999). The 1992 CAP reform, the Uruguay round and the commission: Conceptualizing linked policy games. *Journal of Common Market Studies*, *37*(3), 385–405. doi:10.1111/1468-5965.00170

DG Agriculture and Rural Development. (2019). Agriculture and rural development. Retrieved from https://ec.europa.eu/agriculture/node/3428

European Commission. (2010). COM(2010) 672 final. Retrieved from https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0672:FIN:en:PDF

European Commission. (2011). Common agricultural policy towards 2020. Retrieved from http://ec.europa.eu/transparency/regdoc/rep/2/2011/EN/SEC-2011-1153-1-EN-MAIN-PART-4.PDF European Commission. (2013). Agricultural policy perspectives brief No.5. Overview of CAP reform 2014-2020. Retrieved from https://ec.europa.eu/agriculture/sites/agriculture/files/policy-perspectives/policy-briefs/05_en.pdf

European Commission. (2018a). *COM(2018) 392 final*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-cap-strategic-plans_en.pdf

European Commission. (2018b). COM(2018) 393 final. Retrieved from https://eur-lex.europa.eu/resource.html?uri=cellar:6cb59a1e-6580-11e8-ab9c-01aa75ed71a1.0003.03/DOC_1&format=PDF

European Commission. (2018c). COM(2018) 394 final. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-agri-products-common-organisation_en.pdf

European Commission. (2019a). EU budget. Retrieved from https://ec.europa.eu/info/about-european-commission/eu-budget_en

European Commission. (2019b). Key policy objectives of the future CAP. Retrieved from https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap/key-policy-objectives-future-cap_en

Fischler, F. (2003). CAP reform. Retrieved from http://europa.eu/rapid/press-release_SPEECH-03-356_en.htm

International Labour Organization. (2019). ILOSTAT database. Retrieved from https://www.ilo.org/ilostat/faces/wcnav_defaultSelection;ILOSTATCOOKIE=Ufr_jubEyBGs7CDR_Fgun8Nzo-GDb_b0un-daT3rEKupyZ8IDjn3o!-284456621?_afrLoop=379153018871662&_afrWindowMode=0&_afrWindowId=null#!%2540%2540%253F_afrWindowId%253Dnull%2526_afrLoop%253D379153018871662%252 Kazgan, G. (2003). *Tarım ve Gelişme*. İstanbul, Turkey: Bilgi Üniversitesi Yayınları.Larson, D., Martin, W., Şahin, Ş., & Tsigas, M. (2016). Agricultural policies and trade paths in Turkey. *World Economy*, *39*(8), 1194–1224. doi:10.1111/twec.12294

Massot, A. (2018). The common agricultural policy – instruments and reforms. Retrieved from http://www.europarl.europa.eu/factsheets/en/sheet/107/the-common-agricultural-policy-instruments-and-reforms

OECD. (2011). *Evaluation of agricultural policy reforms in the European Union*. OECD Publishing.

Özçatalbaş, O. (2014). Current status of advisory and extension services for organic agriculture in Europe and Turkey. In V. Pilipavicius (Ed.), *Organic agriculture towards sustainability*. IntechOpen. Retrieved from https://www.intechopen.com/books/organic-agriculture-towards-sustainability/current-status-of-advisory-and-extension-services-for-organic-agriculture-in-europe-and-turkey

Pezaros, P. (1999). *The Agenda 2000 CAP reform agreement in the light of the future EU enlargement. Discussion Paper, European Institution of Public Administration*. Retrieved from http://aei.pitt.edu/603/1/99W02.pdf

Tangermann, S. (1998). An ex-post review of the 1992 MacSharry Reform. In R. C. Hine, K. A. Ingersent, & A. J. Rayner (Eds.), *The reform of the common agricultural policy* (pp. 12–35). London, UK: Palgrave Macmillan. doi:10.1007/978-1-349-26101-7_2

World Bank. (2019). Agriculture, forestry, and fishing, value added (% of GDP). Retrieved from https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=TR&view=chart

Chapter 15
The Main Effects of MiFID on European Capital Markets and European Integration

Athanasios Panagopoulos
https://orcid.org/0000-0001-9234-8247
University of Macedonia, Thessaloniki, Greece

ABSTRACT

This chapter researches whether the application of European Directive MiFID had any significant effects on the European Capital Markets and the progress of the European Integration. This new regulation specifies the tasks and responsibilities of the supervisory authorities of the Member State of origin and the host Member State, to enhance the certainty of effectiveness of cross border transactions supervision and to reduce the risk of imposing unnecessary legal reforms from the host Member State on investment firms which perform cross border transactions. The author concludes, among others, that the aligning of the national regulatory approaches to a common European regulatory system is quite necessary. MiFID will contribute to reduce problems at country level as the previous experience of the Investment Services Directive, where the European investments and economies of Member States were based mainly on the level of "country" and not of the "sector".

INTRODUCTION

The *Markets in Financial Instruments Directive* 2004/39/EC (known as "*MiFID*") as subsequently amended, is the most recent of a series of legislative changes introduced by the European Commission in implementing the Financial Services Action Plan (FSAP) and furthermore a process of harmonization of European capital markets, which continues for over a decade. EU Member States committed to create a more efficient and integrated financial services market with the target of "*the most competitive and dynamic knowledge-based economy in the world*", capable of maintaining economic growth and employment as well as social cohesion (Lisbon meeting of the European Council, March 2000).

DOI: 10.4018/978-1-7998-1188-6.ch015

The objective of creating an integrated European market for financial services has been incorporated into the FSAP ratified in 2000 by the European Council in Lisbon. The FSAP provides guidelines and consists a framework with regulatory measures. Some of these measures were taken in the pre-FSAP period, including the original Investment Services Directive (ISD) (Note 1). The ISD was incorporated into national legislative systems and introduced the *European Passport*, enabling Investment Services Companies (ISC) to provide investment services in the Member States, allowing cross-border private equity European Stock Exchanges and lowered the national regulatory barriers (Andenas & Kenyon-Slade, 1993). As part of the FSAP, the ISD was set under review, resulting in the adoption of the draft directive ISD-2, which was the precursor of MiFID), which in turn adopted by the European Council on April 2004.

Under the next major EU directive on market abuse (2003/6/EC), the Market Abuse Directive (MAD), which was also incorporated in national legislative systems, the FSAP objectives were also implemented, in terms of promoting the integration of European financial markets and reducing the complexity and confusion regarding the rules on market manipulation. In addition, the Directives' interpretation limited the doubts and the consequent risk of differences in the implementation and enforcement of FSAP provisions, across EU. But, there is need to consider seriously the question of how a control of "intent" can be incorporated in the legislation and a defence of lack of intent to manipulate the market.

However, MiFID, essentially, aims at enhancing the transparency of European stock markets and to ensure the protection of interests of investors (particularly, retail investors). At the same time, MiFID aims to increase market efficiency, enabling investment firms (ISCs) to benefit from the business opportunities that arise by using the right to extend their business, across the European territory based on the legislation governing their domestic market.

With the adoption in the legislative systems of the Member States, MiFID intends to achieve a set of objectives. Thus, under MiFID, the transparency regarding the depth of liquidity in all alternative venues executing securities' transactions, is increasing, including transactions executed: on regulated markets (Stock Exchanges), on non-regulated markets (bilaterally traded as OTC derivatives), multilateral trading facilities (MTFs) and within the investment firms (ISC) towards their own portfolio (internalized) (Moloney, 2002 & Murphy, 2013).

Additionally, there is an increase of the protection of retail investors, through the regulation of a broad range of investment services, from the execution of orders, up to providing investment advice and analysis in stock markets, where specific order management requirements were introduced in order to achieve optimum execution of client orders (*best execution*). The competition between regulated markets (Stock Exchanges) and MTFs is enhanced and the obstacles for the connection of ISCs with alternative execution venues for transactions throughout Europe are removed. The emphasis and clarity are strengthened regarding the obligation of the investment firms to undertake appropriate measures to avoid any internal conflicts of interest. Finally, the level of disclosure of information to retail investors increases, including greater transparency in relation to the transaction costs.

LITERATURE REVIEW AND METHODOLOGY OF RESEARCH

There is a clear evidence of the "positive" influence of gradual protection of the European Capital Markets, under a proper institutional framework for the market manipulation (during 2001-2006). This means that the increased trading activity of the European markets, its maturity, its openness and its correlation with international markets and developments, gave no signs of increased manipulation (taking into account the development of Supervisory Trading Control Systems – STCS, which can discover such kind of transactions). The harmonization of EU legislation proved successful for this Directive (Panagopoulos, 2007), from this point of view.

The research continues with a discussion of the main developments in European capital markets and European Integration, over the past decade and reviews the effects of the ISD. The author then rehearses the key points of MiFID and discusses the issues raised by its implementation for the various markets affected. While numerous papers have already been published on how to prepare for MiFID, there has been much less consistent analysis of its impact on the market and the industry (Casey & Lannoo, 2009).

The author has also noticed that few Investment Firms (IFs) doubt about the overall positive impact of MiFID. However, there are also high costs due to the fragmentation of the trading environment, in particular in terms of liquidity and transaction costs, even though the cost per transaction has gone down drastically. Specifically, the liquidity fragmentation increased the risk of market impact and pushed down the average size of trades, thus the number of transactions skyrocketed after the implementation of the Directive (Greuning & Bratanovic, 2003). However, these issues may be explained by the deterioration that IFs see in the quality of trading data, which in their view, have not kept up with the evolution in the market structure (Valiante & Assi, 2011).

The author has also examined the way of how MiFID was instituted. Indeed, MiFID was applied, based on the process of the four stages of the Lamfalussy Report (Schaub, 2005). This was involved an implementation approach that begun with a European directive by the European Council (I), progressing to more detailed and technical clarification of certain provisions of the Directive (II). Then, continues with the cooperation between national regulator authorities for the single application of rules (III) and ends with the incorporation of the Directive into the national legislative systems of Member States defining the functioning of their markets (IV).

Briefly, the Lamfalussy Process includes:

- Level 1: Legislation and guidelines - European Council,
- Level 2: Technical implementation guidelines - E.S.C. (Note 2) and E.S.M.A. (Note 3),
- Level 3: Rules of local behaviour of ISC – E.S.M.A. and national regulatory authorities,
- Level 4: Rules enforcement by Member States, as well as cooperation between supervisor authorities.

The European Commission has published a series of working documents that clarify many articles of MiFID and are still being subject to discussion, even now days, and under possible amendment. These texts are related to:

- the methods and procedures for the submission of financial transaction reports (ESC/7/2005),
- the organizational requirements and the management of conflicts of interest (ESC/17/2005),
- the transparency and acceptance for the trading (ESC/20/2005),
- the behavioural rules, and the rules for the best orders handling and execution (ESC/23/2005).

The deadline for the adoption in the legislative systems of the Member States was November 2007. The typical transition time for a European directive in national legislation is two years from its adoption. Nevertheless, even this date does not leave sufficient time to the ISCs, investment firms and other market participants to realize the effects of MiFID in the Capital Markets and on their selves for performing the necessary changes. ISCs and Investment firms must undertake immediately initial measures for assessment and program development for MiFID's requirements.

Certain rules for the ISCs and investment firms are provided, relating to the following (Mertzanis, 2007). These rules broadened the business area for new financial instruments and services, as well as reduced the totally required capitals and institutionalized the Over-The-Counter (OTC) markets:

- The Investment firms (ISCs) which execute client transactions using the financial instruments provided by MiFID (Directive 2004/39/EC of the European Parliament, Annex I, Section C, 2004) should do so through a company properly licensed by a competent authority within Europe. IFs do recognise the positive role of MiFID in promoting competition, transparency and investments in IT infrastructures (also for trading venues). They do not agree on the quality of trading data and almost half of responding IFs declare that there have been no changes or negative changes, in the quality of data with the introduction of MiFID (Valiante & Assi, 2011).
- The Investment Firms are allowed to enter in trade derivatives contracts on commodities, credit, interest rates, climatic variables and pollutant emissions (Hudson, 2002).
- The range of the investment services, the provision of which requires authorization to provide them, is widened (Directive 2004/39/EC of the European Parliament, Annex I, Section B, 2004).
- The Investment Firms can install new European branches without obligation to fulfil additional regulatory requirements by the regulatory authority of the host-Member State.
- The new regulation specify further, the duties and responsibilities of the supervisory authorities of the Member State of origin and the host Member State, resulting in certainty enhancement as to the effectiveness of supervision of cross border transactions and reducing the risk of imposing unnecessary regulations from the host Member State on the Investment firms which perform cross border transactions.
- Investment Firm's transactions on commodities (for own account) may not be subjected to further regulation.

Following on from the EU Commission's December 2010 consultation to reform the MiFID, the Commission published its legislative proposals, which took the form of a revised Directive (MiFID II, 2014/65/EU 2014) (Note 4), with the following changes:

- *Commodity derivatives*: The revisions to MiFID are adapting some elements of the existing directive and introducing a new regime of position limits and position reporting
- *Transparency*: The existing pre and post trade transparency regime in MIFID applies only to shares admitted to trading on a regulated market. That regime is being revised and a regime will be applied to non-equities.
- *High frequency trading*: The revised MiFID will introduce specific provisions designed to ensure that high frequency trading (HFT) does not have an adverse effect on market quality or integrity.
- *Market Structure*: The revisions to market structure are designed to produce comprehensive regulation of secondary trading that is fair, efficient and safe.
- *Organizational requirements*: The revised MiFID will introduce expanded requirements in respect of the management of firms, explicit organizational and conduct requirements relating to product

governance arrangements and a prohibition on title transfer collateral agreements involving retail clients.

- *Trade reporting*: The provisions in the revised legislation on trade reporting are designed to resolve problems with the quality and availability of data that have been observed since the original directive was introduced.
- *Conduct of business rules*: The revised legislation seeks to enhance the levels of protection granted to different categories of clients.
- *Transaction reporting*: The scope of the transaction reporting obligation is being extended, the scope of the reports is being enhanced and an EU-wide system of Approved Reporting Mechanisms (ARMs) is being introduced.

A new framework will improve conditions for *competition in the trading and clearing of financial instruments.* This is essential for the integration of efficient and safe EU capital markets. For this purpose, MiFID II establishes a harmonised EU regime for non-discriminatory access to trading venues and central counterparties (CCPs). Smaller trading venues and newly established CCPs will benefit from optional transition periods. The non-discriminatory access regime will also apply to benchmarks for trading and clearing purposes. Transitional rules will ensure the smooth application of these provisions (European Commission, Press Release Database, 15/4/2014).

ANALYSIS OF CURRENT DEVELOPMENTS AND EFFECTS ON EUROPEAN CAPITAL MARKETS AND THE EUROPEAN INTEGRATION

European Capital Markets

MiFID defines management principles for internal conflicts of interests regarding the ISCs, as well as segregation requirements of their business duties. Investment firms should have an independent internal audit department to comply to legislation and provide adequate participation of senior executives and accountability of those in the compliance process.

The remuneration of staff of the internal audit department should not compromise its independence, (ie. the granted bonuses should not be linked to the financial performance of companies). Any material conflict of interest must be communicated to clients and to the supervisory authority. Investment firms must establish and keep a ‘conflicts of interest management’ policy and maintain effective barriers to information leakage (eg Chinese Walls). In case that an Investment Firm produces and distributes analysis reports, additional specific requirements are applied to ensure that the company and individual analysts don’t face any conflicts of interests.

Regarding *investor issues*, MiFID intervenes as follows:

- establishes a common European framework, classifying them as either “retail investors” or as “professional investors” or as “eligible counterparties” which is a special category referred to those who need less protection than the other customers/investors.
- a significant part of MiFID aims to protect the retail investor, establishing obligations of Investment Firms towards their clients regarding investment advice provisions, order execution, trading information disclosure and provision of reports to them.

- establishes the obligation to conduct suitability test to customers before the providing of any investment advice or its portfolio management. The order execution is excluded from the test, only.
- the classification of the eligible counterparties has been clarified with quantified guidelines-instructions and specific disclosure requirements, where a client has been classified as an eligible counterparty.

Regarding *issues regarding information disclosed and provided*, MiFID intervenes as follows:

- Investment firms are required to provide their customers with sufficient information and reports on their transactions in a clear and understandable form, including details for the transaction costs.
- Investment firms are required to provide their customers with trade confirmations within one working day from the date of transaction (with the exception of the usual collective investments).
- Investment firms are required to keep their clients' transaction data for at least 5 years and to disclose in a daily basis to the competent supervisory authority, details for the transactions on regulated markets, up to the close of the next day's trading session.
- Investment firms are required to keep records of telephone conversations with clients for one year.
- the information requirements for retained records of submitted transaction reports to customers are growing (these files include transaction execution venue, the execution time, the client's identity, etc.).
- the trade reporting obligations to customers can be met by the investment firm itself or by an authorized third party, such as an MTF (Note 5) or a regulated market.
- MiFID has clarified that the Internet is a persistent disclosure of information medium.

Regarding the *MTFs and Market regulation issues*, MiFID intervenes as follows:

- the current *trading concentration rule* (Note 6) which is in force in many European Member States is abolished, while pre-trade transparency obligations are introduced, enhancing cross-border trade opportunities through conducting MTFs.
- the Investment firms that make internalization of transactions, are defined as *Systematic Internalisers* (Note 7), with specific stock price reporting obligations.
- Multilateral Trading Facilities - MTFs (ie ECNs, ATSs (Note 7)) are included, as the national Stock Exchanges, in the scope of European legislation.
- the MTFs will be able to use for transactions settlement Central Counterparty Clearing House (CCP) or a Repository, that is based in a different Member State of EU.

Regarding *clients' orders management and their best execution issues*, MiFID intervenes as follows:

- the obligations of '*best execution*' of the order, require that Investment Firms should ensure the best possible execution of client orders, taking into account multiple factors (price, transaction costs, execution transaction speed, possibility of order execution and its clearance) and alternative order transaction venues (Stock Exchanges and MTFs in the European territory) in which they have access.
- Investment firms must maintain an official orders execution policy and be able to prove that they follow this policy.

- Investment firms should be able to demonstrate that their clients' orders have been executed in accordance with their policy.
- the removal of the 'trade concentration rule' and its impact on the creation of alternative sources of liquidity concentration will result a *considerable complexity* in defining and fulfilling the orders' best execution obligations.
- Investment firms should realize the transaction costs analysis of the orders they execute, in order to be able to supervise the excellent (best) execution of them.
- it is established specific rules concerning the collection of client orders and the setting of order execution priorities based on time of its reception.
- the Investment firms which receives limited orders which can not be immediately executed, they must disclose them in order to increase their execution possibility.

Regarding the *issue of 'pre-trade' and 'post-trade' transparency*, MiFID intervenes as follows:

- MiFID defines the activities of the Investment Firms, which are classified as 'Systematic Internalisers' (ie. Investment firm which, in the frames of orders execution and/or management of client portfolios, they cross and execute orders, internally, against the positions of their own securities account). These firms must announce fixed stock prices, which are recognized in regulated market venues on a regular and continuous basis during normal trading hours. These prices must be affordable to the market at a reasonable commercial basis.
- These prices must be treated as constant for transactions up to specific level.
- The report of 'post-trade' information by Investment Firms includes the obligation to disclose this kind of information (as close as possible to the real time) in a reasonable commercial basis.

MiFID required that Investment Firms have to adopt *immediate adjustment measures*, in order to satisfy all necessary requirements, until the effective date (November 2007). The prompt assessment and the adaptation planning require a wide representation from all company's departments: business development, operations, IT department and the internal audit department. It is obvious, that the successful adaptation to MiFID's requirements, demands notification and decision making by all these departments, in order to realize the extended MiFID's effects.

This assessment will allow Investment Firms to take advantage of the opportunities, to influence the implementation of new regulations on local market practices, as well as to work together with the suppliers of technology systems, in order to understand the requirements. Moreover, this leaves to Investment Firms an important timeframe for programming and maximizing the partnership benefits with other initiatives, so that the compliance to MiFID to be achieved at a minimum cost.

European Integration

European financial markets, as well as Good markets, are more integrated and liberalized in the territories of Member States rather than in their cross-border relations. *The reasons for the different degrees of integration and liberalization, is essentially related to financial structures*. Although, the partial release of the European financial markets leads to high costs for consumers and producers of financial services, primarily due to smaller Member States of a monetary union, many economists believe that a monetary union will eventually improve the release of the European Financial Markets.

This happens because, since the release of European Financial Markets, the prices of financial goods from different regions, were equalized (except the difference in transactional costs), while the financial intermediaries in different regions have access to make transactions, also, from different regions and additionally they have the opportunity to decide to borrow, to invest and to hedge the risk. Essentially, the effect is the increase of the availability and diversity, which will bring the independence of investment decisions on savings, as well as, the capital position will be adjusted smoothly and will hedge any current imbalances.

Under this reasoning, *MiFID will contribute to the integration of the European capital markets at the point where its implementation will induce the normalization of the diverse transactional costs, through increased transparency trading procedures, releasing of activities, as well as the upgrading of the level and the diversification of funding, mainly through the removal of obstacles to cross-border transactions*.

The author can sustain, *that MiFID will contribute to reduce problems at country level as the previous experience of the Investment Services Directive, where the European investments and economies of Member States were based mainly on the level of "country" and not on the "sector"*. Besides, IPOs and financing in the EU today, are especially applied at a country level rather than across borders. Therefore, the European financial services market is fragmented and the Investment Firms are companies with restricted administrations and only recently, a mobility in mergers between these companies and Stock Exchanges is noted, but this is mostly happens inside of the Member States and not in between Member States. Also, the clearing and settlement are more fragmented procedures and therefore costly, enough.

The effectiveness of MiFID on eliminating the "phenomenon" of financial goods transaction, mainly at a country level and also the realization of the advantages of the widespread availability and dispersion, will depend on whether the "after-the-MiFID" European consumers of financial services will gain:

i) a real option to use licensed financial services with a European passport,
ii) a real improvement of their assets to diversify their goods in the EU and finally,
iii) a real reduction of transaction costs with the best possible execution without any compromise to their adequate protection.

The third stage of the Lamfalussy process for the implementation of MiFID, it is crucial to prevent new restrictions on the financial instruments, giving liquidity to the market, thereby. Additionally, the elimination of "phenomenon" of financial goods transaction, at a country level, will also depend on whether the "after-the-MiFID" European stock brokers will gain:

i) a real freedom of choice of access to markets, and
ii) a freedom to access issuers information.

This access should be a real access to all European clients, to clearing and settlement infrastructures at low cost and to opportunities for innovative responses for diversifying the demands of European consumers.

At the point where the European Stock Exchanges will be able to gain more access to a larger number of investors and financial intermediaries and achieve better costs and more efficient clearing and settlement services, facilitating, with this way, the use of diversified securities for transactions across the market, someone would expect the improvement and the reduction of the unfairness at "country" level of the transactions. This possible improvement also depends mainly on the real opportunities as well as on the response of business: *will they prefer the listing of their shares in other organized European markets and see them to be traded on alternative systems at a lower cost?* The actual impact of MiFID on the average cost of capital in the EU and therefore the liquidity of the market are very important.

It should be underlined that the structural fragmentation of the markets is an obstacle to the efficiency of financial intermediaries, but can serve as a bulwark to a wide spread of a systemic risk. Therefore, the effectiveness of MiFID on reducing the effects due to the structural fragmentation of the market could perhaps be burdened by the cost of increasing the probability of a systemic risk.

MiFID's implementation is expected to broaden the chances of passing the risk to Financial Intermediaries. Additionally, due to the expansion of markets and the diversification of financial instruments, MiFID imposes the existence (even more the creation) of specific administrative and accounting procedures for the investment firms, for grip internal audit mechanisms and for risk management and information systems effective tools. Moreover, it is necessary to ensure the continuity and consistency for the performance of investment services and activities and the use of appropriate infrastructure, resources and procedures.

MiFID introduces the operation of alternative transaction execution venues, as well as the greatest transparency requirements for trading with financial instruments, which are common among different venues. The emphasis on larger and standardized disclosure on transactions information, contributes to reducing the differentiated information. Of course, the internal information is classified as '*market abuse*'. However, achieving equivalent information has a cost: the increased homogenization and hence the future reduction of liquidity. Under MiFID, the national regulators respond to the creation of a widened financial market and to Investment Firms' mergers, due to they require all of them to operate under the same regulatory status (same rules, incentives and penalties).

The objectives of MiFID in terms of promoting the European financial markets integration and reducing the complexity and confusion regarding the rules on market manipulation and homogenization of markets in the use of financial instruments, is completely justifiable. In addition, the doubts of Directives' interpretation were limited, as well as the consequent risk of differences in the implementation and the enforcement of its provisions, across the EU.

The EU policy regarding the completion of the single financial market, the Euro and technology, have radically altered the familiar banking and brokerage backdrop. This significant trend is depicted on the cross-border mergers and acquisitions and on the growing competition between the major financial centres, particularly Stock Exchanges.

Following on from the EU Commission's (December 2010) consultation to reform the MiFID, the Commission published its legislative proposals, which took the form of a revised Directive (MiFID II (Note 8)) and a new Regulation (MiFIR), on 20 October 2011. Very broadly, as already said, these proposals represent a comprehensive and profound set of reforms which will lead to a reshaping of the financial markets, the products and services that banks provide and the relationship between banks and their customers.

RESEARCH RESULTS, SUGGESTIONS AND DISCUSSIONS

The author concludes from his research that, *the stability of the European Financial Integration may not increase, dramatically, with the implementation of MiFID*. Still remains the regulatory work of the effectively restrain of the systemic risk not only within the EU, but worldwide, which requires an understanding of the connection between the micro-economic risk and the performance of macro-economic fundamentals.

Thus, the author sustain that, *MiFID as reforming the homogenization of the European financial markets does not take into account the relationship between the micro-economic risks undertaken, as well as the macro-economic performance and restricts its operation within the classical perspective of the Member State*. In order to better exploit the benefits of an open post-MiFID European financial system, we have to realize the risks be imposed on society by the independent investors which undertake the risk and by those who undertake a more fair percentage from the social costs. Essentially, this means that in the post-MiFID era, the regulators need to develop effective mechanisms against the financial failure of satisfying the debts of financial firms.

The domination of the regulators should be aligned with the domination of the market. Consequently, the basic regulatory functions - supervision, legislation, information disclosure, authorization and law enforcement - must take place in a very consistent way across the EU.

The single financial market has been completed, mainly in the major capital markets but the retail financial services are still fragmented inside national frames (eg mortgages and consumer credit). These changes bring strategic dilemmas not only for the large financial centres but also for the regional financial centres. The case law of both national courts and the European Court of Justice play an important role for the proper functioning of the capital markets.

The author also suggests that *the European Commission should proliferate the discussions between the EU-US for the financial reforms, but also with other countries (Japan, Russia, China, etc.)*. At the same time, should increase its strong representation in international organizations, through which must speak with one single voice for issues like: *the fight against financial crime, money laundering, corruption in the financial sector, business crime, etc.*

The author considers, that *the last, needs collaboration and information exchange even among off-shore financial centres*. Our conclusion lies on the rationality of the law to prevent and combat money laundering and the reintroduction of sanctions within the framework dictated by sober assessment of the demerits of the act, based on the constitutionally guaranteed in Member States, *principle of proportionality*.

As another concluding comment, the author argues that *the support of EU Ministers regarding the powers and resources is quite important at this particular time*. The members of the ESMA (Note 9) now are changing attitude, asking the European Commission not to be informed, only, about the preparation of their national legislation, but to be oriented to an everyday effective harmonization of the new regulatory framework, created by the Directives of the Action Plan for Financial Services.

The author considers that the alternative is clear: fragmented and inefficient financial markets and/or a patchwork of national liquidity reserves, which will be subjected to diverge and uncoordinated risk management practices, as well as to a higher cost of capital.

The author, steadfastly, believes that, *the issue at stake is about competition, stability and the integration of EU market infrastructures. Although the vertical integration model of trading and post-trading infrastructures may present advantages in terms of coordination, it may also introduce inefficiencies with respect to competition and price transparency*. The introduction of non-discriminatory access requirements in the Regulation on OTC derivatives, central counterparties and trade repositories (under a Directive known as EMIR (Note 10) - European Market Infrastructure Regulation) is a response to these potential negative effects. While EMIR covers only OTC derivatives, MiFID II will cover all financial instruments.

Finally, the author has to mention *the importance of the Member States political support, in the effort for greater supervisory harmonization, between securities regulators in the European Union*. Indeed, during Spring 2006, the ECOFIN accepted the confirmed order to ESMA, to promote the prudential harmonization. The declared support for ESMA's work and the basic list of proposals for further supervisory harmonization, consist an important political step forward for the Member States of the European Union, following the adoption of the Declaration of Stockholm introduced the Lamfalussy process for financial services in March 2001 and created initially CESR (Note 11) (ESMA's predecessor).

In a summary, the author would argue from his research, *that regarding MiFID, contrary to what some market researchers say, there is no reason to panic*. *But, the impact and effects of the implementation of MiFID on Investment Firms are real and extensive and in turn, lead to the need of covering the mandatory adjustment requirements*. However, MiFID created business opportunities, as it touches many sides of the European financial system and encourage the development of the cross-border supply of investment services. Certainly, after the initial market turmoil, there will be many benefited and harmed Investment Firms. The more timely and properly placed to address the challenges of MiFiD, the greater will be the likelihood of interest and level of benefits, for them.

CONCLUDING COMMENTS AND FURTHER RESEARCH

Under this paper, the author conducted a research whether the application of European Directive MiFID, had any significant effects on the European Capital Markets and the progress of the European Integration. The author studied the existing Directives regulation, as well as, BIS (Note 12) reports, apart from other international literature.

The author has concluded that *the structural segmentation of markets is an obstacle to the efficiency of stock market financial intermediaries, but can serve as a bulwark to a wide spread of systemic risk*. Therefore, the effectiveness of MiFID on reducing the effects due to the structural segmentation of the markets, could be probably burdened by the cost increase of the probability of systemic risk. Under this reasoning, the author examined the effects on European Financial Market Integration concerning banks, Stock Exchanges and financial intermediaries and he has concluded, among others, that the aligning of the national regulatory approaches to a common European regulatory system is quite necessary.

The aligning of the national regulatory approaches to a common European regulatory system, represents a real challenge, as it entails significant initial costs for the adaptation of the national competent authorities and bodies of the markets. These transitional problems are a challenge for themselves - especially to the extent that they had been concentrated on a brief period (2005-2007). However, concerns about these transitional costs should not obscure the general economic advantages.

An effective capital business market is a strategically important element in the development of new and innovative businesses, encouraging entrepreneurship, increasing the productivity and maintaining high economic growth rates in Europe. Currently, European venture capital market is much less effective than that of the US market, for example. Therefore, in this area, should be specified the priorities that will lead to new initiatives.

The FSAP has created a legislative framework to allow issuers, investors and financial services providers to make transactions on a pan-European level without undue legal impediments. What matters today, is that we have to ensure, its smooth operation. The economy and markets indicators show that the European financial integration is underway in many sectors: wholesale markets, stock markets and financial market infrastructures, particularly regarding the clearing and settlement of transactions.

The last, improved the conditions for all users of financial services and a "reflective" European market is already beginning to take shape, although many things still need to be done. Thus, the retail distribution sector remains fragmented, while the penetration in some markets is impossible. These barriers should be carefully assessed, particularly on determining whether they are substantial economic barriers to the free movement of capital and financial services, or not. These barriers are, also, restrictions to author's research, so additional research is needed on it.

The welcome and the recognition of ESMA efforts, states initially the equivalence of powers between national supervisory authorities and secondly that this harmonization will contribute to a greater investor protection, ensuring that investors will be able to benefit from the same protection when buying investment products across borders.

The design of an adequate regulatory framework is not enough. It needs a daily application of that regulatory framework in a consistent way across Europe, so as the advantages to benefit both investors and market intermediaries.

The strong political endorsement of the efforts of supervisor authorities is important, if we have to achieve the ensuring of an effective communication network between the supervisory authorities of the European Union. This network must adopt innovative communication means to address the cooperation between the supervisory authorities of the home Member State and the host Member country, as well as to strengthen a common supervisory culture. The next political development consequences on European economic issues, is another object, which needs further research.

It is time, to realize that our decision as European Union to respond positively to a request for more security (coming from the other side of the Atlantic), will result to a gradual abandonment of the protection of fundamental rights, as well as, will certainly lead to the increase of a highly typical and ineffective reporting system to the competent authorities, with insignificant disclosures. This will weaken any supervisory role of them.

REFERENCES

Andenas, M., & Kenyon-Slade, S. (1993). *Financial market regulation and company law*. London, UK: Sweet & Maxwell.

Assi, B., & Valiante, D. (2011). *MiFID implementation in the midst of the financial crisis: Results of an ECMI survey, ECMI Research Report, No. 6, Feb 2011*. Brussels, Belgium: European Capital Markets Institute.

Basel Committee on Banking Supervision. (2006, June) *Basel II: International convergence of capital measurement and capital standards (revised framework, comprehensive version)*, Bank for International Settlements, Basel, Switzerland.

Basel Committee on Banking Supervision. (2010). *Basel III: A global regulatory framework for more resilient banks and banking systems*, Bank for International Settlements, Basel, Switzerland.

BIS (Bank for International Settlements). (2001). *Marrying the macro- and micro-prudential dimensions of financial stability, BIS Papers, no.1*. Basel, Switzerland: Bank for International Settlements.

Casey, J.-P., & Lannoo, K. (2009). *The MiFID revolution*. Cambridge, UK: Cambridge University Press. doi:10.1017/CBO9780511770470

Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation. Market Abuse Directive – MAD.

Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC [Official Journal L 145 of 30.4.2004].

Directive 2014/65/EU on Markets in Financial Instruments (MiFID II) [OJ L 173, 12.6.2014, p. 349–496].

England, C. (1991). *Governing banking's future: markets vs. regulation*. Boston, MA: Kluwer.

European Commission. (2014). *MiFID II: FAQ*, Press Release Database, 15/4/2014, Brussels, Belgium.

Greuning van H. Brajovic-Bratanovic S. (2003). Analyzing and Managing Banking Risk: A Framework for Accessing Corporate Governance and Financial Risk, The World Bank, Washington, DC.

Hudson, A. (2002). *The law on financial derivatives*. London, UK: Sweet & Maxwell.

Mertzanis, H. (2007). The European Directive for the Markets in Financial Instruments 2004/39/EC 9MiFD): Fundamental reforms and adjustment practices of the Investment Services Firms. European Integration and MiFID, Research Study, Feb 2007, Hellenic Capital Market Committee, Athens.

Moloney, N. (2002). *EC securities regulation*. Oxford, UK: Oxford University Press.

Murphy, D. (2013). *OTC derivatives, bilateral trading and central clearing: an introduction to regulatory policy, market impact and systemic risk (global financial markets)*. Global Financial Market Series. doi:10.1057/9781137293862

Panagopoulos, A. (2007). *The harmonization of the EC directives and regulations in the European and Greek Legislation Systems regarding the Market Abuse Directive and the use of Financial Tools*, research paper, published on the Internet site of Association of Greek Institutional Investors, May 2007. Retrieved from (www.agii.gr/Forum.asp), http://www.agii.gr/repository/upload/panagopoulos_sort.pdf

Regulation 600/2014 on Markets in Financial Instruments (MiFIR).

Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on "Credit Rating Agencies".

Schaub A. (2005). The Lamfalussy process four years on, *Journal of Financial Regulation and Compliance,* Emerald Group Publishing Ltd, Vol. 13, Iss. 2.

KEY TERMS AND DEFINITIONS

Investment firms: An investment firm is a financial institution principally engaged in investing in securities. The investment firm pooled the money to invest in securities. These companies were regulated by the SEC in USA and under MiFID I, II in EU. They are firms whose main business is holding and managing securities and other financial products, for investment purposes. Investment firms invest money on behalf of their clients who, in return, share in the profits and losses.

European Securities and Markets Authority (ESMA): ESMA is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by enhancing the protection of investors and promoting stable and orderly financial markets. It achieves this by: assessing risks to investors, markets and financial stability, completing a single rulebook for EU financial markets, promoting supervisory convergence and directly supervising credit rating agencies and trade repositories. As well as fostering supervisory convergence amongst securities regulators, it aims to do so across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).

Over-the-counter (OTC: Trading and Derivatives: Initially, Over-the-counter (OTC) or off-exchange trading is done directly between two parties, without the supervision of an exchange. It is contrasted with exchange trading, which occurs via exchanges. A stock exchange has the benefit of facilitating liquidity, providing transparency, and maintaining the current market price. In an OTC trade, the price is not necessarily published for the public. OTC trading, as well as exchange trading, occurs with commodities, financial instruments (including stocks), and *derivatives* of such products. Products traded on the exchange must be well standardized. This means that exchanged deliverables match a narrow range of quantity, quality, and identity which is defined by the exchange and identical to all transactions of that product. This is necessary for there to be transparency in trading. The OTC market does not have this limitation

High Frequency Trading (HFT): High-frequency trading (HFT) is a primary form of algorithmic trading in finance. Specifically, it is the use of sophisticated technological tools and computer algorithms to rapidly trade securities. HFT uses proprietary trading strategies carried out by computers to move in and out of positions in seconds or fractions of a second. It is estimated that as of 2009, HFT accounted for 60-73% of all US equity trading volume, with that number falling to approximately 50% in 2012. High-frequency traders move in and out of short-term positions at high volumes aiming to capture sometimes a fraction of a cent in profit on every trade. HFT firms do not consume significant amounts of capital, accumulate positions or hold their portfolios overnight.

Systematic Internalisers: The "Systematic Internalisers", matches customer orders internally rather than showing these to the market. Systematic internalisers, traditionally called "market makers", are investment firms who could match "buy" and "sell" orders from clients in-house, provided that they conform to certain criteria. Instead of sending orders to a central exchange, banks can match them with other orders on its own book.

Bank for International Settlement: The Bank for International Settlements (BIS) is an international financial institution owned by central banks which "fosters international monetary and financial cooperation and serves as a bank for central banks". The BIS carries out its work through its meetings, programmes and through the Basel Process – hosting international groups pursuing global financial stability and facilitating their interaction. It also provides banking services, but only to central banks and other international organizations. It is based in Basel, Switzerland, with representative offices in Hong Kong and Mexico City.

ECOFIN: The Economic and Financial Affairs Council (ECOFIN) is one of the oldest configurations of the Council of the European Union and is composed of the economics and finance ministers of the 28 European Union member states, as well as Budget Ministers when budgetary issues are discussed. ECOFIN often works with the European Commissioner for Economic and Financial Affairs and the President of the European Central Bank.

ENDNOTES

.1 Council *Directive* 93/22/*EEC* of 10 May 1993 on *investment services* in the securities field.

2. European Security Committee

3. European Securities and Markets Authority (E.S.M.A. replaced C.E.S.R. on 1st Jan 2011)

4. Directive 2014/65/EU on Markets in Financial Instruments (MiFID II), as well as, the Regulation 600/2014 on Markets in Financial Instruments (MiFIR)

5. Multilateral Trading Facility. Article 4 (15) of MiFID describes MTF as multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract.

6. MiFID eliminated the "*concentration rule*" formerly prevailed in Europe, that required that stocks be traded through local markets. It paved the way for electronic trading platforms to compete with the established stock exchanges and introduced the concept of a multilateral trading facility (MTF).

7. Electronic Communication Network, Alternative Trading Systems

8. The European Parliament endorsed MiFID II and MiFIR on 15 April 2014, and the Council of the European Union adopted the legislation on 13 May 2014. The MiFID II legislation was published in the Official Journal on 12 June 2014. Both MiFID II and MiFIR entered into force on 2 July 2014 (20 days after publication), and must generally apply within Member States by 3 January 2017.

9. European Securities and Markets Authority

10. European Market Infrastructure Regulation (EMIR) is a European Union regulation designed to increase the stability of the over-the-counter (OTC) derivative markets throughout the EU states. It is designated Regulation (EU) 648/2012, and it entered into force on 16 August 2012.

11. Committee of European Securities Regulators

12. Bank for International Settlements, Basle.

Chapter 16
The Relationship Between Stock Market Indices of the Biggest Six Economies of the European Union and BIST 100

Serdar Ögel
https://orcid.org/0000-0002-7151-1671
Afyon Kocatepe University, Turkey

Fatih Temizel
https://orcid.org/0000-0002-7208-3293
Anadolu University, Turkey

ABSTRACT

This chapter examines the relationship between stock market indices of the biggest six economies of the European Union and BIST 100. In this context, this study used the daily time series regarding indices of DAX for Germany, CAC 40 for France, FTSE MIB for Italy, IBEX 35 for Spain, AEX for Holland, FTSE 100 for United Kingdom, and BIST 100 for Turkey from 2014 to 2018. To test whether there is a co-integration relationship among indices, Johansen co-integration test was used. Since a co-integration relationship was not found between series, causality relationship between the European stock market indices and Turkey was tested with Granger causality test by establishing standard VAR model. As a result, a unidirectional Granger causality relationship was found from DAX, FTSE 100, CAC 40, IBEX 35, and AEX to BIST 100 according to lag length 1 and 2. However, a unidirectional Granger causality relationship was only found from FTSE MIB to BIST 100 for lag length 1. For lag length 1 and 2, no causality relationship was found from BIST 100 to the selected European stock market indices.

DOI: 10.4018/978-1-7998-1188-6.ch016

INTRODUCTION

The prices in financial markets are generally affected the portfolio decisions of investors who actively invest in more than one market. These decisions are frequently influenced by continuous flow of information which leads to increase in volatility of prices both in the market and among the other markets (Çiçek, 2010). The increasing number of multinational corporations, developing international commerce network and the presence of several politic and economic unions has enhanced the trends towards integration between capital markets in the global word (Güloğlu & Kaya, 2018). Additionally, particularly for the last thirty years, the developments observed in financial markets and stock markets, increase in the effectiveness and efficiency in brokering service, electronic data interchange and securities quoted on several stock markets have led to increase in integration process among financial markets (Vuran, 2010). This case necessitates the analysis of the financial markets of countries by using not only the country-specific factors but also using the factors regarding other countries with which the country has interaction. Additionally, as the flow of capital among financial markets increases, the integration among the markets enhances. So, this leads to equalization of return of capital for all countries and disappearance of arbitrage possibility (Boztosun & Çelik, 2011).

The continuous increase in the level of integration of capital markets with each other is a critical factor which should be taken into consideration for international portfolio investors who make portfolio diversification in different markets to reduce risks. If there is co-integration relationship between the capital markers of two countries, there will be a high correlation relationship among these two markets. This means that since the capital markets of these countries are in tendency to move together in the long run, an investor who makes portfolio diversification by investing in these two countries could not get expected benefits from the portfolio diversification. For that reason, investors, who want to diversify risk and increase returns by making international portfolio investment, should invest in stock markets of countries with which the country has low correlations (Akel, 2015). If securities exchanges are co-integrated in the long run, investors get the same returns from the securities with the same risks, wherever they are in the world. In this context, if there is no co-integration among capital markets, this case theoretically reflects an ideal case (Boztosun & Çelik, 2011).

Initiated from this fact, this study attempts to examine the relationship between stock market index of Turkey and stock market indices of the six European Union countries. As known, the relationship between Turkey and the European Union (EU) is a process which began in 1963 and has lasted until today with a full of uncertainty for different reasons. Despite there is an uncertainty about Turkey's accession to the EU, EU is the largest trading partner of Turkey at the moment. In this context, understanding the interplay between stock markets of Turkey and the European Union was considered as important. The European countries used in the study were selected among the countries that represent the majority of the union economically. In order to determine the economic size of the European countries, the data obtained from European Statistical Office (Eurostat) was used.

According to Eurostat data, GDP of the European Union including 28 members has reached to approximately 15 billion 383 million 66 thousand of Euros with the figures of 2017 (Eurostat, 2019). More than half of this amount was generated by Germany (20.98%), the United Kingdom (15.2%) and France (14.90%). So, 51.08% of the total GDP was realized by these three countries. These three countries are followed by Italy (11, 2%), Spain (7,6%) and Netherlands (4,8%), respectively. Although these countries are also regarded as the big economies, they are actually members of a union which is larger than their entity and so they are also economically protected as they are protected in every aspect. In this sense, the selected economies constitute 75% of the EU's economic power, as it can be seen from the Eurostat data given above. For that reason, instead of taking all 28 EU countries, the 6 largest economies were taken for the study. As seen that the United Kingdom also took part in the study due to the uncertainty with respect to its membership in the EU. All in all, this study aims to examine the relationship between stock market indices of the six biggest European Union countries and stock market index of Turkey which does not take place in the same economic category as compared to the European countries used in the study. In this context, DAX of Germany, CAC 40 of France, FTSE MIB of Italy, IBEX 35 of Spain, AEX of Holland, FTSE 100 of the United Kingdom and BIST 100 of Turkey whose accession to the EU is an uncertain process were included in the data set of the study.

BACKGROUND

In the relevant literature, several studies have been conducted to understand the relationship between stock markets of different countries and BIST 100. The results obtained from these studies have provided some critical information to investors in their decision making. The findings of the relevant studies were summarized below.

Çıtak and Gözbaş (2007) examined the long-term integration relationship among İstanbul Stock Exhange, developed stock markets of USA, Germany, England, Japan and developing stock markets of India and Malaysia via co-integration test for January 1986 and July 2006 period. As a result, Çıtak and Gözbaşı (2007) found that for the given time period, there was a co-integration relationship between ISE and stock market indices of England, USA, Germany and India. On the other hand, they did not observe any co-integration relationship between ISE and stock market indices of countries used in the study for the sub-periods between January 1986 and August 2009, January 1989 and December 1999, and January 2000 and July 2006. Additionally, Çıtak and Gözbaşı (2007) did not find any co-integration relationship between ISE financial industry index and financial industry indices of the countries used in the study. Moreover, except the Italy industrial sector index, Çıtak and Gözbaşı (2007) did not found any co-integration relationship between ISE industrial industry index and other countries industrial industry indices.

Pekkaya and Bayramoğlu (2008) examined the relationship between YTL/USD exchange rate, ISE 100 index and USA S&P 500 index for the period 2 January 1990 to 13 April 2007 by analyzing daily time series regarding 4461 observations with Co-integration and Granger Causality tests. The findings indicated that there was no long-term relationship between ISE 100 index and YTL/USD exchange rate. According to Granger causality results, bidirectional causality relationship was found between ISE 100 and YTL/USD exchange rate for time period 1990 to 2007. Pekkaya and Bayramoğlu (2008) also indicated that in the 1994 currency crisis, there was a unidirectional causality relationship from YTL/USD exchange rate to ISE 100, and they presented that USD exchange rate were affected by USA stock market in every period except the 1994 crisis. Additionally, Pekkaya and Bayramoğlu (2008) specified that ISE 100 index influenced the exchange rate, and USD exchange rate was affected by the stock markets in Turkey for several periods.

Bozoklu and Saydam(2010) examined the co-integration relationship between capital markets of Brazil, China, India, Russia and Turkey for 3 November 2005 to 3 November 2010 time period. In the study, Bozoklu and Saydam (2010) analyzed the 1305 observations by using parametric Johansen and non-parametric Bierens co-integration tests. The results presented that capital markets of these five countries are co-integrated. According to this result, Bozoklu and Saydam (2010) concluded that in the long run, profits could not be obtained from the markets in which there were financial assets that have similar risks and returns.

In another study, Vuran (2010) examined whether there is a co-integration relationship with ISE 100 indices and stock market indices of 8 developed and developing countries. In the study, Vuran (2010) used daily close data regarding FTSE 100 index of the UK, DAX index of Germany, Bovespa index of Brazil, Merval index of Argentina, IPC index of Mexico, CAC 40 index of France, Nikkei 225 index of Japan, S&P 500 index of USA and ISE 100 index of Turkey and tested these time series via Johansen co-integration test. As a result of the analysis, Vuran (2010) found that ISE 100 was co-integrated with FTSE 100 index of the UK, DAX index of Germany, Bovespa index of Brazil, Merval index of Argentina and IPC index of Mexico. Additionally, the results presented that there was a co-integration relationship among CAC 40 index of France, Nikkei 225 index of Japan, and S&P 500 index of USA in the long run.

In another study, Boztosun and Çelik (2011) tested the long-term relationship between ISE 100 and stock market indices of European countries for January 2002 and December 2009 period via Johansen-Jeselius co-integration test. In the study, Boztosun and Çelik (2011) used ATX index of Austria, BEL-20 index of Belgium, CAC 40 index of France, DAX index of Germany, AEX General index of Holland, OSE AllShare of Norway, Madrid General index of Spain, Stockholm General index of Sweden, Swiss Market index of Switzerland, and FTSE 100 index of the UK. According to the results, Boztosun and Çelik (2011) indicated that ISE 100 was cointegrated with OSE AllShare index of Norway, AEX General index of Holland, BEL-20 index of Belgium, DAX index of Germany, and FTSE 100 index of the UK. Nevertheless, the results presented that ISE 100 was not significantly co-integrated with CAC 40 index of France, ATX index of Austria, Swiss Market index of Sweden, Stockholm General index of Switzerland, and Madrid General index of Spain.

İbicioğlu and Kapusuzoğlu (2011) tested whether there is a co-integration relationship among ISE 100 index of Turkey, CAC 40 index of France, MADX index of Spain, FTSE MIB index of Italy, ASE index of Greece, CRO index of Crotia, and Maltex index of Malta for time period 1 July 2002 to 1 March 2010 via Johansen co-integration test. As a result, İbicioğlu and Kapusuzoğlu (2011) found that there was a long term relationship among the indices. The results of Granger causality, variance decomposition and impulse-response functions tests presented that CAC index has an explanatory effect on the change in stock market indices of all Mediterranean countries except the ISE 100 of Turkey. As a result, although stock markets of the EU member Mediterranean countries were found as co-integrated with ISE 100, these stock markets were not the Granger cause of ISE 100. Thus, İbicioğlu and Kapusuzoğlu (2011) concluded that stock markets of Turkey and these Mediterranean countries were affected from the similar developments.

In another study, Bulut and Özdemir (2012) tested whether there is a relationship between ISE 100 and Dow Jones indices for time period 5 January 2001 to 30 December 2010 via Johansen Co-integration test, VEC (Vector Error Correction) and Granger Causality analysis. In the study, Bulut and Özdemir (2012) used weekly close data regarding indices used in the study. The results of co-integration test indicated that ISE 100 and Dow Jones indices moved together in the long run and so they were co-integrated. Initiated by the VEC model, Bulut and Özdemir (2012) found that Dow Jones index has influenced ISE 100 index significantly for three periods. Additionally, as a result Granger Causality test, they concluded that Dow Jones index was the Granger cause of ISE 100 in the short run.

Çelik, Gençtürk and Binici (2013) examined the dynamic relationship between stock market index of ISE 30 and IBEX 35 index of Spain, PSI 20 index of Portugal, and FTSE MIB index of Italy in the long run and short run for the time period between January 2010 and December 2012. The results of Johansen-Juselius Co-integration analysis demonstrated that there was no co-integration relationship between ISE 30 index and the other international indices for the given time period. However, as a result of Granger causality test and bivariate Var model, Çelik, Gençtürk, and Binici (2013) indicated that there was a unidirectional causality relationship from ISE 30 to IBEX 35 and PSI 20 in the short run. Thus, Çelik, Gençtürk, and Binici (2013) suggested that ISE 30 could be used in international portfolio diversification in the long run.

Çelik, Kaya and Tunç (2013) examined whether there is a short term and long-term dynamic relationship between stock market indices of Turkey and Brazil for time period between May 2010 and December 2012 by analyzing daily data regarding indices with the Johansen-Juselius Co-integration test and Granger Causality test. As a result of co-integration test, no co-integration was found between the indices in the long run. Nevertheless, the results of Granger Causality test showed that there was a bidirectional causality relationship between these two indices. Additionally, Çelik, Kaya and Tunç (2013) found that there was a unidirectional causality relationship from Ibrx-50 and INDX indices to XU50 and XUSIN indices.

Ersoy and Bayrakdaroğlu (2013) examined the relationship between Derivatives Exchange-ISE 30 index future contract and ISE 30 index for time period between February 2005 and December 2010. In the study, Ersoy and Bayrakdaroğlu (2013) used daily close data regarding variables and tested them via Johansen Co-integration test, Vector Error Correction Model (VECM), Granger Causality and Toda-Yamamoto causality tests. As a result, Ersoy and Bayrakdaroğlu (2013) found that these variables were co-integrated with each other. Additionally, they also presented that there was not any antecedent-outcome relationship between derivative markets and spot markets but there was a bidirectional causality relationship between them.

Hamurcu and Aslanoğlu (2013) examined the relationship among NYSE (New York Stock Exchange) and ISE (Istanbul Stock Exchange) indices and Turkcell as an exchange security in both NYSE and ISE for the period between 11 July 2000 and 3 January 2013 by calculating correlations coefficient among variables. As a result, Hamurcu and Aslanoğlu (2013) found a positive and strong relationship (0, 74972) between NYSE and ISE. Additionally, for Turkcell which is publicly traded in both stock exchanges, a positive and strong correlation (0, 97978) was identified.

Gözbaşı (2013) tested the relationship between stock markets of seven developing countries and Turkey for the period between December 1995 and January 2009. In the study, Gözbaşı (2013) employed Argentina, Brazil, Mexico, India, Malaysia, Hungary and Egypt as the developing countries. To test the long term co-integration relationship among the variables, Gözbaşı (2013) used ARDL (Autoregressive Distributes) test; whereas to test the short-term causality relationship among variables, Gözbaşı (2013) used Granger and Toda- Yamamoto causality tests. As a result of co-integration test, Gözbaşı (2013) found that ISE was co-integrated with stock markets of Brazil, India, and Egypt but it was not co-integrated with Argentina, Mexico, Malaysia and Hungary. Additionally, the results of causality tests indicated that there was a unidirectional causality relationship from the stock markets of these countries to ISE except the stock markets of Argentina and Malaysia.

In another study, Yıldız and Aksoy (2014) tested the relationship between Morgan Stanley developing market index and BIST index for the period between January 1990 and December 2011 via Engle-Granger co-integration test and Vector Error Correction model (VECM). As a result, Yıldız and Aksoy (2014) reported that developing market index and BIST index moved together in the long run and so they were co-integrated with each other. Additionally, initiated by the results of Vector Error Correction

Model, Yıldız and Aksoy (2014) indicated that the error correction term worked in the short-run and convergence of indices occurred after 16 periods.

Akel (2015) examined the long-term and short-term relationship among stock market indices of fragile five countries. In this context, Akel (2015) concentrated on the relationship between stock market index of Turkey and stock market indices of Brazil, Indonesia, India and South Africa for the period November 2000 to December 2003. To test the long run relationship among variables, Akel (2015) used Johansen co-integration test and to test the short run relationship among the variables, Akel (2015) used Vector Error Correction Model (VECM). The results of co-integration test indicated that there was a co-integration among capital markets of fragile five countries for the given period. The results of VECM presented that there was a causality relationship between stock market index of India and stock market indices of other countries in the short run. Additionally, Akel (2015) reported that there was a unidirectional causality relationship from stock market index of Turkey to stock market index of Indonesia; from stock market index of Brazil to stock market indices of Indonesia and South Africa, from stock market index of Indonesia to stock market index of South Africa; and from stock market index of South Africa to stock market index of Turkey. Initiated by the results of co-integration test, Akel (2015) suggested that since there was a co-integration relationship among the stock markets of fragile five countries, it was very difficult to make international portfolio diversification among the stock markets of these countries. Thus, Akel (2015) concluded that it was very difficult to earn extra return by arbitraging in these stock markets.

Altınbaş et al. (2015) examined the effects of variables such inflation, interest rate, exchange rate, industrial production index and oil prices on BIST 100 index by using multifactor regression model, Johansen co-integration test, Vector Error Correction Model (VECM) and Granger causality test. As a result, Altınbaş et al. (2015) found that exchange rate was the only factor which explained BIST 100. In the direction of the results of VECM, Altinbaş et al. (2015) reported that lagged exchange rate and lagged industry production index explained the changes in BIST 100 index and a unidirectional causality relationship from exchange rate and industrial production index to BIST 100 index was found but the opposite was not valid. Finally, Altınbaş et al. (2015) indicated that a unidirectional causality relationship was found only from BIST 100 index to oil price. Thus, Altınbaş et al. (2015) concluded that BIST 100 index could be an indicator only for oil price factor.

Kaya (2015) tested the relationship between BIST 100 and VIX indices via Johansen-Juselius co-integration test, and as a result of the test, Kaya (2015) presented that there was a long-term relationship between BIST 100 and VIX indices. Then, according to the results of Vector Error Correction Model estimates, the presence of long-term relationship among indices was corroborated. Finally, Kaya (2015) revealed that BIST 100 index was under the influence of VIX index.

Çelik and Boztosun (2015) tested the long term relationship between ISE 100 index and stock market indices of Asian countries for time period between January 1998 and December 2009 via Johansen-Juselius Co-integration test. In this context, Çelik and Boztosun (2015) employed Oll Ordinaries index of Australia, Shanghai Composite index of Chine, Hang Seng index of Hong Kong, BSE 30 index of India, Jakarta Composite index of Indonesia, KLSE Composite index of Malaysia, Nikkei 225 index of Japan, Seoul Composite index of South Korea, Taiwan Weighted index of Taiwan, and Straits Times index of Singapore as stock market indices of Asian countries. The results indicated that ISE 100 was significantly co-integrated with Strait Times index of Singapore, KLSE Composite index of Malaysia, Taiwan Weighted index of Taiwan, and Seoul Composite index of South Korea in the long run for the given period. Nevertheless, Çelik and Boztosun (2015) presented that ISE 100 was not significantly co-integrated with Nikkei 255 index of Japan, Shanghai Composite index of China, Hang Seng index of Hong Kong, BSE 30 index of India, Oll Ordinaries index of Australia and Jakarta Composite of Indonesia.

Yılancı and Öztürk (2015) tested whether there is a long-term relationship among SP 500 index of USA, DAX index of Germany, AEX index of Holland, IBEX 35 index of Spain, FTSE 100 index of the UK and ISE 100 index of Turkey for January 1995 to December 2009 period by using Engle-Granger and Hatemi-J tests. The results of Engle-Granger test demonstrated that there was no long-term relationship between ISE 100 index and other financial markets included in the analysis. On the other hand, the results of Hatemi-J co-integration test with two unknown structural break indicated that there was no co-integration relationship between ISE 100 and AEX indices and between FTSE 100 and SP 500 indices but a co-integration relationship was found between DAX and IBEX 35 indices in the long run. In this way, Yılancı and Öztürk (2015) suggested that investors who invest in ISE 100 should reduce the risks via portfolio diversification by investing in markets for which the relationship with ISE 100 is not determined.

Zeren et al. (2015) used Maki co-integration test to analyze the long run relationship between the monthly time series data regarding stock markets of Turkey (BIST 100), Austria (ATX), Belgium (BEL-20), Holland (AEX), Switzerland (SMI), and Mexico (BOLSA) for period 1990 to 2013. As a result of Maki co-integration test, Zeren et al. (2015) found a co-integration relationship between BIST 100 of Turkey and ATX of Austria, BEL-20 of Belgium, SMI of Switzerland, and BOLSA of Mexico. Nevertheless, they did not found any co-integration relationship between BIST 100 of Turkey and AEX of Holland. Initiated by these results, Zeren et al. (2015) suggested that investors who invest in BIST 100 should diversify their portfolio by only investing in AEX of Holland to minimize the risk.

Özşahin (2017) examined the relationship between stock market indices of BRICS countries (Brazil, Russia, India, Shine, and South Africa) and Turkey for the time period between 2000 and 2016. In the study, variables were analyzed with multiple structural break unit root test and co-integration test. The results presented that except the stock market of Brazil, BIST 100 and the stock market indices of the remaining four countries were co-integrated in the long run. Additionally, initiated by panel FMOLS and DOLS estimators' results, Özşahin (2017) indicated that the relationship between stock market indices of Turkey and Russia, India, China, and South Africa was positive and statistically significant at the 99% confidence level. In this way, Özşahin (2017) concluded that investors should not make risk diversification by using the stock markets of these countries in the long run.

In another study, Ömer (2018) examined the relationship between stock markets of Argentina, Egypt, Qatar, Pakistan, and Turkey which were defined as the fragile five by international credit rating agency Standard & Poor in November 2017. The time series regarding the time period between 5 January 2009 and 20 March 2018 were analyzed via Granger causality test. As a result, Öner (2018) found that there was a unidirectional causality relationship from BIST 100 index of Turkey and Merval index of Argentina to QE index of Qatar and Hermes index of Egypt; from BIST 100 index of Turkey to KSE 100 index of Pakistan; and from Merval index of Argentina to BIST 100 index of Turkey.

Finally, Yıldırım and Kesebir (2019) examined the causality relationship between stock markets of Turkey, USA, Japan, and Germany for the time period between 2010 and 2017. According to the findings of Granger causality test, Yıldırım and Kesebir (2019) found that there was a unidirectional and statistically significant causality relationship from BIST 100 to DAX index; from SP 500 to NIKKEI 225 index; and from DAX index to NIKKEI index

RESEARCH METHODOLOGY

Data Set and Methodology

This study attempts to examine the causality relationship between BIST 100 index of Turkey and stock market indices of European Union countries for period 2014 to 2018. With respect to stock market indices of European countries, DAX index of Germany, CAC 40 index of France, FTSE MIB index of Italy, IBEX 35 index of Spain, AEX index of Holland and FTSE 100 index of the UK were used as the stock market indices of European Union countries. Although the UK is in the exit process from the EU, FTSE 100 index of the UK was included into the study because the UK is still the second biggest economy of the union. The commonly used method to determine the causality relationship among time series is the model developed by Granger (1969) (Coşkun et al., 2016). In this context, on the basis of data set and purpose of the study, Granger causality analysis was considered as the most appropriate method to test the relationship among the variables of the study. By the virtue of Granger Causality analysis, the relationship among the indices were expected to be revealed for the given time period. Additionally, the significant cause and effect relationship among the indices were attempted to be determined, if there were. To identify the causality relationship among variables, each variable was employed as dyadically and being dependent variable respectively in Granger causality test.

The time series used in the study consist of 5-year daily close prices of DAX index of Germany, CAC 40 index of France, FTSE MIB index of Italy, IBEX 35 index of Spain, AEX index of Holland, FTSE 100 index of the UK, and BIST 100 index of Turkey for the time period between 1 January 2014 and 31 December 2018. The data regarding all of these indices were obtained from the website called "investing.com". The natural log of each variable used in the study was taken. Thus, the log form of each variable was employed in the study.

Initially, to understand the correlation results among the logarithmic prices of indices, correlation matrix regarding time series was given in Table 2. According to Table 2, BIST 100 index seemed as highly correlated with AEX index of Holland (83,8%), DAX index of Germany (81,7%), CAC 40 index of France (79,1%), FTSE 100 index of the UK(72,1%). On the other hand, Table 2 indicated that BIST 100 index was weakly correlated with FTSE MIB index of Italy (43,7%) and IBEX 35 index of Spain (16%).

Additionally, it could be readily seen from Table 2, DAX index of Germany, CAC 40 index of France, FTSE 100 index of the UK, and AEX index of Holland were highly correlated with each other; whereas

Table 1. Correlation matrix (daily log price: January 2014- December 2018)

	LNBIST100	LNAEX	LNCAC40	LNDAX	LNFTSE100	LNFTSEMIB	LNIBEX35
LNBIST100	1						
LNAEX	0.838	1					
LNCAC40	0.791	0.958	1				
LNDAX	0.817	0.968	0.966	1			
LNFTSE100	0.721	0.794	0.802	0.823	1		
LNFTSEMIB	0.437	0.451	0.648	0.521	0.413	1	
LNIBEX35	0.160	0.117	0.320	0.238	0.311	0.789	1

FTSE MIB index of Italy and IBEX 35 index of Spain were highly correlated with each other. On the other hand, FTSE MIB index of Italy and particularly IBEX 35 index of Spain were weakly correlated with DAX index of Germany, CAC 40 index of France, FTSE 100 index of the UK, and AEX index of Holland.

Besides correlation matrix regarding variables, descriptive statistics of the time series were analyzed. Descriptive statistics belonging to stock market index series were displayed in Table 2.

Skewness and Kurtosis values and Jarque Bera goodness of fit test provide insights about whether the time series have normal distribution (Alp & Kırkbeşoğlu, 2015). In this context, if mean, mode, and median are either equal or close to each other; if the coefficients of Skewness and Kurtosis are close to 0 within ± 1 bounds; if the Skewness and Kurtosis indices, which are calculated by dividing the coefficients of Skewness and Kurtosis in their own standard errors, are close to 0 within ± 2 bounds; and if the coefficient of variance, which indicates the ratio of standard deviation to mean, is in between 20 and 25, there is an evidence for normal distribution (Tabachnick & Fidell, 2013; McKillup, 2012; Wilcox, 2012; Howitt and Cramer, 2011; Lind, et al., 2006; Demir et al., 2016, p:133). With respect to normality assumption, Table 2 displayed that data set was not normally distributed when the Skewness and Kurtosis values of the time series were taken into account. Additionally, according to Jarque-Bera goodness of fit test statistics, the null hypothesis which is based on the notion that the data is normally distributed was rejected. In this case, it was concluded that data set including time series were not normally distributed.

ADF and PP Unit Root Tests

If a study employs a data set including time series, the model is not directly analyzed. In this context, stationary state of time series to be used in the model should be initially checked. According to Gujarati (1999), if a mean and variance of time series do not change in a time and if its covariance between two periods is dependent on only the length between two periods, this time series is stationary (Karaca, 2003). In this case, as claimed by Granger and NewBold (1974), employing non-stationary time series leads to getting wrong results which do not reflect the true relationship among the variables.

To determine the stationary state of time series used in the study, Augmented Dickey Fuller unit root test which was developed by Dickey and Fuller (1981) and Phillips-Peron unit root test which was developed by Phillips and Peron (1988) were used. The results regarding unit root tests were displayed in Table 3. According to the ADF and PP unit root test statistics, it could be readily seen that time series

Table 2. Descriptive statistics of the stock market index series

	Mean	Median	Std. Deviation	Skewness	Kurtosis	Jarque-Bera	P-Value
LNBIST100	11.35962	11.32407	0.151252	0.370837	2.437664	47.06904	0.000000
LNDAX	9.306259	9.303966	0.114576	-0.037521	1.689006	93.68895	0.000000
LNCAC40	8.474399	8.482038	0.090294	-0.018201	1.677482	95.10393	0.000000
LNAEX	6.158466	6.160722	0.114271	-0.041032	1.709193	90.89514	0.000000
LNFTSE100	8.836375	8.832188	0.070933	-0.323330	2.418403	41.09909	0.000000
LNFTSEMIB	9.924870	9.946805	0.104567	-0.607365	2.511629	93.13131	0.000000
LNIBEX35	9.200396	9.219617	0.086725	-0.406164	2.412919	54.58010	0.000000

Table 3. The Results of ADF and PP unit root tests

	Augmented Dickey Fuller (ADF) Statistics				Phillips Perron (PP) Statistics			
Variables	**Levels**	**P-Values**	**First-Differences**	**P-Values**	**Levels**	**P-Values**	**First-Differences**	**P-Values**
LNBIST100	-1.883502	0.3403	**-36.50416**	**0.0000**	-1.839953	0.3612	**-36.56137**	**0.0000**
LNDAX	-1.962091	0.3039	**-36.46607**	**0.0000**	-1.970946	0.2999	**-36.46411**	**0.0000**
LNCAC40	-2.332947	0.1617	**-35.81833**	**0.0000**	-2.244813	0.1906	**-36.03063**	**0.0000**
LNAEX	-1.878593	0.3427	**-34.73411**	**0.0000**	-1.886451	0.3389	**-34.70878**	**0.0000**
LNFTSE100	-2.169258	0.2179	**-35.71805**	**0.0000**	-2.106701	0.2422	**-35.78289**	**0.0000**
LNFTSEMIB	-2.207592	0.2038	**-39.28355**	**0.0000**	-2.205500	0.2045	**-39.40521**	**0.0000**
LNIBEX35	-2.196333	0.2078	**-35.61769**	**0.0000**	-2.066744	0.2585	**-35.84067**	**0.0000**
Level of significance	**Critical Values**							
1%	-3.435157		-3.435161		-3.435157		-3.435161	
5%	-2.863550		-2.863552		-2.863550		-2.863552	
10%	-2.567890		-2.567891		-2.567890		-2.567891	

LNBIST100, LNDAX, LNCAC40, LNAEX, LNFTSE100, LNFTSEMIB, and LNIBEX35 were stationary at their first differences.

The graphs regarding time series which were non-stationary at level but stationary at first differences were presented in Figure 1. Since the time series LNBIST100, LNDAX, LNCAC40, LNAEX, LNFTSE100 LNFTSEMIB, and LNIBEX35 were stationary at first difference, they were displayed with D (differenced).

Finding Lag Length

After understanding that time series used in the study were stationary at their first difference, the most appropriate lag length should be determined before co-integration and causality analyses. In order to determine optimum lag length, several information criteria are mostly used (Brooks, 2008). These information criteria are; LR (Likelihood), FPE (Final Prediction Error), AIC (Akaike Information Criterion), SC (Schwarz Information Criterion), and HQ (Hannan-Quinn Information Criterion) information criteria. Among these criteria, Akaike Information Criterion (AIC) and Schwarz Information Criterion (SC) are the two most commonly used information criteria in determining lag length for time series (Gökmen and Çömlekçi, 2018). In this study, the lag length was determined as "2" according to FPE (Final Prediction Error) and AIC (Akaike Information Criterion). However, the lag length was determined as "1" according to SC (Schwarz Information Criterion) and HQ (Hannan-Quinn Information Criterion). The results regarding lag length were given in Table 4.

Johansen Co-integration Analysis

Engle and Granger (1987) suggested that a linear combination of two or more non-stationary series might be stationary. If there is such a stationary linear combination, the time series are assumed to be co-integrated and in such a condition, long-run equilibrium relationships exist. This is called co-integrating equation (Erdal et al., 2008). There are many tests to analyze co-integration relationship among variables.

Figure 1.

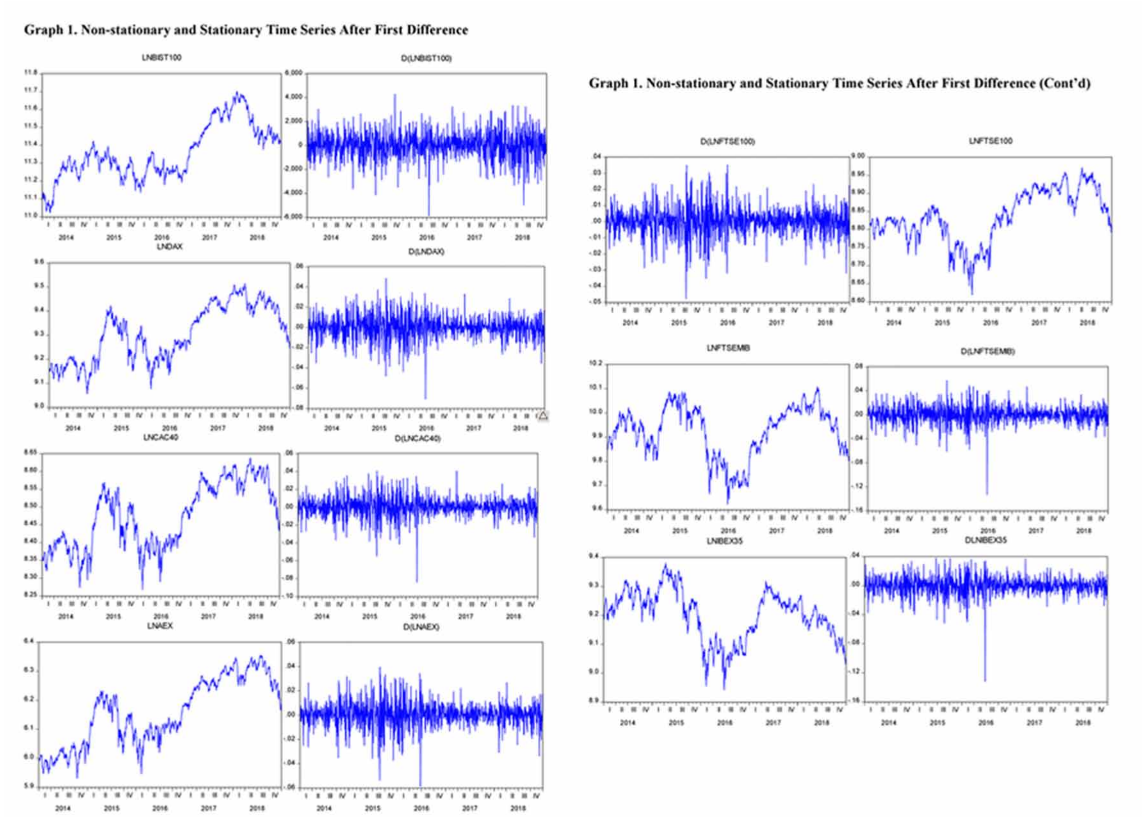


Table 4. Lag length

Lag	LR	FPE	AIC	SC	HQ
0	NA	1.60e-19	-23.41608	-23.38814	-23.40560
1	36560.17	7.75e-32	-51.76972	**-51.54618***	**-51.68583***
2	134.9913	**7.52e-32***	**-51.79953***	-51.38039	-51.64223
3	31.81586	7.92e-32	-51.74881	-51.13406	-51.51810
4	44.40243	8.24e-32	-51.70818	-50.89783	-51.40406
5	64.53139	8.45e-32	-51.68374	-50.67779	-51.30622
6	**68.14452***	8.63e-32	-51.66248	-50.46092	-51.21155
7	59.30368	8.88e-32	-51.63442	-50.23726	-51.11008
8	36.46693	9.30e-32	-51.58816	-49.99540	-50.99042
9	39.73084	9.71e-32	-51.54473	-49.75637	-50.87358
10	40.63698	1.01e-31	-51.50222	-49.51826	-50.75766

The most commonly used co-integration test is the Johansen co-integration test which was developed by Johansen (1988). So, Johansen co-integration test is performed to understand whether there is a co-integration among variables in the study.

The results of Johansen co-integration tests which were calculated with respect to lag length 1 and lag length 2 were given in Table 5 and Table 6, respectively. According to Table 5, it could be readily seen that all of the p-values were greater than 0.05. Additionally, with respect to Trace Statistic and Max-Eigen Statistic, a co-integration was not found among the variables. Namely, LNBIST100, LNAEX, LNCAC40, LNDAX, LNFTSE100, LNFTSEMIB and LNIBEX35 variables did not move together in the long run and they were not co-integrated.

According to Johansen co-integration test which was calculated for lag length 2, it was also seen that all of the p-values were greater than 0.05. Similar to the Table 5, with respect to Trace statistic and Max-Eigen Statistic given in Table 6, a co-integration was not found among the variables. This result indicated that LNBIST100, LNAEX, LNCAC40, LNDAX, LNFTSE100, LNFTSEMIB and LNIBEX35 did not move together in the long run, and so these variables were not co-integrated in the long-run.

Granger Causality Test

As stated before, in order to determine causality relationship among variables in a VAR model, Granger Causality test is used. Since there was no co-integration among the variables, unrestricted VAR model was established for the study. Additionally, causality test was performed with differenced data because variables were found as non-stationary at the level.

In order to check that whether the estimated VAR model is stable, the inverse roots of characteristic AR polynomial were used (Lütkepohl, 1991). The Inverse Roots of the Characteristic AR Polynomial regarding estimated VAR model was displayed in Figure 2. Initiated by the figure 2, the estimated VAR model was accepted as stable and stationary because all roots had modules less than one and laid inside the unit circle.

In order to check that whether the given time series is appropriate for VAR model, autocorrelation analysis was performed (Bircan & Karagöz, 2003). Since VAR model is a system predictor, one of the main assumptions is that there is no autocorrelation in residuals up to the specified order. In order to test residual autocorrelation, Lagrange Multiplier test (LM Test) was conducted. The result of LM test

Table 5. The Results of Johansen Co-integration test (Lag length: 1)

	Variables: LNBIST100, LNAEX, LNCAC40, LNDAX, LNFTSE100, LNFTSE MIB, LNIBEX35 Lag length (k): 1							
Hypothesized number of CE(s)	**Eigenvalue**	**Trace Statistic**	**0.05 Critical Value**	**MacKinnon Haug-Michelis p-values**		**Max-Eigen Statistic**	**0.05 Critical Value**	**MacKinnon Haug-Michelis p-value**
None	0.029338	107.2701	125.6154	0.3751		38.76908	46.23142	0.2512
At most 1	0.020381	68.50104	95.75366	0.7704		26.81072	40.07757	0.6463
At most 2	0.011081	41.69031	69.81889	0.9177		14.50859	33.87687	0.9831
At most 3	0.008419	27.18172	47.85613	0.8473		11.00854	27.58434	0.9652
At most 4	0.006899	16.17318	29.79707	0.7001		9.012975	21.13162	0.8314
At most 5	0.004222	7.160200	15.49471	0.5591		5.508089	14.26460	0.6768
At most 6	0.001268	1.652111	3.841466	0.1987		1.652111	3.841466	0.1987

Table 6. The Results of Johansen Co-integration test (Lag length: 2)

	Variables: LNBIST100, LNAEX, LNCAC40, LNDAX, LNFTSE100, LNFTSE MIB, LNIBEX35 Lag length (k): 2							
Hypothesized number of CE(s)	**Eigenvalue**	**Trace Statistic**	**0.05 Critical Value**	**MacKinnon Haug-Michelis p-values**		**Max-Eigen Statistic**	**0.05 Critical Value**	**MacKinnon Haug-Michelis p-value**
None	0.026467	103.0983	125.6154	0.5033		34.89720	46.23142	0.4665
At most 1	0.018552	68.20109	95.75366	0.7795		24.36228	40.07757	0.8058
At most 2	0.012289	43.83881	69.81889	0.8656		16.08746	33.87687	0.9518
At most 3	0.009321	27.75135	47.85613	0.8243		12.18396	27.58434	0.9250
At most 4	0.006315	15.56739	29.79707	0.7423		8.241874	21.13162	0.8883
At most 5	0.004198	7.325516	15.49471	0.5401		5.473174	14.26460	0.6813
At most 6	0.001423	1.852342	3.841466	0.1735		1.852342	3.841466	0.1735

indicates that F statistic was 0.9410 which was greater than 0.05. Thus, the null hypothesis of the test which suggests that there is no serial correlation in the residuals up to the specified order was accepted.

Finally, Granger causality test was performed by examining variables dyadically. So, the direction of the relationship among the variables was identified better. The results of Granger Causality test were given in Table 7.

According to Table 7, the results of Granger causality test indicated that there was a unidirectional causality relationship from DAX, FTSE 100, CAC 40, IBEX 35 and AEX indices to BIST 100 at the 0.05 level of significance. Additionally, for lag length 1, a unidirectional causality relationship was found from FTSE MIB index to BIST 100 index. Nevertheless, for lag length 2, no unidirectional causality relationship was found from FTSE MIB to BIST 100. Hence, for both lag length 1 and 2, no causality relationship was found from BIST 100 to FTSE MIB, as well. The causality relationship among variables was summarized in Figure 3.

Figure 2.

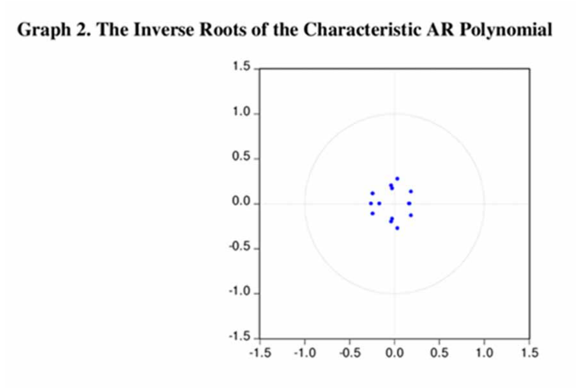


Table 7. The results regarding Granger causality tests

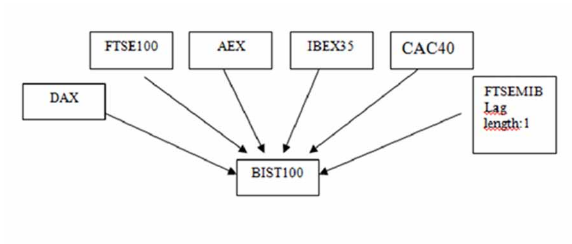
$H_{0:}$			Lag length:1 (According to SC and HQ)		Results	Lag length: 2 (According to FPE and AIC)		Results
			Chi-Square	Prob.		Chi-Square	Prob.	
DLNDAX		DLNBIST100	7.173441	0.0074	H_0: Rejected	6.986969	0.0304	H_0: Rejected
DLNBIST100		DLNDAX	0.031826	0.8584	H_0: Not rejected	0.282304	0.8684	H_0: Not rejected
DLNCAC40		DLNBIST100	9.476484	0.0021	H_0: Rejected	9.219279	0.0100	H_0: Rejected
DLNBIST100		DLNCAC40	0.025293	0.8736	H_0: Not rejected	0.061594	0.9697	H_0: Not rejected
DLNAEX		DLNBIST100	10.35427	0.0013	H_0: Rejected	10.29345	0.0058	H_0: Rejected
DLNBIST100		DLNAEX	0.095014	0.7579	H_0: Not rejected	0.234382	0.8894	H_0: Not rejected
DLNFTSE100		DLNBIST100	7.886084	0.0050	H_0: Rejected	7.807094	0.0202	H_0: Rejected
DLNBIST100		DLNFTSE100	0.310046	0.5777	H_0: Not rejected	0.804964	0.6687	H_0: Not rejected
DLNFTSEMIB		DLNBIST100	5.348126	0.0207	H_0: Rejected			
DLNFTSEMIB		DLNBIST100				5.367581	0.0683	H_0: Not rejected
DLNBIST100		DLNFTSEMIB	0.181104	0.6704	H_0: Not rejected	0.278445	0.8700	H_0: Not rejected
DLNIBEX35		DLNBIST100	9.916933	0.0016	H_0: Rejected	9.601474	0.0082	H_0: Rejected
DLNBIST100		DLNIBEX35	1.427051	0.2322	H_0: Not rejected	1.700427	0.4273	H_0: Not rejected

FUTURE RESEARCH DIRECTIONS

The interplay between the stock exchanges of different countries has been the interest of many researchers throughout the years. Particularly, when the integration and interdependence between the world economies are taken into consideration, understanding the relationship between foreign stock exchanges is getting more and more important for foreign investors. In this study, the interplay between stock exchanges is examined with respect to European Union perspective. In this context, the stock exchange of the six biggest European Union economies like German, France, Italy, Spain, Holland, and the United Kingdom are included into the study with Bist 100 from Turkey. However, European Union member states are not limited with these countries. Thus, examining the interplay between several other European Union countries' stock exchange markets and Bist 100 can pave the way for further research.

In order to provide more insights to foreign investors, determining the relationship between several stock exchange indices would be useful. In that aspect, examining the interplay between stock exchange indices of countries from different parts of the world like America, Asia, and Africa could lead to further research. Additionally, foreign investors' decisions could be effected by many factors such as economic and political. Accordingly, the relationship between stock exchange indices and several economic and political factors could be the further research topics for several researchers who concentrate on foreign portfolio decisions.

Figure 3.



CONCLUSION

The more the integration process among countries and financial markets accelerates, the more the financial movements follow and affect each other. The developments in communication, regulations for ease in capital movements and transnational investors who are capable of investing round the clock are considered as the catalyser of this integration process. Under the assumption that there is a co-integration trend among financial markets, investing in different markets to make portfolio diversification and reduce risks is going to become meaningless. In this context, particularly the studies which analyzed the relationship among different markets contribute to the investors by providing valuable information to them.

In this study, the relationship between BIST 100 index and principal stock market indices taking place in European economy was analyzed with Johansen co-integration test and Granger causality test. The results of Johansen co-integration test indicate that BIST 100 was not co-integrated with European stock market indices DAX, FTSE 100, CAC 40, IBEX 35, AEX and FTSE MIB in the long run. On the basis of these results, it was suggested that investors who invest in BIST 100 should invest in these European stock markets in their portfolio diversification to reduce risks. Additionally, these results also showed that the investors who invest in these European stock markets should invest in BIST 100 to reduce risk in their portfolio.

As well as the long-term relationship, short-term relationship among the variables was tested. The results of Granger causality test for lag length 1 demonstrated that a unidirectional causality relationship was observed from the six biggest European economies' stock market indices to BIST 100 index. Initiated by these findings, it could be concluded that investors in BIST 100 should follow the European stock market indices from which the causality relationship was found to BIST 100. In this way, this study also attempts to advise to the investors who already invested or want to invest in BIST 100.

REFERENCES

Akel, V. (2015). Kırılgan Beşli Ülkelerinin Hisse Senedi Piyasaları Arasındaki Eşbütünleşme Analizi. *Uluslararası Yönetim İktisat Ve İşletme Dergisi*, *11*(24), 75–96.

Alp, Ö. S., & Kırkbeşoğlu, E. (2015). Sigorta Endeksi Getirisinin Doğrusal OlmayanYapısı. *Finansal Araştırmalar ve Çalışmalar Dergisi*, *7*(13), 245–260.

Altınbaş, H., Kutay, N., & Akkaya, G. C. (2015). Makroekonomik Faktörlerin Hisse Senedi Piyasaları Üzerindeki Etkisi: Borsa İstanbul Üzerine Bir Uygulama. *Ekonomi Ve Yönetim Araştırmaları Dergisi*, *4*(2), 30–49.

Bircan, H., & Karagöz, Y. (2003). Box-Jenkıns Modelleri ile Aylık Döviz Kuru Tahmini Üzerine Bir Uygulama. *Kocaeli Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, *6*(2), 49–62.

Bozdağlıoğlu, E. Y., & Özpinar, Ö. (2011). Türkiye'ye Gelen Doğrudan Yabancı Yatırımların Türkiye'nin İhracat Performansına Etkilerinin Var Yöntemi İle Tahmini. *Dokuz Eylul Universitesi Sosyal Bilimler Enstitüsü Dergisi*, *13*(3), 39–63.

Bozoklu, Ş., & Saydam, İ. M. (2010). BRIC Ülkeleri Ve Türkiye Arasındaki Sermaye Piyasaları Entegrasyonunun Parametrik Ve Parametrik Olmayan Eşbütünleşme Testleri İle Analizi. *Maliye Dergisi*, *159*, 416–431.

Boztosun, D., & Çelik, T. (2011). Türkiye Borsasının Avrupa Borsaları İle Eşbütünleşme Analizi. *Süleyman Demirel Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *16*(1), 147–162.

Brooks, C. (2008). *Introductory econometrics for finance*. New York: Cambridge University Press. doi:10.1017/CBO9780511841644

Bulut, Ş., & Özdemir, A. (2012). İstanbul Menkul Kıymetler Borsası ve Dow Jones Industrial Arasındaki İlişki: Eşbütünleşme Analizi. *Yönetim Ve Ekonomi: Celal Bayar Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *19*(1), 211–224.

Çelik, İ., Gençtürk, M., & Binici, F. Ö. (2013). İMKB 30 Endeksi İle Avrupa Birliği Üyesi Ülke Borsaları Arasındaki Dinamik İlişkilerin Vektör Otoregresif Model Bağlamında Belirlenmesi. *Muhasebe Ve Finansman Dergisi*, (60), 73-86.

Çelik, İ., Kaya, Ö., & Tunç, Ö. (2013). Uluslararası Portföy Çeşitlendirmesi Açısından Gelişmekte Olan Ülke Borsaları Arasındaki Eşhareketlilik: Brezilya-Türkiye Üzerine Bir Uygulama. *Süleyman Demirel Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *18*(1), 167–180.

Çelik, T., & Boztosun, D. (2015). Türkiye Borsası İle Asya Ülkeleri Borsaları Arasındaki Entegrasyon İlişkisi. *Erciyes Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *0*(36), 57–71.

Çiçek, M. (2010). Türkiye'de Faiz, Döviz Ve Borsa: Fiyat Ve Oynaklık Yayılma Etkileri. *Ankara Üniversitesi SBF Dergisi*, *65*(02), 1–28. doi:10.1501/SBFder_0000002170

Çıtak, L., & Gözbaşı, O. (2007). İmkb İle Bazı Önde Gelen Gelişmiş Ve Gelişmekte Olan Ülke Borsaları Arasındaki Bütünleşmenin Temel Endeks Ve Ana Sektör Endeksleri Temelinde Analizi. *Dokuz Eylül Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi,* 22(2). 249-271.

Coşkun, M., Kiracı, K., & Muhammed, U. (2016). Seçilmiş Makroekonomik Değişkenlerle Hisse Senedi Fiyatları Arasındaki İlişki: TürkiyeÜzerine Ampirik Bir İnceleme. *Finans Politik & Ekonomik Yorumlar*, *53*(616), 61–74.

Demir, E., Saatçioğlu, Ö., & İmrol, F. (2016). Uluslararası dergilerde yayımlanan eğitim araştırmalarının normallik varsayımları açısından incelenmesi. *Current Research in Education*, *2*(3), 130–148.

Dickey, D. A., & Fuller, W. A. (1981). Likelihood ratio statistics for autoregressive time series with a unit root. *Econometrica*, *49*(4), 1057–1072. doi:10.2307/1912517

Engle, R. F., & Granger, C. W. J. (1987). Co-integration and error correction: representation, estimation, and testing. *Econometrica*, *55*(2), 251–276. doi:10.2307/1913236

Erdal, G., Erdal, H., & Esengün, K. (2008). The causality between energy consumption and economic growth in Turkey. *Energy Policy*, *36*(10), 3838–3842. doi:10.1016/j.enpol.2008.07.012

Ersoy, E., & Bayrakdaroğlu, A. (2013). İMKB 30 endeksi ile VOB-İMKB 30 endeks vadeli işlem sözleşmeleri arasındaki öncül-ardıl ilişkisi. *İstanbul Üniversitesi İşletme Fakültesi Dergisi*, 42(1), 26-40.

Eurostat. (2019). *Gross domestic product at market prices*. Retrieved from https://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tec00001&language=en

Gökmen, O., & Çömlekçi, İ. Turizm Endeksleri Arasındaki Eşbütünleşme İlişkisi. Seyahat ve Otel İşletmeciliği Dergisi, 15(2), 273-286.

Gözbaşı, O. (2015). İmkb İle Gelişmekte Olan Ülkelerin Hisse Senedi Piyasalarının Etkileşimi: Eşbütünleşme ve Nedensellik Yaklaşımı. *Erciyes Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *0*(35), 99–118.

Granger, C. W. J., & Newbold, P. (1974). Spurious regressions in economics. *Journal of Econometrics*, *2*(2), 111–120. doi:10.1016/0304-4076(74)90034-7

Gujarati, D. N. (1999). *Temel Ekonometri, (Çev. Ü. Şenesen ve G.G. Şenesen)*. İstanbul, Turkey: Literatür Yayınları.

Güloğlu, B., & Kaya, P. (2019). Latin Amerika Ve Abd Hisse Senedi Piyasaları Arasında Risk Yayılımı: Momentlerde Nedensellik Testlerinden Yeni Bulgular. *Marmara Üniversitesi İktisadi Ve İdari Bilimler Dergisi*, *40*(2), 230–254.

Hamurcu, Ç., & Aslanoğlu, S. (2013). New York Menkul Kıymetler Borsası (NYSE) İle İstanbul Menkul Kıymetler Borsası (İMKB) Arasındaki Etkileşim Ve Her İki Borsada İşlem Gören Turkcell Hisse Senetleri Arasındaki İlişki. *Manas Sosyal Araştırmalar Dergisi*, *2*(3), 27–48.

Howitt, D., & Cramer, D. (2011). *Introduction to SPSS statistics in psychology: For version 19 and earlier* (5th ed.). London, UK: Pearson Education Limited.

İbicioğlu, M., & Kapusuzoğlu, A. (2011). İmkb İle Avrupa Birliği Üyesi Akdeniz Ülkelerinin Hisse Senedi Piyasalarının Entegrasyonunun Ampirik Analizi. *Anadolu Üniversitesi Sosyal Bilimler Dergisi*, *11*(3), 85–102.

Johansen, S. (1988). Statistical analysis of cointegration vectors. *Journal of Economic Dynamics & Control*, *12*(2-3), 231–254. doi:10.1016/0165-1889(88)90041-3

Karaca, O. (2003). Türkiye'de Enflasyon-Büyüme İlişkisi: Zaman Serisi Analizi. *Doğuş Üniversitesi Dergisi*, *4*(2), 247–255. doi:10.31671/dogus.2019.322

Kaya, E. (2015). Borsa Istanbul (BIST) 100 Endeksi İle Zimni Volatilite (VIX) Endeksi Arasindaki Es-Bütünlesme ve Granger Nedensellik. *Sosyal ve Ekonomik Arastırmalar Dergisi*, *17*(28), 1–6.

Lind, D. A., Marchal, W. G., & Wathen, S. A. (2006). *Basic statistics for business and economics* (5th ed.). United States: McGraw-Hill Companies.

Lütkepohl, H. (1991). *Introduction to multiple time series analysis*. Berlin, Germany: Springer-Verlag. doi:10.1007/978-3-662-02691-5

McKillup, S. (2012). *Statistics explained: an introductory guide for life scientists* (2nd ed.). United States: Cambridge University Press.

Öner, H. (2018). Kırılgan Beşli Ülkelerin Borsa Endeksleri Arasında Nedensellik İlişkisi: Ampirik Bir Analiz. *İktisat Politikası Araştırmaları Dergisi*, 5(2), 152-166.

Özşahin, Ş. (2017). Yükselen Piyasa Ekonomilerinde Menkul Kıymetler Borsalarının Entegrasyonu: Türkiye ve BRICS Ülkeleri Üzerine Çoklu Yapısal Kırılmalı Eş-Bütünleşme Analizi. *Yönetim Ve Ekonomi Dergisi*, *24*(2), 601–619.

Pekkaya, M. & Bayramoğlu, M. F. (2008). Hisse senedi fiyatları ve döviz kuru arasındaki nedensellik ilişkisi: YTL/USD, İMKB 100 ve S&P 500 Üzerine Bir Uygulama. *Muhasebe ve Finansman Dergisi*, (38), 163-176.

Phillips, P. C. B., & Perron, P. (1988). Testing for unit root in the time series regression. *Biometrica*, *5*(2), 335–340. doi:10.1093/biomet/75.2.335

Tabachnick, B. G., & Fidell, L. S. (2013). *Using multivariate statistics* (6th ed.). United States: Pearson Education.

Vuran, B. (2010). IMKB 100 Endeksinin Uluslararası Hisse Senedi Endeksleri ile İlişkisinin Eşbütünleşim Analizi ile Belirlenmesi. *Istanbul University Journal of The School of Business Administration, 39*(1). 154-168.

Wilcox, R. R. (2012). *Modern statistics for the social and behavioral sciences: A practical introduction*. United States: Chapman & Hall/CRC Press.

Yilanci, V., & Öztürk, Z . (2015). Türkiye İle En Büyük Beş Ticaret Ortağinin Hisse Senedi Piyasalari Arasindaki Entegrasyon İlişkisinin Analizi: Yapisal Kirilmali Birim Kök ve Eşbütünleşme Analizi. *Erciyes Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, (36), 261-279.

Yıldırım, H., & Kesebir, M. (2019). Farklı Büyüklükteki Ekonomi Ve Finansal Piyasalara Sahip Ülkelere Ait Borsa Endeksleri Arasındaki Nedensellik İlişkisi. *Fırat Üniversitesi Sosyal Bilimler Dergisi*, *29*(1), 249–259. doi:10.18069/firatsbed.538690

Yıldız, A., & Aksoy, E. (2014). Morgan Stanley Gelişmekte Olan Borsa Endeksi İle Bist Endeksi Arasındaki Eşbütünleşme İlişkisinin Analiz Edilmesi. *Atatürk Üniversitesi İktisadi Ve İdari Bilimler Dergisi*, *28*(1), 1–23.

Zeren, A. G. Ö., Konuk, F., & Zeren, F. (2015). Ülke Borsalari Arasinda Portföy Çesitlendirmesi: Türkiye İle Bes OECD Ülkesi Arasindaki Iliskinin Analizi. *Journal of Accounting*. *Finance And Auditing Studies*, *1*(2), 22–33.

KEY TERMS AND DEFINITIONS

AEX: A stock exchange index which is formed up publicly-traded Dutch companies on Euronext Amsterdam, which is formerly known as the Amsterdam Stock Exchange.

BIST 100: A main indicator to measure the performance of the 100 highest stocks that are publicly traded in Borsa Istanbul with respect to market and trading volume.

CAC 40: A stock exchange index which includes the biggest 40 multinational companies traded on Euronext Paris which is formerly known as Paris Bourse.

DAX: A stock exchange index which presents 30 major German companies that are traded on the Frankfurt Stock Exchange.

European Union: A political and economic union which is composed of 28 member states located in Europe.

Foreign Portfolio Investment: The investments of a group of different assets from different countries' stock exchanges.

FTSE 100: The stock exchange index of Financial Times Stock Exchange Group which represents the share index of the 100 companies listed on London Stock Exchange with respect to highest market capitalization.

FTSE MIB: A stock exchange index which includes the 40 most-traded stocks on Borsa Italiana.

Granger Causality Test: A statistical test to understand whether one time series can be used to forecast another time series.

IBEX 35: A stock exchange index which is composed of the most liquid 35 Spanish stocks that are traded in Madrid Stock Exchange General Index.

Johansen Co-integration Test: A statistical test used for understanding co-integration between several time series.

Chapter 17
European Union Short Food Supply Chain Policy and Environmental Management Accounting

Metin Çalik
https://orcid.org/0000-0001-6059-5454
Kütahya Dumlupınar Üniversitesi, Turkey

ABSTRACT

There is evidence local farming systems and short supply chains have more impact on local economies than on long supply chains and have significant impacts on sustaining local employment in rural areas. Short supply chains focus on meeting consumer demands for local products in a guaranteed manner, strengthen local economies, improve carbon footprint, and contribute to food safety, access to natural and healthy nutrition, and sustainability of small producers and their businesses. In this research, case study and interview methods have been applied to evaluate environmental, social, and economic risks for short food supply chain. This chapter reveals decision-making process through accounting in a more regular, consistent, and integrated way by including environmental and economic information which aims to balance human and environmental needs within the framework of the European Union Short Food Supply Chain Policy.

INTRODUCTION

The financial crises in many parts of the world, high unemployment, increases in food and energy costs, political and economic uncertainties have created a turning point in terms of accounting history. The 1997 Kyoto Protocol and the 2009 Copenhagen climate change meeting, the international environmental strategy promised for the future global deal, are in vain. For this reason, there is a need for an approach to art and practices in the definition of accounting, which focuses on the theme of environmental accounting and accountability (Staden et al., 2011).

DOI: 10.4018/978-1-7998-1188-6.ch017

Stakeholders, such as business customers, require environmental sustainability, while businesses are competitive in measurable issues such as product quality, price, and supply chain. However, the impact of stakeholders on the environmental strategy may influence the choice of measuring environmental performance indicators of enterprises.

Environmental problems related to neoclassical economics are mostly seen as social concern and environmental regulations are put into effect by governments in this regard. Environmental strategies developed for this purpose are defined as initiatives that can reduce the effects of transactions on the natural environment by using green sustainable resources and environmental management system, energy consumption and waste-reducing products, processes and corporate policies (Latan et al., 2018).

In neoclassical accounting with neoclassical paradigm origin, the social, organizational and political aspects of accounting are often ignored (Jones, 2010). While accounting emerged from the need to meet the purpose of reporting the results of economic activity, the economy was born from the desire to understand the economic operation. Environmental economics and its sub-branches have emerged by correcting the market failures of the neoclassical theory of intervention, including the inclusion of environmental issues into the traditional human society and creating the decision-making process. The environmental approach of the economy has three sub-branches as a natural resource economy, environmental economics, and ecological economy. The main area of environmental economists is to identify the problems in the efficient sharing of resources and to reveal the inaccuracy of the neoclassical economic analysis (Holt, 2005).

Accounting allows for analysis of many data needed in decision-making processes by providing regular information and indicators for decision-makers. In the evaluation of data quality, the accuracy of the information from the data quality dimensions is very important. However, the accuracy of knowledge is only one of the six dimensions of accounting information quality. In the Australian Statistics Bureau (ABS, 2009), Eurostat (2005), IMF (International Monetary Fund) (2012), OECD (Organisation for Economic Co-operation and Development) (2012) and Canada Statistics (2002), specifies the six characteristics that determine the quality of data in general as relativity, accuracy, timeliness, accessibility, interpretability and consistency. These dimensions are accepted as academic concepts related to data quality (Vardon et al., 2018).

The ethical approach acting linearly with environmental accounting has increased the traditional awareness of man to control and manage existing needs without losing the ability of future generations to meet their own needs and to respect the environment (Zirham et al., 2016). As a part of many business general business strategies; they show examples of positive commitments that cover the environment, including efficient use of energy, greenhouse gas reduction, and waste reduction. Some of the companies in the retail sector include the development of new stores with solar energy and water conservation standards, corporate commitment to reducing waste, some of the features of the store's branded products that use environmental-friendly packaging and recycling programs to highlight environmental performance (Creel, 2010).

In this study, first of all, a literature review related to environmental costs and performance measurement was conducted to determine the types of information related to environmental accounting. Then, there will be both theoretical and empirical analysis of the link between agriculture and environmental sustainability about the environmental "short food supply chain" theme, which is the starting point of the study. For this reason, the reflection of food products on demand from physical to economic as well as environmental and cultural distances from the demand to the consumption phase has been discussed.

ENVIRONMENTAL MANAGEMENT ACCOUNTING SYSTEM

Traditional accounting focusing especially on profitability ignores basic business impacts such as climate change, non-use of renewable resources and social and environmental issues in supply chains. The negative environmental and social impacts that are not included in traditional accounting have been a motivating factor for researchers to criticize traditional accounting. Thus, it has ensured that environmental management accounting aiming at the monitoring, management, and reporting of the full, total, or actual costs and commercial activities has been highlighted in recent years (Qian et al., 2018).

Environmental management accounting by Bennett and James (1997) is defined “as the definition, collection, analysis and use of financial and non-financial information to develop and improve corporate, environmental and economic performance to achieve a sustainable business” (Bennet at al. 2003).

An environmental management accounting system helps business management to identify and measure areas where environmental costs can be defined for internal planning purposes. By focusing on internal costs, such an accounting system can improve both operational efficiency and environmental quality within the organization, preventing environmental costs from being embedded in overall production costs accounts (Creel, 2010).

Environmental management accounting systems help an enterprise manage its environmental efforts in the organization as part of its overall business strategy (Creel, 2010). The internal consistency of the accounting system is different from that of each component in terms of uncertainty. The aim is to maximize the usability of the relevant data provided by the system (such as environment, soil, water, energy, pollution - interactions with the economy) which cannot be achieved by maximizing each component’s accuracy (Vardon et al., 2018).

Empirical evidence suggests that accountants are organizational participants responsible for environmental management and performance measurement systems. The current environmental role of the accountants in the enterprise consists of traditional cost reduction management practices such as energy-saving, material use reduction and environmental cost reduction (Burritt et al., 2002).

The International Federation of Accountants (IFAC) has devoted its environmental management accounting to three different areas in the rules governing environmental management accounting (Creel, 2010):

- Compatibility activity
- Eco-efficiency
- Strategic Position

While compliance activity is related to cost-effective compliance between institutions and environmental regulations; eco-efficiency addresses cost savings and their economic impact; the strategic position category shows how an organization can incorporate environmental programs into its long-term planning and business strategy.

In 2007, the European Union (EU) has passed the environmental responsibility directive on prevention and fines for environmental damages. In many countries, businesses are asked to report on environmental impact and sustainability. The IMA (Institute of Management Accountants) has also published principles and standards that can be used to help an organization develop its corporate environmental strategies. In the studies conducted in the USA, it was determined that 86 of the world’s top 100 companies discuss the environment as an important element of society. They also show strong commitment by preparing a report on environmental performance and subjecting it to external audits.

ENVIRONMENTAL COST

Since traditional management accounting does not clearly define environmental costs, environmental management accounting has developed rapidly. The management and control of environmental costs, environmental investment decisions, environmental budget management, and environmental performance assessment form the basis of environmental management accounting.

Environmental costs are one of the many different types of costs that occur when businesses offer goods or services to their customers. The environmental cost can be defined as the expenditures that are made by the enterprises in terms of reaching their environmental targets and varying according to the environmental impacts. Bennett & James' environmental costs are defined as costs aimed at improving environmental impacts and improving the environmental performance of the enterprise (Bennett & James, 1997).

In a study by the US Environmental Protection Agency (EPA) five environmental cost categories have been identified as (Holt, 2005; Burritt, 2004) i-Conventional costs, ii-Potential hidden costs, iii-Conditional costs, iv-Image and relationship costs, and v-Social costs.

The Local Food Initiatives Foundation (2003) uses the capital assets framework to provide a qualitative and quantitative assessment of the socio-economic and environmental indicators of local food systems. These five different asset capital; human capital, financial capital, physical capital, social capital, and natural capital (Kneafsey et al., 2013).

To be able to report the environmental and economic performance of the enterprises as proforma and to calculate the negative effects of the operations on the environment economically, an environmental profit/loss account is proposed. Environmental accounting assessment methods discuss three different approaches; the cost of preventing the environmental impact, the cost of repairing losses and the value lost by society. These methods include the method of "Social Carbon Cost" for air emissions; "indirect use value" for water; and different approaches to different environmental impacts such as "loss of biodiversity" for land (Arena et al., 2015).

SHORT FOOD SUPPLY CHAIN

The history of short food supply chains is based on traditional food deliveries based on direct supplies or sales in physical market locations (Malak-Rawlikowska et al., 2019). Short Supply Chains are the places where the number of intermediaries is minimized and direct contact between the producer and the consumer is realized. The definition proposed by the European Commission; where the number of intermediaries between farmers and consumers is minimal or ideally zero. (Kneafsey et al., 2013). The first aim of the short supply chain is to strengthen the link between producers and consumers and to provide added value for producers (Malak-Rawlikowska et al., 2019).

In the regulation introduced by the European Commission in 2014, it is envisaged that the support for the establishment and development of short supply chains will include only non-intermediary food chains between farmers and consumers (Article 11) (After EIP-AGRI 2015).

The main objectives in the European Union's short food supply chain schemes are; it relates to the social values that provide the consumer direct contact with quality products (fresh, delicious) and between producer and consumer (trust, social capital). In the second part of the program, environmental values (sustainable development, environmentally sensitive practices, carbon footprint) and economic income (value added to farmers, support to the local economy) are included (Kneafsey et al., 2013).

Short food supply chains are the first way to support sustainable and healthy farming methods that address environmental and ethical issues in food systems (Malak-Rawlikowska et al., 2019). Short supply chains have benefits and more multiplier effects in economic terms, rural development and economic renewal. It has a good synergy with the impacts to sustain local employment in the rural areas and with the tourism sectors. It allows for more value-added share for producers to be maintained locally. As to the environmental impact, there is the fact that by repositioning production, it can be seen as a major driving force in reducing greenhouse gas emissions.

SHORT FOOD SUPPLY CHAIN POLICIES IN THE EUROPEAN UNION

The three key elements of short food supply chain definition are 1- Physical (geographic) proximity, indicating the distance from the place of production of the product measured by food distance to the final consumer; 2- The organizational proximity (zero or maximum 1) expressed by the number of intermediaries in the chain; 3- The communication process between producers and consumers is the social closeness, which means that the producers control the information given to the end consumers and not only the name of the producer, the food quality properties or the farming practices, but also the communication that allows feedback on their ethical and social values (Galli and Brunori 2013,).

According to a survey conducted by the European Parliament Research Service (EPRS), in 2015, 15% of farmers sold half of their products through short food supply chains. According to Copa-Cogeca, the EU farmers' union, farmers receive 21% of the agricultural product value, 28% goes to the processors and 51% go to the retailers (Michalopoulos, 2018).

The European Union has developed legal frameworks and incentives to ensure the innovative organization of food supply chains aimed at reconnecting the Member States, producers and consumers, and repositioning and re-localizing agricultural and food production. The 2009 Action Plan of France, the legal provisions concerning the regulation of the Farmers' Markets in Italy, the proposals of the European Commission's 2020 Rural Development Program are examples of these. In such initiatives, the European Union Rural Development Fund is used. The Regulation on Agricultural Product Quality Arrangements lime No. 1151/92 adopted by the European Parliament and Council, in order to help producers market their production locally (Article 55), the farmer's ability to add value to his product, the farm products with a common EU labeling of carbon emissions and waste focuses on reduction opportunities through short production and distribution chains (Kneafsey et al., 2013).

Agriculture accounts for 20-40% of greenhouse gas worldwide. In contrast to the recent reduction of industrial greenhouse gas emissions, agricultural emissions have increased by 8.7% from 1990 to 2012 (EPA, 2014) and are expected to increase further (Wolf ve Ghosh, 2019). In order to reduce the environmental impact of the European Union short food supply chain; it implements policies to promote the use of renewable energy in transport, the use of recyclable packaging, the reduction of food waste of the market, biodiversity and the protection of habitats in urban short supply chains (Schmutz et al., 2017).

DATA AND METHOD

Although there are many prescriptions in traditional governance accounting for environmental regulations, existing management accounting systems cannot be used to measure environmental problems. Environmental costs are believed to be hidden in terms of the financial benefits of the size and resources due to monitoring in general production costs (Burritt, 2004). Environmental management accounting, however, makes environmental costs visible to managers, ensuring "full" measurement of costs and integration of environmental factors into core activities.

To produce environmental information in a business, an operator of a certified environmental management system according to ISO 14001 is needed. Businesses with or without an ISO 14001 environmental management system can use the ISO 14031 31 as a tool for generating environmental information. ISO 14031 offers two general evaluation systems, including environmental performance indicators and environmental status indicators.

In this important issue, it is a case study that covers 2 years in terms of environmental management accounting of the economic effects of the implementation of the short food supply chain. In this study, a large-scale data collection method has been performed. The data was obtained using different sources, including interviews. Our empirical studies have been started with a literature review from databases and analysis of short supply chain application reports made in European Union countries. The first contact with the authorities was initiated and the field research on the fresh vegetable supply chain was started. All of our interviews were recorded audio-visually. Other methods of data collection include (1) observations during the interview; (2) correspondence via e-mail and telephone; (3) Website analysis of FAO and EPA; (4) a close examination of the relevant corporate reports; and (5) publicly available corporate information.

Data

The collection, analysis, validation of relations and results are an interrelated and interactive series of processes. ISO14001 environmental management system requires the identification and documentation of important environmental aspects (air emissions, water bulletins, land releases, raw materials, and natural resources, energy use, radiated energy, heat and radiation, wastes and by-products) that an enterprise can control and affect (Holt, 2005).

Measured, adopted by many academicians, led to ignoring the economic and environmental and social aspects of modern corporate governance. It is unthinkable to manage something that is measured improperly. It is considered that the inability to measure environmental problems is not sufficiently recognized by management in the decision-making system and has not been considered and appreciated. As Kaplan points out if an accounting system does not represent actual transactions and is not used to understand and control them, the existence of this system is unnecessary.

Data collection was performed using a cross-sectional field survey method that simultaneously measured dependent and independent variables. The data was collected from the fresh vegetable farmers with 5 decares (5000m2) or larger greenhouses and companies that buy produce from farmers and sell it to customers or export overseas. The identities of the companies have been kept confidential in this study to protect their business interests.

Table 1. Economic sustainability indicators in the short food supply chain

ECONOMIC SUSTAINABILITY INDICATORS	
Manufacturer price difference [TL]	Price difference at the manufacturer site = Average producer price in the chain (TL/kg) - Average retail price in the region (TL/kg)
Price Bonus [%]	Price premium = Producer price difference (TL/kg) - Average retail price in the region (TL/kg)
Supply chain value-added [TL]	Supply chain value-added (TL/kg) = Price difference at producer site - Distribution costs * * (labor costs related to packaging, transport, and distribution)
Supply chain margin	Supply Chain margin (%) = 100% - (Average supermarket price in the region/price at regional average producer)
On 15.05.2019, Antalya Metropolitan Municipality Kumluca Producer Wholesaler Hal is calculated on the basis of tomato prices.	
Price difference at the manufacturer site [TL] = 2.17 TL / kğ - 7 TL / kğ = -4.83 TL/kg	
Pricing Price [%] = 4.83 TL/kg - 7 TL/kg = - 69%	
Supply chain value-added (TL/kg) = 4.83 - 1 TL / kg = -3.83 TL / kg	
Supply Chain margin (%) = 100% - (9/2.17) = 95.85%	

In the calculation of environmental carbon footprint; distance, type of transport, type of fuel used (diesel, gasoline or autogas), estimated average load, load factor, and maximum load capacity included. The results in the calculations are not exact and the estimated figures or averages are taken.

Empirical Analysis

Since the main purpose of this study is to emphasize the role of accounting and environmental information in the short food supply chain, the role of managerial accounting is enriched by using existing research. A case study methodology was used to support the development of theoretical research. Empirical details are embodied in the case study.

In the short food supply chain, the travel cost method is used for environmental cost calculations. The methodology of the study is based on scientific environmental cost calculations in environmental management accounting.

Mathematical formulation

The price premium of producers is 72.2% in Table.2 and 16.7% in the traditional supply chain. The added value of the producers in the supply chain is 38.7%, while the traditional supply chain is only 1.0%. In the supply chain, the producer's margin is 95.85 percent in the short supply chain and 1 percent in the traditional supply chain. It is clear that with the elimination of intermediaries, producers will get more

Table 2. Price premium and chain value added [%] table in short and long supply chains

Chain Type	Price Bonus [%]	Chain Value [%]	Supply chain margin [%]
Short food supply chain	72.2	38.7	95.85
Traditional (Long) supply chain	16.7	1.0	1.0

Table 3. Indicators of the environmental sustainability of the short food supply chain

ENVIRONMENTAL SUSTAINABILITY INDICATORS	
Food Distance Total [km / kg]	Food distance total = Food Production Distance (km /kğ) + Food Consumer's Distance (km / kg)
Carbon footprint	Carbon Footprint = Fuel consumption (1 / kg) * Carbon Footprint coefficient (CO2 / kg)

shares from profits. Manufacturers will be able to add the price premium when selling through short food supply chains. Short food supply chains can economic income for producers, consumers and local communities, additional income, and growth in especially in rural areas.

Environmental performance measurement is required for the implementation and success of environmental policy and strategy in enterprises. In practice, the environmental measurement of the use of agricultural chemicals has been ignored.

The concept of food shafts introduced by Tim Lang in 1992 is very easy to implement and understand. The comparisons between foodstuffs can be made easily in terms of the carbon released in the transport of the products from the producer to the retailer or the consumer (Kneafsey et al., 2013).

Table 3 shows the carbon footprint expressed as oxygen dioxide equivalent (CO2), greenhouse gas emissions during the transport process. In this study, Carbon Footprint is estimated according to the number of calculated food shafts.

In Figure 1, the carbon footprint of the car carbon footprint calculation program was calculated at approximately 694 km distance between Antalya and Istanbul. In the formulation, there are values such as distance, type of vehicle, model, fuel type and load tonnage. The Antalya-Istanbul distance of 694 km diesel pickup truck up to 3.5 tons average tonnage of the car is 193.9762 and the total vehicle footprint is calculated as 0.16 tons/$CO_{2.}$

Table 4 shows the share of consumers and producers in the short and traditional (long) food supply chains. Antalya and Istanbul values were taken into consideration in determining the rates. While the

Figure 1. Car carbon footprint calculation
Source: (15.05.2019)

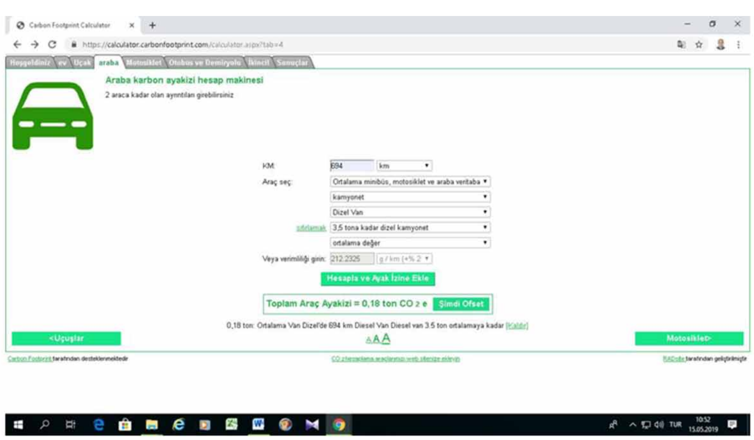


Table 4. Food distance in food supply chains [km/kg]

Chain Type	Average distance per delivery - Manufacturer [km]	Consumer Share in Food Distances	Manufacturer's Share in Food Distances
Short food supply chain	2	92%	8%
Traditional (Long) supply chain	694	68%	32%

consumer food distance share in the short food supply chain is 92%, the share of producers is 8%. In the long supply chain, the share of producers is up to 32%.

Table 5 shows the carbon footprint rates of producers and consumers in short food supply chains. Although the carbon footprint of the mill from the short supply chains to the consumers at the production site is zero, some authors oppose this. Because whoever does the Carbon Footprint ultimately harms the ecosystem. They argue that to reduce the total carbon footprint, land-based or landless vertical agricultural practices should be published.

SWOT Analysis

SWOT (strengths, weaknesses, opportunities, threats) analysis is often used in a set of scientific techniques that can potentially evaluate all possible factors that involve a distressful situation or a problem in addressing developmental strategies in a particular area. The primary purpose of the SWOT analysis is to simultaneously assess the strengths and weaknesses of the internal environment and the opportunities and threats offered by the external environment to support operational decisions (Falcone et al. 2019).

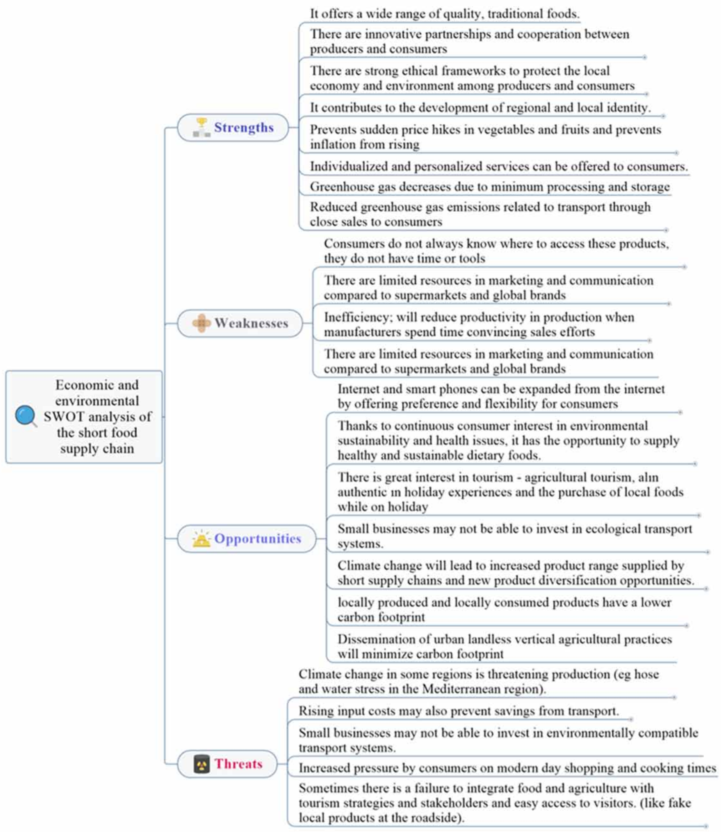
Figure 2 below shows the SWOT analysis of the short food supply chain case study using the literature review. In the analysis, strengths, weaknesses, opportunities, and threats are developed in the short food supply chain economically, and environmentally.

Table 5. Carbon Footprint (CFP) for short food distribution chains.

Chains	Short food supply chain producer's share [%]	The share of short food supply chain consumers [%]
a. Choose by yourself	-	100.0%
b. Sales to consumers at the production site	-	100.0%
c. Retail stores	73.5%	26.5%
d. Internet sales	100.0%	-
e. Delivery to the consumer	100.0%	-
f. Sales in farmer markets	43.8%	56.2%
g. Sales to intermediaries	57.9%	42.1%
h. Wholesale market sales	79.5%	20.5%
I. Sales to the retail chain	39.7%	60.3%
j. Factory sales	100.0%	-

Source: Kneafsey et al., developed in 2013.

Figure 2. Economic and environmental SWOT analysis



Environmental management accounting is a broad-framed concept that includes performance control tools such as various accounting and carbon footprints. Therefore in our application, a management technology that includes information management, analysis, a variety of tools and techniques were used.

In our application, it has been observed that management accountants do not provide management accounting information related to the environment. There has been no evidence that shows the accountants whether they improve, develop or use any kind of accounting system that is specific to the environment. It has been found that rather than accountants, the environmental management accounting information is being produced by the environment managers who are afraid of the Ministry of Environment and Urbanization Regulations.

CONCLUSION

Environmental management accounting systems can help an organization manage its environmental efforts as part of its overall business strategy. Environmental-induced organizational change can take place when organizations consider environmental management as an equally basic goal with profit maximization.

If an enterprise's strategy is focused on economic success rather than on environmental efficiency, it is useless for management accounting to measure environmental performance.

In this study, it has been observed that unfortunately, the management accountants have little or no role in the environmental management developments of the enterprises. Even in organizations that adopt an environmental policy, accounting and finance staff are less involved in decisions on environmental issues. In terms of environmental management accounting, enterprises relatively take simple actions such as determination and distribution of energy and waste disposal costs arising from non-environmental sources.

It has been observed that SMEs cannot invest in environmental improvement measures due to lack of resources, finance, time and knowledge that is required to implement them. For quality products to be built and be present around the short food supply chain, there is a need for traditional and craftsmanship skills that demonstrate the importance of justice principles, ethical and moral frameworks, environmental sustainability and local cultural resources.

As there is no clear legal demand for environmental accountability, they do not formally carry out environmental impact studies in enterprises and share them with the public. This unlawful responsibility, though not largely legal, is ultimately a philosophical and moral approach.

With environmental management accounting, recognition of consuming environmental costs in processes and products, measures to reduce material consumption and pollutant emissions, redesign of products and processes, and other environmental protection measures can be encouraged. Thus, it will be able to provide necessary data about the environmental messages and their causes for the reduction of environmental costs. Further research is needed on the reconciliation of the interests of different stakeholders (farmers, distributors, and consumers) and the potentials of economic, environmental and social costs and benefits to assess this in short food supply chains.

REFERENCES

Arena, M., Conte, A., & Melacini, M. (2015). Linking environmental accounting to reward systems: The case of the environmental profit and loss account. *Journal of Cleaner Production*, *108*, 625–636. doi:10.1016/j.jclepro.2015.07.068

Bennet, M., Rikhardsson, P., & Schaltegger, S. (2003) Adopting environmental management accounting: EMA as a value-adding activity, *Purpose and Progress,* 1-14.

Bennett, M., & James, P. (1997). Environment-related management accounting: current practice and future trends. *Greener Management International*, *17*(Spring), 32–51.

Burritt, L., Hahn, T., & Schaltegger, S. (2002), Towards a comprehensive framework for environmental management accounting — links between business actors and environmental management accounting tools, *Australian Accounting Review, 12(27), 39-50.*

Burritt, R. (2004). Environmental management accounting: roadblocks on the way to the green and pleasant land. *Business Strategy and the Environment*, *13*(1), 13–32. doi:10.1002/bse.379

Creel, T.S. (2010). Environmental reporting practices of the largest U.S. companies, *Management Accounting Quarterly,* CMA, CFM, CPA, 12(1).

Falcone, P. M., Tani, A., Tartiu V. E., & CesareI, I. (2019) Towards a sustainable forest-based bioeconomy in Italy: Findings from a SWOT analysis. *Forest Policy and Economics*.

Holt, A. D. (2005). The role of management accounting within the development of environmental management systems. (*Theses of Doctor of Philosophy London School of Economics and Political Science)*.

Jones, M. J. (2010). Accounting for the environment: Towards a theoretical perspective for environmental accounting and reporting. *Accounting Forum*, *34*(2), 123–138. doi:10.1016/j.accfor.2010.03.001

Kneafsey, M., L. Venn, U. Schmutz, B. Balázs, L. Trenchard, T. Eyden-Wood, Bos, E., Sutton, G., & Blackett, M. 2013. Short food supply chains and local food systems in the EU. A state of play of their socio-economic characteristics. *European Commission Report.*

Latan, H., Jabbour, C. J. C., Jabbour, A. B. L. S. J., Wamba, S. F., & Shahbaz, M. (2018). Effects of environmental strategy, environmental uncertainty and top management's commitment to corporate environmental performance: The role of environmental management accounting. *Journal of Cleaner Production*, *180*, 297–306. doi:10.1016/j.jclepro.2018.01.106

Malak-Rawlikowska A., et al. (2019) Strengthening European food chain sustainability by quality and procurement policy, *European Union's Horizon 2020 research and innovation Programme Report*.

Michalopoulos, S. (2018). *Short food supply chains in Europe's North, Special Report*. EURACTIV.

Qian, W., Hörisch, J., & Schaltegger, S. (2018). Environmental management accounting and its effects on carbon management and disclosure quality. *Journal of Cleaner Production*, *174*, 1608–1619. doi:10.1016/j.jclepro.2017.11.092

Schmutz, U., Kneafsey, M., Kay, C. S., Doernberg, A., & Zasada, I. (2017). Sustainability impact assessments of different urban short food supply chains: Examples from London, UK. *Renewable Agriculture and Food Systems*, 1–11.

Staden, C. V., Kern, T., McGuigan, N., & Wild, S. (2011). Social and environmental accounting and accountability. *Accounting Forum*, *35*(3), 127–129. doi:10.1016/j.accfor.2011.07.003

Vardon, M., Castaneda, J.-P., Nagy, M., & Schenau, S. (2018). How the system of environmental-economic accounting can improve environmental information systems and data quality for decision making. *Environmental Science & Policy*, *89*, 83–92. doi:10.1016/j.envsci.2018.07.007

Wolf, S. A., & Ghosh, R. (2019). A practice-centered analysis of environmental accounting standards: Integrating agriculture into carbon governance. *Land Use Policy*, *81*, 1–10.

Zirhama, Z., & Palomba, R. (2016). Female agriculture in the short food supply chain: A new path towards the sustainability empowerment. *Agriculture and Agricultural Science Procedia*, *8*, 372–377. doi:10.1016/j.aaspro.2016.02.032

https://calculator.carbonfootprint.com/calculator.aspx?tab=4

Chapter 18
Institutional Convergence in European Union Member States:
The Evoluation of the International Accounting and Auditing Standarts

Ayşenur Tarakcioğlu Altinay
https://orcid.org/0000-0001-6963-2346
Uşak University, Turkey

ABSTRACT

Economic globalization has affected accounting and auditing practices, as it has many other areas. Its impact on accounting has emerged in international accounting standards and independent auditing. There is pressure on the European Union countries to benefit from the New York segmentation of these standards. In parallel with these developments, IASB (International Accounting Standards Board) was established in 1973 to create a common accounting system for companies around the world, and internationally accepted accounting standards were established under the name of International Accounting Standards (IAS). To use these common accounting practices effectively, as of Jan. 1, 2005, publicly traded companies in the European Union have been obliged to apply the consolidated financial statements to the public in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

INTRODUCTION

When the process of globalization has increased quickly the mobility of capital of which is manufacture's factors, it has also increased the numbers of multinational companies. The developments have brought the need for common, comprehensible, clear, transparent and auditable financial information into the forefront. Many organizations and business processes have entered into an internationalization trend in line with this need. With the globalization of financial markets, the impact of credit rating agencies in the global financial system has also increased in time. However, crises such as the Asian Crisis, the

DOI: 10.4018/978-1-7998-1188-6.ch018

Global Financial Crisis, the Eurozone Debt Crisis and the bankruptcy of companies such as Enron and WorldCom led to the inquisition of credit ratings (Bayar, 2015). Because of financial crisis and scandals adversely affecting the confidence in capital markets, new legal arrangements prepared and implemented in order to restore this confidence. The Sarbanes-Oxley Act is a law enacted as a result of this process. Accounting standards and auditing standards have also taken an important place to reestablish the trust environment in capital markets.

To the harmonization of International Accounting Standards and International Auditing Standards, many steps have been taken, and many countries and unions around the world either accepted as is the International Accounting Standards and the International Standards on Auditing or adapted the international standards to their national standards.

According to Regulation (EC) No 1606/2002 on the Implementation of International Accounting Standards in the European Union in 2002, the consolidated financial statements of the listed companies are required to be published in accordance with international financial reporting standards starting from 1.1.2005. However, in relation to this practice, some options have been introduced to the member states.

On the one hand, countries that had businesses all around the world on the other hand these studies initiated by the Accounting Standards Board (ISAB) as a result of the contradictions caused by different accounting practices in particular to ensure standardization in reporting supported by the European Union. The purpose of these studies is to provide consistency as well as comparability in financial reporting across the world, and to generate a worldwide common accounting language. This was introduced under the leadership of the International Accounting Standards Board. Standards were integrated into the national accounting system by many countries around the world. This integrated transaction has been traded on the stock exchange in 27 EU member states in place of International Financial Practices. The Group has prepared financial statements in accordance with IFRS. Besides, local accounting in many countries such as Asia, Australia, America and Africa have been integrated their standards into IFRS.

As a result of the European Union's approval of an accounting arrangement that requires all publicly traded companies to be subject to International Financial Reporting Standards (IFRS) in their 2005 financial statements, a new and complex period has started in all over the world, especially in Europe.

In this study, information about International Accounting Standards and International Auditing Standards will be given and the factors triggering the emergence of these standards will be mentioned. The process of integration of the European Union in the process of harmonization with these standards will be discussed.

INTERNATIONAL ACCOUNTING STANDARTS (IAS)

In the beginning, the International Accounting Standards Committee (IASC), which worked as a branch of the International Federation of Accountants (IFAC), became an independent organization at the General Assembly held in Edinburgh on 24 May 2000 with the participation of IFAC. According to the Charter approved in Edinburgh, the International Accounting Standards Board (IASB) established as the standard setting body of the new structure. As a result of this new restructuring, all publications and correspondence were decided to be made by IASB and thus from 2001 on, the IASB was responsible for developing and publishing standards and drafts and approving the comments of the Standard Interpretation Committee (IFRIC), replacing the IASC.

The European Union (EU) succeeded in harmonizing itself with the International Accounting and Financial Reporting Standards (IAS / IFRS) through directives, and it especially performed this through the implementation of The Fourth and Seventh European Commission (EC) Directives. The Fourth and Seventh directives are the most important instruments used in the internationalization and harmonization of accounting within the EU.

As in all countries of the world, there are many and significant differences between the accounting practices and reporting systems of the member states of the European Union and these differences are derived from the economic, political, social and cultural structures of the countries (Karapınar, Zaif Ayıkoğlu and Bayırlı, 2008, p.4). These differences between countries can be divided into four main headings:

- Determination of accounting practices by legal regulations or professional organizations,
- Uniform and flexible accounting applications,
- Precariousness and optimism in valuation,
- Transparency and confidentiality in disclosure of information.

These differences between countries' accounting and reporting systems have played an important role in international convergence in financial reporting over the last few years and have been dealt with primarily by the International Accounting Standards Board (IASB), which prepares and publishes IAS / IFRS, and have also supported by the European Union, significantly. The main reason for this convergence movement is that transparency, comparability and consistency in financial reporting worldwide are aimed to provide these (Mirza, Holt & Orrell, 2006).

The International Accounting Standards Board (IASB), which was established in London on 1 April 2001 to establish international accounting standards with undertake all the responsibilities of the IASC, is the only authority generally accepted to prepare and publish independent and autonomous accounting standards.

The purpose of the International Accounting Standards Board (IASB) is to produce internationally recognized and mentioned standards. The IASB has made arrangements and amendment in some International Accounting Standards, has replaced some International Accounting Standards with International Financial Reporting Standards as called IFRS and has prepared new standards. IASB aims to develop global accounting standards into providing transparent and comparable information, having single and high quality, and comprehensible and applicable in the financial statements. As the Institution works with national accounting standard determinants, it also aims to bring accounting standards closer to each other worldwide. The IASB has prepared financial reporting standards in a simple and understandable manner that can be effectively implemented in the world. In addition, one of the most important tasks of the IASB is to make necessary changes into the standards when there is a need for an update in case of application problems.

The tasks of the International Accounting Standards Board (IASB) are:

- To develop quality, transparent and understandable international accounting standards,
- To converge national accounting standards and international accounting standards each other,
- To exposure and develop drafts,
- To approve the comments created by the International Financial Reporting Interpretations Committee (IFRIC),

- To review national standards and practices for a standard being developed,
- To establish committees consisting of experts to get opinions on major projects,
- To consult with the Standard Advisory Council (SAC) on major projects, priority work and the agenda,
- Perform field test in both developed countries and developing markets to ensure that the standard is applicable and operable in every environment before standards are established, but not necessarily for each project.

The IASB has 14 members from different geographical regions, two of whom are part-time and twelve of whom are full-time who are appointed by the International Accounting Standards Committee Foundation (IASCF) and each of which has one voting right, and make a decision at least nine members' positive vote. A large number of international organizations support the work of the International Accounting Standards Board (IASB). In particular, organizations that have been involved in the development of International Accounting Standards since 1990 and are still active in the work of the IASB are:

- Europe Commission
- European Financial Reporting Advisory Group – EFRAG
- International Organization of Securities Commissions – IOSCO
- International Federation of Accountants - IFAC
- International Forum for Accountancy Development – IFAD
- US Financial Accounting Standards Board – FASB
- US Public Company Accounting Oversight Board – PCAOB
- US Securities and Exchange Commission – SEC

The adoption process of a standard in the IASB is as follows:

The International Accounting Standards Board (IASB) first consults the Standard Advisory Council (SAC) to get a standard on the agenda. The projects are prioritized according to appropriateness of the purposes, plans and strategies of the IASB, ensuring that accounting standards are brought closer together, and whether there are too many standards overlapping or no standards. After the project has been agreed to be included in the IASB's agenda, the IASB may establish an advisory group to consult with the project. In major projects, the IASB can prepare and publish a discussion paper which deals with key issues, includes a comprehensive summary and the views of the Council, and has questions for the public to answer. The consultation period for the paper is usually 90 days. After the research and recommendations of the International Accounting Standards Board (IASB) staff, the views of the Standard Advisory Council (SAC), the public opinion and the national standard makers' views are examined, the exposure draft is published. The draft also includes ideas that are counterproductive in the approval process. The consultation period for the draft is usually 90 days. The IASB may shorten or extend this period. The IASB, not included in its Constitution, may also arrange open session to discuss the proposed standards. In addition, the IASB can test the field test in a real event to better see the effectiveness of the proposed standards and how it will deliver results. Finally, the IASB approves the standard when it has reached a common conclusion regarding the issues discussed after it has gathered its views on the draft. At least 9 out of 14 members are required for approval. Published standard should also include basis for conclusions such as how IASB evaluates the opinions received from it about the standard and which opposing views are included in the approval process of the standard. The approved standards shall enter into force after giving a transition period of 6 to 18 months. Practitioners are obliged either to apply the standard retrospectively and to correct the previous tables accordingly, or to come into effect from the date of entry into force of the standard, as stipulated in the standard.

RELATED INSTITUTIONS

IFRIC has a total of 12 members, who are appointed by the International Accounting Standards Committee Foundation (IASCF) for three years. IFRIC Agenda Committee makes recommendation about issues to IASCF that will put on the agenda them. IFRIC also explains its views on issues that it does not want to be included in the agenda. Regarding the issues that it has decided to take into consideration, it prepares a draft comment to be submitted to the public opinion, taking into account all relevant environments, especially national accounting standards boards. The consultation period for the draft is usually 60 days. In some cases, the IASB may shorten this period by not less than 30 days. After the opinions of the public are taken, the draft is finalized. To prepare the draft, it are required to be positive votes by at least 9 members. The final version must be approved by the IASB with at least 9 votes.

International Accounting Standards Committee Foundation - IASCF

The International Accounting Standards Committee Foundation (IASCF) was established on 8 March 2001 as a non-profit foundation. The main tasks of the Foundation are to determine the strategies and budget of the International Accounting Standards Board and to supervise their work. The Foundation has a total of 22 members from 6 North America, 6 Europe, 6 Asia Oceania regions and 4 other regions taking into account the geographical balance. Members are composed of financial statement preparers and readers, auditors and academicians. Except the bylaw amendments voting that require a three-quarters majority, decisions are taken by simple majority. According to the Charter of the IASCF, which establishes the organs and basic functions of the whole structure, the tasks of Foundation are:

- To review the strategy of International Accounting Standards Board (IASB) annually,
- To appoint the members of the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) and the Standard Advisory Council (SAC),
- To approve regulation amendments',
- To determine the operational procedures of IASB, IFRIC and SAC,
- To review the effectiveness and strategy of the IASB once a year,
- To review the IASB's budget once a year and find ways to finance it,
- To deal with strategic problems related to accounting standards,
- To support the activities of IASB,
- To promote the implementation of International Accounting Standards.

Standard Advisory Council - SAC

The Standard Advisory Council (SAC) is a discussion platform where the opinions of individuals and organizations that will be affected by the work of the IASB are received by it in order to establish high quality standards. Members of the SAC are appointed by the IASCF every three years. The main task of the SAC is to create an opinion on the IASB's agenda, work program and priorities. Besides, it informs the IASB of the perspectives of the persons and organizations concerned with the planned to be created standards. At the stage of implementation of the standards, it examines and forms an opinion on the comments to be formed by the IFRIC.

International Financial Reporting Interpretations Committee - IFRIC

As the International Financial Reporting Interpretations Committee (IFRIC), called the Standing Interpretations Committee (SIC) in the former structure, publishes comments on the implementation of standards established by IASB, it serves as a guide for the implementation of these standards. IFRIC works in cooperation with similar national bodies while conducting interpretations. The main tasks of the IFRIC are first to consult the draft comments to the public for the correct implementation of the standards established by the IASB, and then to submit final comments to the IASB for approval. In the case of insufficient or overlapping comments, ensuring their correction is among their tasks.

The IASB published IFRSs and IASs (when it was the International Accounting Standards Committee (IASC)) in order to establish global accounting standards, and these standards set by the IASB harmonized in many countries around the world. For instance, Companies listed on the stock exchange in European Union member countries have prepared consolidated financial statements in accordance with IAS / IFRS instead of local (national) practices (Mirza, Holt & Orrell, 2006). With the regulation made in June 2002, The European Commission announced that all listed companies (quoted on the stock exchange) should be prepared their consolidated financial statements in accordance with IAS / IFRS as of 1 January 2005, and in the European Union, it aimed to accelerate the improvements about it, especially Germany, England and France.

THE EUROPEAN UNION ACCOUNTING DIRECTIVES

The one of the most important instruments used within the EU to harmonize the economic, financial and legal structures of the Member States are the directives. These directives are the form of acquis of the Union and have qualification as 'a guiding light' for the member states. Member States are obliged to align their national laws with those based on the regulations contained in those directives.

For this reason, accounting arrangements are the leading on the most important regulations that should be taken as basis in the harmonization process by the member states. In terms of accounting, there are two basic Directives that can be considered as the basis of the acquis [11]: One of them is the Fourth Directive of 1978 on the annual accounts of companies [12] and the other is the Seventh Directive of 1983 on the preparation of consolidated statements by companies.

Since these Directives do not cover the banking and insurance sectors, two additional Directives were enacted for the annual accounts [13] of these two sectors. One of these two additional directives is the Banking Accounts Directive of 1986 and other of them is the Insurance Accounts Directive of 1991. It can be said that these four Directives constitute the basic infrastructure and four pillars of the EU acquis in terms of accounting.

Directives are the form of acquis of the Union and have qualification as 'a guiding light' for the member states. Thus, Directives should not be understood as directives which must be applied to all countries

Table 1. Basic regulations in European Union Accounting Law

– Directive 4 (1978)
– Directive 7 (1983)
– Directive of Banking Account (1986)
– Council Directive 13.2.1989- 89/117/EEC
– Concil Directive 11 (89/666/EEC)
– Insurance Account Directive (1991)
– Accounting Compliance: A New Strategy Against International Harmony (COM / 95/508) EU Communiqué (1995)
– Implementation of the Financial Markets Framework: Financial Services Action Plan - FSAP (COM / 1999/232) EU Communiqué (1999)
– EU Communiqué titled Git Financial Reporting Strategy of the EU: Going Forward liği, June 2000
– Directive of the European Parliament and of the Council of 2001 (200l / 65 / EC)
– Recommendation dated 30.5.2001 (2001/453 / EC)
– EFRAG Proposal (2002)
– 11.9.2002 Regulation (EC) No 1906/2002
– Transparency Directive: Development of Information Requirements for Beneficiaries' Benefit (COD / 2003/45) EU Transparency Directive (2003)
– Directive 2003/51 / EC of 18.6.2003
– Commission Regulation (EC) No 172512003 of 29.9.2003
– Corporate Governance and Company Law (COM / 2003/284) EU Corporate Governance Directive (2003)
– New EU 8 th Delegation Dated 16.3.2004
– 6.4.2004 Commission Regulation (EC) No 707/2004
– First and second EU Recommendation (October 2004)
– 12.12.2004 Commission Regulation (EC) No 2086/2004 of
– Implementation of International Accounting Standards (IAS) for listed companies in 2005
– Recommendation for a Directive Amending the Fourth and Seventh Directives

Source: Gielen, F., Cristina, A., Barros, H. (2005).

word by word. Directives are an instrument used by the practitioners to be used as a guide and that each country can be implemented according to their own legislation. Therefore, it is possible to see the different reflections of the directives in different countries. The common point of accounting directives is that they are applied only to companies listed on the stock exchange within the EU. (For this reason, companies such as Japanese company is not included in the scope of these directives. In the new draft of 8th Directive is also envisaged to include companies from third countries in this scope.) Member States are obliged to harmonize their national law with these regulations with respect of regulations on mentioned directives. Accounting directives, like other directives, stipulate that the accounting-related legislation of member states are changed into the provisions of directives, harmoniously. Directives must be adopted in the legislation of each country. The most fundamental EU regulations on accounting are composed of The Fourth and Seventh Directive. The main objectives of these directives are summarized below:

a) To protect each creditor from companies in Europe that offer limited assurance. as one of the instruments of this type of assurance, implementation of all accounting arrangements to the listed companies
b) To provide minimum accounting requirements for financial information required by publicly disclosed companies,

In accordance with Regulation (EC) No 1606/2002 envisaging the transition to IFRS in the EU, some IFRSs were first transferred to the EU acquis, to be implemented from the date of 1.1.2005 with the Regulation No 1725/2003 dated 29.9.2003. With this Regulation, important and comprehensive standards such as IAS 32 and IAS 39 on financial instruments are not transferred to the EU acquis.

A company may declare that it has issued a IFRS compliant financial statement in case of application of all standards and interpretations. For this reason, companies in the EU declare that they are using the EU-adapted version of IFRS when disclosing their financial statements, as they apply IAS 39 partially.

As international financial reporting standards are dynamic, constantly updated and new standards are added, there is a need to continuously update Regulation No. 1725/2003. In this context, the new Regulations, as shown in Table 2, have been published until December 2005 for the transposition of the standards amended by the IASB to EU law and for the updating of Regulation No 1725/2003.

As of November 5, 2005, all standards and interpretations issued by the IASB other than the following standards have been transposed into EU law and implemented:

- Amendment to MS 39 numbered Financial Instruments: Recognition and Measurement (April 2005)
- Amendment to IFRSs 1 RS Principles for the First Time Implementation of IFRS 6 and International Financial Reporting Standards yapılan (June 2005)
- Financial Instruments: Footnotes, IFRS 7 standard (August 2005) [2]
- Adding footnotes to the standard 1 in IAS 1 (August 2005) [3]
- Amendment to IAS 39 and IFRS 4 on financial guarantee schemes (August 2005)
- IFRIC No. 6 comment (September 2005)
- IFRIC 7 comments (November 2005)

DEVELOPMENTS CAUSING THE FORMATION OF INTERNATIONAL ACCOUNTING STANDARDS

With the globalization process, the abolition of the restrictions on capital movements, and the ability of financial institutions and other market participants to perform transactions in various countries have made the parties internationally debtor and creditor. In the event that if any side fails to fulfill its obligations in a timely manner or if it fails to meet them at all, the parties which are creditors are affected directly,

Table 2. Amendments to Regulation (EC) No 1725/2003

Regulation	Standart No
06.04.2004- 707/2004	UFRS 1
19.11.2004- 2086/2004	UMS 39
29.12.2004- 2236/2004	UFRS 3,4,5 and UMS 36,38
29.12.2004- 2237/2004	UMS 32 and IFRIC 1
29.12.2004- 2238/2004	UMS 1,2,8,10,16,17,21,24,28,31,33,40
04.02.2005- 211/2005	UFRS 2
07.07.2005-1073/2005	IFRIC 2
25.10.2005- 1751/2005	UMS 39 and SIC 12
05.11.2005-1864/2005	UMS 39 (Fair Value)
08.11.2005-1910/2005	UFRS 6, UMS 19, IFRIC 4 and 5
21.12. 2007-1569/2007	IFRS

Source**:** Prepared by Author

directly affected parties and the parties involved in the debt receivable relationship are also affected indirectly. On the basis of this, the problem that arises in a country taking place in an international system is not only the problem of these countries, but also it can spread in other countries with the effect of transmission. This situation necessitates the cooperation of the relevant regulatory authorities of the countries involved in the system. Based on that; while financial markets at national and international levels are moving towards liberalization and integration, approaches to regulation and supervision of markets are changing. Approach to regulation and supervision, in general, from the point of restriction of markets the financial institutions that will take place in these markets are provided to work on a more robust resource structure and it is expanding its public disclosure practices and shifting towards more rational decision making by market participants.

Crises in financial markets have brought up the lack of structural regulations and the fact that in some cases there is no structural regulation. In order for market dynamics to function smoothly, all parties in the market must define the level of risk they assume. Regulatory authorities in the markets have ensured that the information has been delivered to the parties correctly and timely. This information, which has a direct effect on the effectiveness of the decisions of the parties in the market, is a significant accounting information and reaches the parties through financial reporting process. These reported accounting information is an important element in supporting the efficient operation of markets.

Global developments have a significant impact on business activities. The information technology and the advancements in communication technology based on this technology have a significant impact on business activities. Thus, the cost of accessing information has approached to zero and every point of the world has become a market. Developments in information and communication technology have changed the financial reporting process and the nature and content of the financial statements. Therefore, the cost of offering all kinds of information about the business activities on the internet has decreased to a level which can be neglected (Baker, Wallage, 2000; Elliott, 1994). As well as the financial reporting costs are approaching zero, the flow of information in the financial reporting system is accelerating. In electronic environment, financial and non-financial information have become to represent users consistently and real-timely (AlCPA, 1994). In the financial reporting system, the possibility of presenting information to its users in real time caused to out of static quality in financial reporting and to gain a dynamic quality to it (Alexander, 1993). With dynamic financial reporting, enterprises are able to reach ‘the power’ to be represent the information in every situation and in every detail what they want.

The developments in information and communication technology have triggered many other dynamics and have directly affected other areas in the economy as well as financial reporting system. The most important of these is the tendency of integration in financial markets. In this sense, while the integration of financial markets influences the financial reporting system in a certain way, new opportunities in the financial reporting system accelerate the integration of financial markets, especially capital markets, in another way and also internationalization is increasing for firms and investors. At the present time, the pace of this trend in the capital markets is increasing day by day. The change in the number of foreign firms traded on the stock exchanges should be considered as one of the important indicators of the internationalization trend. For instance, today more than 1000 foreign companies’ stocks are traded in the United States capital markets. When these countries are taken into consideration, it will be seen that they correspond to over 50 countries (Munter, 2001). As a result of the integration and internationalization trend in capital markets, investors have tightly questioned the accounting standards in the countries where they will invest and they want to be sure whether the financial statements reflect the real situation. Similarly, the differences in national accounting standards cause major problems especially in the companies operating in the international arena and hinder to use of information in financial statements and reports, reliably (Akdoğan, 2004). This development brings to light some problems. The differences in national accounting standards have created big problems especially for companies operating in the international arena. Financial reporting standards in internationally incompatible countries make difficult to comparative analysis of financial information. For this reason, both globalization of capital markets and international strategic investment decisions and mergers with capital movements have necessitated the requirement for accurate, reliable, comparable, clear and comprehensible, transparent and effective financial reporting, and the harmonization of accounting practices on an international scale. Another important development in the harmonization of accounting practices arises within the framework of the European Union. Especially financial integration studies, which are the most important link of full integration in the European Union, have been foreseen to harmonize accounting practices both among European Union countries and in international scale. Important studies are carried out within the European Union on this subject (Akdoğan, 2003). Commissions have been set up to make the necessary arrangements in order to achieve a target of the determination the accounting principles suited for comparable financial reporting and international practices within the European Union. In addition to the guidelines issued for harmonization of accounting practices among European Union countries, studies have been conducted to determine the similarities and differences between IFRSs and European Union Directives. As a result of these studies, we have seen that all the publicly traded companies have prepared their financial statements in accordance with IFRSs in the European Union since 2005. It is clear that this point is an important step if we consider that this regulation will affect approximately 7000 companies and their affiliates, subsidiaries and business partnerships. In terms of the European Union accounting practices, the dynamic financial integration is determinant. The most important aspect of the EU financial integration project in this sense is the harmonization of accounting practices.

REGULATIONS OF THE EUROPEAN UNION FOR COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The Treaty of Rome in 1960, which provided the systematic functioning and created the basis of the European Union, enabled to the construction of European Union Accounting Directives. The Fourth Directive came into force in 1978. In Europe, unity was ensured by these directives (Gökdeniz, 2004).

In order to harmonize the accounting systems and practices of the member countries, three directives were published under the name of 'Company Law Directives'. The Fourth, Seventh and Eighth Directives may also be referred to 'the European Community Accounting System' due to determining the accounting system of the Union (Çiftçi, 1997). In a sense, these directives established the accounting standards in the Union, facilitated the comparison of the accounts, provided the development of trade between the union member countries and made benefits to quoting companies on the union exchanges since the accounts had common meanings. However, these directives failed to solve the problems of the 1990s and could not prevent the arrangement of arranged accounts on separate accounting standards in the borrowing of companies from other international markets. To increase the competitiveness of the companies of the Union countries, the Commission organized a conference in order to harmonize international accounting standards and the accounting standards to be applied within the European Union in 1990 and established the Accounting Advisory Forum. It accepted the second proposal of the European Union to adopt standards or to develop international standards and became a member of the IASC. A

Communication Committee was established to conduct relations (Uyanık, 2004). It is a well-known fact that the Federation of European Accountants ((Fédération des Experts-comptables Européens, FEE) had a huge contribution to the creation of accounting standards in the European Union and harmonization of European accounting standards and international accounting standards.

On 15 November 1995, the European Commission adopted the new strategy of the European Union in conformity with the accounting standards and informed the Council of Europe and the European Parliament. According to this, the new strategy of the European Union was tended to supporting the IASC / IOSCO initiatives for the determination of international accounting standards, and the European Union accounting practices comply with the International Accounting Standards (IAS). In 1996, the European Union Relations Committee detected that there were few insignificant differences between IAS and the European Union Directives. In June 2000, with the prepared a report by the European Commission, it was provided freedom for European Companies to comply with IAS and Generally Accepted Accounting Principles (GAAP) for the preparation of consolidated financial statements and this issue was supported at the summit of the European Union Economy and Finance Ministers (Sağlam, 2004).

Finally, the European Union, with Regulation (EC) No 16/2002 on July 19, 2002, stated that all companies operating in the European Union, whose shares were traded on the stock exchange, must properly tempered their consolidated financial statements to the International Financial Reporting Standards (IFRS).due on 01.01.2005. With this development, the European Union has fully adopted the international accounting standards as of 01.01.2005.

Full integration of the member states is required in the process of the creation of the European Union. For this purpose, harmonization studies have been carried out in member states. Thus, the "delaware effect" which can be expressed as the problem of the regulations in one member country less binding than the regulations in another member country has been tried to be eliminated (Nordemann, 1992). Accounting practices are shaped by its environment. There are different history, values and political systems of countries as well as accounting development models. The variables that determine these models are; relations between enterprises and capital providers, political and economic ties with other countries, legal structure, size and complexity of enterprises, level of development of financial environment and general education level of country (Mueller et al., 1994).

ACCOUNTING REGULATIONS OF THE EUROPEAN UNION

Institutions that have significant influence in the European Union are the European Parliament, the Council of the European Union and the European Commission. The European Parliament and the European Commission are institutions which have the legislative powers of the European Union as well as the European Commission is the administrative aspect of the European Union. The accounting needs arising in the EU are the subject of the activity of this institution (Brackney & Witmer, 2005).

The European Union achieved its objectives of harmonization through accounting directives, in particular by implementing the fourth and seventh directives. These guidelines have been included in the laws of the member states (Bebbington & Esther Song, 2008).

As a result of the different financial reporting environments and voluntary directives within the European Union, the financial reporting standards and practices of the member countries have taken many forms. While in countries which are strong capital structure, financial reporting make progress

Table 3. European Union company law' directives

Directives	Date	Harmonizing Issues
1.	1968	Company registration; authorities of companies and managers
2.	1976	The difference between public and private companies; distributable profit distribution
3.	1978	Company mergers
4.	1978	Accounting formats, rules and footnotes of limited companies
6.	1982	Şirket Tasfiyeleri
7.	1983	Consolidation Rules
8.	1984	Qualifications of auditors, promotion and abrogation rules
11.	1989	Information about non-EU companies
13.	1989	Acquisitions

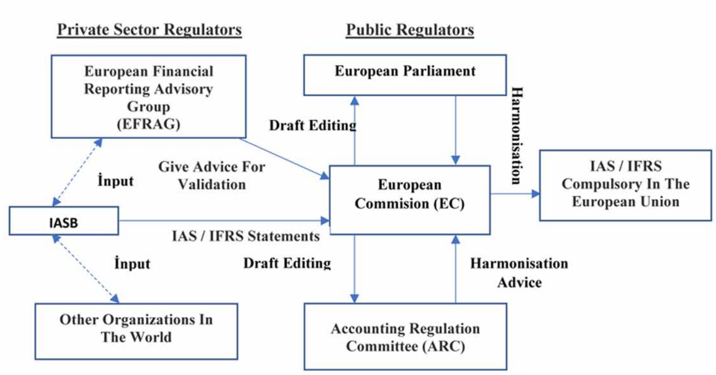
Source: Prepared by author

as important and transparent, in countries which are non-strong financial structure transparency and development are less important (Brackney & Witmer, 2005).

Directives on accounting and financial reporting as set out in the Company Law that are harmonized by the European Parliament, the Council of the European Union and the European Commission are given the table below:

In Figure 1, the process of harmonizing the International Accounting and Financial Reporting Standards in the European Union is given. In the first step, a notification is issued by the International Accounting Standards Board, in the second step, the European Financial Reporting Advisory Group (EFRAG) reviews the notification and presents it to the European Commission for approval, in the third

Figure 1. The process of harmonization of international accounting and financial reporting standards in the European Union
*Source***:** *Prepared by author*



step, the notice is drawn up as a draft by the European Commission and submitted to the Accounting Regulatory Committee (ARC), in the fourth step, the ARC shall propose to the European Commission (EC) for harmonization or cancellation, in the fifth step, if the ARC recommends harmonization advise, the regulation by the EC shall be issued, in the sixth step, if the ARC cancels, the EC may take this issue to the EFRAG for further examination, and in the seventh step, the EC shall send the issue to the Council of Europe for a final decision.

EFRAG, which aims to provide inputs to the IASB during the process of establishing standards and to provide recommendations to the European Commission on the approval of IAS / IFRSs, was established in 2001 by the European organization consisting of accounting profession, number reached to 10 of users and regulators (European Financial Reporting Advisory Group, n.d.). The role of ARC in the harmonization process is to give a formal validation opinion on the declaration as a public sector organization. ARC operates within the limits of process and surveillance in EU Law, and approval decisions are taken by absolute majority in it. In contrary to EFRAG, the ARC considers the harmonization of an IASB declaration in the Member States and its potential impact on the economy (Brackney & Witmer, 2005). If the ARC recommends the approval of the intended regulation, the European Commission may issue a final regulation (bylaw) for the harmonization of the IASB declaration. In spite of that if the ARC advises towards the denial of this notification, the European Commission shall have two options. The first option is to return the controversial issue to EFRAG for further consideration and recommendation, while the second option is to send it to the Council of the European Union for a final harmonization decision thereby the rejection of ARC's recommendation (Özkan & Terzi, 2010).

INTERNATIONAL AUDITING STANDARTS AND EUROPEAN UNION COMPLIANCE PROCESS

International Auditing Standards that founded in International Federation of Accountants and that has published by the International Auditing and Assurance Standards, was taken example by many regulatory authorities such as the Capital Markets Board and Banking Regulation and Supervision agency while national auditing standards were being created in Turkey (Şavlı, 2011).

To facilitate the understanding and use of the standards and thus to increase its prevalence, the openness project, initiated in 2004 by IFAC (International Federation of Accountants), was completed in 2008. International Auditing and Quality Control Standards (ISA 220) of which were changed some parts and reconstituted some parts as a result of the study, published by IFAC as a 2009 manual to be implemented under the supervision of the periods beginning after December 15, 2009 and updated in 2010 (Şavlı, 2011).

In addition to the International Auditing Standards, in order to provide guidance to practitioners on certain subjects, to present problems that may be encountered in certain subjects and to offer solutions, it also has been published prospectus of applying international audits by councils contained in IFAC (Şavlı, 2011).

These prospects process the following topics:

- Intercompany Confirmation Procedures,
- The relationship between the Bank's Surveillance System and the Bank's Independent External Auditors,

- Audit of financial statements,
- Evaluation of Environmental Issues in the Audit of Financial Statements,
- Audit of Derivative Financial Instruments,
- Effects of Electronic-Trade-Financial Statements on Audit

The European Union has brought an arrangement in the name of Directives / Guidelines in order to create common practices in accounting and auditing in the Member States. These regulations need to be implemented by the member countries at the end of a certain period. In this context, the member states are obliged to harmonize their laws and regulations with the EU regulations. During the preparation of these directives covering accounting principles, financial reports, independent auditing and other related issues, the consultancy of the Accounting Working Group has been used. This group has made important recommendations which are effective in determining the directives.

The Council of the European Union has accepted seven mandatory directives related to legislative and administrative proceedings to be carried out in the legislation of the member states on Company Law, including the sub-section of the independent audit. The fourth, seventh and eighth directives are published in order to harmonize the accounting practices in the Member States of the European Union.

Regarding these directives, which constitute the European Union's regulations on accounting and auditing, it can be generally said that the 4th and 7th directives contain issues related to accounting standards and the 8th directives contain issues related to auditing standards. The 4th directive adopted in 1978, was replaced the annual financial statements and the 7th directive adopted in 1983 was replaced consolidated financial statements. The 8th directive adopted in 1984 and which is important for our subject aimed to bring a standard to the principles and law of independent auditing in the European Union countries.

EIGHTH DIRECTIVE

We can said that the main objective of the 8th Directive adopted on 10 April 1984 is to determine the quality people who make legal external audit and the applying standards of them, and to bring the auditing standards of member states into line with generally accepted auditing standards. The principles adopted in the eighth directive are in line with international auditing standards and US generally accepted auditing standards.

When the auditing standards adopted by American Institute of Certified Public Accountants (AICPA) and the Eighth Directive adopted in 1984 are compared each other, it is seen that the articles of the Eighth Directive only gave place the general standards of professional competence, independence and professional care and diligence are included, and the study area and reporting standards are not mentioned. However, significant changes have been made to the eighth directive on 25.04.2006, and in parallel with the developments in accounting, many issues not covered in the regulation adopted in 1984 were discussed[1].

The Directive dated 10.04.1994 contains detailed regulations on vocational training and competence. According to the directive, those who will be members of the profession should have at least a university degree in accounting, a theoretical knowledge, 3 years internship under the supervision of a statutory auditor who has 2 years of supervision, and finally success in the professional competence exam which measures the theoretical knowledge and the ability to apply it (Articles 4 - 9).

Article 24 of the Directive states that the member states of the European Union are free to determine the criteria for independence in the audit, as Article 26 states that those who are authorized to do so shall be subject to special sanctions by the member states unless they carry out their inspections independently.

With the Directive dated 25.04.2006, additional provisions concerning the auditing of company accounts have been introduced. With these changes, it is aimed to increase the reliability of the financial statements by determining the minimum conditions that legal auditors must comply with. The Directive extends the scope of implementation of existing EU legislation. The Directive is given place to the provision concerning tasks of statutory auditors, auditor independence and ethical principles. The Directive also includes rules on external quality assurance to provide a stronger public oversight, in particular on the audit profession.

DELIVERED REFORM WITH EIGTHT DIRECTIVE

Due to the recent international financial scandals, a new proposal was prepared in March 2004 in order to ensure confidence in the audited financial statements and to prevent the emergence of similar scandals in the EU, mentioned draft was accepted on 25.04.2006 and entered into force on 29.06.2006.

The revised directive has brought changes in public oversight, quality assurance in auditing, confidentiality of customer information, audit committees, transparency in audit firms, disclosure of audit fees, independence and impartiality of auditors, compliance with international auditing standards, and responsibility of group auditors.

The differences between the two regulations and the innovations introduced by the Eighth Directive dated 25.04.2006 are given below (the word of Directive means the new regulation)[2]:

- In the directive, the statutory auditor and audit firm are defined separately. The new provisions reflect the change in importance and size of audit firms since 1984. A significant portion of the provisions are related to audit firms.
- The Directive sets out the rules for the statutory audit of annual or consolidated accounts. The aim of the directive indicated that it is substantially harmonized the regulations about statutory audit in member states, even though it isn't fully harmonized. The Member State may establish stricter rules on legal requirements unless otherwise specified in the Directive.

Since 1984, the statutory audit in the EU can only be carried out by an approved statutory auditor or audit firm. Each Member State will may determine the competent authorities responsible for the approval of statutory auditors and audit firms.

- The competent authorities in the Member State may only give approval to persons or companies with good reputation. In case this good reputation is in danger, the approval will be withdrawn (Article: 4, 5).
- In Article 6, the necessary training conditions have been determined to be accepted as legal auditor. The provisions in this regard are the same as in the previous directive. Subject to the provisions of Article 11, an auditor should have at least university level education, have undergone a theoretical training, pass an internship period and be successful in the professional qualification exam to be authorized to carry out statutory audits. (In the Article 11, there are the status of hav-

ing a legal auditor title through long-term practical experience. According to this, those who have sufficient experience in the fields of finance, accounting and law with 15 years of professional activities or who have been in the field for 7 years and who have an internship period mentioned in Article 10 may be auditors by passing the professional competency examination).

- The professional qualification examination should be designed to measure the theoretical knowledge and the ability to apply this knowledge. At least part of the exam must be in writing.
- In the 8th article, exam subjects are stated.
- The internship period will last for three years of which two years under the supervision of a statutory auditor or audit firm.
- Member States should ensure that each statutory auditor and audit firm maintains an electronic record and updates the information in this register. Registry information will be available to the public in electronic environment.
- Member States shall ensure that statutory auditors participate in appropriate continuing education programs to verify that their theoretical knowledge, professional skills and values are sufficiently high and that those who do not comply with the conditions for continuing education are subject to appropriate sanctions as set out in Article 30 (‘’ Investigation and Sanction Systems’’).
- The statutory auditor or audit firm must be independent of the audited entity and should not be involved in the decision-making process of the audited entity.
- The Directive imposes the obligation to be subject to a quality assurance for all statutory auditors and audit firms. The quality assurance system must be organized independently of the statutory auditors and audit firms reviewed, and subject to public oversight. The statutory audits will also be conducted in accordance with international auditing standards.
- Member States shall establish effective investigations and sanctions systems for the determination, rectification and prevention of inadequate practices related to statutory audit, and the measures taken and the sanctions imposed on the auditors and audit firms shall be publicly disclosed.
- Member States shall organize an effective public oversight system for statutory auditors and audit firms, and all auditors and audit firms shall be subject to public oversight. Through this system, investigators and auditors can be investigated and necessary precautions will be taken. The system should be transparent.
- In the process of the appointment of auditors and audit firms, the auditor and audit firm should be independent of the persons preparing the financial statements of the audited company.
- The auditor or audit firm can only be removed from the audit function if there is an important factor that prevents the auditor from completing the audit. Dismissal and withdrawal cases should be explained to responsible supervisory authorities.
- Member States may designate one or more competent authorities in matters of ratification, registration, quality assurance, investigation and disciplinary action. The competent authorities should be organized in a way that does not lead to conflict of interest and conflict. The personnel who work in competent authorities must be obliged to keep a professional secret.
- The competent authorities in the Member States shall register the third country auditors and audit firms that regulate the audit reports considering stocks and shares available in the EU, and those will be subject to the surveillance, public security, investigation and the enforcement practices of the registered Member State. In case third country audit firms are subject to equivalent systems on registration and surveillance, the Member States are dispensed with these practices.

- The audited companies shall disclose fees paid to the auditor or audit firm (for audit services, other assurance services, tax services and other non-audit services).
- Member States are required to make the necessary arrangements within two years of the entry into force of the directive in order to comply with the new directive.

The Union Directives are not directly applied legal regulations to the community in the Member States. In other words, it is a framework agreement. The nature of the regulations to be made is taken part in directives. The framework determined by the directives integrates with the national regulations to be made by the Member States. In this respect, the Directive, which regulates the provisions regarding the auditing of financial statements and accounting documents in the member countries, draws a framework for the audit and requires the member states to make national regulations on these issues (Aksoy, 2002).

With the decision adopted by the European Union in 2000 started from 01.01.2005, all the member states of the European Union have been obliged to prepare their financial statements in compliance with the International Financial Reporting Standards (IFRS). The purpose of IFRS is to minimize the inconsistencies across Europe and to ensure transparency in the financial statements in order to support the global development and strengthening of financial markets. The financial statements to be prepared in the same consistency and transparency in all countries will significantly contribute to both the easy and healthy auditing of the audit and the reliability and comparability of the auditing (Dönmez, Berberoğlu & Ersoy, 2005).

Directive 2006/43/EC

Directive 2006/43 / EC introduces new provisions on a number of issues, particularly on public oversight and third country auditors. The Directive clarifies the obligations of the independent auditors, provides standards on independence and ethics, introduces conditions for external quality assessment of the audit, strengthens public oversight of the independent audit profession, including third country auditors, and enhances cooperation between supervisory authorities within the European Union. The directive also provides the basis for cooperation between the authorities of the European Union and the authorities of third countries.

The Directive 2006/46 / EC aims to ensure the comparability of annual reports and financial statements within the European Union, and to improve public trust in these documents by providing better quality information with a single form of content. By clarifying the concepts of 'off-balance sheet events' and 'related parties', it stipulate to all companies for preparation an annual corporate governance statement in their annual reports. The Directive 2009/49/EC, which allows the EU to reduce administrative burdens, particularly in the accounting and auditing fields, has targeted small and medium-sized companies. At the same time, Directive 2009/49 / EC amends Article 45 (2) of Directive 78/660 / EEC. On 14 March 2012, the European Parliament and the Council adopted the Directive 2012/6 / EU. Directive 2012/6 / EU has made amendment in Directive 78/660 / EEC on annual accounts of some types of companies for micro-enterprises in order to create a simple financial reporting for micro-enterprises. As a result of the consultation with the Member States, the EU is convinced that the criteria for the size of the recommendations in the past recommendations for micro-enterprises were too high for accounting. So in many instances, micro-organizations operate at a local or regional level with little or no cross-border activity (CBS, MESS, 2013).

Directive 537/2014

By Directive 537/2014 was adopted on 17 June 2014, Europe with joint legislation in audit was tried to be established. In order to ensure the quality of the audit with mentioned directive, various measures have been taken. The most noteworthy and most controversial measure of the proposed measures to ensure and maintain independent audit quality with both SOX and EU regulations was 'mandatory rotation in independent audit'. The EU recognized the transition period for the common mandatory rotation application to the fiscal year following June 17, 2016, during which time there were discussions and implementation differences about the rotation in these countries. The Directive also states that the auditor rotation should be monitored together with the company rotation in order to prevent controlling the same enterprise by same auditor changed the firm. The mandatory rotation in independent audit which is the one of the notable innovations of the audit reform has caused to controversy in many aspects such as its implementation, the way it is implemented, the enterprises it covers, the additional costs it will bring, its advantages and disadvantages. However, despite all the controversies, mandatory rotation has found various application areas in the member states (Yalçın, 2019).

CONCLUSION

The information requirement by countries has differentiated accounting standards to be created by them. These differences are influenced by factors such as the legal infrastructure and financial systems of countries, the shareholding structure of enterprises, the forms of financing used in that country, the development of the accounting profession in that country, and the level of education of accounting users. The fact that these differences, which emerge with globalization, is an issue has forced the countries to generate a common language in the field of accounting with the studies conducted in recent years. This necessity has confronted countries with a fact called accounting standards. Countries will either join a global system by harmonizing these standards or they will have to throw themselves out. The European Commission was the first organization to take the necessary steps to seek common language and integration in the social markets.

The European Commission announced that all companies registered in the quoted- listed in the stock exchange in June 2002 should prepare their consolidated financial statements in accordance with IAS / IFRS since 1 January 2005 and have achieved this practice with the fourth and seventh directives.

The EU member states are required to prepare their financial reporting in accordance with the fourth and seventh directives published. In other words, they must harmonize national accounting standards with the directives. These harmonization activities are carried out by the institutions authorized by each country.

The European Union publishes guidelines on these issues in order to provide some degree of compliance with accounting and auditing issues in the Member States. Recent financial scandals in the world have led to the need for significant changes in 2006 in the Eighth Directive, which contains provisions on independent audit. The directive adopted on 25.04.2006 introduced important innovations in the audit such as public oversight, quality assurance, confidentiality of customer information, audit committees, transparency in auditing companies, independence and auditing of auditors, compliance with international auditing standards. These changes were aimed to not repeat the previous scandals.

The fact that the activities of the companies exceed the borders of the country makes accounting information necessary to be appropriate, understandable, reliable, complete and comparable and auditable. In order to make the right economic decisions, registration, classification and reporting processes that make up the accounting process must be adapted to the requirements. A common language and standards are important in the processes of auditing the accounting information produced.

The member states of the European Union carry out the harmonization process step by step. The existence of responsible initiatives and the responsibility for this issue poses positive repercussions for the harmonization process.

The harmonization process of the European Union provides a common language for the member states and positively affects the economic activity in the domestic market. In addition, as the countries that are in economic relations with the candidate countries and the European Union countries also have to adapt to the process, they are very positive developments in terms of world economic activity and to provide confidence in capital market.

REFERENCES

AICPA (1996). Improving business reporting- a customer focus. *Report of the Special Committee on Financial Reporting* (New York: AlCPA, 3).

Akdoğan, N. (2003). Avrupa Birliği'ne Üye Ülkeler Arasında Finansal Raporlama Uygulamalarında Uluslararası Standartlara Geçiş-Dördüncü ve Yedinci Yönerge Muhasebe Standartlarının IAS'e Yakınlaştırma Çalışmaları," *Prof. Dr. Yüksel Koç Yalkın'a Armağan,* Ankara: SBF Yayın No.:590; TÜRMOB Yayın No.: 221: 33-36. Akdoğan, N. (2004). Muhasebe Standartlarına Toplu Bakış: Muhasebe Uygulaması Vergi İlişkisi," *Muhasebe Uygulamaları ve Vergi Sempozyumu IV,* Ankara, 01-05 Mart 2004, 12-15.

Aksoy, T. (2002). *Tüm Yönleriyle Denetim*. Ankara/Türkiye: Yetkin Yayınları.

Alexander, D. (1993). A European true and fair view? *European Accounting Review*, *1*(1), 59–80. doi:10.1080/09638189300000004

Baker, C. R., & Wallage, P. (2000). The future of financial reporting in Europe: Its role in corporate governance. *The International Journal of Accounting*, *35*(2), 173–187. doi:10.1016/S0020-7063(00)00044-3

Bayar, Y. (2015, Summer). Kredi Derecelendirme Kuruluşları ve Yunanistan Borç Krizi. *International Journal of Economic and Administrative Studies. Year*, *8*(15), 41–59.

Bebbington, J., & Song, E. (2004). *The adoption of IFRS in the EU and New Zealand.* Retrieved from www.europe.canterbury.ac.nz/research/pdf/finance_nz_pre- lim_report.pdf

Brackney, K., & Witmer, P. (2005). The European Union's role in international standards setting. *The CPA Journal.* Retrieved from www.cpa- journal.com

Çiftçi, Y. (1997). *Türkiye'de ve Dünyada Muhasebe Standartlarının Gelişimi ve Uluslararası Uyumlaştırma Çalışmaları, İstanbul Üniversitesi İşletme Fakültesi Dergisi*, *26*(2), 174.

Council of The European Union, 8635/06 presse 115.

Direktif. (2014). Directive 2014/56/EU of the European Parliament and of the Council amending Directive 2006/43/Ec on statutory audits of annual accounts and consolidated accounts April 16, 2014. Retrieved from http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32014L0056&from=EN

Dönmez, A., Berberoğlu, P.B,, & Ersoy, A. (2005). Ülkemiz Bağımsız Denetim Standartlarının ABD Genel Kabul Görmüş Denetim Standartları, AB Sekizinci Yönergesi ve Uluslararası Denetim Standartlarıyla Karşılaştırılması. *Akdeniz İ.İ.B.F Dergisi*, 9, 52-78.

Elliott, T. (1994). Confronting the future: choices for the attest function. *Accounting Horizons*, (8/9): 106–124.

Europen Financial Reporting Advisory Group. (n.d.). EFRAG. Retrieved from http://www.efrag.org/(X(1)S(wtbnbcnwaunmdbuk513fiefh))/?AspxAutoDetectCookieSupport=1

Gielen, F., Cristina, A., & Barros, H. (2005). Corporate sector accounting and auditing within the Acquis Communautaire. Advanced program in accounting and auditing regulation, WB. *Reparıs*, *31*(May), 5–6.

Gökdeniz, Ü. (2004). 2005 Yılına Doğru Türkiye ve Avrupa Birliği Muhasebe Standartlarının Uluslararası Finansal Raporlama Standartlarına Entegrasyonu ve Bir Yaklaşım. *Muhasebe Finansman Dergisi*, 2004. *Ekim Dönemi*, *24*, 166–180.

Karapınar, A., Zaif Ayıkoğlu, F., & Bayırlı, R. (2008). *Convergence and harmonization with international financial reporting standards: A perspective of Turkey.* Retrieved from http://www.mufad.org/journal/attachments/article/465/22.pdf

Lebrun, B. (2005). *Accounting directives, advanced program in accounting and auditing regulation*. WB, 7.6.2005, s.1-17. Retrieved from http://europa.eu.int/comn market/accounting en.htm

Mirza, A. A., Holt, G. J., & Orrel, M. (2006). *IFRS: Workbook and guide*. USA: John Wiley & Sons.

Mueller, G. G., Gernon, H., & Meek, G. (1994). *Accounting an international perspective*. New York: Business One Irwin.

Munter, P. (2001). World stock markets: the battle over reporting continues. *Journal of Corporate Accounting & Finance*, *12*(September-October), 51–54. doi:10.1002/jcaf.1108

Nordemann, H. J. (1992). Avrupa Muhasebe Mesleği, Muhasebe ve Denetimin Düzenlenmesi- Eğilimler ve Beklentiler," (Ankara: XV. Türkiye Muhasebe Kongresi, çev.: Selçuk Uslu): 87.

Özkan, M., & Terzi, S. (2010). Avrupa Birliği'nde Finansal Raporlama: İngiltere, Fransa ve Almanya Örnekleri Fınancıal Reportıng In European Unıon: England, France and Germany Samples, *Mali Çözüm Dergisi*. *Temmuz-Ağustos*, *2010*, 21–45.

Sağlam, N. (2004). Avrupa Birliği'nde Muhasebe Standartlarının Oluşum Süreci, *Muhasebe Finansman Dergisi*, 2004. *Ocak Dönemi*, *21*, 51–52.

Şavlı, T. (2011). Uluslararası Denetim Standartları Kapsamında Bağımsız Denetim Süreci. İ.S.M.M.M.O., *Uluslararası Muhasebe Sempozyumu - Muhasebe Denetimi Sempozyumu.* Retrieved from http://archive.ismmmo.org.tr/ docs/Sempozyum/10/TR/TUBASAVLI.pdf

Uyanık, N. K. (2004). *Muhasebe ve Denetim Standartları Kurulları Alanındaki Bazı Gelişmeler. Yaklaşım Dergisi.* Retrieved from http://www.yaklasim.com/mevzuat/dergi/makaleler/2004125077.htm

Yalçın, N. (2019). AB Denetim Reformu Çerçevesinde zorunlu Rotasyon; Üye Ülkelerin Rotasyon Uygulamaları. Retrieved from https://www.researchgate.net/publication/332863833_AB_DENETIM_REFORMU_CERCEVESINDE_ZORUNLU_ROTASYON_UYE_ULKELERIN_ROTASYON_UYGULAMALARI_1_MANDATORY_ROTATION_WITHIN_THE_SCOPE_OF_EU_AUDIT_REFORM_MANDATORY_ROTATION_APPLICATIONS_OF_MEMBER_STATES_2

KEY TERMS AND DEFINITIONS:

Audit: Records of an organization's accounting accounts are generally subject to official supervision by an independent body.

Internal Audit: It is a check made to evaluate the accounts and/or activities of an organization carried out periodically by independent auditors or external consultants as well as by authorized employees (especially on a continuous basis).

International Accounting Standards: International Accounting Standards (IASs) were issued by the antecedent International Accounting Standards Council (IASC), and endorsed and amended by the International Accounting Standards Board (IASB). The IASB will also reissue standards in this series where it considers it appropriate.

International Auditing Standards: International Standards on Auditing (ISA) are professional-standards for the performance of financial audit of financial information. These standards are issued by InternationalFederation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB).

ENDNOTES

1 http://ec.europa.eu/transparency/regdoc/rep/1/2004/EN/1-2004-728-EN-F1-1.Pdf

2 http://ec.europa.eu/transparency/regdoc/rep/1/2004/EN/1-2004-728-EN-F1-1.Pdf

Chapter 19
Financial Supports Provided to SMEs Within the Context of the European Union's Budget

Seda Sonmez Ozekicioglu
https://orcid.org/0000-0001-9155-9480
Akdeniz University, Turkey

Filiz Yetiz
Akdeniz University, Turkey

ABSTRACT

Along with their flexible production structures and rapid adaptation to technological innovations in the world economic race, SMEs are among the prominent wheels of both the EU economy and the whole world economy. In this chapter, the importance and the size of SMEs which contribute to production capacity, productive investments, economic growth, and national income, as well as employment and many other areas, are explicated using the current data; hence, the EU financial support programmes organized regarding the financial problems of SMEs are introduced. In this respect, the shares of the funding programmes offered to SMEs within the EU budget over the period from 2014 to 2020 in the Union's budget are assessed, and recommendations are made for the years 2021-2027.

INTRODUCTION

Small and Medium-Sized Enterprises (SMEs), which contribute positively to regional development as well as economic growth in rapidly changing world markets along with the innovative technological processes and manufacturing methods, are of utmost importance for the economies of both developed and developing countries. Especially following the process of opening to international markets, SMEs have become involved in dynamic sectors in terms of contributions to the worldwide competitiveness. SMEs for the European Union (EU) are also highly esteemed for their easy adaptation to innovations, rapid responsiveness to changing demands, the creativity of various employment opportunities, and abil-

DOI: 10.4018/978-1-7998-1188-6.ch019

ity of fast recovery from economic fluctuations, financial crises, and instability by courtesy of flexible manufacturing mechanisms.

Along with all its affirmative aspects, national and international SMEs may have encountered funding problems in both developed and developing countries. For instance, banks' perception of SMEs as risky and aggravation of their lending criteria lead to incomplete or missing markets in normal conditions, as well as in economic crisis periods. In this context, upon considering the values-added they provide to national economies, alternative funding opportunities, and financial institutions that can provide funding for SMEs have been needed. In order for SMEs to meet their financial needs, the EU has developed financial programmes that address such crucial issue by generating funds for SMEs in both member and candidate countries through various funds established in the Union's budget.

THE EUROPEAN UNION'S BUDGET PROCESS AND GENERAL EVALUATIONS ON SMEs

Overview of the European Union's Budget Process

European Union covers total 35 countries; 28 member countries, 5 candidate countries, which one is Turkey, 2 potential candidates The European Union covers a total of 35 countries; consisting of 28 member countries, 5 candidate countries among which Turkey also is, and 2 potential candidates such as Bosnia and Herzegovina and Kosovo. The EU budget is defined in the Treaty on the Functioning of the European Union and the Treaty on European Union, signed in Lisbon as of 2007. The EU budget revenues are categorized under four main headings, namely; the contributions of the member states and 3 distinct self-revenues. The EU budget revenues are comprised of the headings such as the EU's traditional own resources system including customs duties and sugar levies; value-added tax; the countries' contributions; and correction mechanism. The EU budget expenditures are utilized for a variety of distinct objectives for the member countries and the countries in accession (EC, 2019a).

The EU expenditures are noteworthy for a wide range of objectives, especially those which aimed at supporting SMEs. The first of these objectives is to provide people with employment opportunities through the European Social Fund (ESF) and the European Regional Development Fund (ERDF). For example, ERDF has provided approximately 140 billion Euro to SMEs within the last seven years. The second objective involves promoting European culture. As an example of this objective, the Programme will provide a boost for the cultural and creative sectors with almost € 1.5 billion by the courtesy of the Creative Europe Programme, including SMEs. Thirdly, it is aimed to make some expenditures on the axis of scientific research and market. The Horizon 2020 Programme is created for this objective as equipped with a budget of almost € 80 billion. Fourthly, it supports and encourages an entrepreneurial culture via the first programme of the EU; namely, the COSME Programme with a budget that worths € 2.3 billion. The fifth and final objective is to compensate for incomplete or missing market domains and to provide the market with different financial instruments for them to fulfill perfect competition requirements. For instance, the provision of credit facilities to SMEs with high-risk factors in difficult situations through the European Investment Fund and the European Investment Bank is realized (EC, 2019a).

The data presented in Figure 1 and Figure 2 consist of the amount of EU budget revenues and expenditures over the period from 2013 to 2017, and total budget revenues, including commitments and payments made between 2014-2020.

Figure 1 depicts the fluctuation of the EU's total budget with revenues and expenditures. In addition, a significant plunge in the EU revenues and expenditures as of 2017 is another remarkable detail. In Figure 2, the shares of commitments and payments in total EU expenditures are indicated as 51% and 49%, respectively. Even though the shares of such items as "competitiveness for growth and jobs", "economic, social and territorial cohesion" and "sustainable growth: natural resources" in commitments is remarkable, their share in total commitments approximates to 86%.

Note1: EU total expenditures = commitments + payments
Note2: Commitments= 1a+1b+2+3+4+5+6

Besides total revenues and expenditures items, performance-based budgeting technique is also applied in the EU budget. Performance-based budgeting, which involves the collection/spending of

Figure 1. The EU budget with revenues and expenditures (2013-2017) (million Euro)
Source: *EC, 2019b*

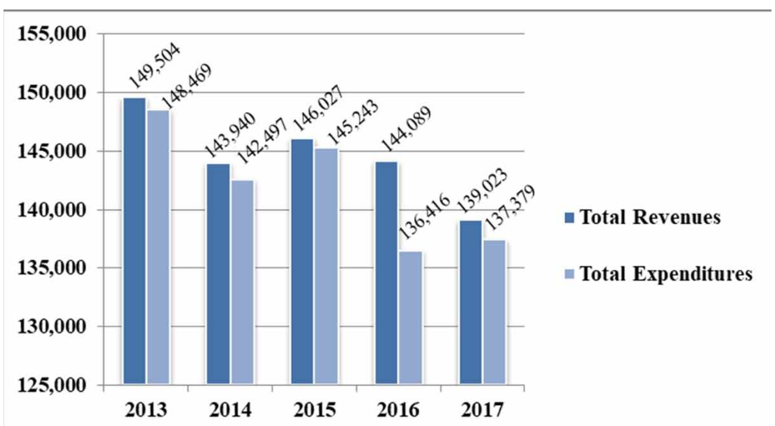


Figure 2. EU Expenditures: Commitments and Payments (2014-2020)
Source: European Council, 2019

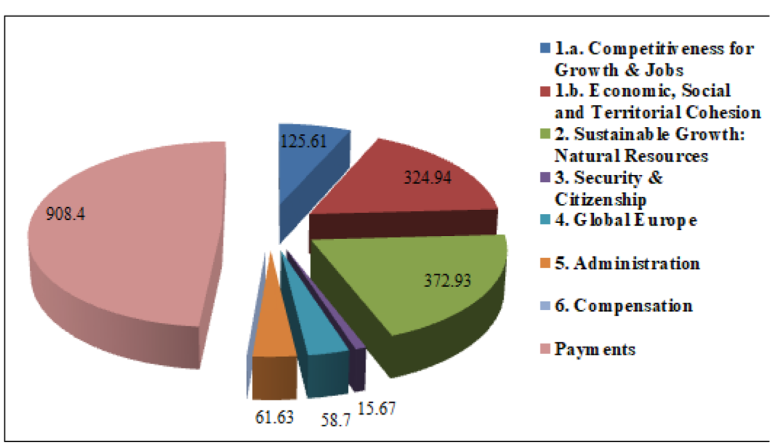
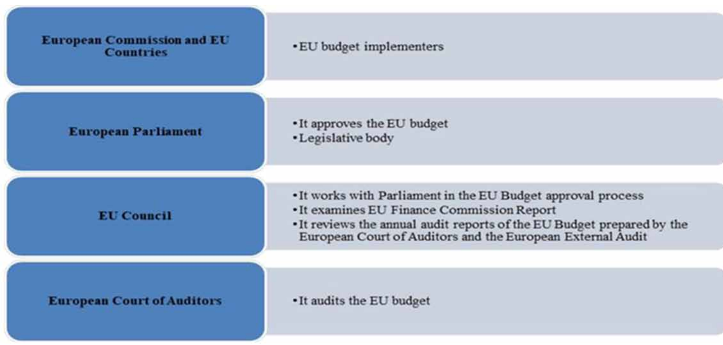


Figure 3. Key Actors that Involve in the Process of the EU Budget
Source: *Prepared based on European Parliament, 2019*



budget revenues and expenditures on the basis of Efficiency-Effectiveness-Economy (EEE) criteria, is a technique applied in the EU budget as well as worldwide. The key actors that involve in the preparation, implementation, and auditing processes of the EU budget under the performance-based budgeting technique are shown in Figure 3 below.

As shown in Figure 3, the EU Council and the Parliament declare a joint decision on the EU budget, whereas the EU Commission presents a draft to the Council and Parliament for their evaluation. The Council and Parliament may take the Commission's proposals into consideration and make changes or, if they disagree with the Commission, make an effort for reconciliation (EU, 2019d).

The Importance of SMEs in the European Union's Budget

The development levels of the national economies around the world, the technologies they utilize, their market sizes, the industrial sectors in which they operate depending on the level of industrialization, the techniques used in the production stage and the features of the products are likely to differ. These differences in economies of scale are similar to the differentiation of the scales in enterprises operating throughout the country. Upon taking all these differences into consideration, the concept of "Small- and Medium-Sized Enterprises", which is generally accepted outside the large-scale enterprises, emerges. Although the definition of SMEs differs by country (OECD, 2005); it is basically described as "*small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries*". The staff headcounts, annual turnovers, and annual balance sheets of micro, small, and medium-enterprises for the EU are presented in Table 1 below.

As can be seen in Table 1, the upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees. In the EU, the upper limit for a small enterprise is determined as 50 staff. In the EU, the upper limit for the number of employees in micro-enterprises is determined as 10; while this number of employees recedes to 5 in some other countries (OECD, 2005).

Table 1. Definition of SMEs in the EU

Size	Staff Headcount	EU	Annual Turnover (€)	EU	Annual Balance Sheet (€)
Micro-Enterprise	$<$ 10		≤ 2 Million		≤ 2 Million
Small-Enterprise	10−50	and	≤ 10 Million	or	≤ 10 Million
Medium-Enterprise	50−249		≤ 50 Million		≤ 43 Million

Source: KOSGEB, 2019a

SME FUNDING SUPPORTS WITHIN THE CONTEXT OF THE EUROPEAN UNION'S BUDGET

Credits Provided by the European Investment Fund (EIF)

Established in 1994, the European Investment Fund (EIF) is a financial institution of the EU specialized in the funding of SMEs. The basic mission of the EIF is to support SMEs by generating funding opportunities both for the EU member states and candidate countries for full membership. The EIF serves to SMEs in such cases when financial banks cannot extend loans, sometimes when they are considered risky, and sometimes do not meet the requirements for two purposes. The first one involves assistance in the implementation of EU policies; while the second one is about profit for the EIF shareholders. The EIF's financial services towards SMEs are categorized into 3 headings, such as "Capital services", "credit guarantee/counter-guarantee services" and "microfinance services". With capital services, EIF invests in technology transfer structures or funds, venture capital companies, and their funds. Credit guarantee services are offered to SMEs in cooperation with banks, leasing companies, and various financial institutions that provide funding to SMEs. Microfinance services, on the other hand, provide services for micro-scale enterprises and individuals without access to traditional banking services and who wish to be self-employed (Ersan, 2010).

The EIF is a high-level financial institution in the European Private Equity Market and plays a crucial role in the establishment and improvement of innovative SMEs. The EIF maintains its activities as an organization in support of the European Union's entrepreneurship by providing a wide range of funding opportunities, especially to SMEs through financial institutions. For this purpose, it is in charge of designing and implementing financial instruments that subvene SMEs in particular, as well as encouraging their use. In this context, the EIF is involved in funding projects that overlap the EU objectives in support of entrepreneurship, growth, innovation, R&D, and employment. The EIF's capital equities stem from the resources of the European Investment Bank (EIB) and the European Commission. In this regard, the EIF expands the funding opportunities of SMEs by cooperating with the European Investment Bank (EIF, 2019b).

Credits Extended by the European Investment Bank (EIB)

The European Investment Bank had been operational since 1958 and provided long-term funding to public and private sector institutions in compliance with the interests of the European Union. The EIB, which contributes to balanced development within the European Union and provides economically sustainable projects with loans in favorable terms, is a non-profit organization with social targets (Aslan, 2008: 43). The EIB supports the sectors detailed in Table 2 by contributing significantly to growth, employment, regional cohesion, and environmental sustainability.

As indicated in Table 2, the EIB performs activities to improve the transport and telecommunication networks of the European continent, to ensure the sustainability of energy resources, to preserve the environment, and to meet the financial need for promoting the competitiveness of the European industry and SMEs on the international scale. The Bank provides funding for investment programmes and projects by utilizing the EU's structural funds and other funding instruments to fulfill its financial duties (Ministry of Foreign Affairs Presidency of the EU, 2019a). The EIB has provided € 1,182 billion worth of funding to 162 countries and 12,284 investment projects ever since it was established (EIB, 2019a).

In the funding of the investment project, the EIB allocates resources to the projects mainly by 50% of the total investment amount. Based on the size of the investment project, the EIB accepts applications directly, either through itself or through intermediary banks authorized by them in each country. If the project size of the investors is over € 25 million, applications are submitted directly to the Bank's headquarter in Brussels; for project sizes lower than this figure, the project investments are classified as small and medium-sized enterprises, and applications are submitted to intermediary banks (Lök, 2018). The EIB Credits are divided into two such as "Direct Credits" and "Global Credits/SMEs" depending on project size, as shown in Figure 4 below.

For large projects with total investment amounts over € 25 million, "Direct Credits" are utilized as indicated in Figure 2. With credits in this scope; the projects in public/private sector organizations, R&D, environment, education, infrastructure, energy, health, industrial and service sectors are funded. The loan terms for industrial projects and infrastructure/energy projects range between 5-12 years, and 12-25 years, respectively. The EIB offers distinct funding opportunities along with fixed and variable interest rates. The "Global Credits/SMEs" shown in Figure 4 within the scope of the EIB Credits are extended through intermediary banks for the projects with total investment costs lower than € 25 million. These projects are mainly steered towards local governments and SMEs. Credit channels are established by the EIB for SME projects through intermediary banks, which function as a business partner in conducting assessments of the projects. Intermediary banks utilize the funds received from the EIB by evaluating each project considering their risk levels (Ersan, 2010).

The EU Financing Programmes

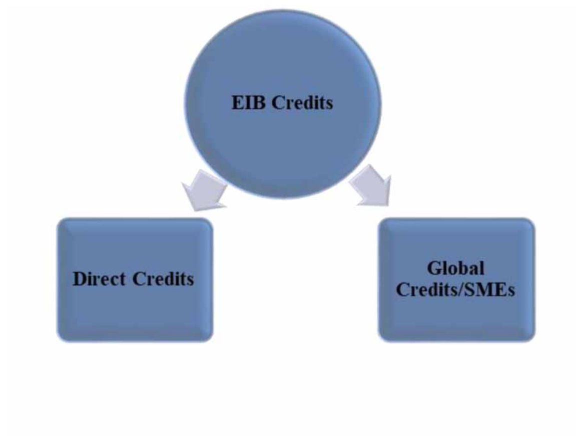
The European Union financial programmes are established in specific areas in order to develop and support cooperation among the EU member states, to contribute to the implementation of the EU legislation

Table 2. The Sectors Supported by The European Investment Bank (EIB)

Sectors Supported by EIB				
Agriculture, food and rural development	Digital economy	Education and training	Energy	Forestry
Health and life science	Regional development	Trans-European Networks	Transport	Urban agenda
Water and wastewater management				

Source: EIB, 2019b

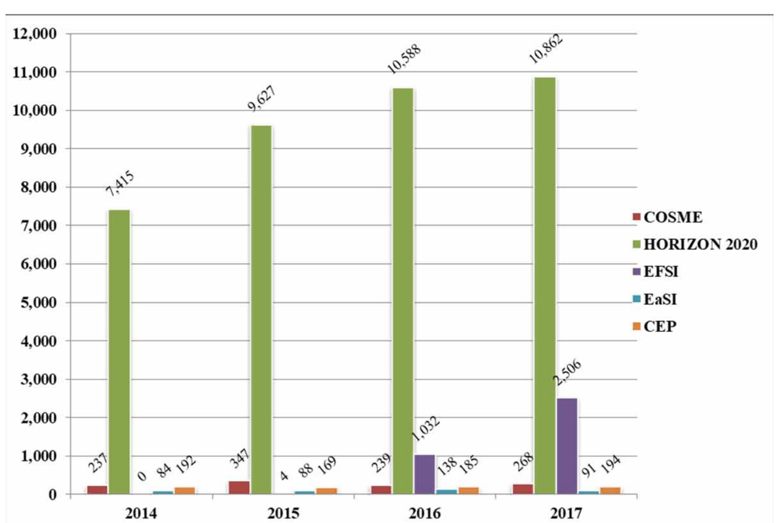
Figure 4. The European Investment Bank Credits in terms of Project Size



and policies, to generate solutions to the problems encountered by the EU to be used during a certain period (Ministry of EU, 2014). Among all EU financing programmes; the EU Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), InnovFin Programme (The Horizon 2020), the European Fund for Strategic Investments (EFSI) Programme, Programme for Employment and Social Innovation (EaSI), and Creative Europe Programme (CEP) loom large in terms of strengthening the competitiveness and sustainability of SMEs (EU, 2019b). The shares of EU financial programmes supporting the development of SMEs in the EU budget expenditures are depicted in Figure 5 over the period from 2014 to 2017.

Upon examining Figure 5, it is seen that the largest expenditure item of the EU's total budget expenditures covering the period between 2014-2017 is used within the Horizon 2020 Programme. For the Horizon 2020 Programme, it is seen that € 7,415 million, € 9,627 million, € 10,588 million and € 10,862

Figure 5. EU Financing Programmes in the EU's Total Expenditures (2014-2017, Million Euro)
Source: *EC, 2019b*



million were spent in 2014, 2015, 2016, and 2017, respectively; and that the expenditures allocated to this Programme increased continuously over the years. Approximately 7% of the total expenditure in the EU Budget over the period from 2016 to 2017 was assigned to the Horizon 2020 Programme. In the light of the data presented in Figure 1 below, the total amount of expenditure made within the COSME Programme which was created to promote SME competitiveness out of the EU total expenditures (which was € 136,416 million and € 137,379 million in 2016 and 2017, respectively) was calculated as € 239 million and € 268 million as of 2016 and 2017, respectively. Totally € 142,497 million worth of expenditure was made on financial programmes as of 2014 within the scope of the EU budget; only the expenditure item for the EFSI Programme has not been created. In the years following 2014, the expenditures on the EFSI Programme were increased rapidly, and € 2,506 million were spent as of 2017. Among the EU Programmes, the lowest expenditure items have been utilized to finance the EaSI, which tries to improve SMEs in terms of employment and social innovation, and the CEP financial programmes that support the emergence of cultural and creative SMEs.

The EU Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (the COSME Programme)

The COSME Programme is conducted by the EIF and EIB through the EASME Executive Agency for SMEs and the European Commission. The COSME Programme is developed by the EU with respect to the importance of SMEs in achieving the objectives of "The Europe 2020 Strategy" for the revival of the EU economy. The COSME Programme is introduced to improve SMEs' access to markets, to promote access to finance and to encourage entrepreneurship. In this context, the COSME Programme prioritizes the craftsmen, social enterprises, new, young, and female entrepreneurs that have the potential to grow, and micro-enterprises in terms of funding (KOSGEB, 2019b: 5). The objectives of the COSME Programme, whose target group is particularly SMEs, are comprised of four items, as presented in Figure 6.

Detailed information regarding the budget and the elements of the COSME Programme established within the scope of the European Union financial programmes is presented in Table 3 below.

As asserted in Table 3, the COSME Programme's budget worths approximately € 2.3 billion, and it aims to promote particularly entrepreneurial culture by strengthening the competitive and sustainable

Figure 6. Objectives of the COSME Programme
Source: *EU, 2019a*

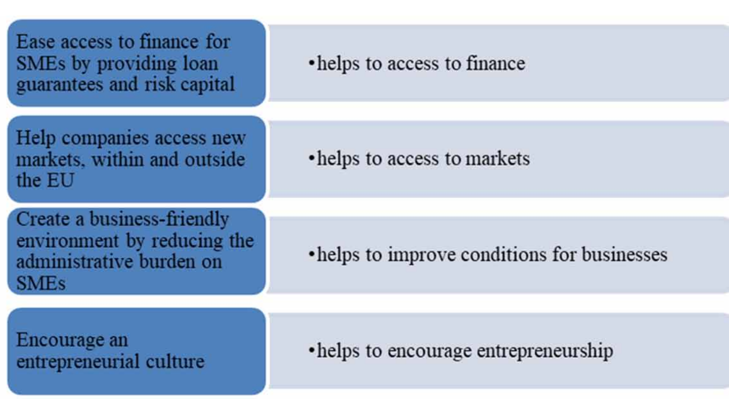


Table 3. Elements of the COSME Programme

Elements of the COSME Programme	**Budget (Million Euro)**	**Budget (%)**
Access to Finance	1.378.946	60
Access to Markets	494.122	21,5
Improving Framework Conditions	252.807	11
Entrepreneurship and Entrepreneurial Culture	57.456	2,5
Managerial Costs of the Programme	114.912	5
TOTAL	**2.298.243**	**100**

Source: EIF, 2019a

growth of SMEs. In compliance with these objectives, the COSME Programme offers two different financial products through the EIF: "Loan Guarantee Facility (LGF)" and "Equity Facility for Growth (EFG)" (EIF, 2019a). The LGF offers guarantees and counter-guarantees to financial intermediaries (guarantee institutions, banks, leasing companies, etc.) selected by the EIF for them to offer SMEs more credit and leasing opportunities. The LGF facilitates access to credit finance for growth-oriented SMEs, which have difficulties in accessing the traditional banking system, and contributes to raising the number of SMEs to be financed by financial intermediaries. The total budget allocated to the LGF over the period from 2014 to 2020 amounts approximately € 740 million, and it guarantees SMEs' loans up to € 150,000. Together with the instrument of the EFG, it provides funding to venture capital funds and private equity funds, which also provide financing to developing and growing SMEs through financial intermediaries selected by the EIF. The total budget allocated for the EFG over the period from 2014 to 2020 is determined as approximately € 690 million (KOSGEB, 2019b).

InnovFin Programme (The Horizon 2020)

The Horizon 2020 Programme, created within the framework of the Research and Innovation Framework Programme of the European Union, is designed to cover the period from 2014 to 2020 to be realized along with the European Union's budget that worths € 80 billion. Public institutions, non-governmental organizations, international organizations, universities, individual researchers, research centers, industrial organizations, and SMEs benefit from this Programme. In addition to the activities performed by the Research Center through the Horizon 2020 Programme, three main frameworks, namely "Excellent Science", "Industrial Leadership" and "Social Problems" are established (TÜBİTAK, 2019). Excellent Science is at the heart of the Horizon 2020 Programme and aims the improvement of science and advanced research skills to enable the best ideas to be dispersed into the market faster (EC, 2014). Table 4 indicates the details of the budgets allocated to Excellent Science within the scope of Horizon 2020 covering the years 2014-2020.

Upon examining Table 4, it is seen that a total budget of € 24,441 million has been allocated to Excellent Science over the period from 2014 to 2020. Within the scope of Excellent Science, the European Research Council (ERC), in support of specific research carried out particularly by individual researchers and their teams, provides a total fund of € 13,095 million. As another prominent project within Horizon 2020, Industrial Leadership aims to boost employment opportunities by creating new job sites, to support strategic investments in key technologies, and private sector investment for R&D as well as innovative

Table 4. Excellent Science-Predicted Budget (2014-2020, Million Euro)

Excellent Science	**Budget (Million Euro)**
European Research Council (ERC)	13.095
New and Developing Technologies	2.696
The Marie Skłodowska-Curie Actions (MSCA)	6.162
Research Infrastructure (including e-infrastructures)	2.488
TOTAL	**24.441**

Source: Ministry of EU (AB Bakanlığı), 2019

SMEs (TÜBİTAK, 2019). Table 5 includes details of budgets allocated to industrial leadership between 2014-2020 within the context of this Programme.

As shown in Table 5, € 17.015 million worth of budget is allocated to industrial leadership item through the Horizon 2020 Programme, and € 616 million is allocated to SMEs Innovation Programme. The third and final project, Social Problems, is to create common solutions to social challenges. These social problems are categorized into seven main frameworks, and different amounts of budgets are allocated for each problem (EC, 2014). Table 6 indicates details of the social problems and the budget amounts allocated to them within the framework of the Horizon 2020 Programme.

As seen in Table 6, upon compared to other social problem items, it can be claimed that the most financial budget is allocated for "Health, Demographic Change, and Welfare" and "Smart, Clean and Integrated Transportation" items. Along with these three key components, the EU-Joint Research Center (JRC), programs for the promotion of scientific excellence and participation in society for and with society are also included in the scope of Horizon 2020 (Ministry of EU, 2019).

The European Fund for Strategic Investments (EFSI) Programme

The European Fund for Strategic Investments (EFSI) provides funding through the EIF to support the venture capital of SMEs and medium-sized enterprises across the EU. The EFSI directly supports EU financial programmes such as "Horizon 2020" and "COSME" (Çapanoğlu, 2015). The EFSI fund has emerged for the purpose of mitigating the investment gap in the market which occurred due to the insufficient level of investments in Europe, removing the barriers to investment, promoting the risk-taking capacity of the investors, supporting investment projects, boosting the growth-oriented investments that would generate employment opportunities, and utilizing the new and existing financial resources more

Table 5. Industrial Leadership-Predicted Budget (2014-2020, Million Euro)

Industrial Leadership	**Budget (Million Euro)**
Facilitative and Industrial Technologies	13.557
Access to Risk Capital	2.842
Innovation Programme in SMEs	616
TOTAL	**17.015**

Source: Ministry of EU (AB Bakanlığı), 2019

Table 6. Social Problems-Predicted Budget (2014-2020, Million Euro)

Social Problems	**Budget (Million Euro)**
Health, Demographic Change, and Welfare	7.472
Food Safety, Sustainable Agriculture and Forestry, Marine, Maritime and Inland Waters Research and Bio-Economics	3.851
Safe, Clean and Productive Energy	5.931
Smart, Clean and Integrated Transportation	6.339
Climate Change, Environment, Resource Efficiency and Raw Materials	3.081
Europe in Changing World- Comprehensive, Innovative and Reflective Societies	1.309
Secure Societies - Protecting Freedom and Security of Europe and its Citizens	1.695
TOTAL	**29.678**

Source: Ministry of EU (AB Bakanlığı), 2019

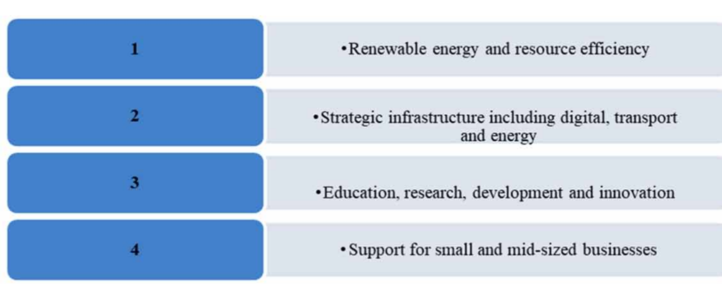
efficiently. Upon focusing on the key sectors for the European economy, facilitating and supporting SMEs' access to finance is one of the key objectives of the EFSI, which is the first pillar of the European Investment Plan. The EFSI involves a special SME support package offering a total of € 5.5 billion in funding or guarantee capacity to support many financial products to be implemented through the EIF. The EFSI is a 26 billion Euro guarantee from the EU budget, complemented by a EUR 7.5 billion allocation of the EIB's own capital. So far, a total of € 33.5 billion has been provided within the scope of the EFSI, and an additional investment of at least € 500 billion is intended by 2020 (EIB, 2019c). In Figure 7, the four target groups subvened by the EFSI are presented in terms of sectors.

The EFSI Programme, including the sectors presented in Table 6, provides funding opportunities to the key sectors that would contribute to the European economic growth. Within the framework of the EFSI-funded approved projects and agreements, investments that worth higher than € 256 billion are expected to be made and approximately 539,000 SMEs are envisioned to be supported in 28 Member States (EC, 2019c).

Programme for Employment and Social Innovation (EaSI)

The EaSI, as the EU's Programme in the field of social policy, is designed to support issues such as ensuring qualified and sustainable employment as well as adequate social protection, tackling poverty

Figure 7. Target Groups of the European Fund for Strategic Investments (EFSI)
Source: *EIB, 2019d*



and improving working conditions. As indicated in Figure 8 below; this Programme aims to modernize employment and social policies, consists of 3 sub-programmes: the European Network for Employment Services (EURES), Microfinance and Social Entrepreneurship and PROGRESS (Programme for Employment and Social Solidarity) (Ministry of Foreign Affairs Presidency of the EU, 2019b).

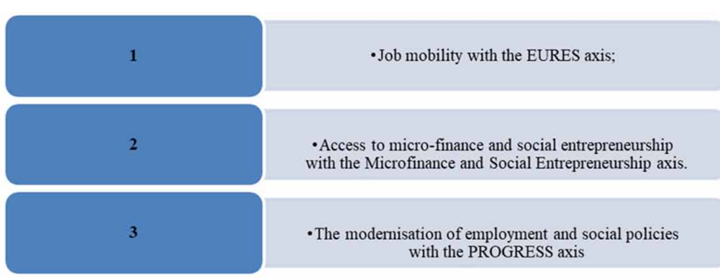
The EaSI Programme covering the years from 2014 to 2020, has a budget of approximately 920 Million Euro. Along with the PROGRESS Programme, a sub-programme within the scope of the EaSI, the EU countries aim to generate employment, especially in tackling youth unemployment, to strengthen social protection, to reduce and prevent poverty. 55% of the EaSI's total budget is consigned to the PROGRESS Programme, and the PROGRESS Programme has the feature of having the highest budget share out of the three sub-programmes. In particular, 20% of the PROGRESS Programme's budget is utilized for tackling youth unemployment, whereas 45% is used for social protection as well as reduction and prevention of poverty. The EURES is a European business mobility programme that provides employers, jobseekers, and employees in pursuit of free mobility with information, guidance, and recruitment/placement services. 18% of the EaSI's total budget is planned to be allocated to the EURES and the remaining 27% to Microfinance and Social Entrepreneurship over the period from 2014 to 2020. The Microfinance and Social Entrepreneurship Programme provides financial support in two main domains. In this context, it provides micro loans for micro-enterprises to subvene entrepreneurs as well as the self-employed and supports policies in the field of social entrepreneurship (EC, 2019d).

Creative Europe Programme (CEP)

The CEP Programme, the last programme with the smallest share of the EU's financial support programmes, subvenes international cooperation projects among cultural and creative sectors (art, architecture, museology, cultural heritage, etc.) and promotes innovation and creativity (Ministry of Foreign Affairs Presidency of the EU, 2019b). Cultural and creative industries account for 5-10% of the Gross Domestic Product (GDP) of the EU's regional economies. Since SMEs, which are among the cultural and creative sectors, constitute the backbone of innovations, they should be subvened within the context of this Programme. To this end, the CEP Programme, which has been active since 2016, creates SMEs credit alternatives operating in cultural and creative sectors (EU, 2019c).

The European Commission has allocated € 121 million worth of funds to the cultural and creative sectors through the CEP. As of 2017, the size of funding has reached € 181 million along with an additional fund allocation of € 60 million through the European Strategic Investments Fund (EFSI). As a

Figure 8. Programmes within the context of the EaSI (2014-2020)
Source: *EC, 2019d*



result of such transfer of funds, it is foreseen that cultural and creative SMEs would be provided with credits higher than approximately € 1 billion (EC, 2019e).

CONCLUSION

In order for the EU to achieve its development objectives, to sustain its growth, to boost its savings and channel them towards efficient investment domains; the sectors operating at different scales within the member and candidate countries are needed. In the framework of flexible production structures and easy adaptation to innovations, SMEs constitute the backbone of the needs in this area.

Rapid changes in production structures, technologies, and product types as the result of globalization have brought SMEs of the same scale face-to-face with various problems. In this context, the financing problem underlies those fundamental problems such as production, marketing, and investment issues, lack of management, technology infrastructure issues, and lack of qualified/experienced staff. The foundations of EU financial programmes have been laid in order to find solutions to the financial problems encountered by SMEs and to eliminate the differences in the scale of development.

Therefore, the EU has been planning 5 different financial support programmes and 5 different financial support programmes with the EIF and the EIB within the scope of 2014-2020 targets in order to accelerate the development of SMEs which have been the driving forces of economic growth and development for the member countries as well as the candidate countries. Throughout the period from 2014 to 2020, programmes such as the COSME 2020, the HORIZON 2020, the EIFS, the EaSI, the CEP along with the EIF, and the EIB credits with its funding support have been formed in order to accelerate the investment processes of SMEs within the EU, to realize investment ideas into the projects, to reduce the obstacles to investments, to support their sound growth and to create solutions to their financial problems. Each of these programmes aims at different thematic topics in specific areas and is designed to include a wide range of products. In this context, each financial programme has a distinct objective in supporting the development of SMEs. Moreover, financial support programmes that promote the establishment of partnership awareness by maintaining cooperation among EU member countries are implemented to cover a certain period.

Banks' customer relations with SMEs can be weakened in three different ways. The first of these is dependent of SMEs; whereas it may also occur due to inadequate levels of SMEs' equity, weaknesses in the competitiveness of competitors in the same sector, and risky regions or countries in which they would market their products. Secondly, banks and/or financial institutions may not be able to provide the financing facilities needed by growth-oriented SMEs having a considerably high level of morality. Consequently, banks and/or other financial institutions may not be able to constitute credit products, interest rates, loan amounts and appropriate repayment maturities that are suitable for the needs of SMEs, or most importantly, they may not have sufficient resources to finance specific credits.

By courtesy of the funds provided by the EU Programmes, financial banks' customer relations with SMEs are facilitated. Thanks to the EU financial programmes, banks, and credit institutions in the member and candidate countries overcome these financial difficulties and control their risks through the resources provided. These funds provided through the Union reduce the development disparities among SMEs within the member and candidate countries and also create a domino effect in clearing incomplete and missing markets within the EU and global world economy.

In the light of the evaluations of this study covering the years 2014-2020, increasing the share of SME financial programmes in the EU budget discussed within the scope of EU targets 2021-2027 and expanding the programmes to include SMEs other than of the member and candidate countries can be considered as crucial steps for the future of SMEs.

REFERENCES

Aslan, M. (2008). Avrupa Yatırım Bankası ve Türkiye'ye Yönelik Mali Yardım ve Kredileri ve Vergisel Durumu Üzerine. *Çimento İşveren Dergisi*, 22 (2), 42-51.

Çapanoğlu, S. G. (2015). *Avrupa Yatırım Planı ve Geleceği, Eurnewsport,68-69./.* Retrieved from https://www.ikv.org.tr/images/files/Avrupa%20Yatirim%20Plani%20Euronewsport.pdf/

EC. (2014). *Horizon 2020 in brief*. Retrieved from https:// ec.europa.eu/programmes/ horizon2020/ sites/horizon2020/ files/H2020_inBrief_EN_FinalBAT.pdf

EC (European Commission). (2019a). *EU budget*. Retrieved from https://ec.europa.eu/info/about-european-commission/eu-budget_en

EIB (European Investment Bank). (2019a). *European investment bank EIB by the numbers*. Retrieved from https://www.eib.org/en/index.htm

EIF (European Investment Fund). (2019a). *Regulation (EU) No 1287/2013 of the European parliament and of the counc*il. Retrieved from https://eurlex.europa.eu/legalcontent/ EN/TXT/PDF/?uri=CELEX:32013R1287&from=EN/

EC. (2019b). *EU expenditures and revenues 2014-2020*. Retrieved from http://ec.europa.eu/budget/graphs/revenue_expediture.html

EC. (2019c). *About EIF*. Retrieved from https://ec.europa.eu/commission/news/investment-plan-europe-eif-and-mutualite-de-cautionnement-sign-first-cosme-agreement-smes-luxembourg-2018-feb-05_en/

EC. (2019d). *EU programme for employment and social innovation (EaSI).* Retrieved from https://ec.europa.eu/social/main.jsp?catId=1081#navItem-2/

EC. (2019e). *A new financial instrument for SMEs*. Retrieved from https://ec.europa.eu/digital-single-market/en/ financial-guarantee-facility-culture-creative/

EIB. (2019b). European investment bank, sectors. Retrieved from https://www.eib.org/en/projects/sectors/ index.htm

EIB. (2019c). *What is the European fund for strategic investments (EFSI).* Retrieved from https:// www.eib.org /en / efsi /what-is-efsi/index.htm/

EIB. (2019d). *What's the focus of EFSI*? Retrieved from https://www.eib.org/en/efsi/what-is-efsi/index.htm/

EIF. (2019b). *SMEs and innovation at heart join the EIF*. Retrieved from https://www.eif.org/jobs/index.htm/

Ersan, T. (2010). *Avrupa Yatırım Bankası ve Türkiye, Ekonomik Forum*, 58-61. Retrieved from https://www.tobb.org.tr/AvrupaBirligiDairesi/Dokumanlar/Raporlar/AYBveTurkiye.pdf/

EU. (2019a). *About COSME*. Retrieved from https://ec.europa.eu/easme/en/cosme/cosme-funding-opportunities

EU. (2019b). *Europe Union funds*. Retrieved from https:// europa.eu/youreurope/ business/finance-funding/ getting-funding/access-finance/index_en.htm#shortcut-4-eu-funds/

EU. (2019c). *Creative growth*. Retrieved from http://www.creative-growth.eu/Portals/10/ Creative_Growth_ Recommendations_Final_20111006.pdf/

EU. (2019d). *How the EU budget is spent*. Retrieved from https://europa.eu/european-union/about-eu/eu-budget/expenditure_en

European Council. (2019). *Multiannual financial framework for 2014-2020.* Retrieved from https://www.consilium.europa.eu/en/policies/eu-budgetary-system/multiannual-financial-framework/mff-2014-2020/

European Parliament. (2019). *The budgetary procedure*. Retrieved from http://www.europarl.europa.eu/factsheets/en/sheet/10/the-budgetary-procedure

KOSGEB. (2019a). *AB'deki Kobi Tanımı*. Retrieved from http://www.kobi.org.tr/index.php/tanimi/abde

KOSGEB. (2019b). *COSME Programı-Avrupa Birliği İşletmelerin ve KOBİ'lerin Rekabet Edebilirliği Programı 2014-2020.* Retrieved from http://cosme.kosgeb.gov.tr/Components/ Component1/

Lök, H. (2018). *Avrupa Yatırım Bankası Kaynaklı Özel Sektör Proje Kredileri ve Türkiye Uygulaması Selçuk Üniversitesi Sosyal Bilimler Meslek Yüksekokulu Dergisi.*, *21*(2), 313–322.

Ministry of EU (Avrupa Birliği Bakanlığı). (2014). *Avrupa Birliği Programları 2014-2020*. Retrieved from https://www.ab.gov.tr/files/SBYPB/birlik%20programlari/ab_birlik_programlari.pdf/

Ministry of EU (Avrupa Birliği Bakanlığı). (2019). *Avrupa Birliği Horizon 2020 Programı.* Retrieved from https://www.ab.gov.tr/files/SBYPB/birlik%20programlari/horizon_2020_programi.pdf/

Ministry of Foreign Affairs Presidency of the EU (Dışişleri Bakanlığı AB Başkanlığı). (2019a). *Avrupa Yatırım Bankası.* Retrieved from https://www.ab.gov.tr/avrupa-yatirim-bankasi_45638.html:7/

Ministry of Foreign Affairs Presidency of the EU (Dışişleri Bakanlığı AB Başkanlığı). (2019b). *İstihdam ve Sosyal Yenilik (EaSI) Programı*. Retrieved from https://www.ab.gov.tr/

OECD. (2005). *OECD SME and entrepreneurship outlook: 2005*. OECD Paris.

TUBİTAK. (2019). *Avrupa Birliği Ufuk2020 Programı*. Retrieved from https://www.tubitak.gov.tr/tr/destekler/kamu/uluslararasi-destek-programlari/icerik-ab-ufuk2020-programi

Chapter 20

Managerial Decision-Making Process in the Modern Business Conditions in the EU:
Importance of Cultural Influence

Boban Melovic
https://orcid.org/0000-0001-6330-9425
University of Montenegro, Montenegro

Slavica Mitrovic Veljkovic
University of Novi Sad, Serbia

Dragana Cirovic
https://orcid.org/0000-0003-2334-3391
University of Montenegro, Montenegro

Ivana Djakovic Radojicic
University of Novi Sad, Serbia

ABSTRACT

This chapter analyzes the differences of decision-making process in the EU member countries, caused by differences in main dimensions of national culture of each of them. The influence of different cultural dimensions on decision-making process is explained. Thanks to the application of qualitative research method and deductive approach, there are conclusions about specificities of decision-making process, in particular EU countries. Using the inductive approach, content analysis method and method of synthesis, the EU countries were grouped regarding to the decision-making styles that are the most appropriate in each of them, based on the characteristics of the cultural framework that exist within them. Obtained results may help managers to better understand their decision-maker role in different cultural environment and it would enable them to apply the appropriate decision-making style, which would increase the quality of business decisions that are being made.

DOI: 10.4018/978-1-7998-1188-6.ch020

INTRODUCTION

Managerial decision-making is a process aimed at resolving identified problems and enabling effective and efficient performance of business activities. It is a cognitive process of making choice between more options, based on available information, knowledge, experience and beliefs of decision-makers. It involves the rational and irrational mechanisms of thinking and all depending on the complexity of the decision that managers make, time that they have available for making decision and the circumstances which condition the criteria for deciding (Ashkanasy & Ahlstrom, 2014). Decision-making is an integral part of the most of managerial activities and it is crucial for successful tasks resolving and achieving business goals (Al-Tarawneh, 2012). Therefore, it is an essential process of modern management representing, in every field, the core function for the manager (Andronaceanu and Ristea, 2014).

Management helps organizations to realize the business goals by planning, organizing, leading and controling certain resources. However, in order to realize any activity, it is necessary to make a decision. Managers should make functional decisions, which are for the moment adequate and of quality and which will contribute to the improvement of work processes and the relationship with the environment. Making a good decision implies knowledge of all environmental factors that may potentially influence business performance. This is particularly important for enterprises that operate in international market, such as EU. Although EU makes a unique market with free flow of people, capital, goods and services based on common legal framework adopted by its members, still many differences that exist in economical, political, social and cultural environment of different member countries may not be neglected. All these differences should be cautiously considered in decision-making process in order to achieve defined business goals.

Modern business conditions in the EU, characterized by often (even daily) changes in market, competition and overall business environment make decision-making process difficult and risky. The organization in its life cycle also goes through different phases which require the necessary changes and adjustments. Therefore, the risk becomes an inevitable part of making most of managerial decisions and it is particulary expressed in business acitivities which take place in international market, such as EU (Figueira-de-Lemos et al., 2011; Liesch et al., 2014). In general, risk may be defined as the probability of an adverse event. All future decisions are a subject of risk, because it is unknown what their outcomes will be. Regardless of the planned return of invested resources, there is always a possibility that some unpredictable event might lead to its reduction. For this reason, the management should reduce the impact of adverse effects to minimum and seek solutions that could bring competitive advantages and secure position within the market segment in which it achieves its mission (Nielsen & Nielsen, 2011). The organization needs to pay attention to changes in the environment and to respond to them. Passivity in relation to the instability of the environment and the changes it brings is a danger. The main task of the organization is to overcome all the dangers that may jeopardize or prevent its further growth and development.

Expanding business on the international market, such as EU, makes decision-making even more risky. Outside the national borders, economical, social, political, legal and cultural environment is much more diversified and complex, which makes it hardly predictable and more suceptible to changes (Cavusgil et al., 2014). Therefore, each business decision should be based on the analysis of all specificities of domestic and international market and on anticipated important changes in the way it functions (Linkov et al., 2006). Managers try to analyze carefully characteristics of economical, legal and political framework of EU countries during the decision-making process. Still, most of them ignore cultural differences which exist between these countries and its impact on the quality of the decisions that have been made (Johnson et al., 2006). Therefore, cultural barriers often become one of the main reasons for failure in achieving business goals in the EU market.

Culture, as a common set of attitudes, opinions, feelings and values shared between members of one society, strongly affects the way that people behave in their private and business lives. Therefore, different cultural patterns evoke subtle, but very important differences in managerial behaviour, decision-making process and leadership styles. It affects the way that people communicate, negotiate, collect and analyze information and make a choice between several different business strategies. It defines whether a participative decision-making will be appropriate or not, whether employees and managers will be entrepreneurially and progressive oriented and whether group orientation, cooperation and conformity will be important organisational values (Weber & Morris, 2010; Dür & Mateo, 2010). Considering that EU member states expose significant differences in main culture dimensions (such as distance power, individualism vs. collectivism, uncertainty avoidance, long-term orientation vs. short-term orientation, indulgence vs. restraint etc.), understanding of these differences is very important for decision-making process and functioning of international teams. Therefore, it becomes one of the most important prerequisites for successful business internationalization in the EU market. It also can determine whether cooperation between enterprises from different countries will be successful or not which is of particular importance in the processes of merger and acquisition. Lack of understanding of cultural differences and the way they affect human resources in the organisation often represent reason of failure. In order to integrate successfully entities from different EU countries, it is necessary to implement carefully changes of organisational culture in each phase of that process (Weber & Tarba, 2012). Creating specific organisational culture that includes main features of domestic culture of each enterprise is a main prerequisite for effective and efficient work of international teams.

Considering all that is mentioned above, the key objective of this chapter are to: 1) identify the main characteristics of decision-making process in the modern international EU environment; 2) identify the main cultural differences that exist in EU member states and 3) analyze the impact of these differences on managerial decision-making process and the quality of decisions that have been made. The obtained conclusions will help managers to understand better the way that cultural differences affect business activities and enable them to make decisions that are in line with identified cultural specificities of different EU member states. This is particularly important for small and medium enterprises that lack experience in international EU space in order to expand their businesses outside the national borders.

RESEARCH METHODOLOGY

Considering the fact that culture affects (at least to a certain extent) every segment of business life and taking into account the goals of this paper mentioned above, a hypothesis that will be tested in this paper is formulated.

H1: The cultural differences have significant impact on managerial decision-making in the modern business conditions in the EU.

In order to test this hypothesis, a theoretical research was conducted and interdisciplinary approach applied, through the use of available literature from different research fields such as international management, sociology, psychology and entrepreneurship. The conclusions of the research are based on the application of an abductive approach (combination of inductive and deductive ways of concluding). More precisely, in the first part of the paper a deductive approach was used. On the axis of existing knowledge and models related to the analysis of the influence of particular cultural values on the decision-making process, conclusion on the specificities of this process in particular countries (knowing the basic dimensions of culture in those countries) were made. In the other part of the paper, an inductive approach was applied. Based on the similarities of the cultural dimensions and characteristics of the cultural framework of individual countries in the EU, they were grouped regarding to the decision-making styles that are most appropriate in each of them.

Considering the fact that subjective attitudes and behavior of decision-makers are in the focus of this research, a qualitative research approach in the paper was used. By using the content analysis method, it was determined how certain dimensions of culture shape the decision-making process in individual countries, while using the method of synthesis there were made conclusions about the characteristics of this process in particular EU regions were made, based on the knowledge of the specific cultural framework prevailing in each of them. Obtained results may help managers to better understand their decision-maker role in different cultural environment and what are main expectations of employees towards them.

CULTURAL FRAMEWORK OF DECISION-MAKING PROCESS IN THE EU

Decision-making is an integral part of each management function and each managerial activity. It is a process that consists of series of different activities aimed at choosing one of several possible options in order to find optimal solution for considered business problem (Beyth-Marom et al., 1991). Therefore, the quality of decision-making defines the effectiveness of management and strongly affects the overall performance of every organisation. In moments of decision-making we cannot evade a number of significant issues that follow decision-making processes, which refer to whether we could use some other way to reach the same results, whether the cost of these decisions would be greater than the cost of a different decision, whether we will achieve the desired results with the given decision or will those be only partial goals? Even if we adopt the initial assumption that our problem is derived from the difference between the required and available knowledge, then our decision is within the limits of our half-knowledge. Thus, in order to make right decision, managers should perceive internal and external environment correctly and define criteria which will have priorities in the decision making. In a heterogeneous environment such as EU where each country represents different entity with significant specificities in economical, legal, social and cultural framework, perceiving all factors that may influence the effectiveness of decisions is even more complex and risky.

The quality of managerial decision making, ultimately, depends a lot on the specific knowledge, abilities and skills related to decision-making, but even more on general knowledge, education of managers, as well as the techniques and methods used in decision making (Klein, 2008; Elbanna & Child, 2007). However, one of the most important factor that influence every stage of decision-making process and the way that the information are collected and used is national culture of decision-maker (Müller et al., 2009). Considering the fact that EU consists of many different cultures, some similarities and differences in decision making process may be identified. Similarities arise from modern decision-making practices that are empirically confirmed as successful (e.g. use of decision-support systems and other techniques such as brainstorming, delphy method etc.), whereas some of the most important differences arise from cultural specificities of different member countries of the EU.

Culture, as a specific set of beliefs, norms, customs and values shared by members of one society, defines behavioural patterns that are considered as appropriate. It is expressed through different symbols and is being passed from older members of the group to younger members as something (as in the case of morals, laws and customs) that shapes behavior in both private and business life (Podrug, 2011). It determines the main characteristics of organisational culture. By influencing personal attitudes, beliefs and values it affects every stage of decision-making process and the quality of decisions that have been made (Weber & Morris, 2010). Therefore, understanding cultural differences that exist between EU countries is one of main prerequisites for successful business cooperation and internalization of enterprises.

Each decision is made within certain cultural framework and there are identified several cultural dimension that directly influence managerial decision-making process in international context, and therefore, in the EU market (Luthans & Doh, 2012):

- *Centralized vs decentralizied decision making* determines the level of management which is empowered for making decisions of different importance for organisation;
- *Cooperation vs competition* defines whether the emphasis will be placed on cooperation or individual contribution of members of society;
- *High vs low organisational loyality* influence the extent to which members will identify themself with organisation and its goals;
- *Individual vs group rewards* determines whether emphasis will be put od individual or group results and the way that awards will be given;
- *Informal vs formal procedures* influence the extent to which ordinary business procedures will be formalized;
- *Safety vs risk* affects the extent to which decision-maker is willing to take a risk in uncertain conditions and, therefore, influence the overall business performances of organisation in risky and unstable markets;
- *Short-term vs long-term horizont* determines whether the organisational focus will be placed on short-term results (such as profit) or long-term results (such as market share);
- *Stability vs innovation* affects the extent to which society accepts changes and whether it puts value on stability or innovation.

One of the most important conclusions related to cultural influence on all business activities, especially on decision-making process, arises from Hofstede's research on cultural dimensions. There were identified five main dimensions: (1) power distance, (2) uncertainty avoidance, (3) individualism vs collectivism, (4) masculinity vs feminity and (5) dimension of time (Hofstede, 2010).

Power distance is the extent to which people accept the fact that power isn't equally distributed throughout the society. In cultures with high power distance index people obey the orders of their superiors and top managers make almost all decision in the organisation (including decisions that are not of great interest for business goals). On the other hand, in societies with low power distance decision-making is mostly decentralized (Yoon, 2012; Hofstede, 2010).

Uncertainty avoidance is the extent to which people try to avoid ambiguous situation and changes (Hofstede, 2010). In societies with high uncertainty avoidance index members are not willing to take risk, organisation procedures are formalized and people tend to seek opinions of experts in decision-making process (Minkov & Hofstede, 2014). Members of society with low uncertainty avoidance index tend to be more ambitious, more willing to take risk and organisation procedures are far less formalized.

Individualism vs collectivism is one cultural dimension measured with bipolar scale (Hofstede, 2010). On the one side of the scale is individualism. Members of individualistic cultures take care only for themselves and the closest family. The focus is placed on independency, ambitions and individual achievements (LeFebvre & Franke, 2013). On the other side of the scale is collectivism, where people tend to identify themselves with society and the organisation they belong. Wellbeing of the group is often more important than wellbeing of individuals (Hartung et al., 2010).

Masculinity vs feminity is dimension of culture defined depending on most important values. In masculine cultures dominant values are money and success. In business organisation focus is placed on high performances and high degree of control. Decision-makers are encouraged to make decision independently (Hofstede, 2010; Dabić et al., 2015). On the other hand, in feministic cultures dominant values are care for others and wellbeing (Hofstede, 2010; Beekun & Westerman, 2012). Working atmosphere is more friendly, workers tend to have more freedom and group decision-making is more represented.

Although EU represent single market, many differences that exist between its member countries (regarding on their level of development and ordinary business practices) strongly affect decision-making process, especially techniques and information sources that are used within it. Different (often opposite) cultural practices that exist in EU countries strongly affect the applicability of certain decision-making styles (often a certain decision-making style that is the most suitable in one EU country is inappropriate in other). Therefore, the analysis of cultural specificities of EU countries becomes one of the main prerequisites for successful business internationalization and cooperation between enterprises from different cultural background.

DECISION-MAKING IN MODERN RISKY BUSINESS CONDITIONS IN EU – CULTURAL INFLUENCE

Business value results from good management decision. Quality decision making can only consistently occur by reliance on valuable information. So, the relevance of managerial accounting is crucial for success of a manager and for success of a company or organization (Mihaila, 2014).

Managers are invested with the task of making decisions which routinely affect the value and viability of firms. Thus, managers bear the heavy burden of making optimal decisions. Over the last fifty years, completely rigorous formal theories of decision making have been largely accepted as models of rational choice (Fishburn, 1988). One may think that managerial decision making, then, comprises nothing more than calculating the output of these normative models. What has not been so widely accepted however, is rational choice. While the vast majority of managers do indeed attempt to make optimal decisions, clearly, there are numerous impediments preventing them from actually doing so (Rode, 1997).

One of main difficulties in making optimal decision is great unpredictability of future events. In order to make correct business decisions, managers continuously have to predict them. Considering the fact that business environment in EU countries significantly differ from each other and that intensity of changes varies across members of this union, anticipation of future events becomes even more difficult, which makes decision-making more complex and more risky. Having in mind that the future is very uncertain, one of the key roles of managers is to take risks. However, the tendency of managers (and other employees) to take risk significantly depends on culture. Therefore, analysis of cultural differences in EU countries that affect decision-making and risk-taking is very important, especially for international enterprises.

Generally speaking, the risk is something that a man seeks to avoid and what he is willing to pay to get rid of. Managers have a role to remove the risks and are willing to engage in "risk areas" in order to gain profit. When asking them how they define risk, most of managers distinguished between different types of risks, such as fire risk, financial risk, technical risk, commercial risk and investment risk. They said that a risky situation is a situation where the outcome is unknown to the decision-maker, i.e. he/she is not sure which outcome will occur and the uncertainty leads to erroneous choices. When the managers were asked to describe a risky decision they had recently made or a risky situation they had been involved in, more than half of them associated this with different kinds of investment activities and divided them into such categories as (a) investing in new machines and techniques, (b) acquisition of new companies, (c) development of new products and entering new markets (Riabacke, 2006). In conditions when the level of these risks are high, decision-making process and the number of people which will be involved in it (whether manager will individually make decision, or other employees will be included) depend on culture of decision-maker and decision-making style that is expected in given culture. Still, it should be noted that the tendency of managers to risk-taking behavior is also significantly influenced by other factors such as ownership of organisation, type of its activity and the hierarchy level of organisation that decision-maker takes (Grubišić-Nešić et al., 2016).

Among others (Moore, 1983), and (Slovic, 2000) state that risk means different things to different people and that they perceive risk in different ways depending on what area they are working within. However, the perception of risk is under strong influence of culture. The culture of decision makers affects the way they assess the risk, the amount and sources of information they will use when deciding in risky circumstances and time they will require in order to make decision. In high uncertainty avoidance cultures (such as culture in Portugal, Belgium, Serbia, Slovenia, Russia, Poland, Romania, France, Bulgaria, Hungary, Croatia, Italy, Austria, Luxembourg and Germany) managers tend to avoid taking risk (Lewis, 2010; Hofstede, 2010). Employees are not very proactive and do not tend to take responsibility (Frenk & Mierewert, 2004). They expect from their managers to make final decision and decision-making process is usually based on opinion of experts. Therefore, organisatonal procedures are as much formalized as it is possible in order to make (at least) internal processes predictable. In case of multinational firms, the level of formalization in their plants located in different countries depends on the level of uncertainty avoidance in home country. In other words, if domestic culture is characterized with high level of uncertainty avoidance, the formalization will be strong in all other firm plants even if they are located in country with low level of uncertainty avoidance (Dimitratos et al., 2011; Bloom et al., 2012). In such cultures, managers feel uncomfortable dealing with ambiguity, which negatively influence proactive firm behaviors. One of the most important consequences is its negative impact on entrepreneurial activities (considering that starting a new business implies taking high level of risk). However, it should be kept in mind that in high uncertainty avoidance cultures the level of entrepreneurial activity is not always low and it also depends on legal framework and activities of national institutions. According to institutional theory, institutions influence the range of actions and options available to firms. Therefore, well arranged institutional framework can have very significant positive impact on entrepreneurial activities (Kreiser et al., 2010). On the other hand, in low uncertainty avoidance cultures (such as culture in Demark, Sweeden, Great Britain, Norway, Slowakia and Netherlands) managers are more oriented in making strategic plans and decisions, and they spend more of their time in dealing with strategic problems (Fink & Meierewert, 2004). They do not have tendency to avoid changes in the way that their business functions, which makes their organisations more proactive and entrepreneurial oriented. Employees are more ambitious and are encouraged to take the initiative and responsibility

(Brewster & Holtlarsen, 1992). In such organisations there are very few written rules, activities are less structured, which usually makes them more flexible (Michael & College, 1997). However, it should be pointed out that the importance of certain values within given national culture varies according the type of organisation, hierarchy level and given managerial style (Babinková et al., 2014). Also, the characteristics of national culture can be significantly moderated by the influence of strong organisational culture (if it exists within certain company).

THE IMPORTANCE OF DECISION SUPPORT SYSTEMS IN MODERN BUSINESS CONDITIONS IN EU – CULTURAL FRAMEWORK

Decision-making efficiency in risky conditions depends not only on the information presented to the decision maker, but also on the interpretation of that information in relation to the proposal, the calculated risk decision makers are prepared to take, and their understanding of the organization (Van Riel et al., 2004). In an organizational setting, the way decision makers perceive, organize, and process information, as well as how these interpretations are used for guiding actions, affect the quality of collective decision-making (Hayes and Allison, 1988).

Decision-making process in complex business environment of EU is not possible without adequate information and other support. Looking back, there were still some aspects of decision support, but only in the ’70 of the last century, there are modern systems called DSS (engl. DSS – *Decision Support Systems*). These systems widely use computer-based interactive systems that help management in the use of data and models to solve unstructured problems.

Information technologies of all contemporary trends of today are mostly changing the look and business of today’s enterprises. Collecting, processing, storage, distribution and use of information are the main tasks of any informational system for decision support today. If it is well applied, information technology can certainly assist managers in decision-making. Modern software for decision support (DSS) and various expert systems help managers by leading them through the decision algorithm and show them which information should be applied by using different information which are processed much faster and better etc., as well as increase the level of quality of decisions that are made. In the eighties of last century, there was even greater development of application of information technology in the management of enterprises (Miller, Michalski & Stevens, 1998). This is particularly reflected in the approach to DSS in terms of centralization and decentralization in the concept of information system, or in the justification of the true distribution of DSS. All these changes have caused the need for redefining the DSS, with the aim of “exploitation of intellectual and computer associated technology to enhance creativity in decision making.” The main feature of DSS is making decisions, as experts in the field say (ASEM, Safari, Zavareh, 2011), the path to the DSS leads from electronic data processing (EDP), which focuses on data through MIS (Management information systems) that focuses on information, to contemporary systems based on network technology, satellite communications, neural networks, the Internet, etc. Although the high importance that these systems have today in each business area cannot be neglected, the extent to which they are used significantly varies across EU countries. These differences arise from several reasons, among which the most important are unequal development of infrastructure needed for their successful implementation and differences in managers’ awareness of their role and impact on decision-making process (Gander et al., 2013).

The question is why managers need the support of information technology in decision making? It's hard to make a good decision without valid and relevant information. This is particularly difficult in complex business environment such as EU, where each country represent specific entity with different legal, political, social, economical and cultural framework. Therefore, making an optimal decision, which will be adequate for business operating in all these countries, becomes a challenge, that cannot be exceeded without possessing relevant information. Information is the most important part of each stage of decision-making. Despite the fact that it is now widely available and accessible, decision making becomes more difficult due to the impact of the following trends:

- Number of alternatives for consideration is constantly increasing due to innovations in technology, improving of communication, the development of the global market, using the Internet, e-commerce and so on. The key to good decision-making is to explore and compare many of the relevant alternatives and considering that more alternatives exist, the greater is the need for a deeper study and application of computers. Additional problem is different level of market and technology development between EU countries (and thus significant differences in availability of relevant information), which must be taken into account in decision-making process.
- Characteristic is that decisions are made under the pressure of tight deadlines, which makes it impossible to manually process the information quickly enough.
- Due to the high uncertainty in the decision-making environment, decisions are becoming more complex. Usually it is necessary to conduct sophisticated analysis to reach a good decision. Such a decision requires modeling.
- It is often necessary to quickly access remote information, consult professionals or hold a meeting on the occasion of decision making, all of which must not cause additional costs and loss of time. Both managers who make the decisions and the information may be located in different places, and the role of modern technology in this case is priceless.

Information and computer systems in the organization must be functional for management, that is in management organization for the realization of certain business results. Such a relationship definitely requires adapting the structure of the information system to the management structure (Asemi et al., 2011). Given that the organization has hierarchical levels of management and information systems to support decision-making, they should be adapted to these governance structures. Besides of that, relevant ICT solution, used in international businesses, differes amongst EU countries as it depends on reached level of IT development within its borders (Ricci, 2000). Given that the main feature of decision support systems were designed to assist managers in deciding on unstructured problems, it is understood that it does not work automatically and cannot replace managers in the decision making process, and that it only has a duty to facilitate the analysis of available information. The rapid development of computer technologies and related software support enabled in the last decades the fascinating development of information systems used by the management, but not in the sense of automation data, on the contrary, it has affirmed the importance of creative problem solving and the final decision making, which remains in the end in competence of managers (Coates, 1998).

Although every company use some sort of DSS, the extent to which they are considered as a reliable information source and the extent to which decision-making process is based on it, strongly depends on culture of decision-makers (especially on culture of top managers). These systems are particularly important in co-called "data-oriented" cultures. People from data-oriented cultures tend to collect and store large amount of information, which are lately analyzed using different computer technologies. Their computer databases contain very different types of information which are being carefully processed during decision-making process. Swedes, Germans, Americans, Swiss and Northern Europeans in general are considered to have this type of culture (Lewis, 2010).

On the other hand, in so-called "dialogue-oriented" cultures (such as France, Spain, Portugal and other Southern-Europe countries) computer databases and DSS do not have such big importance in decision-making process (Nishimura et al., 2008). People form these cultures try to understand broader context and tend to be informed about facts surrounding given business issue. Therefore, their main source of information are other people – partners, friends, customers, family members, etc. Managers in dialogue-oriented cultures believe that, for running a successful business, it is necessary to maintain close and friendly relationships with customers, business partners and all other people which are at any way included in it (Lewis, 2010; Nishimura et al., 2008). While people form data-oriented cultures tend to use statistical facts and figures within decision-making or negotiation process, managers from dialogue-oriented cultures consider these indicators incomplete. They consider that only people may give them broader context of any business problem or other important information, and therefore DSS cannot be treated as the most important information source or reliable decision-making support (Lewis, 2010; Liang & Hung, 1997). Knowing these cultural differences amongst EU countries is very important part during negotiation stage, which is an integral part of the process of establishing international cooperation between companies and other organizations.

CULTURE RELATED SPECIFICITIES OF DECISION MAKING PROCESS IN EU MEMBER COUNTRIES

Although the stages of decision-making process are mostly the same in all EU countries and include usage (to a smaller or bigger extent) different DSS as source of information, cultural framework in each country influence the amount of information and time it takes, as well as the extent to which it is expected from employees to be included in it. As previously mentioned, in cultures with high uncertainty avoidance, employees tend to avoid responsibility of decision-making and it is expected from managers to do it. In order to reduce ambiguity, procedures are formalized and clearly specify the type of decisions that each manager (employee) should make. Therefore, participative management is not often suitable in these societies. Participative management is usually required in societies with low power distance (Great Britain, Netherlands, Hungary, Norway, Germany, Sweden, Ireland, Denmark, Austria, Finland). In these societies, employees avoid close supervision and are considered not as subordinate but as partners to managers. They tend to have direct contact with managers and their knowledge and competences are source of status they have in the organisation. On the other hand, in high distance power societies (Slovenia, Serbia, Croatia, Greece, Portugal, Russia, Slovakia, Poland, Belgium) inequality is tolerated and considered as natural, which is why employees do not tend to make decision on their own. In these societies, decision-making is in the responsibility of top managers, and employees expect precise instructions on how to execute decisions that have been made (Bialas, 2009). However, it doesn't mean that they do not participate in decision-making process at all, but even in case of participative management style the responsibility for decisions that have been made belongs only to managers. For example, despite small geographical distance, Hungary, Croatia and Slovenia are countries that expose different level of distance power (Hungary – high PD, Slovenia and Croatia – low PD), but managers in these countries tend to include employees in decision-making process. Still, the extent to which decisions reflect opinion of employees varies. In Croatia and Hungary the most suitable decision-making style is consultative, which means that decisions are made after consultations with subordinates and colleagues, but it doesn't necessarily reflect their influence. On the other hand, Slovenian employees prefer participative style, which means that managers tend to share and analyze problems with subordinates and colleagues as a group until they come to a major decision (Podrug, 2011).

Risk taking is being connected with individualistic cultures (Great Britain, Hungary, Italy, Netherlands, Belgium, France, Germany, Sweden, Norway, Switzerland, Ireland), where people are achievement-oriented, have more confidence in their personal decision, which usually results in an expansive-decisive strategy. In collectivistic cultures (Slovenia, Serbia, Romania, Croatia, Bulgaria, Portugal) people pay attention to the social aspects of problem and decision they make. They search for broader context in uncertain and complex situations and rely on other people as the best sources. They are sensitive to social consequences of their actions, which results in collaborative, avoiding and defensive-incremental strategies, as well as moderate (or even strong) risk-avoiding (Guess, 2004). Considering that people from collectivistic cultures tend to avoid conflicts, decision-making is often consensual (Lämsä, 2010).

Consensual decision-making is also very important in so-called *feministic* cultures (Norway, Sweden, Finland, Denmark, Belgium, Netherlands, Spain, Portugal, Romania, Serbia, Croatia) where emphasis is placed on cooperation and friendly atmosphere in working conditions. Individuals are encouraged to be group decision-makers and managers usually give them more freedom (Luthans & Doh, 2012; Lamba & Ozdasli, 2015). On the other side, in cultures with high masculine index (Ireland, Italy, Greece, Poland, Germany, Austria, Chez Republic, Slovakia, Hungary), the emphasis is put on earnings, recognition, advancement and challenge. Employees are encouraged to make decisions individually and are performance-oriented. However, managers often believe that employees dislike hard work, which is why they keep them under certain level of control. Therefore, there are often strict rules that all decision-makers should obey (Luthans & Doh, 2012; Lamba & Ozdasli, 2015).

Considering the main cultural dimension in different EU member countries, conclusion about main characteristics of decision-making styles for several groups of them may be made:

- **Northern-Europe countries** (Sweden, Norway, Finland, Ireland, Denmark) **-** these countries have culture with emphasized individualistic and feministic values (except of Ireland which has high masculine index) and are characterized with low power distance and uncertainty avoidance index (Lewis, 2010; Hofstede, 2010). These are data-oriented cultures where people tend to collect large amount of information (using some sort of DSS) in order to make a decision (Dür & Mateo, 2010). Employees tend to make decisions independently (regarding to their position in the firm), they are progressive and prone to take risk (Brewster & Holtlarsen, 1992; Kazi, 2012). Formalization of the procedures is mostly at quite low level. It is very important to make friendly working atmosphere and employees are not under strict supervision of their superiors (except of firms in Ireland, where supervision tend to be at significantly higher level). For example, a research on perception of Swedish and Finnish employees in industrial plants (Hyde et al., 2006) showed that they evaluate their job autonomy as high (54,56% in Sweden and 51,52% in Finland) where differences in point of view are settled through discussion (confirmed by 66% of Swedish and 60% of Finnish employees). Therefore, participative management and other similar decision-making styles are the most appropriate for enterprises operating in this area.

- **Western-Europe countries** (France, Belgium, Netherlands and Luxembourg) - these countries also have culture with emphasized individualistic and feministic values and with high uncertainty avoidance index. Although employees are encouraged to make decisions individually, they are not prone to take risk. The procedures tend to be standardized (formalized) in order to avoid unpredictable events and clearly divide the tasks between employees. Working atmosphere should be friendly, with some sort of freedom given to them. However, the extent to which workers participate in making final decisions vary. In France and Belgium power distance index is high, which suggests that centralization is represented to a significant extend, and managers tend to take full responsibility for decision-making (which doesn't have to manifest the influence of employees' opinion), while in Netherlands and Luxembourg this index is at low level, which suggests that participative and pseudo-participative decision-making styles are more suitable (Manrai & Manrai, 2010; Lewis, 2010; Hofstede, 2010). A study on Human Resources practices in France and Netherlands revealed that although in France about 60% of employees are included in formulation of business strategy, their participation in further stages of its implementation is at significantly lower level. Therefore, only 32% of clerical staff and 22% of manual workers was briefed about general business strategy of the firm and had some sort of participation in its further implementation (Bayens et al., 2007). On the other hand, the inclusion of employees in Netherlands was at significant higher level, with 41% of clerical staff and 40% of manual workers who were briefed about the strategy and had some sort of participation in its implementation. These differences are in line with differences in power distance level in these two countries.
- **Central-Europe countries** (Poland, Germany, Austria, Chez Republic, Romania, Slovakia, Hungary) - This group of countries exhibits the significant variation in decision-making styles, despite small geographical distance. These are mostly masculine cultures with high uncertainty index (Hofstede, 2010; Lewis). Therefore, enterprises tend to have formalized procedures and quite strict rules. Employees are under control of their superiors and are rewarded according their performances and achievements in running their working tasks. However, in Germany, Austria and Hungary (individualistic cultures with low power distance index) employees are progressive, accept risk and tend to take responsibility of making decision on their own (which are in line with strict procedures), while in Romania, Chez Republic and Poland (collectivistic cultures with high power distance index) managers have full responsibility for making decisions, which don't necessarily reflect influence of subordinates (Lewis, 2010; Rai, 2011; Bloom et. al., 2012). For example, in Austria the most preferable decision-making style is sort of pseudo-participative. Almost a half (44%) of managers prefer group decision making, which means that they share business problems with subordinates as a group, together generate ideas and evaluate options in order to find consensual solution (Maly, 2014). About 25% of them apply participative decision-making, where managers discuss about problems and potential solutions with all subordinates as a group, but they make final decision which may or may not reflect the influence of subordinates' opinion. On the other hand, in Chez Republic only 17% of managers apply this decision-making style, while about 50% of them apply a sort of autocrative decision-making style, with passive participation of subordinates, which regards only to obtaining relevant information from employees that managers need for making a decision (Maly. 2014). A research conducted in Poland reveals that 54% of managers apply a consultative management style, and 24% of them makes decisions individually. Only 11% of managers applies democratic decision-making style. This is to a significant extent in line with employees' expectation (Szelągowska-Rudzka, 2017). Employees are willing to express

opinion (86%) and suggest ideas concerning their work position or department (84%), but they are less willing to suggest or comment on ideas concerning the whole company (65%).

Managers in Central-Europe countries usually require longer time for solving tasks, while negotiation and decision-making process lasts long period of time (Fink & Mierewert, 2004). Still, it is expected that managers will look after their subordinates and consider their welfare when deciding.

- **Southern-Europe countries** (Spain, Portugal, Italy, Greece, and Balkan countries) - These are countries with culture characterized by moderate high-power distance index (except of Italy), high uncertainty avoidance, high in collectivism and feminism (Hofstede, 2010). Therefore, in national enterprises centralization is presented to a certain extent. Managers are responsible for decision-making (according to their position in the hierarchy of the organisation), it is desirable that they consider the opinion of employees, but their final decision doesn't have to necessarily reflect it. For example, a recent research (on graduate and doctoral students in the field of business and economics) showed that in Croatia 71% of respondents think that consultative decision-making style is the most preferred in their country, while 64,7% says it is the most practiced style and 52,9% of them thinks it is the most effective (Podrug, 2011). The same research obtained similar results analyzing the attitude of Slovenian respondents. They also revealed that the most preferable decision-making styles are consultative (25%) and participative with managers fully authorized to make final decision (36%).

Southern-Europe countries are dialogue-oriented cultures, whereas other people (employees, consumers, partners, friends...) are the most important source of information (Lewis, 2010). Good manager should consider welfare of his subordinates when deciding and he should have good communication with them in order to make comfortable working atmosphere. Managers are not prone to take risk and make significant changes in the way their business functions (unless it is necessary). The procedures are often formalized, and employees do not tend to reconsider them or express the individualism to a large extent (Brewster & Bennett, 2010).

- **Baltic states** (Lithuania, Latvia and Estonia) – According to (Hofstede, 2010) these countries have cultural dimensions very similar to those evidenced in Northern-Europe countries (moderate low power distance and uncertainty avoidance index, high in individualism and feminism). Therefore, in their national enterprises all types of participative management styles are acceptable. These are long-term and progressive oriented cultures, where employees are encouraged to take the initiative and individual responisibility for personal results in dealing with working tasks (Luptáková et al., 2005; Lewis, 2010). However, personal relationships and friendly atmosphere in the organisation are very important for employees' satisfaction and their maximum contribution to the achievement of business goals of the organisation (Mockatitis, 2005). For example, a large survey on managers' attitudes towards business leadership in Lithuania revealed that the most preferable decision-making styles are collaborative (56,5%) and involving (49%), both meaning that some deciding powers are delegated to collective, while individualistic and sensitive (led by emotions) styles are not acceptable at all (Deksiene et al., 2010). Managers' ability to plan and organize tasks (according to opinion of 94,1% of respondents), making decisions in critical situations (84,4%), correctness (45,9%) and ability to cooperate (44,9%) are the most important attributes of successful manager, and 43,2% of respondents evaluate knowledge as main source of managers' power in the organisation (Diksiene et al., 2010). These results are completely in line with main cultural dimensions identified in this country.

Considering the results of previous research and all the differences in decision-making process caused by different cultural dimensions in EU member countries, the hypothesis tested in this paper is confirmed. Therefore, it can be concluded that significant differences in managerial decision-making process that exist between EU member countries are to a significant extent caused by differences in main cultural dimensions, that form the framework within which this process takes place. However, it should be bared in mind that conclusions above are important for cooperation with small and medium enterprises that operate mostly under borders of domestic country, where national culture has strong influence on doing business. This doesn't have to be the case with big multinational enterprises, considering the fact that these enterprises are made of multicultural teams that build their own specific organisational culture (which doesn't have to be similar to national culture of any country that given multinational enterprise operates in).

FAULTS AND PROBLEMS IN MANAGERIAL DECISION MAKING IN EU – INFLUENCE OF CULTURE

The most common cause of all managerial mistakes is the observation of problems not as separate entities, but within a context (Kahneman & Lovallo, 2000). The number of errors in decision-making is increasing especially in an EU environment that is rapidly changing. The manager is not able to assess the validity of decisions taken in the case of great uncertainty. He makes the choice based on continuous search for solutions and based on the principle of trial and error. In such circumstances, managers as decision-makers should be supported and encouraged by a higher level of management or company management (Townsend, 1970).

Every decision maker faces with more or fewer problems when deciding. The higher the level of decision-making and the increasing importance of the decision, it is expected that the problems related to the decision are more complex and difficult. Internal and external constraints exist within every organization. Internal constraints are resulting from the organization's culture and are the result of external environment in which it is located (Robbins & Coutler, 2005). Many decisions don't have needed level of quality because they are not based on facts or on complete and reliable information. There are four limiting factors for better decision-making (Hamner et al, 1977):

- national culture and the culture of the organization
- manager (individual limitations)
- environment
- limited resources

The fact that there are limitations, Simon has created a theory of bounded rationality, pointing to the limitations of human ability to overcome all the necessary information that would lead to a perfect decision.

One of the most important factors is the culture and tradition of the organization. The values of the culture lead decision-making process, narrowing the circle of alternatives and influence the choice of solutions. In the culture of power managers are prone to intuitive decisions. More are driven by personal impressions rather than specific information. In the role of culture, which is typically bureaucratic, managers rely on logic and rationality. Decisions are made analytically, a detailed analysis of possible alternatives is applied and compatibility with the tradition and culture of the organization is checked. In the culture of tasks decisions are made by the analytical procedure and techniques of formulating a new concrete problem. In the culture of subsistence or support, decisions are made quickly and intuitively. Intuitive decision-making is faster and significantly shortens the decision-making process. It is typical for the young organizations that belong to the culture of power or the culture of support.

The significance of national culture as possible limiting factor is especially evident in context of specificities of national cultures during processes of business mergers and acquisition involving enterprises from different EU countries. Numerous studies have shown that one of main causes for failure in proper integration of two organisations is related to differences in management culture and its impact on the human factor, such as on the departures of managers and key personnel of one or both companies (Weber & Yedidia Tarba, 2012). Therefore, these differences cannot be neglected not even in the case of simple business negotiations.

Managers with their abilities, skills and knowledge are the second limiting factor for effective decision-making (Acquisti & Grossklags, 2005). They are imperfect decision makers for two reasons: because of the limitations of their ability to gather all relevant information, to assess their importance and to accurately and thoroughly process; and, secondly, due to cognitive bias concerning the formulation of the problem and the way in which they presented the problem and ways of decision making, which is often based, when decisions are made on the basis of appreciation (heuristics). In addition to the cognitive barriers by nature, the quality of decisions affects other individual restrictions, such as ethics and personal moral norms, which are reflected in the integrity and personality consistent or inconsistent with the behavior of managers. Personality of manager as a limiting factor can be especially important if managers comes from different cultural environment compared to culture of other employees (Deresky, 2017). In that case manager can take a role that is opposite to one expected in cultural environment of his working colleagues, which can lead to misunderstanding and disagreements. This would have extremely negative impact on quality of decisions that have been made and on quality of their implementation (Deresky & Christopher, 2015). When deciding, managers often rely on their previous experience. Considering the fact that each EU member country has its own tradition, rules and specific market-related challenges, managers who tend to apply the same problem-solving approach in different countries are on the way to the failure.

The third limiting factor is the environment or conditions in which a decision is made (Vecht et al., 2009). The external environment is composed of two components: specific and general environment. Specific environment includes those external forces that have a direct and rapid impact on the decisions and actions of managers influencing the achievement of the objectives of the organization. General environment involves broad economic, political / legal, socio-cultural, demographic, technological and global conditions, which may endanger the organization (Robbins & Coulter, 2005). Each EU member country has different not only specific, but also general environment (Guisan et al., 2004; Dedero et al., 2008). Therefore, managers need to find an optimal business solution that would be consistent not only with specific and general environment of domestic county, but also with (at least) general environment of other member countries, considering the fact that changes in this type of environment spread fast thanks to the special business links that exist between all members of EU. This makes decision-making process even more complex. Managers also must be aware of the least changes in the environment when making decisions.

The fourth factor of limitations are resources: time, information and money. Some managers do not pay a lot of attention to the decision-making process, i.e. as if they do not see the problem or aren't aware of its burden. For such type of manager everything is simple and easily resolved. They decide very easily, because they are not even aware of the consequences of wrong decisions. This method of managerial decision-making, although it is not often desirable, may not be a priori negative. In fact, there are times in the life of an organization when a decision should be made in complete uncertainty when any delay does not necessarily mean better solution or a better decision. Sometimes this way of decision-making may prove to be productive. The tendency to fast decision-making can also be often noticed in monocronic cultures, with linear vision of time and action (the Anglo-Saxon countries in general, the Netherlands, Austria and Scandinavia). Managers in these cultures often believe that time passed without decision being made is wasted (Manrai & Manrai, 2010; Lewis, 2010). Therefore, they tend to make decisions as fast as possible (and reasonable) and do one thing at time.

The second type of managers is the opposite to the first one. Managers of this type decide slowly and cautiously, and to any, even the smallest problem, they give unnecessary great attention. This is the type of manager who always "plays it safe" and wants to examine in detail all the possibilities for solving problems. It is not noticeable only in high uncertainty avoidance cultures, but also in polycronic cultures (such as Spain and Italy). Managers in these cultures tend to understand better the context of given business issue and carefully analyze all factors that can influence quality of decisions that have been made (Lewis, 2010). And, as far as good and desirable that in certain situations can be, it should by no means be the rule, not in the management, nor in decision-making in general. The decisions generally require a quick response of the management, i.e. decision-making under time pressure, which does not allow long analysis and evaluation of alternatives.

The most preferred type of manager is the one whose properties are between these two extremes, i.e. According to some research carried out in organizations, the general conclusion is that successful decision-making involves consideration of organizational, managerial and personal prerequisites of measuring their performance in all stages of decision-making process, and thus, on the basis of the existing results it is necessary to direct decision-making towards more successful and better business (Grubic-Nesic et al.,2016).

FUTURE RESEARCH DIRECTIONS

The problem dealt with in this paper is only one of the possible views and accesses for the research of ways and qualities in managerial decision-making in the organization. The emphasis is put on main characteristics of decision-making processes in EU member countries and the way that main dimensions of national culture affect them. Considering the risks and conditions of increased ambiguity in business on EU market, researchers have particular value in order to propose models and measures for better and more successful business organization. It is important to understand how organisational culture changes the importance of national culture and its influence on decision making process, especially in international enterprises. Research on managerial decision-making is very layered pioneering start, which contains many questions and space for further research. New research could take into account other indicators that could contribute to the improvement of decision-making process in terms of a quality, time, functions and effectiveness such as faster and more functional decision-making such as:

- Consideration of the connection of management style and its impact on the functionality of the decision-making process;
- The impact of certain dimensions of organizational culture on the quality and functionality of the decision-making process;
- The analysis of management styles that are the most appropriate for every particular EU member country, considering its national culture and other environmental factors that influence decision-making process;
- In what ways the empowerment of employees to independently make decisions affect the functionality of managerial decision-making;
- Under what conditions are strategic, tactical and operational decisions integrated more functionally;
- Which management measures may be kept under control by environmental influences, in order to make functional decisions relating to the organization
- How many made decisions have been implemented and what it depends on.

The complexity of the problem of managerial decision-making in contemporary business conditions and complex and multicultural EU environment causes great interest in research and interpretation of the results, which are of great importance for their improvement in all national and international enterprises.

CONCLUSION

Decision-making may be defined as a process that allows the decision maker to select at least one option from a set of possible alternative decisions. By definition it is a process that takes a certain (longer or shorter) time, and ends with a decision (Al-Tarawneh, 2012).

The concept of decision-making in management is quite broad and is in line with "the creation of the will" and the resolution of one problem, while at the same time in risky business conditions that term is summed even narrower in terms of rational choice between explicit and implicit features of offered solutions.

As a result of the instability and deregulation of the EU market, many companies and organizations are faced with difficulties that take on the characteristics of critical business. Business and management incompetence, lack of liquidity, indebtedness, technological backwardness and lack of competitiveness are the most common problem of organizations. Proactiveness, based on, among other things, the establishment of a system to detect changes to the organization forestall potential risks, as a prior activity and the imperative of survival in the market (Figueira-de-Lemos et al., 2011; Liesch et al., 2014). Changes in organization, restructuring, reorganization, change of processes and product innovation are possible responses to perceived threats. Modern business environments in most organizations are becoming more dynamic and complex. Having in mind that EU environment is characterized by uncertainty and insecurity due to uneven development of its members and significant differences in the dynamics and structure of market changes, the organizations need to find the way to adapt to it and achieve situational harmony (Richard et al., 2006). That implies anticipation of future events, the way they influence business operations and making and implementation of decisions that would prevent possible negative consequences and enable making competitive advantage in new circumstances of business environment. Therefore, decision-making process should be based on relevant and accurately information. The way in which decision-makers collect, use and share information is significantly influenced by dominant cultural norms of the society they belong to (Podrug, 2011; Weber & Morris, 2010).

Culture, as specific set of beliefs and norms of behavior, affects each stage of decision-making process. It influences the perception of events, tendency to risk-taking, tendency to proactiveness and change. It influences the way of communication between managers and subordinates, defines which decision-making style would be the most appropriate and affects the extent to which employees would tend to take risk and make decisions on their own. The differences in main cultural dimensions (power distance, uncertainty avoidance, collectivism/individualism and masculinity/feminity) that exist between EU member countries influence the decision-making process and decision-making style that is the most appropriate in each country or region. Therefore, in Northern-Europe countries and Baltic states employees are proactive, tend to take risk and willing to make decisions on their own (Brewster & Holtlarsen, 1992; Lewis, 2010). They avoid strict supervision and formalization of procedures is mostly at low level, which suggest that participative decision-making style is the most appropriate (Lewis, 2010; Dür & Mateo, 2010; Luptáková et al., 2005). However, while in Baltic states friendly working atmosphere is very important for employees (Mockatitis, 2005), in Northern-Europe countries it doesn't have such a big significance. While in some Centrale-Europe countries (such as Germany and Austria) procedures are formalized in order to divide better working tasks and better control their execution (Lewis, 2010; Rai, 2011; Bloom et. al., 2012), formalization in Southern-Europe countries is mostly connected to high uncertainty avoidance and better predictability of business operations (Brewster & Bennett, 2010; Lewis, 2010). In these cultures managers are responsible for decision making and it is expected that they will consider the wellbeing of their employees. Similarly, in some Western-Europe countries (such as France and Belgium) managers make final decisions which don't necessarily reflect the influence of employees' opinion, while in other countries (Netherlands and Luxembourg) participative decision-making is more appropriate (Manrai & Manrai, 2010; Lewis, 2010; Hofstede, 2010). Considering the fact that European Union is a specific market consisting of many different cultural frameworks, understanding of its cultural diversity is one of main prerequisites of successful business cooperation and internationalization.

REFERENCES

Acquisti, A., & Grossklags, J. (2005). Privacy and rationality in individual decision making. *IEEE Security and Privacy*, *3*(1), 26–33. doi:10.1109/MSP.2005.22

Al-Tarawneh, A.H. (2012). The main factors beyond decision making. *Journal of Management Research*, *4*(1), E18.

Andronaceanu, A., & Ristea, B. (2014). Decision making process in the decentralized educational system. *Procedia: Social and Behavioral Sciences*, *149*, 37–42. doi:10.1016/j.sbspro.2014.08.175

Asemi, A., Safari, A., & Asemi Zavareh, A. (2011). The role of management information system (MIS) and decision support system (DSS) for manager's decision making process. *International Journal of Business and Management*, *6*(7), 164. doi:10.5539/ijbm.v6n7p164

Asemi, A., Safari, A., & Zavareh, A. A. (2011). The role of management information system (MIS) and decision support system (DSS) for manager's decision making process. *International Journal of Business and Management*, *6*(7), 164–173. doi:10.5539/ijbm.v6n7p164

Beekun, R. I., & Westerman, J. W. (2012). Spirituality and national culture as antecedents to ethical decision-making: A comparison between the United States and Norway. *Journal of Business Ethics*, *110*(1), 33–44. doi:10.100710551-011-1145-x

Beyth-Marom, R., Fischhoff, B., Quadrel, M. J., & Furby, L. (1991). Decision making skills. Retrieved from http://www.performwell.org/index.php/identify-outcomes/social-and-behavioral-development/10-indicators/161-decision-making-skills;1986

Bialas, S. (2009). Power distance as a determinant of relations between managers and employees in the enterprises with foreign capital. *Journal of Intercultural Management*, *1*(2), 105–115.

Bloom, N., Sadun, R., & Van Reenen, J. (2012). The organization of firms across countries. *The Quarterly Journal of Economics*, *127*(4), 1663–1705. doi:10.1093/qje/qje029

Brewster, C., HoltLarsen, H., & Trompenaars, F. (1992). Human resource management in Europe: Evidence from ten countries. *International Journal of Human Resource Management*, *3*(3), 409–434. doi:10.1080/09585199200000157

Buyens, D., Dany, F., Dewettinck, K., & Quinodon, B. (2007). France and Belgium: language, culture and differences in human resource practices. *HRM in Europe*, 123-159.

Cavusgil, S. T., Knight, G., Riesenberger, J. R., Rammal, H. G., & Rose, E. L. (2014). *International business*. Pearson Australia.

Coates, J. (1998). *The next twenty-five years of technology: Opportunities and risks* (p. 42). OECD.

Dabić, M., Tipurić, D., & Podrug, N. (2015). Cultural differences affecting decision-making style: A comparative study between four countries. *Journal of Business Economics and Management*, *16*(2), 275–289. doi:10.3846/16111699.2013.859172

Deresky, H. (2017). *International management: Managing across borders and cultures*. Pearson Education India.

Deresky, H., & Christopher, E. (2015). *International management: Managing cultural diversity*. Pearson Higher Education AU.

Didero, M., Gareis, K., Marques, P., & Ratzke, M. (2008). *Differences in innovation culture across Europe*. Transform, Germany: Transformative Use of ICT in EU Regions.

Dimitratos, P., Petrou, A., Plakoyiannaki, E., & Johnson, J. E. (2011). Strategic decision-making processes in internationalization: Does national culture of the focal firm matter? *Journal of World Business*, *46*(2), 194–204. doi:10.1016/j.jwb.2010.05.002

Diskiene, D., Marčinskas, A., & Stankevičienė, A. (2010). Leadership attitudes in Lithuanian business organizations: evidence and perspectives. *International Journal of Leadership Studies, 5*(3), 283-304.

Dür, A., & Mateo, G. (2010). Choosing a bargaining strategy in EU negotiations: Power, preferences, and culture. *Journal of European Public Policy*, *17*(5), 680–693. doi:10.1080/13501761003748666

Figueira-de-Lemos, F., Johanson, J., & Vahlne, J. E. (2011). Risk management in the internationalization process of the firm: A note on the Uppsala model. *Journal of World Business*, *46*(2), 143–153. doi:10.1016/j.jwb.2010.05.008

Fink, G., & Meierewert, S. (2004). Issues of time in international, intercultural management: East and Central Europe from the perspective of Austrian managers. *Journal for East European Management Studies*, 61–84.

Fishburn, P. C. (1988). Normative theories of decision making under risk and under uncertainty. In D. Bell, H. Raiffa, & A. Tversky (Eds.), *Decision making: Descriptive, normative and prescriptive interactions* (pp. 78–98). New York, NY: Cambridge University Press. doi:10.1017/CBO9780511598951.006

Gander, W., Petit, A., Berry, G., Demo, B., Vahrenhold, J., McGettrick, A., ... & Meyer, B. (2013). Informatics education: Europe cannot afford to miss the boat. *Report of the Joint Informatics Europe & ACM Europe Working Group on Informatics Education*.

Grubić-Nešić, L., Mitrovic, S., Melovic, B., & Milisavljevic, S. (2016). Differences between the state/public and private sectors in organizations in Serbia regarding the functionality of managers' decision making. *JEEMS Journal of East European Management Studies*, *21*(1), 82–102. doi:10.5771/0949-6181-2016-1-82

Guess, C. D. (2004). Decision making in individualistic and collectivistic cultures. *Online Readings in Psychology and Culture*, *4*(1), 3. doi:10.9707/2307-0919.1032

Guisan, M. C., Aguayo, E., & Carballas, A. D. (2004). Human capital, industry, tourism and economic development of EU25 Regions.

Hamner, W. Clay, dan Schmidt, Fank, L. (1977). Contemporary problems in personal. Chicago, IL: St. Clair Press.

Hartung, P. J., Fouad, N. A., Leong, F. T., & Hardin, E. E. (2010). Individualism-collectivism: Links to occupational plans and work values. *Journal of Career Assessment*, *18*(1), 34–45. doi:10.1177/1069072709340526

Hayes, J., & Allison, C. W. (1988). Cultural differences in the learning styles of managers. *Management International Review*, 28, 75-80.

Hofstede, G. (2010). *Cultures and organizations: Software of the mind*. London, UK: McGraw-Hill UK.

Hyde, M., Jappinen, P., Theorel, T., & Oxenstierna, G. (2006). Workplace conflict resolution and the health of employees in the Swedish and Finnish units of an industrial company. *Social Science & Medicine*, *63*(8), 2218–2227. doi:10.1016/j.socscimed.2006.05.002 PMID:16782255

Johnson, J. P., Lenartowicz, T., & Apud, S. (2006). Cross-cultural competence in international business: Toward a definition and a model. *Journal of International Business Studies*, *37*(4), 525–543. doi:10.1057/palgrave.jibs.8400205

Kahneman, D., & Lovallo, D. (2000). *Timid choices and bold forecast: Cognitive perspective on risk taking*. California: University of California.

Kazi, S. (2012). Managerial decision-making style: India, Bangladesh, and Finland: Cultural side of the game. *Creating a sustainable business: managerial implications and challenges*.

Klein, G. (2008). Naturalistic decision making. *Human Factors*, *50*(3), 456–460. doi:10.1518/001872008X288385 PMID:18689053

Kreiser, P. M., Marino, L. D., Dickson, P., & Weaver, K. M. (2010). Cultural influences on entrepreneurial orientation: The impact of national culture on risk taking and proactiveness in SMEs. *Entrepreneurship Theory and Practice*, *34*(5), 959–984. doi:10.1111/j.1540-6520.2010.00396.x

Lamba, M., & Ozdasli, K. (2015). Influence of social culture on decision-making manner: an analysis with the structural equation model. *The Anthropologist*, *19*(2), 341–353. doi:10.1080/09720073.2015.11891667

Lämsä, T. (2010). Leadership styles and decision-making in Finnish and Swedish organizations. *Review of International Comparative Management*, *11*(1), 139–149.

LeFebvre, R., & Franke, V. (2013). Culture matters: Individualism vs. collectivism in conflict decision-making. *Societies (Basel, Switzerland)*, *3*(1), 128–146. doi:10.3390oc3010128

Lewis, R. (2010). *When cultures collide*. Nicholas Brealey Publishing.

Li, Y., Ashkanasy, N. M., & Ahlstrom, D. (2014). The rationality of emotions: A hybrid process model of decision-making under uncertainty. *Asia Pacific Journal of Management*, *31*(1), 293–308. doi:10.100710490-012-9341-5

Liang, T. P., & Hung, S. Y. (1997). DSS and EIS applications in Taiwan. *Information Technology & People*, *10*(4), 303–315. doi:10.1108/09593849710194687

Liesch, P. W., Welch, L. S., & Buckley, P. J. (2014). Risk and uncertainty in internationalisation and international entrepreneurship studies. In *The Multinational Enterprise and the Emergence of the Global Factory* (pp. 52–77). London, UK: Palgrave Macmillan.

Linkov, I., Satterstrom, F. K., Kiker, G., Batchelor, C., Bridges, T., & Ferguson, E. (2006). From comparative risk assessment to multi-criteria decision analysis and adaptive management: Recent developments and applications. *Environment International*, *32*(8), 1072–1093. doi:10.1016/j.envint.2006.06.013 PMID:16905190

Luptáková, S., Vargic, B., & Kincel, I. (2005). National culture dimension of power distance in the Baltic States. *Journal of Business Economics and Management*, *6*(2), 61–69. doi:10.3846/16111699.2005.9636094

Luthans, F., & Doh, J. P. (2012). *International management: Culture, strategy, and behavior* (p. 110). New York: McGraw-Hill.

Maly, M. (2014). Decision making style in companies (case of Austrian and Czech companies). *Journal of International Scientific Publications*, *8*, 10–16.

Manrai, L. A., & Manrai, A. K. (2010). The influence of culture in international business negotiations: A new conceptual framework and managerial implications. *Journal of Transnational Management*, *15*(1), 69–100. doi:10.1080/15475770903584607

Michael, J., & College, W. (1997). A conceptual framework for aligning managerial behaviors with cultural work values. *International Journal of Commerce and Management*, *7*(3/4), 81–101. doi:10.1108/eb047357

Mihaila, M. (2014). Managerial accounting and decision making, in energy industry. *Procedia: Social and Behavioral Sciences*, *109*, 1199–1202. doi:10.1016/j.sbspro.2013.12.612

Miller, R., Michalski, W., & Stevens, B. (1998). *The promises and perils of 21st century technology: an overview of the issues* (p. 9). OECD.

Minkov, M., & Hofstede, G. (2014). A replication of Hofstede's uncertainty avoidance dimension across nationally representative samples from Europe. *International Journal of Cross Cultural Management*, *14*(2), 161–171. doi:10.1177/1470595814521600

Mitrovic, S., & Melovic, B. (2013). *The principles of modern management*. Novi Sad: Faculty of Technical Sciences.

Mockaitis, A. I. (2005). A cross-cultural study of leadership attitudes in three Baltic Sea region countries. *International Journal of Leadership Studies*, *1*(1), 44–63.

Müller, R., Spang, K., & Ozcan, S. (2009). Cultural differences in decision making in project teams. *International Journal of Managing Projects in Business*, *2*(1), 70–93. doi:10.1108/17538370910930527

Nielsen, B. B., & Nielsen, S. (2011). The role of top management team international orientation in international strategic decision-making: The choice of foreign entry mode. *Journal of World Business*, *46*(2), 185–193. doi:10.1016/j.jwb.2010.05.003

Nishimura, S., Nevgi, A., & Tella, S. (2008). Communication style and cultural features in high/low context communication cultures: A case study of Finland, Japan, and India. *Teoksessa A. Kallioniemi (toim.), Uudistuva ja kehittyvä ainedidaktiikka. Ainedidaktinen symposiumi, 8*(2008), 783-796.

Parra, X., Tort-Martorell, X., Ruiz-Viñals, C., & Álvarez-Gómez, F. (2019). A maturity model for the information-driven SME. *Journal of Industrial Engineering and Management*, *12*(1), 154–175. doi:10.3926/jiem.2780

Podrug, N. (2011). Influence of national culture on decision-making style. *South East European Journal of Economics and Business*, *6*(1), 37–44. doi:10.2478/v10033-011-0004-0

Rahman, M. S. (2017). The advantages and disadvantages of using qualitative and quantitative approaches and methods in language" testing and assessment" research: a literature review. *Journal of Education and Learning*, *6*(1), 102–112. doi:10.5539/jel.v6n1p102

Rai, R. K. (2011). Knowledge management and organizational culture: A theoretical integrative framework. *Journal of Knowledge Management*, *15*(5), 779–801. doi:10.1108/13673271111174320

Ricci, A. (2000). Measuring information society: Dynamics of European data on usage of information and communication technologies in Europe since 1995. *Telematics and Informatics*, *17*(1-2), 141–167. doi:10.1016/S0736-5853(00)00002-2

Robbins, S., & Coulter, M. (2005). *Management* (8th ed.). Upper Saddle River, NJ: Prentice Hall.

Rode, D. (1997). *Managerial decision making: Normative and descriptive interactions*. Carnegie Mellon University.

Scott, A. (2000). *Strategic planning*. Edinburg, UK: Business school.

Slovic, P. (2000). *The perception of risk*. Sterling, VA: Earth.

Szelągowska-Rudzka, K. (2017). Employee direct participation in organizational change process–pilot study report. business and non-profit organizations facing increased competition and growing customers'demands. In *Proceedings of the 16th conference "Business and non-profit organisations facing increased competition and growing customers' demands",* Tomaszowice, Poland, June 19-20, 2017.

Townsend, R. (1970). *Up the organization; how to stop the corporation from stifling people and strangling*. San Francisco, CA: Jassey-Bass.

Vecht, B. V., Dignum, F., & Meyer, J. J. (2009, September). Autonomy and coordination: Controlling external influences on decision making. In *Proceedings of the 2009 IEEE/WIC/ACM International Joint Conference on Web Intelligence and Intelligent Agent Technology-Volume 02* (pp. 92-95). IEEE Computer Society. 10.1109/WI-IAT.2009.134

Weber, E. U., & Morris, M. W. (2010). Culture and judgment and decision making: The constructivist turn. *Perspectives on Psychological Science*, *5*(4), 410–419. doi:10.1177/1745691610375556 PMID:26162187

Weber, Y., & Yedidia Tarba, S. (2012). Mergers and acquisitions process: The use of corporate culture analysis. *Cross Cultural Management*, *19*(3), 288–303. doi:10.1108/13527601211247053

Williams, C. (2012). *Principles of management*. South-Western College Publishing.

Yoon, H. J. (2012). Predicting employee voice behavior: an exploration of the roles of empowering leadership, power distance, organizational learning capability, and sense of empowerment in Korean organizations.

ADDITIONAL READING

Aharoni, Y., Tihanyi, L., & Connelly, B. L. (2011). Managerial decision-making in international business: A forty-five-year retrospective. *Journal of World Business*, *46*(2), 135–142. doi:10.1016/j.jwb.2010.05.001

Ashmos, D., Duchon, D., & McDaniel, R. Jr. (1998). Participation in Strategic Decision Making: The Role of Organizational Predisposition and Issue Interpretation. *Decision Sciences*, *29*(1), 25–51. doi:10.1111/j.1540-5915.1998.tb01343.x

Bazerman, M., & Moore, A. (2012). *Judgment in Managerial Decision Making, 8th*. Wiley & Sons.

Bernthal, W.F. (1962). Value Perspectives in Management Decision. Journal of the Academy of Management, December, pp.193-196.

Blattberg, R., & Hoch, S. (1990). Database models and managerial intuition: 50% model + 50% manager. *Management Science*, *36*(8), 887–899. doi:10.1287/mnsc.36.8.887

Bloom, N., Genakos, C., Sadun, R., & Van Reenen, J. (2012). Management practices across firms and countries. *The Academy of Management Perspectives*, *26*(1), 12–33. doi:10.5465/amp.2011.0077

Brewster, C., & Bennett, C. (2010). Perceptions of business cultures in Eastern Europe and their implications for international HRM. *International Journal of Human Resource Management*, *21*(14), 2568–2588. doi:10.1080/09585192.2010.523575

Dür, A., & Mateo, G. (2010). Choosing a bargaining strategy in EU negotiations: Power, preferences, and culture. *Journal of European Public Policy*, *17*(5), 680–693. doi:10.1080/13501761003748666

Evans, W. A., Hau, K. C., & Sculli, D. (1989). A cross-cultural comparison of managerial styles. *Journal of Management Development*, *8*(3), 5–13. doi:10.1108/EUM0000000001345

Francioni, B., Musso, F., & Cioppi, M. (2015). Decision-maker characteristics and international decisions for SMEs. *Management Decision*, *53*(10), 2226–2249. doi:10.1108/MD-03-2015-0094

Harrison, E. F., & Pelletier, M. A. (2000). The Essence of Management Decision. *Management Decision*, *38*(7), 462–469. doi:10.1108/00251740010373476

Issel, M., & Anderson, A. R. (2001). Intensity of case managers' participation in organizational decision making. *Research in Nursing & Health*, *24*(5), 361–372. doi:10.1002/nur.1037 PMID:11746066

Jennings, D., & Wattam, S. (1998). Decision Making: An Integrated Approach, NJ: Upper Saddle River.

Rodrigues, S., & Hickson, D. (1995). Success in decision making: Different organizations, differing reasons for success. *Journal of Management Studies*, *32*(5), 655–678. doi:10.1111/j.1467-6486.1995.tb00793.x

Swami, S. (2013). Executive functions and decision making: A managerial review. *IIMB Management Review*, *25*(4), 203–212. doi:10.1016/j.iimb.2013.07.005

KEY TERMS AND DEFINITIONS

Circumstances: Factors that may directly or indirectly influence the decision-making.

Cultural Dimensions: A specific value construct used to describe certain characteristics of a culture or to enable comparison of different cultures.

Culture: A set of specific beliefs, customs, values and norms widely adopted in one society, that shapes the behavior of its members.

Decision: The choice between several possibilities (also called alternatives) that are at manager's disposal.

Decision Making Process: A process of creating value for business, through planning, controlling and evaluating performance.

European Union: An economical and political union of 29 member countries forming common market, with free flow of people, capital, good and services and that are subject to the obligations and the privileges of the membership.

Manager: Person performing the function of management in all organizations.

Risk: Possibility to achieve the unintended consequences of some events.

Risky Situation: A situation where the outcome is unknown to the decision-maker, i.e. he/she is not sure which outcome will occur and the uncertainty may lead to erroneous choices.

Systems for Decision-Making Support: Computer-based interactive systems that help management in the use of data and models to solve unstructured problems in the decision-making process.

Chapter 21
The Changing Security Perceptions of the European Citizens and the European Union

Mehlika Özlem Ultan
https://orcid.org/0000-0002-0718-9083
Kocaeli University, Turkey

ABSTRACT

Factors affecting the security of the European continent and the European Union countries are evaluated frequently, but the opinions of the citizens on this subject are generally underestimated. This chapter analyses changes in security and threat perceptions of the citizens of the Union. The most reliable source for these transformations is Eurobarometer surveys. Therefore, within the scope of this study, the author tries to understand which subjects are considered as threats by the citizens of the Union, which issues are approached as a security problem, and how these evaluations are taken into consideration by the Union decision makers. One of the most important goals of the study is to analyse the historical change and transformation of the security problems faced by the citizens in economic, social, political, and cultural terms and to analyse the perception of the citizens of the Union.

INTRODUCTION

Although the security concerns of the European Union (EU) are on the agenda of the Union since the 1990s, strategic action plans for security began to be published in the 2000s. The first strategic plan which underlying this study was published in 2010. According to the "The Internal Security Strategy in Action" (2010, p. 1), there are five significant challenges to the internal security of the European Union itself. These can be listed as "terrorism, organised crime, natural and man-made disasters, cybercrime, and security of EU borders".

DOI: 10.4018/978-1-7998-1188-6.ch021

The strategic plan, issued by the European Commission, is a warning to the security problems facing the Union. In line with this plan, which briefly informs about the security problems and seeks solutions, it is foreseen that the security of the Union will be provided at a more advanced level. It is seen that the subjects that the citizens of the European Union perceive as security problems and their importance are being investigated after the Internal Security Strategy in Action published in 2010. The European Union initiated some surveys to understand the awareness of the European citizens on the security problems which has posed by the decision makers of the Union. Eurobarometer surveys have been conducted since 1974, and inquiries about security perceptions of Union citizens can be reached from 2011.

In this study, it is planned to examine the Eurobarometer surveys about the European security which published since 2011 and to understand how the subjects which perceived as security problems by the European citizens have changed in the historical process. Thus, it will be possible to analyse the security issues not only from the point of view of the European Union institutions but also of the European citizens. Within the scope of this study, the Eurobarometer surveys published in 2011, 2015 and 2017 will be analysed, and the subjects which the citizens regard as the security threat will be shown. And finally, these subjects will be addressed in the context of European security and will be discussed how they become a security threat.

THE SECURITY OF THE EUROPEAN UNION

The importance of security issues is one of the subjects that are debated continuously in world history. Many studies have been conducted in the field of security, and many researchers have carried out activities in order to ensure security. In most of the studies, it is seen that the security is defined in different frameworks both in the narrow sense and broad sense. According to the definition of Christou, Croft, Ceccorulli and Lucarelli (2010, p. 341), "security may be thought about as objective threats to specific referent objects; as a series of relationships between states, framed by the existence of international anarchy; as a model of power relations between different groups; as a socially constructed norm that can empower and repress; as a mode of governmentality by which those in authority control the population; as a positive norm, which if achieved, can emancipate the disempowered."

In addition to economic cooperation, the European Union is an international organisation established to prevent war in the European continent. Taking steps to ensure that its citizens live in a safe environment, it seeks to create never-before-seen cooperation in the European continent. The security notion in the European Union has been developed within the context of the security dilemmas which the EU faces in the post-cold war period. The EU has been trying to manage the structures of security governance in order to be a security actor in world politics. However, even though the citizens of the Union live in safety, the issues of protection of peace and security are getting more and more important. There are many reasons for this situation. The 2008 economic crisis and its effects on the states can be accepted as one of the crucial factors during the 2010s. Most of the citizens have felt insecure as a result of this crisis. War and armed conflicts on the European Union countries borders have raised the security challenges. The terrorist attacks also can be accepted as one of the most important security issues.

However, Security studies in the European Union have not been carried out only after 2010. For example, in 1992, at Petersberg, there were several policy declarations about security issues (Edwards, 2006, p. 11). In 2003, the Strategy against the Proliferation of Weapons of Mass Destruction was launched. In 2003, Common Foreign and Security Policy High Representative Javier Solana published a security

Table 1. The security threats and their importance according to the European citizens

Security Threats/ Years	Terrorism	Organised Crime	Natural and Man-Made Disasters	Cybercrime	The EU's External Borders
2011	%58	%54	%48	%43	-
2015	%65	%54	%37	%42	%40
2017	%76	%63	%53	%56	%51

Source: (Special Eurobarometer 464b on "Europeans' attitudes towards security")

strategy plan which determined the 'fragile states' and identified the key threats like corruption, weak institutions or abuse of power for the future of the Union (Hout, 2010, p. 145).

In order to understand the difference between the perceived security threats and real security threats, it is necessary to evaluate the issues that the Union considers as a security threat.

THE THREATS TO THE SECURITY OF THE EUROPEAN UNION

Even though the EU member states cannot cooperate in some policy areas, they are united in their understanding of threats. After the end of the Cold War, the content of the threats changed and varied (Heusgen, 2004, p. 6). Especially, after the September 2001 terrorist attacks in New York, the perceived threats are changed. For example, in 2008, the perceived threats would be listed as "economic instability and terrorist attacks; instability in the neighbourhood and disruption in the energy supply; and cyber-attacks". Nowadays, the most important perceived threats are accepted as "cyber-attacks; state collapse or civil war in the European Union's neighbourhood; external meddling in domestic politics; uncontrolled migration; and the deterioration of the international institutional order". According to the experts, ten years later, in 2028, the perceived threats will be "an inter-state war involving the country or allies; the disintegration of the EU; disruption in the energy supply; and financial instability" (Dennison, Franke & Zerka, 2018, pp. 2-3).

However, according to the 2010 Internal Security Strategy in Action, the real security threats that the European Union has faced can be seen as "terrorism, organised crime, natural and man-made disasters, cybercrime, and security of EU borders". These five security issues described in the 2010 Internal Security Strategy in Action published by the European Commission have been dealt with in the Eurobarometer surveys to measure citizens' perceptions of security. The answer to the question 'In your opinion, how important are the following challenges to the internal security of the EU?' can be analysed from the following table.

A large majority of the citizens define terrorism, organised crime and cybercrime as crucial challenges to the European Union security. As can be seen from the Eurobarometer surveys, the issue of terrorism in citizens' perception of security displays a rising graph in each survey. According to the results of the 2017 Eurobarometer survey, the majority of the citizens in all of the member states regard terrorism as a very serious security threat. However, Sweden (43%) and Estonia (46%) are exceptions to this generalisation. While the average percentage of the Union is 70%, Cyprus (88%) and Bulgaria (86%) are over the average.

The distribution of citizens who see organised crime as a very important security threat is more diverse. Sweden (42%) and Estonia (22%) again are under the average of respondents who hold this view. The citizens of Bulgaria (82%) mostly see organised crime as a security threat.

In 21 of the 28 members of the EU, nearly half of the citizens think that natural and man-made disasters are a very important security threat to the internal security of the Union. However, Bulgaria (74%) again stands out with the highest level of concern about this issue.

There are also significant country-level differences in the rates of citizens who think that cybercrime is a very important challenge to the internal security of the EU. In 20 of the 28 members of the EU, half of the citizens think that cybercrime is a very important security issue of the Union. The Netherlands (75%) and Cyprus (76%) are over the average level of the respondents.

Finally, in 21 member states of the EU, at least half of the citizens regard the EU's external borders as a very important security threat. The highest rates of citizens sharing this view are found in Cyprus (67%), Hungary (70%), and Bulgaria (81%) (Special Eurobarometer 464b, 2017, p. 21).

The data in Table 1 are required to understand whether the issues that the European Union regards as security threats are considered important by the citizens or not. However, when the Eurobarometer surveys are examined, it is seen that the perception of security threat of citizens is different. In order to understand the differentiation in the perception of threat, it is necessary to examine the 2011 and 2015 Eurobarometer survey results.

According to the results of the 2011 Eurobarometer survey (Special Eurobarometer 371, 2011, pp. 19-22), the main challenges to the European Union security were identified as economic and financial crises (34%), terrorism (33%), and organised crime (21%). Between 10% and 18% of European citizens considered poverty, irregular immigration, corruption, environmental issues/climate change, natural and nuclear disasters and the security of EU borders as the important security challenges facing the EU. Less than 10% of European citizens cited cybercrime, wars and civil wars, religious extremism, and petty crime as security threats. Economic and financial crises were accepted as the most important security issues by the citizens. Greece (59%), Cyprus (58%), Spain (56%), Ireland (53%) and Hungary (50%) mentioned that economic crises as the most important challenge, while France (17%) and Latvia (17%) were least likely to regard economic and financial crises as a security threat. Terrorism was the second accepted security challenge. Denmark (53%), Bulgaria (41%) and the United Kingdom (41%) are mainly mentioned about terrorism. The third-ranked threat organised crime was most likely to be determined as a security threat by citizens in Austria (44%) and Ireland (42%).

According to the results of the 2015 Eurobarometer survey (Special Eurobarometer 432, 2015, pp.19-21), the main challenges to the European Union security were identified as terrorism (49%), economic and financial crises (27%), organised crime (23%), poverty (23%) and corruption (23%). While terrorism has increased its proportion from 33% to 49%, the economic and financial crises has decreased from 34% to 27% for four years period of time. Between 11% and 20% of European citizens considered religious extremism, irregular migration, cybercrime and civil wars and wars as the important security challenges facing the EU. Less than 10% of European citizens cited petty crime, insecurity of the EU's external borders, environmental issues or climate change, natural disasters and nuclear disasters as security threats. Terrorism was the most mentioned security threat in 15 countries, and the proportion of respondents who accepted terrorism as the main challenge ranged from 62% (Malta) and 60% (Denmark) to 22% (Latvia) and 25% (Slovenia). Economic and financial crises were the second accepted security challenge. Estonia (36%) and Finland (31%) were thought that the economic and financial crises were the most important security threat for the EU.

As can be seen, the perceptions of security threats of citizens and the security threats of the European Union are similar except for the economic and financial crises. In this context, it is necessary to take a brief look at the issues that the European Union considers as a security issue. Finally, it will be evaluated why it is accepted as a security threat and what are the effects of the economic crisis on the European Union and its citizens.

Terrorism

According to the EU Internal Security Strategy in Action, terrorism is the main security threat to the European Union. As an international organisation, one of the main aims of the European Union is to provide national security and protect the state and its citizens from the terrorist attacks (Lugna, 2006, p. 101). The proof of this situation can be traced back to 1977 when 'the European Convention on the Suppression of Terrorism' was signed. Even though it did not make a definition of terrorism, it tried to explain the procedural nature of terrorist attacks (Dumitriu, 2004, p. 586). After the terrorist attacks in New York and Washington in September 2001, the European Union member states are being at the target of terrorist attacks as well. Fear of terrorism is especially prominent in some countries that have recently experienced terrorist attacks (Dennison, Franke & Zerka, 2018, p. 3).

Since 2004, many EU countries have lost hundreds of citizens in terrorist attacks. The bloodiest of these events was seen in 2004, at the capital of Spain, Madrid, the bombs were placed on three separate trains. The suicide bombing in London, England in 2005; the bomb attack in Oslo, Norway, in 2011; the armed attack to the office of Charlie Hebdo, the humour magazine and bomb attacks in Paris, France in 2015; the suicide attacks at the airport and metro station in Brussels, Belgium in 2016; the truck attack in Nice, France and Berlin, Germany in 2016; the attack in a concert in Manchester, UK in 2017; the minibus attack in London, UK in 2017 can be listed as the most important terrorist events facing European countries. These terrorist attacks began in the form of bomb attacks but have changed over time. The use of vehicles such as minibuses and trucks, which can now be arranged more easily instead of bombs, makes it harder to prevent them. Therefore, the European Union and the citizens of the Union see terrorism as the most serious security threat. As it can be seen, the European continent has been combating both internal and international terrorism for a long period (Zimmermann, 2006, p. 123).

The threat of terrorist attacks remains real and serious, and several member states are the targets of separatist and extremist terrorism. The EU should find out some solutions in order to prevent terrorism (The EU Internal Security Strategy in Action, 2010, p. 1). In order to minimise the effects of this threat, the security strategy has been launched; so, it can be said that 'concerted European action is indispensable' (Lugna, 2006, p. 101). Thus, the Union concentrated on the fight against terrorism and made some implementations (Zimmermann, 2006, p. 123).

The Union has decided that there is a common threat and it should be a European approach to counter-terrorism. The 2003 European Security Strategy was prepared for this reason. According to the strategy, the danger of terrorist groups who use biological, chemical or nuclear bombs on the European continent should not be underestimated (Keohane, 2005, p. 6). Since the bloodiest terrorist attack in Madrid, the Union is trying to create a common policy to fight with terrorism. Although the European Union has fought with terrorist groups such as ETA and IRA; confronting the attacks of cross-border terrorist groups requires urgent and long-term measures (Keohane, 2005, p. 1).

The European Union has been trying to help member states to fight with terrorist groups, but there are some limitations. First of all, the EU is not a national government, so it cannot arrest terrorists, or it cannot track them by spies or satellites. Governments have to carry out most of their activities at the local level. Secondly, counter-terrorism is not a policy area, so there is a need the approval from most of the governmental departments of states. Because counter-terrorism is related to many policy areas such as defence policy or border control, trying to coordinate the member states governments at the EU level can be very difficult (Keohane, 2005, pp. 2-3). At the national level, the EU members have adopted some policies to defend themselves against terrorism. They have adopted legislative measures and policies in order to facilitate cross-border cooperation by national authorities and intelligence agencies (Vries, 2005, p. 3). However, at the international level, the Union is not seen sufficient to put an end to the threat of terrorism (Zimmermann, 2006, p. 139). Terrorism will remain the core elements in shaping international policy efforts in Europe because as it can be seen at the Eurobarometer surveys, both the citizens and the policymakers of the Union have perceived the terrorism as a major threat to European security (Deflem, 2006, p. 354).

Organised Crime

According to the EU Internal Security Strategy in Action, organised crime is the second security challenge of the European Union. It is noteworthy that organised crime has been one of the major threats to human being which has so many effects on the social, economic, political and cultural development of societies throughout the world. Organised crime can be seen in many ways such as "drug trafficking, trafficking in vehicles, trafficking in firearms, the smuggling of migrants, or money laundering" (Chang, Lu & Wang, 2013, p. 131). It should be underlined that there is a difference between organised crime and crime. Organised crime has a level of continuity and a level of coordination. And many analysts believe that it is not easy to obtain reliable information about organised crime rather than about crime (Holmes, 2009, p. 272).

After the Second World War, criminal activities have been raised and has become a severe socio-economic problem in the world. In 2008, the crime rates of six countries in the world were prominent: the UK, the Netherlands, Germany, Canada, France and South Africa. This trend is related to a new phenomenon: while the organised crime rate in the U.S. has declined, the organised crime rate of the European countries has risen (Chang, Lu & Wang, 2013, p. 130). The term 'organised crime' has been famous in the US. While the attention was paid to the US, the European countries did not notice how serious was the organised crime. Some countries have begun to interrogate whether there is an organised crime problem or not. Only Italy did not need to ask that question, because it has its organised crime problem in the form of the Sicilian mafia since the 19th century (Van Duyne & Vander Beken, 2009, p. 263-264). Some of the member states have been aware of the 'organised crime' threat, but for some others, it has taken some time to discover it. Nowadays, they all discover organised crime problem, but still, their interests are at the forefront of their agenda (Van Duyne & Vander Beken, 2009, p. 263).

From the 1990s, the term organised crime has been mostly known by all the members of the EU. Even though it is difficult to find out a common interest about the organised crime for the member states, 'the Action Plan to Combat Organized Crime' has adopted by the Ministers of Justice and Home Affairs. It includes some regulations for fighting against organised crime in the member states of the EU. However, this call for unification was underestimated by the states, so they have continued to apply their policies and rules in order to fight against organised crime (Den Boer, 2001, p. 259).

As criminal networks operate internationally, the Union should take implementations at the international level. The human trafficking, child exploitation, drugs trafficking, arms trafficking or illegal shipment and dumping of waste can be accepted as the main organised crime problems. In order to solve this problem, the European Union should strengthen its existing cooperation between law enforcement and judicial authorities in the members and its institutions. The organised crime is accepted a security threat both for the European Union policymakers and the European citizens. So, Europol and Eurojust should be more aware of the importance to fight serious cross-border crime and the traditional fields of organised crime activities such as drug trafficking and trafficking in human beings (The EU Internal Security Strategy in Action, 2010, p. 1).

Although there are so many efforts by the Union to make a general definition of the term 'organised crime', each member state continues to apply their policies, methods or formulations in order to fight against the organised crime (Den Boer, 2001, p. 260). If the need to cope with the trans-border organised crime can be understood, the differentiation of criminal law and organisational harmonisation can contribute to a more effective fight (Edwards & Gill, 2002, p. 219).

CyberCrime

According to the EU Internal Security Strategy in Action, cybercrime is the third security threat to the European Union. Cyber is accepted as the area in which, the European Union member states feel most vulnerable (Dennison, Franke & Zerka, 2018, p. 6). For the development of humanity, technological innovations are needed. However, it can cause to one of the most dangerous global threat which is cybercrime. It can be described as a new kind of traditional terrorist activity because it has been committed by using new technologies. Terrorist groups have changed their attack style from conventional to cyber-attacks. Because via cyber-attacks, they can reach much further and can have graver consequences than conventional terrorism (Tehrani, Manap & Taji, 2013, p. 208).

Cyber-attacks have become a more and more important issue because of the lack of global solution. Although there are regional and national regulations, there is a need for international law to deter cyber-attacks. Without international cooperation, it can be difficult for national governments to draft a law related to cybercrime. The network technologies have a complex structure for the understanding of national authorities (Gercke, 2009, p. 410). Thus, the existing international agreements should be reviewed so that effective solutions can be found for cyber threats (Tehrani, Manap & Taji, 2013, p. 207). Moreover, the support of the international organisation like NATO and the EU is crucial. The coordination between these international organisations can help to fight against cyber-attacks (Bendiek, 2012, pp. 19-20).

For the security-related issues, the cyber-security has a high-priority (Rughinis & Rughinis, 2014, p. 111). Like the organised crime, cyber-attacks have also seen in the United States. Since two decades, European countries have had to meet some cybersecurity challenges. (Sliwinski, 2014, p. 468). While the US can take some measurements suitable to its sovereign authority, European governments have had to take measurements firstly at the national level to develop cybersecurity policies (Ilves, Evans, Cilluffo & Nadeau, 2016, p. 127). The use of the internet for terrorist attacks has resulted in the efforts of the European Union to work to prevent these attacks (Argomaniz, 2015, p. 250). In order to ensure information security, the EU has primarily focused on data protection and regulation of the telecommunications sector. As a result, in 1999, the Directive on Data Protection has been launched to unify the EU national rules on data protection. In 2002, the regulatory framework on telecommunications established security requirements for internet service providers. In 2004, the European Network and Information Security Agency (ENISA) was established. In 2010, the European Union Computer Emergency Response Team (CERT-EU) was created which has concentrated on the security of EU institutions (Ilves, Evans, Cilluffo

& Nadeau, 2016, p. 131). In 2010, the European Commission proposed an action plan to fight against cybercrime. According to the Commission, the cybercrime is naturally borderless, so there is a need to offer effective and satisfactory cross-border provisions (Bendiek, 2012, pp. 19-20). The examples of attacks against information systems have significantly increased in recent years. Every individual and business using the internet can be a subject to cybercrimes such as ID theft and credit card fraud. The Commission established a cybercrime centre in 2013, improving cooperation between the members of the EU and the EU institutions in the fight against cybercrime. (The EU Internal Security Strategy in Action, 2010, p. 1). The European Union has been trying to implement a new legal framework which has a three-way solution. First of them is the reduction of frictions among national legislation; the second one is the introduction of new investigative powers; and the third one is the facilitation of international cooperation (Calderoni, 2010, p. 339). The Eurobarometer surveys have also shown increased concern about the cybercrime. Even though there are so many developments related to fighting against the cybercrime, the new technologies and the globalisation process can increase the cyber-attacks (Marion, 2010, p. 709).

Natural and Man-Made Disasters

According to the EU Internal Security Strategy in Action, natural and man-made disasters are seen as a security threat as well. While the European Union has shown the negative effects of it, it has also underlined its risk that varies according to geography and climate. In the European continent, while the southern states are generally exposed to earthquakes or forest fires, the northern states cope with flooding or snowfalls. The natural disasters are generally related to climate change. Thus, when the Eurobarometer surveys investigated, rather than under the name of the natural disasters, climate change can be seen as a security threat. Moreover, other crises like energy shortage or some major industrial accidents are determined as man-made disasters. The European Commission has been trying to implement some measures in order to minimise the effects of all natural, accidental and malicious threats and hazards to the countries (The EU Internal Security Strategy in Action, 2010, p. 1). Related to natural disasters, attempts to create a common environmental policy is seen as crucial for the European Union. Especially with the Lisbon Treaty in 2009, the agriculture, energy and transport sectors which are accepted environmentally important are at the process of ratification so that the international environmental politics should be shaped. As a result, the effects of climate change can be minimised (Bensona & Jordan, 2010, p. 468).

The EU's External Borders

According to the EU, the Internal Security Strategy in Action, the control of the EU's external borders is the last security threat to the European Union. The issues related to the EU's external border controls and surveillance have been viewed generally as a migration problem. According to some researchers, it is also an organised crime issue. However, the EU Internal Security Strategy has accepted that the control of the illegal migration, preventing from the trafficking of persons and protecting the external borders are the main problems of the EU associated with the security threats (The EU Internal Security Strategy in Action, 2010, p. 1).

While the European continent was initially in an emigration position, it became more and more popular migration areas after the Second World War (Jandl, 2007, p. 292). The reasons for migrations to Europe can be attributed to the social, economic and political changes occurring within the framework of increasing globalisation; the collapse of the Soviet Union; the increasing level of poverty in Africa and regional wars. Along with the development of the European Union, the changes in the borders of Europe and border controls are also important factors in the migration to Europe. The factors that make the migration to European countries attractive are; lack of labour, comprehensive social security policies, strong economies, democratic systems and political and social stability in the European countries (Ultan, 2016, p. 47). However, migration is one of the most controversial issues in Europe. The flows of asylum-seekers, labour migrants or irregular migrants have been generally associated with different problems, such as terrorism, criminality and social unrest (Léonard, 2010, p. 231).

The debates on the free movement of people began since the 1980s. Economic developments as a result of globalisation, the effects of organised crime, terrorism and international migration have made the concept of border management a socio-political issue that must be examined not only in the European Union but also in the whole world. Especially after the terrorist attacks of 11 September 2001 and 11 March 2004 Madrid, the increasing terrorist threat and illegal movements brought the management of the external borders to a priority position. These attacks, which have influenced both national and international security policies of countries, have increased the importance given to justice and home affairs in the European Union (Jorry, 2007, p. 1).

Especially, eastern and southern European countries were concerned about illegal and irregular migration into their countries more than the other parts of the European continent. As it can be understood from the Eurobarometer surveys, according to Slovenia, Austria, Hungary, Bulgaria, Greece, Malta, and Italy, the control of the external borders is the most significant threat they face (Dennison, Franke & Zerka, 2018, p. 3). In recent years, both southern and northern member states have strengthened the internal surveillance systems on irregular migrants. To establish the controlling and identifying systems are at the agenda of all the member states (Broeders & Engbersen, 2007, p. 1592). With the EURODAC (European Fingerprint Data Bank) contract, which was put into effect in 2000, the European Union started to take fingerprints of foreigners who applied for asylum or illegally entered a member country. With the opening of fingerprint information among the member countries of the Union, it is aimed to try to prevent any negative situation beforehand. With the 'Passenger Name Records' (PNR), which was adopted in 2001, anyone who wants to enter EU territory it has become to be recorded (Broeders, 2007, p. 72). The foundation of the EU's border agency FRONTEX can also contribute to the prevention of the internal security and to combat with the crime, especially the trafficking of persons, at the external border of the EU. The European Border Surveillance System (Eurosur) is also related to the control of migration and the external borders (The EU Internal Security Strategy in Action, 2010, p. 1).

Organised crime activities such as illegal migration, drug trafficking and human trafficking that threaten the internal security of the European Union are increasing. Organised crime organisations have increased their activities in the member states of the EU by benefiting from the opportunities of free movement. This situation led the European Union countries to make further cooperation between not only the other countries but also the other international organisations.

The Economic and Financial Crises

With the impact of the global economic crisis, which was the deepest crisis of the world economy since World War II, started in 2008, the demand for goods subject to international trade decreased, and trade finance problems began to emerge. The contraction in global trade volume indicates the largest decline in global trade in almost forty years (Shelburne, 2010, pp. 1-2). The crisis in the American subprime mortgage market triggered a financial and economic crisis that few people expected that it could be effective on the whole world economy (Lallement, 2011, p. 627).

The economic crisis that hit all of the world economies has quickly travelled from the US and the UK to the rest of Europe like Ireland, Greece, Portugal, Spain and Italy with a domino effect (Bellucci, Lobo & Lewis-Beck, 2012, p. 469). The 2008 economic crisis that spread all over the world has also affected the European Union countries (Heyes, 2013, p. 72). In all EU countries, particularly Greece, the effects of the economic crisis continue, and the unemployment problem remains serious. Economic crisis leads to an increase in unemployment rates in Europe. On the other hand, it is seen that there are cuts in the salaries and social security expenditures of those who protect their jobs (Ultan, 2016, p. 74). The EU integration process, which has been successfully continued for more than half a century, is facing with maybe the most serious sustainability test throughout its history (Dabrowski, 2010, p. 39).

This economic crisis, which affects all the European Union countries, is seen as a security threat by the citizens of the Union. Unlike other security threats, this time, there is a process that affects the economies of countries and directly reduces the welfare of citizens. Citizens see economic and financial crises as a threat to the security of the European Union, and perhaps they are afraid that an ongoing euro crisis can cause to the disintegration of the EU which established for economic purposes. However, the European Union does not accept the economic crisis as a threat; it considers this a global problem and tries to take economic measures to solve it.

CONCLUSION

Many of the perceived threats are spreading increasingly to all of the European Union countries. The threats are not constrained by national borders, and they are not restricted to one part of European society. That is the reason why security threats generally affect the European Union as a whole. The main aim of this study is to compare the determined security threats by the European Union and the perceived security threats of the European Union citizens. The European Union has defined the security issues within the EU Internal Security Strategy in Action which was accepted in 2010. The perception and awareness of the citizens regarding the security issues are analysed from the Eurobarometer surveys from 2011 to 2017.

The results of the surveys show that nearly all of the citizens are seen terrorism and organised crime as security threats. This situation underlines that the European Union and citizens consider the same issue as a security challenge.

European citizens often feel safe within the borders of the Union. However, when the Eurobarometer survey results are examined, it is understood that citizens have serious doubts about security within the last 20 years. Terrorist attacks have the most important role in making citizens feel insecure. Although the European Union tries to take care of security, uncontrolled external factors and non-predictable situations have a negative impact on the perception of security of citizens. It is not right to limit this situation only to terrorist attacks. Another issue that has recently affected citizens' perception of security is cyber-attacks. There has been a significant rise in the proportion of people who see cybercrime as a new security threat. Cybercrime is increasing day by day, although there are measures taken both at the national level and the Union level. This situation makes it necessary to take more stringent measures in order to establish a secure environment. The majority of the citizens think that cooperation between the local police and national law enforcement authorities will lead to positive results in the fight against crime and terrorism.

When the Eurobarometer surveys are examined, it is understood that citizens are aware of security issues and they know the areas under which both national security and security at Union level are threatened. However, it is noteworthy that at some point the security perception of the European Union and the perception of citizens differ. Unlike most citizens, who think that the economic and financial crisis is a security threat, the European Union does not consider it as a threat. Especially in the surveys conducted in 2011 and 2015, it was observed that the economic and financial crisis was considered as a security threat by the citizens. Economic crises dominate the thoughts of many European citizens, and it is the most mentioned threat to both the national level and international level. Besides, citizens take poverty to the upper of the list. However, the fact that the Union does not consider this issue as a security threat constitutes one of the important differences between the citizens and the European Union's security perceptions. Most of the citizens agree that all of the determined security threats by the European Union are crucial challenges to the internal security of the European Union. Most important of them are accepted as terrorism, religious extremism and organised crime. However, cybercrime is seen as the most increased threat over the years.

As a result, it is understood that the European Union and European citizens generally see the same issues as security threats. However, in a more detailed study, individual security perceptions of countries can be examined, and their differentiation from the Union policies can be analysed. This situation is the subject of a different study, but it is not difficult to predict that countries will make comments in line with their interests and in line with their own security problems.

Since the foundation, the European Union has faced many problems and has continued to cope with these problems. Thus, if security problems can be identified clearly and these problems are the same with the perceptions of the citizens; it is thought that via a common policy, problems and threats which the EU has faced to can be dealt with efficiently and easily.

REFERENCES

Argomaniz, J. (2015). European Union responses to terrorist use of the internet. *Cooperation and Conflict*, *50*(2), 250–268. doi:10.1177/0010836714545690

Bellucci, P., Lobo, M. C., & Lewis-Beck, M. S. (2012). Economic crisis and elections: The European periphery. *Electoral Studies*, *3*(3), 469–471. doi:10.1016/j.electstud.2012.02.009

Bendiek, A. (2012). *European cyber security policy*. Berlin, Germany: Deutsches Institut für Internationale Politik und Sicherheit.

Bensona, D., & Jordan, A. (2010). European Union environmental policy after the Lisbon Treaty: Plus ça change, plus c'est la meme chose? *Environmental Politics*, *19*(3), 468–474. doi:10.1080/09644011003690948

Broeders, D. (2007). The new digital borders of Europe EU databases and the surveillance of irregular migrants. *International Sociology*, *22*(1), 71–92. doi:10.1177/0268580907070126

Broeders, D., & Engbersen, G. (2007). The fight against illegal migration identification policies and immigrants' counterstrategies. *The American Behavioral Scientist*, *50*(12), 1592–1609. doi:10.1177/0002764207302470

Calderoni, F. (2010). The European legal framework on cybercrime: Striving for an effective implementation. *Crime, Law, and Social Change*, *54*(5), 339–357. doi:10.100710611-010-9261-6

Chang, J. J., Lu, H. C., & Wang, P. (2013). Search for a theory of organized crimes. *European Economic Review*, *62*, 130–153. doi:10.1016/j.euroecorev.2013.05.004

Christou, G., Croft, S., Ceccorulli, M., & Lucarelli, S. (2010). European Union security governance: Putting the 'security' back in. *European Security*, *19*(3), 341–359. doi:10.1080/09662839.2010.526109

Dabrowski, M. (2010). The global financial crisis: Lessons for European integration. *Economic Systems*, *34*(1), 38–54. doi:10.1016/j.ecosys.2010.01.002

Deflem, M. (2006). Europol and the policing of international terrorism: Counter-terrorism in a global perspective. *Justice Quarterly*, *23*(3), 336–359. doi:10.1080/07418820600869111

Den Boer, M. (2001). The fight against organised crime in Europe: A comparative perspective. *European Journal on Criminal Policy and Research*, *9*(3), 259–272. doi:10.1023/A:1011663413661

Dennison, S., Franke, U. E., & Zerka, P. (2018). The nightmare of the dark: The security fears that keep Europeans awake at night. *European Council on Foreign Relations*, Security Scorecard, 1-42.

Dumitriu, E. (2004). The EU's definition of terrorism: The council framework decision on combating terrorism. *German Law Journal*, *5*(5), 585–602. doi:10.1017/S2071832200012700

Edwards, A., & Gill, P. (2002). Crime as enterprise? The case of "transnational organised crime". *Crime, Law, and Social Change*, *37*(3), 203–223. doi:10.1023/A:1015025509582

Edwards, G. (2006). Is there a security culture in the enlarged European Union? *The International Spectator*, *41*(3), 7–23. doi:10.1080/03932720608459424

Gercke, M. (2009). Europe's legal approaches to cybercrime. *ERA Forum, 10*, 409-420.

Heusgen, C. (2004). The European security strategy as a response to new challenges in EU foreign and security policy. In *Civilian perspective or security strategy? European development policy confronting new challenges in foreign and security policy*. Berlin, Germany: World Economy, Ecology and Development.

Heyes, J. (2013). Flexicurity in crisis: European labour market policies in a time of austerity. *European Journal of Industrial Relations*, *19*(1), 71–86. doi:10.1177/0959680112474749

Holmes, L. (2009). Crime, organised crime and corruption in post-communist Europe and the CIS. *Communist and Post-Communist Studies*, *42*(2), 265–287. doi:10.1016/j.postcomstud.2009.04.002

Hout, W. (2010). Between development and security: The European Union, governance, and fragile states. *Third World Quarterly*, *31*(1), 141–157. doi:10.1080/01436590903557462

Ilves, L. K., Evans, T. J., Cilluffo, F. J., & Nadeau, A. A. (2016). European Union and NATO global cybersecurity challenges: A way forward. *Prism*, *6*(2), 126–141.

Jandl, M. (2007). Irregular migration, human smuggling, and the eastern enlargement of the European Union. *The International Migration Review*, *41*(2), 291–315. doi:10.1111/j.1747-7379.2007.00069.x

Jorry, H. (2007). Construction of a European institutional model for managing operational cooperation at the EU's external borders: Is the FRONTEX agency a decisive step forward? *Challenge. Liberty and Security*, *6*, 1–35.

Keohane, D. (2005). *The EU and counter-terrorism*. London, UK: Centre for European Reform.

Lallement, M. (2011). Europe and the economic crisis: Forms of labour market adjustment and varieties of capitalism. *Work, Employment, and Society*, *25*(4), 627–641. doi:10.1177/0950017011419717

Léonard, S. (2010). EU border security and migration into the European Union: FRONTEX and securitisation through practices. *European Security*, *19*(2), 231–254. doi:10.1080/09662839.2010.526937

Lugna, L. (2006). Institutional framework of the European Union counter-terrorism policy setting. *Baltic Security & Defence Review*, *8*, 101–127.

Marion, N. E. (2010). The council of Europe's cyber crime treaty: An exercise in symbolic legislation. *International Journal of Cyber Criminology*, *4*(1&2), 699–712.

Rughinis, C., & Rughinis, R. (2014). Nothing ventured, nothing gained. Profiles of online activity, cyber-crime exposure, and security measures of end-users in European Union. *Computer & Security, 43*, 111-125.

Shelburne, R. C. (2010). The global financial crisis and its ımpact on trade: The world and the European emerging economies. *UNECE Discussion Paper Series*, No.2, 1-28.

Sliwinski, K. F. (2014). Moving beyond the European Union's weakness as a cyber-security agent. *Contemporary Security Policy*, *35*(3), 468–486. doi:10.1080/13523260.2014.959261

Special Eurobarometer 371 on "Internal security" (2015). Special Eurobarometer 432 on "Europeans' attitudes toward security".

Special Eurobarometer 464b on "Europeans' attitudes towards security" (2017).

Tehrani, P. M., Manap, N. A., & Taji, H. (2013). Cyber terrorism challenges: The need for a global response to a multi-jurisdictional crime. *Computer Law & Security Review*, *29*(3), 207–215. doi:10.1016/j.clsr.2013.03.011

The EU internal security strategy in action: Five steps towards a more secure Europe. (2010). *European Commission*, MEMO/10/598, Brussels, Belgium.

Ultan, M. Ö. (2016). *Avrupa Birliği'nde yasa dışı göçün önlenmesi ve ülke uygulamaları (The prevention of illegal migration in the European Union and country applications)*. Ankara, Turkey: Nobel Yayıncılık.

Van Duyne, P. C., & Vander Beken, T. (2009). The incantations of the EU organised crime policy making. *Crime, Law, and Social Change*, *51*(2), 261–281. doi:10.100710611-008-9153-1

Vries, G. (2005). The European Union's role in the fight against terrorism. *Irish Studies in International Affairs*, *16*(-1), 3–9. doi:10.3318/ISIA.2005.16.1.3

Zimmermann, D. (2006). The European Union and post-9/11 counterterrorism: A reappraisal. *Studies in Conflict and Terrorism*, *29*(2), 123–145. doi:10.1080/10576100500522215

Chapter 22
Importance of Azerbaijan snd Central Asia in EU Energy Security

Esme Özdaşlı
İİBF Uluslararası İlişkiler, Mehmet Akif Ersoy Üniversitesi, Turkey

Diren Doğan
International Relations, Süleyman Demirel Unıversty, Turkey

ABSTRACT

Providing the energy security of European Union has become one of the most significant issues for European politicians and academics, especially after the Ukrainian crisis with Russia. The most critical point is the fact that there is not a common policy of EU countries concerning energy security. Individual choices of member states have more influence on the energy supply. EU's failure of developing a common policy for the security of energy supply has led to disagreement about other foreign policy issues. Different reactions among EU member states about sanctions against Russia after the Russian annexation of Crimea in 2014 has been the most recent example. Common policy of energy security is the diversification of resources and suppliers. Accordingly, with their hydrocarbon resources, Azerbaijan and Central Asian states have become alternatives for EU.

INTRODUCTION

Along with the advances in technology, the global need for energy resources has been increasing rapidly. Cycle of life in the universe can only keep going on if all actors -including the individuals, who are the smallest actors of the system, and states, which are considered fundamental actors in the system- have steady and secure access to energy. This is why policy makers in all countries have to provide uninterrupted, secure, clean and cheap energy and absolutely diversify these resources (Pamir, 2003: 1). Energy policies are shaped as per main foreign policy principles and short-, mid- and long-term interests of states, and depending on international developments and decision-makers' approaches; therefore, energy

DOI: 10.4018/978-1-7998-1188-6.ch022

policies have not only economic but also strategic and political aspects (Memmedli, 2017: 207). Hence, resource-rich countries adopt policies to promote their interests by using energy as a threat for their political and strategic interests -even if they suffer economic losses (Memmedli, 2017: 207).

Ensuring energy security in the international system is essential both for the countries holding the energy resources and for the countries that lack and demand these resources. Therefore, energy, which is considered to be the main driver of the economy, cannot merely be regarded as the most important budget item for states that hold this power. Besides, maybe more importantly, this power is used as a crucial means of pressure boosting the power of deterrence in foreign policy. Inversely, it turns into a factor that restricts the ability of the countries lacking this power to maneuver in foreign policy. The EU countries could not fully implement the sanctions they put forward against Russia following the occupation of Crimea because Union countries are extremely dependent on Russian resources. Consequently, the issue of energy security, which has been high on the European agenda especially since the oil crisis of 1970s, has turned into one of the most important obstacles for the EU's common foreign policy-making, hence further integration, as made evident by the Crimean crisis.

Giant shares of the former Soviet Republics -which became independent following the dissolution of the USSR- in the global energy pie caused many and primarily Western countries to focus on this region. In this context, Azerbaijan and Central Asian countries with their rich hydrocarbon resources were viewed as an important opportunity for the EU countries, which import a significant part of their energy needs and are extremely dependent on Russia, particularly for natural gas. However, there are a number of obstacles for the countries in the region to engage in the energy trade with the EU. Firstly, as per the policy that could be best described as "all pipelines lead to Moscow" of the communist system where everything is centrally governed, Russia has historically held the pipeline monopoly over the countries in the region. In early 1990s, it was not possible for these countries wanting to sell their resources to external markets to pursue an independent energy policy due to Russia's domination over the "pipelines". Consequently, these countries had to export energy to Russia far below its actual value for many years. This fact led the EU to prioritize technical assistance programs such as TACIS, INOGATE in its policy toward Azerbaijan and Central Asian countries.

This context naturally created a cooperation potential based on mutual benefit for the EU and Azerbaijan and other resource-rich Central Asian countries. Primary research topic of this study comprise on the one hand, the European Union, which aims to meet the energy demands of its member countries, to transport the demanded energy in a secure manner, and to pursue all of these energy policies on common ground across all members of the Union and on the other hand, relevant policies of Central Asian countries and Azerbaijan - at a rather micro level -, which face several marketing challenges despite the rich energy resources they have.

The study will primarily touch upon the definitions of energy and energy security concepts, chronologically address the evolution of the concept of security throughout the history, and then tackle the concept of energy security, which is just as critical as the concept of energy. These definitions will be followed by the historical evolution of the European Union's common energy policy, an assessment of the EU policy toward former Soviet regions in the aftermath of the Cold War, with special focus on Azerbaijan and Central Asia as part of the EU's energy security.

CONCEPTUAL FRAMEWORK: WHAT IS SECURITY AND ENERGY SECURITY?

Security has always been a primary concern for humanity. The need for security, which represents the second tier following physiological needs such as shelter, food, drink in Maslow's hierarchy of needs (Kula and Çakar, 2015: 194), is described by the Turkish Language Institution (TDK) as, "smooth operation of the legal order in the daily lives of the community, the state of living free of fear, safety" in a way to confirm Maslow (TDK, http://www.tdk.gov.tr/index), and as "the absence of threats to acquired values, from an objective point of view, and the absence of fear that such values will be attacked, from a subjective point of view" by Arnold Wolfers, who tackled security on the basis of the word "threat" (Wolfers, 1952: 485). With several different definitions, the concept of security has been a major dynamic governing the relations between the players of the international system throughout history. Considering these players are also individuals regardless of the level of the player in question, the need for security remains the top requirement for survival so as to create a safe and steady environment and maintain their presence in the system (Yorulmaz, 2014: 103).

From the viewpoint of international relations, studies about security emerged in the US in the aftermath of the World War II as a relatively fresh field, though initially the focus was rather on the military aspects of the system with a narrower scope (Yılmaz: 70). Emergence of Hobbesian views prioritising power because of the realist school of thought, which was mainstream at the time, doubtless proved influential (Baylis, 2008: 70). From this viewpoint, the concept of security is defined by realism based on "permanent atmosphere of insecurity" or "state of not being in safety" (Sandıklı and Emeklier, 2012: 6), and realists believe that lack of any central authority to ensure the security of states, which are considered to be the major players of international relations, result from advancement of the international system in anarchy (Milner, 1991: 67). Pointing out that the main objective of States is to come out as winners in power struggles they engage in to realize national interests, realists qualify military, security and strategic issues as *high politics*, and socio-cultural, economic issues, to which they attach relatively little importance, as *low politics* (Aydın, 2004: 41). The mechanism of realists, which put the state in the center to such an extent and ensure national security through instrumentalization of the military power, facilitates pursuing state-led policies on the one hand, while overlooking some non-state actors when it comes to issues not directly linked to state security, on the other (Aydın, 2004: 41). During the Cold War era that took place on the axis of realism (in particular, end of 1960s and early 1970s), deterministic perspective of realism, equating behavior of States with human nature, were criticized along with socio-economic and environmental developments occurring at global level (Bakan and Şahin, 2018: 141), and the said criticism of realism paved the way for the revision of the theory, which was updated into the concept of neo-realism. Kenneth Waltz, leading philosopher pioneering this new realist concept, also known as structural realism, as well as Hedley Bull offered fundamental definitions of neo-realism in their works, "Theory of International Politics" and "The Anarchical Society", respectively (Bakan and Şahin, 2018: 141). Neorealists continue to view the state as the major actor while arguing that besides military-strategic issues, economy has become a particularly decisive factor in international relations and that realists have neglected that fact (Aydın, 2004: 47).

Evidently, neo-realism narrative as such was largely influenced by the economic crises, which occurred in the 70's and had a severe impact on the international system and in particular on States, and multinational corporations, which were around during these crises and had the potential to create substantial impact on the global economy. Oil supply issues in the Middle East, resulting from these crises, laid the foundations of today's "energy security" concept. The Oil Crisis of 1973 in particular, shaped today's energy security concept to a considerable extent, and the state of shock this crisis caused in the domestic economic structure of states as well as in the international system triggered the re-definition of the concept of security (Çelikpala, 2014: 81).

As a result of this expansion in the perception of security, a group of philosophers, led by the Copenhagen School, basically focusing on non-military security aspect of Europe, started studying security issues with economic, social, community and environmental dimensions that stretch beyond the military concept (Baysal and Lüleci: 71-72). By 2000s, now-expanded security fields already covered issues such as "energy security", "social security", and "cyber security", while the concept of "military security" was also expanded with the addition of "international terrorism" (Aydın, http://www.mustafaaydin.gen.tr). Energy security, one of the expanded concepts, became a key issue at both political and academic level, in an international system where energy is the top reason for conflicts. Energy security, briefly described as the delivery of the energy generated by the supplier in the most affordable, reliable manner and via the shortest possible route to the buyer, is defined by the IEA (International Energy Agency) as, "the uninterrupted availability of energy sources at an affordable price" (IEA, https://www.iea.org/topics/). As per the classification known as *the 4 A's of Energy Security* rule, developed by the *Asia Pacific Energy Research Centre,* energy security is formulated as follows:

1. Availability,
2. Accessibility,
3. Acceptability,
4. Affordability.

(Cherp and Jewell, https://www.sciencedirect.com/science).

Based on this formula, energy security requires:

1. Creating a process for a predictable future which will not be affected by crises,
2. Supplying enough energy to meet the consumer demand (volume issue)
3. Steady and uninterrupted energy transmission (transmission issue),
4. Affordable energy supply to the market (Anlar, 2017: 61).

Rapid technological advances of recent years have led to a sharp increase in the demand for energy, and the resulting imbalance between the energy supply and demand has made it increasingly challenging to ensure energy security. An additional cause for concern in terms of energy supply security comprise armed conflicts occurring in areas, where the existing pipelines run through, of the Middle East, the Caucasus and Central Asia, which are also known as the most important energy fields of the world and are critical in terms of Europe's energy supply security. These acts, referred to as "energy terrorism", are extremely detrimental not only to the countries where conflicts occur, but also to international energy markets.

IS THERE A COMMON ENERGY POLICY OF THE EUROPEAN UNION? HISTORICAL BACKGROUND

Even though adopting a common policy in energy has been one of the longest-standing (given that two out of the three founding treaties of the EU are energy-related) and major objectives of the European Union, the fact that there is yet to be a single strategy on the issue, adopted across all member states, and that member states have completely differing energy plans lead to divergences in other areas. From this viewpoint, lack of a common energy policy in place for all EU countries is still one of the key obstacles before the objective of further integration of the union. However, some authors emphasize that the energy policy of the Union is not in contradiction with the EU integration as it is claimed since the EU governance system is different from other governance systems with a unique and multi-layered structure (Dursun, 2011:105). This system distinguishes the EU among other integration models in that decisions are taken both at national and supranational level and while some areas are of supranational quality at the community level, others are subject to shared authority between member states and community agencies. While energy policy was previously an area strictly controlled by the member states and the mandate was jointly used by the community and the member states as part of shared powers, it has increasingly become an area in which regulatory powers of the community extended (Dursun, 2011: 105).

As mentioned before, even though there is no common energy policy covering all EU members, founding documents of the Union aimed to follow a common strategy about coal and nuclear energy, and energy security has always been high on the agenda since the founding stage of the EU – though its content changed depending on periods. The European Coal and Steel Community (ECSC-1951) aimed to jointly process coal, which was the most critical energy resource in Europe back in those days and had been a cause of war for years, as well as to prevent war between France and Germany, while the European Atomic Energy Community (EURATOM-1957), which was established later on, aimed to develop peaceful uses of nuclear energy. Numerous meetings were held as of 1951 to identify a common strategy in the field of energy and reports were issued on the subject. For example, in 1962 the "1962 Memorandum on Energy Policy" was published, while a paper was published on oil and natural gas in 1966, and the Commission proposed the "First Orientation to a Common Energy Policy" in 1968 (Dursun, 2011: 39). The "Council Directive" of 1968 requires member states to maintain some stocks of oil as a safeguard for any eventual crisis, the "First Guidelines for a Community Energy Policy", published by the Commission on 18 December 1968, highlighted for the first time the need for a Community Energy Policy (Dursun, 2011: 43). The Council Directive of 1972 required member states to submit biannual reports to the Commission on the amount of crude oil and natural gas they imported as well as the amount of crude oil and natural gas they intend to import annually (Dursun, 2011: 39). The said documents aimed to ensure that the EU, which was extremely dependent on energy imports, emerge from any energy crisis that could arise in the international system with the least damage possible. Especially the oil crisis in 1970s and after that, the Iranian Revolution in 1979 led the European politicians to place "energy security" high on the agenda. This is why it is no coincidence that the EU declared its determination to have a common energy policy for the first time and in the most definite terms with the Council decision on 17 September 1974 (Kesbiç and Şimşek, 2001). The Council announced a new decision called "Community Energy Policy – Objectives for 1985" on 17 December 1974, as a result of the studies initiated by this decision. In the following period, the Council also set out a number of strategies to achieve the ideal of common energy policy (Kesbiç and Şimşek, 2001).

Although the founding documents of the EU (the Paris Treaty establishing the ECSC and the Treaty for the European Economic Community creating the European Economic Community in 1957) do not have a direct provision about energy, a number of amendments introduced to the founding Treaties in the following period aimed to ensure cooperation in the energy sector. The Single European Act, the first one of these acts and the first one to bring about the most comprehensive revisions to the founding treaties of all three communities creating the EU, (1987) introduced some innovations about creation of the single market as well as about sensible and rational use of natural resources. Creation of the single market thus formed the energy policy by including electricity and natural gas in the internal market, and environmental protection issues were covered under treaties for the first time (Dursun, 2011: 53). Likewise, the Maastricht Treaty, also known as the European Union Treaty, (1992) adopted sensible and rational use of natural resources (article 130) as a principle (Maastricht Treaty, https://ec.europa.eu/energy/..). Even though the Treaty of Amsterdam entering into force in 1999 does not have a provision directly regulating a common energy policy, the Lisbon Treaty of 2009 included the issue of energy among areas where the Union will use shared competence (Article 2C) to establish measures appropriate to the economic situation in a spirit of solidarity between the member states for the supply of certain products, notably in the area of energy *(Lisbon Treaty Chapter 5, Difficulties In The Supply Of Certain Energy Products)*. Similarly, under Chapter XX of the Treaty (Article 176 A) on the functioning of the internal market, it is stated that necessary measures will be established so as to a. ensure the functioning of the energy market, b. ensure security of energy supply in the Union, c. promote energy efficiency and energy saving and the development of new and renewable forms of energy, d. promote the interconnection of energy networks (Lisbon Treaty, https://eur-lex.europa.eu/legal..). The Treaty of Lisbon, which has introduced critical revisions to founding treaties and past decisions with a view to ensure further integration of the EU and as such, is one of the most important documents in terms of institutionalization of the EU, is also a fundamental document in terms of creating a common energy policy.

Energy strategy of the EU, which is not self-sufficient in energy, is based on ensuring a steady supply of energy with reasonable prices and conditions, and on an increased number of supplier countries and diversity of resources. Furthermore, building an energy policy focused on research and development of renewable energy technologies is an important objective of the EU, which views environmentally-friendly nuclear energy as an alternative (Kesbiç and Şimşek, 2001). In this framework, the EU Commission set out the "Energy Union Strategy", comprising five dimensions to provide safer, low-carbon, affordable and sustainable energy. According to the new principles set out for the governance of the energy union, the EU countries are required to develop integrated national energy and climate plans covering these five elements for the period from 2021 to 2030. The five elements in question are as follows; *(A Policy Framework for Climate and Energy in the Period From 2020 to 2030; European Commission, Energy Union and Climate)*:

1. Security, Solidarity and Trust: engaging in a closer dialogue with the member states with a view to diversify energy resources and ensure energy security of Europe,
2. A Fully Integrated Internal Energy Market: free movement of energy within the EU borders without technical or legal constraints. This will enable energy providers to offer optimum prices in energy while being able to compete freely and promote renewable energy.
3. Energy Efficiency: the EU aims to increase energy efficiency in an effort to reduce its dependency on energy imports, to decrease emissions and to promote growth.

4. Climate Action – Decarbonising the Economy: Implementing emission-reducing policies and laws, shifting toward low-carbon economy and meeting the EU commitments related to the Paris Agreement on climate change.
5. Research, Innovation and Competitiveness: supporting research and innovation in low-carbon and clean energy technologies that could increase the competitiveness of the EU.

Energy policy of the EU is currently under development and represents a process that is developing and changing every day, just as the institutional and legal structure of the community itself does (Dursun, 2011: 32). Energy policy of the Union has had an uninterrupted development since its creation and is tackled in four main phases. The following classification may be made thereof: the first phase comprising the developments from the creation of the policy until the first oil crisis in 1973, the second phase starting with the oil crisis of 1973 ending with the Single European Act of 1987, the third phase covering the activities starting with the "Single European Act of 1987" ending by early 2000s when the "New Energy Policy" was underway, and the fourth phase comprising developments since early 2000s to this day (Dursun, 2011:32). In particular, the oil crisis that took place in 1970s had a negative impact also on union countries which then had a much higher dependency on imports, and institutionalization of the union as well as the further integration objective suffered from these developments. Some experts even believe that extension of the second enlargement phase until 1981, among other reasons, blocked the accession of new members into the union for a while because the union was affected by the energy crisis at the time. However, particularly the Maastricht Treaty, signed in 1993 and clearly set out the will to adopt a common foreign policy, increased the expectations to identify a shared energy policy. The basis of the said shared energy policy consists of increasing the diversity of resources and importer countries.

THE EU ENERGY POLICY TOWARD THE POST-SOVIET REGION IN THE POST COLD WAR ERA

With the dissolution of the Soviet Union in 1991, the European Union became a neighbor to former Soviet Republics which were then going through an economic and political crisis. This left the EU with issues such as illegal migration, civil war, border disputes and wars between countries. Developments occurring in geographical and political vicinity Europe within this period and accession of new members to the EU in the aftermath transformed the borders of the Union as well as its neighbors. This has brought about new opportunities as well as new challenges, especially in terms of the security of the EU (Özdaşlı, 2016: 135). During this period, the EU adopted a multi-faceted strategy both in political and economic terms so as to ensure that the emerging system in the aftermath of the Cold War had a multipolar international structure in which the EU itself is a significant power, contrary to the imposition of the US in favor of a unipolar system. Thus, Brussels' interest in the newly-independent countries emerging in the aftermath of the dissolution of the Soviet Union constitutes both a move to ensure stability in its immediate vicinity while increasing its economic and political influence in these regions and a measure against the hegemonic pressure of the US as an important player in the struggle for global power. Additionally, the EU's interest in the post-Soviet region also aims to decrease the Russian influence in those regions. As was the case in the past, the EU has no overall policy in the present day that covers all of the former Soviet republics. It has prioritized countries that are closer to the EU both in geographical and religious-cultural terms instead. However, the EU's attitude toward each country has shown a correlation with these countries' stance on Russia.

In the aftermath of the dissolution of the Soviet Union, the newly-independent countries had three options. The first option: become an independent country, the second option: to continue the dependence on Russia, and the third option: to strike a balance between Russia and other players, particularly the Western countries. The EU prioritized the countries that went with the option number one. Hence the first countries that attracted the EU's attention were the Baltic States.[1] The geographical and cultural distance of Central Asian countries and the Caucasus from Europe as well as their location making them more prone to fall under the Russian influence combined with their failure to exercise the will to act independently from Moscow in a clear and decisive manner, unlike the Baltic countries, left these regions lagging behind the EU agenda. Despite all of these adversities, the EU has launched many bilateral and multilateral initiatives with political, economic and cultural aspects toward the Caucasus and Central Asian countries since 1991. The EU initially introduced economic support programs because especially the newly-independent countries in the region had to struggle with numerous economic issues. These countries had to struggle with the technical issues resulting from the economic structure where all was designed to be governed centrally by the Soviet regime, while trying to transition from the communist economy into the market economy at the same time. Their dependence on Russia continued after independence as their agriculture and industry sectors had been fully integrated with the Soviet economic system for 70 years (Uslu, www.tarihtarih.com). While energy needs of the Soviet economy were met by Central Asian Republics in that period, food items were procured from other republics because of inadequate agricultural production. What is more, the connection and trading of the region with the rest of the world was ensured via Russia, e.g. all railways and pipelines were built toward Russia (Uslu, www.tarihtarih.com). Exactly the same dependence also applied to Azerbaijan. One of the biggest obstacles before the former Soviet republics, which started to build nation-states in the aftermath of independence, was their lack of economic self-sufficiency. Thus, independence of these former Soviet republics rich in resources was deemed an important opportunity for the EU, which meets a significant portion of its energy needs externally. Against this background, the "European Energy Charter", a document implicating close cooperation in energy, was signed between all of Europe including the vast majority of former Eastern Bloc countries and almost all of the OECD members including the US, Canada, Japan with a view to seize the emerging opportunities in energy and upon the EU's initiatives in 1994 (Kesbiç and Şimşek, 2001). Western European countries, which are signatories of this charter[2] and are import-dependent in energy, saw their interests lie in securing oil and natural gas supplies from the producer Commonwealth of Independent States (CIS), thus decreasing their dependence on hydrocarbon resources of the Middle East, while Russia and countries originating from the USSR focused on acquiring investments by large Western companies to increase their potential to generate energy (Demir, http://www.mfa.gov.tr/enerji-sarti-anlasmasi.tr.mfa). This step, taken under the leadership of the EU, clearly set out the need for competitive and transparent energy markets, legal bases to allow maneuvering under free market conditions, elimination of potential issues regarding the transmission of energy, ensuring security of the energy supply through energy-related cooperation between source countries and importing countries (Conference on the European Energy Charter, Final Act, 2000).

Legal basis of the relations between the former Soviet republics and the EU comprise Partnership and Cooperation Agreements (PCA), signed individually with each member after the dissolution of the Soviet Union[3]. The agreements set out the details of technical and financial assistance to be provided by the EU to the countries in the region as well as paving the way for future political, commercial, economic, social, financial, scientific, technological and cultural cooperation. These agreements also contained elements encouraging the leaders in the region about democratization and creation of market economies (Efegil, 2008: 66). The EU adopted a two-pronged policy toward the countries in the region in the aftermath of 1991: the legal basis being the aforementioned Partnership and Cooperation Agreements, and the administrative and financial basis being the "Technical Assistance to the Commonwealth of Independent States and Georgia-TACIS" program (Efegil, 2008: 67). TACIS was brought up on the agenda for the first time in December 1990 at a meeting of the European Council in Rome, even before the official dissolution of the Soviet Union (Dörtbudak, 1999: 257), and entered into force on 15 July 1991 upon the decision of the European Commission. The Commission announced that the program was launched to support member countries of the Commonwealth of Independent States (CIS) in their transition to an effectively-functioning market economy based on private ownership and initiative and to a pluralistic democratic system (TACIS, http://europa.eu/rapid/press-release_MEMO-92-54_en.htm). Therefore, TACIS[4] aims both to ensure that the market economy is built on solid foundations and to establish indispensable principles of democracy such as respect to human rights and the rule of law.

When it was first announced, TACIS brought projects aiming to improve five sectors to the forefront: Education, transport, financial services, food distribution and energy. Among these sectors, the Union attached the greatest importance to energy (TACIS, http://europa.eu/rapid/press-release_MEMO-92-54_en.htm). Particular focus was given to extraction and transportation of energy. The objective was to modernize the old, underperforming technology dating from the Soviet era and to develop alternative routes to the pipelines running through Russia. This is evident in the first assistance package extended by the Union to the region. According to the assistance program disclosed in 1991, energy was the sector receiving the largest support with ECU 115 million (TACIS, http://europa.eu/rapid/press-release_MEMO-92-54_en.htm). The most important criticism toward TACIS was that a large portion of the funds used under the program was transferred to European companies. That is why the criticism was centered on inefficient use of financial resources and their failure to fully reach the States in question (Dörtbudak, 1999: 259).

THE EU ENERGY POLICY AND AZERBAIJAN

With its strategic energy resources, Azerbaijan is a geographical alternative with key geopolitical position in terms of energy supply security, which the European Union equates with national security (Memmedli, 2017: 2016). Azerbaijan has moved up on the energy agenda of the EU in recent years since the EU aims to further diversify the countries it deals with for energy imports. Growing interest in the Azeri natural gas has resulted especially from the threatening levels of dependence on the Russian gas in terms of the EU's energy security. There are also a number of issues preventing the EU from directly procuring natural gas from Azerbaijan despite the said interest. Firstly, the Russian monopoly over pipelines has stopped Azerbaijan from adopting an independent energy policy for many years. Nevertheless, lack of a direct natural gas pipeline from Azerbaijan to the EU hampered continuous and steady energy trade. The challenges about the pipeline prevents the EU from engaging in a more intense energy trade with the Caspian region, particularly with Azerbaijan. However, commissioning of the BTC pipeline and the Trans-Adriatic Pipeline (TAP), which is currently under construction, will both boost the EU's energy trade with Azerbaijan and decrease the dependence on Russia.

One of the fundamental initiatives of the EU, shaping its energy policy toward Azerbaijan and hydrocarbon-rich countries in the Central Asia, consists of the Grants for Interstate Oil and Gas Transport to Europe program (INOGATE). INOGATE was launched in 1995 with the "Interstate Oil and Natural Gas Pipeline Management" project, which took up the name INOGATE in 1997 (Mardanov, 2006: 66). One of the longest-running energy supply technical assistance programs financed by the Union, INOGATE (INOGATE, http://www.inogate.org/pages/1?lang=en) is one of the building blocks of the EU strategy to ensure continuous and steady energy supply. The project primarily aims to rehabilitate and modernize the existing pipelines in the Caspian region and to develop new pipeline routes. Hence, the EU aims both to prevent any future adverse development regarding energy and to increase cheap energy import it needs to continue competing against other developed economies (Mardanov, 2006: 81). The project, which also includes Turkey, aims to establish energy supply security for the EU and in particular, to bring natural gas to the EU via pipelines (Kızılkaya and Engin, 2003: 200). Accordingly, the idea of a transport corridor connecting the Caspian Basin with the rest of the world first emerged in 1993 and was underpinned with the EU project on Transport Corridor Europe-Caucasus-Asia (TRACECA). TRACECA intended a transport corridor along the east-west axis, starting from Europe running across the Black Sea and the Caucasus to finally reach the Caspian Sea and Asia (Akpınar, 2005: 240). According to some experts, although EU's policies about the Caucasus seemingly consist of technical and financial assistance, TRACECA and INOGATE programs are essentially intended to bypass transport routes of Russia (Bozkuş, 2018). As a matter of fact, making the most of its advantages dating from the Soviet era, the Russian administration is doing its utmost to keep holding all the cards without leaving room for any alternatives when it comes to the generation, processing and exporting to global markets of energy resources in the region (Uslu, www.tarihtarih.com). On the other hand, with a view to extract and market their natural resources as quickly as possible using advanced technologies, the countries in the region are opting for Western partners instead of Russia and seeking new alternative routes that will more readily take them to global markets instead of depending on the routes running across Russia (Uslu, www.tarihtarih.com).

The most comprehensive entry of the Western countries into the Azerbaijani energy site was on the occasion of the "Agreement on the Joint Development and Production Sharing for the Azeri and Çırag Fields and the Deep Water Portion of the Gunashli Field in the Azerbaijan Sector of the Caspian Sea", signed on 20 September 1994 between the Azerbaijan International Operating Company (AIOC) and SOCAR. A consensus was reached with this agreement, also known as the "Agreement of the Century", on jointly operating the oil in the Azeri, Chirag and Gunashli fields of Azerbaijan in the Caspian Sea with the big Western oil companies. Respective shares of oil companies, most of which are Western, under the agreement are as follows[5]: British Petroleum (Đng.) 17.1267%, Amoco (USA), 17.01%, Unocal (USA) 11.0489%, SOCAR (Azerbaijan) 10%, Lukoil (Russia) 10%, Statoil (Norway) 8.5633%, Exxon (USA) 8.0006%, TPAU (Turkey) 6.75%, Pennzoil (USA) 4.8175%, ĐTOCHU (Japan) 3.9205%, Ramco (England) 2.0825%, Delta (Saudi Arabia) 1.68% (Kodaman, 2002: 37). Following the Agreement of the Century, the most important Western initiative on the Azerbaijan's energy sector was the Baku-Tbilisi-Ceyhan Oil Pipeline, which was commissioned on 13 July 2006. The major share of the BTC, which is to transport Azerbaijani oil to international energy markets, especially to Europe, belongs yet again to the Western oil companies. The following are the shareholders of the BTC Co., established on 1 August 2002 to manage BTC's operations: BP (UK) 30.1%, SOCAR (Azerbaijan) 25%, Chevron (USA) 8.9%, StatoilHydro (Norway) 8.71%, TPOA (Turkey) 6.53%, TOTAL (France) 5%, ENI (Italy) 5%, ITOCHU

(Japan) 3.4%, INPEX (Japan) 2.5%, CONOCOPHILIPS (USA) 2.5%, AMEREDA HESS (USA) 2.36% (Akpınar, 2005: 241).

Diversification of supply routes is an indispensable element for ensuring Europeans' access to secure and affordable energy supply. It requires identifying and creating new routes to reduce extreme dependence on certain countries. As indicated in the EU Commission's documents, full implementation of the Southern Gas Corridor is considered to be a crucial element in ensuring energy security of the EU. The Southern Gas Corridor comprises the Trans-Anatolian Natural Gas Pipeline (TANAP), the South Caucasus Pipeline and TAP (Trans Anatolian Natural Gas Pipeline Project, https://www.tanap.com/tanap-projesi/tanap-nedir/). As per the aforementioned Commission report, many countries in the Central and Southeast Europe are dependent on one supplier (referring to Russia) for most or all of their natural gas. Full implementation of the Southern Gas Corridor is vital to help these countries to diversify their supply. The action aims to support the construction of TANAP and TAP, to establish a close cooperation with the gas suppliers in the region including Azerbaijan, Iraq and Turkmenistan, to ensure close cooperation with transit countries in the region including Azerbaijan, Georgia and Turkey, to negotiate with Azerbaijan and Turkmenistan on a Trans-Caspian pipeline to transport gas across the Caspian Sea (the European Commission, Diversification of Gas Supply Sources and Routes, https://ec.europa.eu/energy/en/topics/energy-security/diversification-of-gas-supply-sources-and-routes).

TANAP is a project aiming to transport the natural gas, to be extracted from Shahdeniz-II, the richest natural gas field of Azerbaijan, and from other fields in the south of the Caspian Sea, first to Turkey and then to Europe across Greece, Albania and Italy route, following the commissioning of TAP (Trans Anatolian Natural Gas Pipeline Project 2018, https://www.tanap.com/tanap-projesi/tanap-nedir/). From this viewpoint, TANAP was intended to transport the Azerbaijani gas to Turkey while TAP was intended to transport it to Europe. Considering that Europe started gas production nearly a decade ago, imports more than two thirds of the gas it needs (Project Document of The Asian Infrastructure Investment Bank, 2018: 5) and that a substantial portion of this import is met by Russia helps reveal how important TAP is for Europe. Concerned with Russia's playing the natural gas card at every opportunity at this point, the EU lent significant support for the implementation of TANAP, which is the first step of the project of bringing the Azerbaijani gas directly to Europe. The grants allocated for TANAP under EU programs since 2014 totaled 15 million euros. 5 million euros were granted to TANAP on 31 July 2018 under the CEF energy program of the European Commission, supporting energy projects (Anadolu Agency, https://www.aa.com.tr/tr/dunya/avrupa-komisyonundan-tanap-a-5-milyon-avro-hibe/1218406).

THE EU ENERGY POLICY AND THE CENTRAL ASIA

The EU's Central Asia policy is reviewed under two different periods. During the first period from 1996 to 2001, the Union provided financial and technical assistance to the countries in the region in areas of economic reform, state formation and incentives for foreign investors despite claims that the focus of the relations would be on democratization and liberal economy model. The assistance was related to concrete and continuous fields rather than political issues (Efegil, 2008: 66). During the second phase from 2001 onward, the Union prioritized political issues in its relations with the region, with notions such as human rights, democratization, good neighborly relations, and good governance forming the basis of the policies adopted toward the countries in the region. Consequently, countries in the region would be able to receive technical assistance in proportion to their success in political and economic reform processes rather than the size of their land area. Following these developments, the EU policy has shifted from a project-based approach to a strategic partnership (Efegil, 2008:66).

The Soviet Union had a sophisticated central system for the production and distribution of oil and natural gas prior to its dissolution. In the aftermath of the dissolution of the Soviet Union and emergence of newly-independent countries, the old model continued to exist for a while (Mardanov, 2006: 65). From this viewpoint, ability of the countries in the region to undermine the Russian influence and monopoly over the pipelines depends on their cooperation. However, both the lack of fully fledged stability in these countries and the fact that borders between these countries were not drawn in a way to reflect the ethnic realities on the ground during the Russian and Soviet eras (e.g. Fergana Valley) lead to border conflicts and ethnic disputes between the countries in the region (Uslu, www.tarihtarih.com).

In the Soviet Union era, each pipeline was made sure to run across Russian territories when being constructed. This has prevented the countries rich in hydrocarbons from selling their resources without Russia once they gained independence after the dissolution of the USSR. This state of affairs, preventing Russia from using pipelines as some sort of blackmail, continued for a long time also after the dissolution of the USSR. Consequently, it was not possible for these countries with underdeveloped industries and few export items other than natural resources to act independently from Russia. Pipelines have thus become an instrument for Russia to strengthen its dominance in the region. Nonetheless, this is not the only reason for Russia's sensitivity toward pipelines. Russia's desire to be the most critical player in the pricing of natural resources, which constitute the key input of its economy, heightens this sensitivity. Russia is not the only exporter of hydrocarbon resources in the region. Hence, creation of a natural gas market, where there is competition and prices fall due to the multiple sellers present in the market, depends on gas procurement from countries rich in natural gas other than Russia and the transmission pipes carrying natural gas to run across regions outside of Russia (Uslu, www.tarihtarih.com).

The EU's prioritization of the Central and Eastern European countries after 1991 hindered the creation of a serious and comprehensive strategy towards the countries in the region for the first few years. Spatial and cultural distance of the Central Asia to Europe as well as the fact that the countries in the region are more vulnerable to the influence of Moscow than the aforementioned Central and Eastern European countries were among other reasons as to why the region ranked low in EU policies. However, energy resources of the region increased Brussels' interest in the Central Asia in the following years. Central Asia has become a crucial option to particularly decrease the extreme dependence on the Middle East for oil imports and on Russia for natural gas. Unstable structure of the Middle East and any eventual spike in oil prices, as in oil shocks of 1973-74 and 1979-80 (Dörtbudak, 1999: 253), could shake the economy of European countries. This is why Central Asia represents a key opportunity in terms of the "diversification of source countries" objective of the EU, which has been the center of energy security in recent years. As a matter of fact, a political program specific to the region was created in 1995 under the Common Foreign and Security Policy, agreed upon by the EU countries. The program states that the region has considerable potential in raw materials, especially as far as fossil resources, uranium and rare elements, and emphasizes the willingness of the countries in the region to establish more intense relations with the EU (Dörtbudak, 1999: 255). However, the fact that these countries were entirely dependent on the Russian pipelines for the first few years prevented the European countries, wanting to be rid of the Russian energy pressures, from engaging in energy trade with the region. The objective of the program such as TACIS, INAGATE, PHARE, initiated with the EU leadership in order to break up the Soviet-inherited pipeline monopoly of Russia, was to help the countries in the region to make a healthy transition into market economy while reducing their dependence on Russia. Countries in the Central

Asia were to build their own pipelines, having achieved economic and political stability. However, the only issue with the energy resources in Central Asia was not the considerable distance and lack of direct pipelines in early 1991. Some of the biggest discussions at the time revolved around the route of the pipelines (Dörtbudak, 1999: 255). For example, while having the route run across Ukraine was logistically more advantageous for Germany, Turkey was considered to be the more sensible option for the European countries with coasts on the Mediterranean (Dörtbudak, 1999: 255). The EU's energy cooperation with this country even before the dissolution of the Soviet Union is not only about energy supply issues, but also about concerns related to the safety of nuclear energy, which was a major resource of the communist system. These concerns were reflected in the TACIS report issued in 1991 by the European Commission. The document acknowledges the Soviet Union as a major energy producer, underlining that it faces issues such as the safety of nuclear reactors, future role of nuclear energy as well as issues stemming from significant amount of waste in the sector. According to the Commission, one third of the total generated energy is estimated to go to waste (TACIS, European Commission). Hence, the EU highlighted the modernization of the Soviet region, which was an important supply region for the EU, in the field of energy and the environmental impact of energy as far back as those years.

THE RUSSIAN FACTOR IN THE EU'S ENERGY POLICY TOWARD AZERBAIJAN AND CENTRAL ASIA

Since 1970s, objective to reduce foreign dependence in energy below 50% has become a fixed agenda item for the Union. The main reason was because EC countries at the time had to face economic challenges due to extreme dependence on a specific country or region for any product, which was one of the major chronic issues in external trade. Member states, which met a significant portion of their energy needs through the Middle East countries in 1970s, started to discuss source country and product diversity issue increasingly more when the oil crisis caused a four-fold price increase. The impact of both the overall softening of the international system at the time and geographical proximity made the Soviet market a crucial alternative for community members. The first country to import Russian gas (Soviet) in 1968 was Austria (EU-Russia Dialogue), though it was not an EC member at the time. The energy trade started between the EC countries and USSR in the subsequent periods, continued with Russia in the aftermath of 1991, and today, a significant portion of oil and especially natural gas that the European countries need is still supplied through Russia. Dependence of some EU countries on Russia has almost reached one hundred percent. Additionally, foreign dependence of the EU member states in energy varies to a great extent. While the rate of dependence is lower among the countries in the West of Europe, it tends to be higher in the Eastern and Central Europe. In some countries (such as Bulgaria), energy imports have almost reached 90%. Even though the EU has set targets to reduce the rate of imported energy and lower foreign dependence below 50% since 1970s, these targets have yet to be reached to this day.

Today, the EU is experiencing major issues with Russia, especially in the procurement of natural gas. The main reason is because Gazprom, the state-owned Russian company holds the monopoly in the exportation of the Russian gas. Consequently, Russia controls the European natural gas market to a large extent. Unwilling to make the necessary investments to develop new natural gas fields, Gazprom does not allow the private oil companies in Russia to export from the gas fields they own either. Even if private companies are granted permits to extract natural gas, they are still required to use Gazprom's pipelines (Dursun, 2011: 110). Nevertheless, the EU's oil trade with Russia is not as problematic as its natural gas trade. First of all, when it comes to the oil, the EU can procure from alternative resources other than Russia. Furthermore, the fact that the oil market has been both privatized and liberalized (Dursun, 2011: 111) contrary to that of natural gas facilitated the creation of a competitive environment for the Russian oil market.

The major point of contention between Moscow and the countries in the region, especially Azerbaijan, which try to market their resources to the rest of the world through alternative routes instead of Russia, is the status of the Caspian Sea. While the number of coastal states to the Caspian Sea was limited to USSR and Iran until 1991, this figure rose to five as Azerbaijan, Kazakhstan and Turkmenistan declared independence. What is more, a final resolution remains out of reach as almost each of these countries advances different theses. Desire of each country to benefit from their resources of energy the most prevented a consensus to be found among coastal countries until August 2018 as to whether the Caspian should be considered a sea or a lake. Caspian coastlines of coastal states are 28%, 22%, 19%, 18% and 13% for Kazakhstan, Turkmenistan, Russia, Azerbaijan and Iran, respectively (Kashfi, https://www.ogj.com/..). In the event that the Caspian is defined as a "lake", it would have to be equally divided between the five coastal countries as well as the revenue generated from the lake. It would mean that each country would have the right to interfere with or even block projects of another country on the Caspian (Koçak, https://www.tasav.org/hazar). While this option would serve Iran's benefits as it has a relatively smaller coastline to the Caspian, it is considered to be detrimental, say, for Kazakhstan and Azerbaijan, with much longer coastlines. Treating the Caspian as a lake would also mean that each country would have the right to interfere with or even block the projects of another country (Koçak, https://www.tasav.org/hazar). In the event that the status is considered to be "sea", the main criterion used to determine the areas of sovereignty would be the length of coastlines. Iran, which holds the 13% of the coastline, opposes this view since the majority of the natural resources are located in the middle and north of the Caspian (Koçak, https://www.tasav.org/hazar). Reaching a final resolution to this issue was made nearly impossible due to lack of clarity on the relevant article 122 of the UN Convention on the Law of the Sea. Article 122 of the relevant convention sets out that, *"…enclosed or semi-enclosed sea means a gulf, basin or sea surrounded by two or more States and connected to another sea or the ocean by a narrow outlet or consisting entirely or primarily of the territorial seas and exclusive economic zones of two or more coastal States"* (United Nations Convention on the Law of the Sea: 67). Based on this provision, Russia and Iran have claimed that the Caspian being enclosed prevents it from qualifying as a sea, while Azerbaijan developed its thesis -also based on this article- that semi-enclosed status of the Caspian would not prevent its status as sea. With a view to benefit from the resources of the Caspian to a maximum and to maintain influence in the region, Russia claims that the Caspian is a lake, jointly owned by all coastal states. On the other hand, Azerbaijan advocates that the rules of the law of the sea must apply to oil extraction and transport operations on the Caspian, wanting to act more independently in the production and transportation of the rich natural resources in the section of the Caspian closer to them. Accordingly, Baku aims to bring the energy resources to be extracted from the Caspian together with those available in Kazakhstan and Turkmenistan to the Western markets through Baku-Tbilisi-Ceyhan route via a pipeline that will start in Turkmenistan and run across Azerbaijan and beneath the Caspian (Uslu, www.tarihtarih.com). Following all of these disputes among the coastal states, exactly 27 years after the collapse of the Soviet Union, a final convention on the legal status of the Caspian Sea was signed on 12 August 2018. The deal constitutes what could be described as a "middle ground" in terms of claims and concerns of the parties involved and ended the years-long dispute of "sea" vs. "lake". As per the deal, the Caspian Sea is defined neither as a fully-fledged lake or sea. Under the special status given to the

Caspian, bed of the Caspian will be divided up among the five states with opposite and adjacent coasts using the median line principle for the law of the lake (Koçak, https://www.tasav.org/hazar).

The deal does not include the Russian and Iranian argument that should the coastal states build oil/natural gas pipelines, they would be required to get the approval of the countries which are not on the pipeline route. Therefore, in the event of a pipeline construction running across the sovereignty area of two countries, other littoral countries will no longer have the means to obstruct such a project. Implementation of the Trans Caspian Natural Gas Pipeline Project, which has been on the table almost for two decades due to the disputed legal status of the Caspian, will thus become easier as the route will only run across the boundaries of Turkmenistan and Azerbaijan. It would also mean that Turkmenistan, which holds the fourth largest natural gas reserves of the world, will have the opportunity to export gas to the West via Azerbaijan (Koçak, https://www.tasav.org/hazar). With the addition of Trans Caspian pipeline to TANAP, which reaches the EU countries via Azerbaijan and Turkey, Turkmen gas could be exported to Europe. The EU leans toward importing Turkmen gas as well. What is more, it was highlighted in the Ashgabat Declaration of 1 May 2015, in which the EU participated, that Turkmen gas would greatly contribute to the energy security of Europe (Koçak, https://www.tasav.org/hazar).

CONCLUSION

The European Union's energy policy is based on principles of diversification of resources, energy supply security, continuous and steady transportation ways for energy, establishment of a common energy market, energy efficiency and energy savings and last but not least, minimising environmental problems resulting from energy use.

Nonetheless, it is a fact that the EU has yet to develop a common foreign policy on energy security, which has been a sensitive issue ever since its foundation. Particularly the oil crisis of 1970s made the energy security a hot debate topic across Europe. Rapid increases in oil prices due to conflicts in the Middle East pushed the EU countries, which were largely dependent on the Middle Eastern oil at the time, to take substantial steps to increase the diversity of resource countries in energy.

As a matter of fact, the EU's current dependence on the Russian natural gas entails significant risks, just as the EU's dependence on the Middle East oil back in 1970s did. In particular, the fact that some Union members meet almost all of their energy needs from Russia prevented the Union to pursue a common foreign policy toward Russia, as made evident during the occupation of Crimea. Failure to impose the sanctions called for against Russia in the aftermath of the occupation of Crimea to a large extent has a lot to do with the said energy dependence.

After the collapse of the Soviet Union, many energy-rich countries declared independence, which has been deemed an important opportunity for Brussels which made energy security a prioritised agenda item. The European Union initiatives to help Azerbaijan and Central Asia access to more modern facilities and production equipment in the energy sector, which is the subject of this study, draw parallels with the Union's steps to increase resource diversity in energy. The thinking behind the programmes initiated after 1991 such as TACIS and TRECACE was to help the Union to reduce its dependence on Russia for energy and to help the countries in the region to reduce theirs for pipeline. From this viewpoint, even though the programmes seemingly comprised technical and financial assistance, they also aimed to cancel out Russia's pipeline card vis-à-vis the countries in the region. The rationale of this policy is that the countries in the region, once they have acquired more modern facilities and production equipment for the energy sector and are no longer dependent on Moscow because of the pipeline, would also become an important resource hub for the EU. Indeed, the EU initiatives have been well-received by the countries in the region, which have had to sell their resources far below the actual market value for many years because of Russia's pipeline monopoly.

REFERENCES

Ajansı, A. "*Avrupa Komisyonu'ndan TANAP'a 5 Milyon Avro Hibe*". Retrieved from https://www.aa.com.tr/tr/dunya/avrupa-komisyonundan-tanap-a-5-milyon-avro-hibe/1218406

Akpınar, E. (2005). "Bakü-Tiflis-Ceyhan (BTC) Ham Petrol Boru Hattı ve Türkiye Jeopolitiğine Etkileri", *Gazi Eğitim Fakültesi Dergisi*, C: 25, S:2.

Anlar, A., (2017). Farklı Bakış Açıları İle Enerji Güvenliği Üretici, Tüketici ve Transit Ülkeler: Türkiye Örneği", *UİİİD-IJEAS,* S:19.

Aydın, M., (2004). "Uluslararası İlişkilerin "Gerçekçi" Teorisi: Kökeni, Kapsamı, Kritiği", *Uluslararası İlişkiler*, V:1, N:1.

Aydın, M. "*Küreselleşme Karşısında Ulus Devlet-Ulusal Ekonomi ve Güvenlik*". Retrieved from http://www.mustafaaydin.gen.tr/c/2138/kuresellesme-karsisinda-ulus-devlet-ulusal-ekonomi-ve-guvenlik

Bakan, S.,& Şahin, S., (2018). "Uluslararası Güvenlik Yaklaşımlarının Tarihsel Dönüşümü ve Yeni Tehditler", *The Journal of International Lingual, Social and Educational Sciences*, V:4, N:2.

Baylis, J., (2008). "Uluslararası İlişkilerde Güvenlik Kavramı", *Uluslararası İlişkiler*, V: 5, N: 18.

Baysal, B.,& Lüleci, Ç, "Kopenhag Okulu ve Güvenlikleştirme Teorisi", *Güvenlik Stratejileri Dergisi*, V:11, N.22.

Bozkuş, Y. D., "Avrupa Birliğinin Kafkasya Politikalarına Genel Bir Bakış", *International Studies Congress*, *Institute of International Relations and Strategic Research*, May 10, 2018, Ankara, Turkey.

Çelikpala, M. (2014). "Enerji Güvenliği: NATO'nun Yeni Tehdit Algısı", *Uluslararası İlişkiler*, V:10, N:40. Demir, E. "*Enerji Şartı Anlaşması*", T. C. Dışişleri Bakanlığı. Retrieved from http://www.mfa.gov.tr/enerji-sarti-anlasmasi.tr.mfa

Cherp, A., & Jewell, J. "*The concept of energy security: beyond the four As*". Retrieved from https://www.sciencedirect.com/science/article/pii/S0301421514004960

CommussionE. *TACIS*. Retrieved from http://europa.eu/rapid/press-release_MEMO-92-54_en.htm

Commution, E. "*EU-Russia dialogue*". Retrieved from https://ec.europa.eu/energy/sites/ener/files/documents/2011_eu-russia_energy_relations.pdf

Dörtbudak, A. (1999). *Türk Cumhuriyetleri-AB İlişkileri*. İstanbul, Turkey: Alfa Yay.

Dursun, S. (2011). *Avrupa Birliği'nin Enerji Politikası Ve Türkiye*. Ankara, Turkey: Ankara Üniversitesi Avrupa Toplulukları Araştırma Ve Uygulama Merkezi.

Efegil, E. (2008). "Avrupa Birliği'nin Orta Asya Politikasının Analizi: Proje Bazlı Yaklaşımdan Stratejik İşbirliği Anlayışına Geçiş", *Akdeniz İ.İ.B.F. Dergisi*, V:16. European Commission, "*Diversification of gas supply sources and routes"*. Retrieved from https://ec.europa.eu/energy/en/topics/energy-security/diversification-of-gas-supply-sources-and-routes

European Commission. "Energy Union and Climate". Retrieved from https://ec.europa.eu/commission/priorities/energy-union-and-climate_en

European Commission. Brussels, "A policy framework for climate and energy in the period from 2020 to 2030", European Union Law, 22.01.2014. Retrieved from https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52014DC0015

Herz, John H., (1950). "Idealist internationalism and the security dilemma", *World Politics*, 2, 2.

Huseynov, F. (2001). "Avrupa Birliği-BDT Ülkeleri İlişkilerinin Hukuki Çerçevesi", *Ankara Üniversitesi Hukuk Fakültesi Dergisi*, 2, 50.

International Energy Agency. What is energy security?, Retrieved from https://www.iea.org/topics/energysecurity/whatisenergysecurity/

Kashfi, M. (n.d.). Iran yields to Russia in talks over Caspian resources. *Gas and Oil Journal*. Retrieved from https://www.ogj.com/articles/print/volume-113/issue-2/general-interest/iran-yields-to-russia-in-talks-over-caspian-resources.html

Kesbiç, C., Y.,& Şimşek, H., (2001). "Avrupa Birliği Ortak Enerji Politikası", Muğla Üniversitesi, *SBE Dergisi*, S:5.

Kızılkaya, E., & Engin, C. (n.d.). "Enerjinin Jeopolitiği: Dünya Üzerindeki Jeoekonomik Mücadele", *Kırgızistan-Türkiye Manas Üniversitesi Sosyal Bilimler Dergisi*.

Koçak, K. A., "*Hazar Denizi'nin Statüsüne Dair Anlaşma ve Olası Yansımaları", TASAV*. Retrieved from https://www.tasav.org/hazar-denizinin-statusune-dair-anlasma-ve-olasi-yansimalari.html#_ftnref12

Kodaman, T. (2002). *"Azerbaycan Petrollerinin Uluslararası Politikadaki Önemi ve Türkiye"*, (Unpublished Doctoral Dissertation). Ankara Bakü-Tiflis-Ceyhan Proje Direktörülüğü. Retrieved from http://www.btc.com.tr/proje.html

Kula, S., & Çakar, B., (2015). "Maslow İhtiyaçlar Hiyerarşisi Bağlamında Toplumda Bireylerin Güvenlik Algısı ve Yaşam Doyumu Arasındaki İlişki" *Bartın Üniversitesi-İİBF Dergisi*,, C:6, S:2.

Mardanov, S. (2006). Avrupa Birliği'nin Kafkasya Politikası, Ankara Üniversitesi Sosyal Bilimler Enstitüsü. Maastricht Treaty, EU-Russia Dialogue, Trans. İktisadi Kalkınma Vakfı. Retrieved from https://ec.europa.eu/energy/sites/ener/files/documents/2011_eu-russia_energy_relations.pdf

Memmedli, E. (2017). Azerbaycan-Avrupa Birliği İlişkilerinde Enerji Faktörü. *Akademik Bakış Dergisi*, *V*, 61.

Milner, H. (1991). The assumption of anarchy in international relations theory: a critique, *Review of International Studies*, 17(1).

Necdet P. (2003). Dünyada ve Türkiye'de Enerji: Türkiye'nin Enerji Kaynakları ve Enerji Politikaları, Necdet, P. (2003). *Dünyada ve Türkiye'de Enerji: Türkiye'nin Enerji Kaynakları ve Enerji Politikaları*.

Nurbayev, D., Azerbaycan Ve Avrupa Birliği Arasında Son Dönemde Yaşanan Gelişmeler, Eurasian Research Institute E-Bulletin, No. 122, Ahmet Yesevi University.

Özdaşlı, E. (n.d.). *Avrupa Komşuluk Politikası Çerçevesinde Avrupa Birliği- Ermenistan İlişkileri"*. Retrieved from https://www.academia.edu/35446890/Avrupa_Kom%C5%9Fuluk_Politikas%C4%B1_%C3%87er%C3%A7evesinde_Avrupa_Birli%C4%9Fi-_Ermenistan_%C4%B0li%C5%9Fkileri

Republic of Azerbaijan Trans Anatolian Natural Gas Pipeline (TANAP) Project, Project Document of The Asian Infrastructure Investment Bank, Sept. 7, 2016. Retrieved from https://www.aiib.org/en/projects/approved/2016/_download/trans-anatolian/document/tanap-project-document.pdf

Şahin, G. (2015). *"Soğuk Savaş Sonrası Değişen Güvenlik Anlayışı Bağlamında NATO*", (Doctoral Thesis, Trakya Üniversitesi). Technical Assistance to the Commonwealth of Independent States and Georgia, European Commission. Retrieved from http://europa.eu/rapid/press-release_MEMO-92-54_en.htm

Sandıklı, A., & Emeklier, B. (2012). "Güvenlik Yaklaşımlarında Değişim ve Dönüşüm", *Teoriler Işığında Güvenlik, Savaş, Barış Ve Çatışma Çözümleri*, İstanbul, *Bilgesam Yay*. Retrieved from http://www.bilgesam.org/Images/Dokumanlar/0-81-2014021736teorilerisiginda.pdf

SOCAR. "*Asrın Anlaşması 2050'ye Kadar Uzatıldı*". Retrieved from http://www.socar.com.tr/kurumsal-iletisim/haberler/2017-haberler/2017/09/15/asrin-anlasmasi-2050-ye-kadar-uzatildi

TransA. D. G. B. H. P. Retrieved from https://www.tanap.com/tanap-projesi/tanap-nedir/

Treaty of Lisbon, Amending the Treaty on European Unıon and the Treaty Establıshıng the European Communıty. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12007L%2FTXT

Türk Dil Kurumu. Retrieved from http://www.tdk.gov.tr/index.php?option=com_gts&arama=gts&guid=TDK.GTS.5cd5d97be37919.36392758

United Nations Convention on the Law of the Sea. Retrieved from https://www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf

Uslu, N. (n.d.). *"Türkiye'nin Orta Asya ve Kafkasya Politikası Üzerinde Etkili Olabilecek Faktörler"* Retrieved from https://www.tarihtarih.com/?Syf=26&Syz=354886&/T%C3%BCrkiyenin-Orta-Asya-ve-Kafkasya-Politikas%C4%B1-%C3%9Czerinde-Etkili-Olabilecek-Fakt%C3%B6rler-/-Do%C3%A7.-Dr.-Nasuh-Uslu-

Wolfers, A. (n.d.). National security as an ambiguous symbol, *Political Science Quarterly, 67*(4). Retrieved from https://www.jstor.org/stable/2145138?seq=4#metadata_info_tab_contents

Yılmaz, S. "Güçsüz Güç", *Güvenlik Stratejileri Dergisi*, V:5 Retrieved from http://dergipark.ulakbim.gov.tr/guvenlikstrtj/article/view/5000098934/5000092190

Yorulmaz, M. (2014). "Değişen" Uluslararası Güvenlik Algılamaları Bağlamında Türkiye-Yunanistan İlişkilerinde "Değişmeyen" Güvenlik Paradoksu", *Balkan Araştırma Enstitüsü Dergisi*, 3(1).

ENDNOTES

1 Even before the official dissolution of the Soviet Union, as early as in 1989, the Baltic countries showed a clearly distant stance against Russia, signalling that they would opt for integration with the West. On 23 August 1989, the 50th anniversary of the German-Soviet Nonaggression Pact signed before the World War II, a human chain was formed between the three countries (nearly 2 million people) in a peaceful demonstration against Moscow. Shortly after the independence demonstration, which was one of the most critical turning points in the journey to independence and to which the Communist regime did not show significant resistance, these countries declared their independence. This popular movement, referred to as "the Baltic Way, the Baltic Chain or the Chain of Freedom" in the literature, expressed the desire to integrate with the West as opposed to Russia.

2 For the full text of the Charter, see: https://www.tbmm.gov.tr/tutanaklar/KANUNLAR_KARARLAR/kanuntbmmc084/kanuntbmmc084/kanuntbmmc08404519.pdf

3 Roots of the Partnership and Cooperation Agreements, individually signed by the EU with the newly-independent former Soviet republics as of 1991, go as far back as the Soviet Union era. The process had started when the EU (the European Community at the time) and the Council for Mutual Economic Assistance (COMECON), economic development organisation of the Soviet Union, officially recognised one another with a joint statement they signed on 25 June 1988 in Luxembourg (Huseynov, 2001: 247).

4 TACIS, a typical assistance programme, prioritised expertise and know-how transfer. Projects do not cover participation in investments or procurement of investment goods such as machinery-equipment. See Dörtbudak, 1999, p. 258

5 The agreement was extended until 2050 and some articles were amended in September 2017. Upon the consummation of the agreement, shares were amended as follows: BP 30.37 percent; AzACG (SOCAR) 25.00 percent; Chevron 9.57 percent; INPEX 9.31 percent; Statoil 7.27 percent; ExxonMobil 6.79 percent; TP 5.73 percent; ITOCHU 3.65 percent; and ONGC Videsh Limited (OVL) 2.31 percent. See: "Asrın Anlaşması 2050'ye Kadar Uzatıldı", SOCAR, http://www.socar.com.tr/kurumsal-iletisim/haberler/2017-haberler/2017/09/15/asrin-anlasmasi-2050-ye-kadar-uzatildi!

Chapter 23
Responses of the Visegrad States to the Migration Crisis and the European Identity

Neriman Hocaoğlu Bahadır
https://orcid.org/0000-0002-3723-5554
Kırklareli University, Turkey

ABSTRACT

European identity is an identity constructed everyday within the lives of Europeans. The emergence of this identity can be traced back to the 1970s when it was first introduced in the Copenhagen Declaration on European Identity (1973). The identity has changed a lot with each enlargement of the EU. It has enriched and evolved. But its construction has not been completed, as it is a process with no end. The EU has faced many crises and one of them that challenges identity is migration. It is a test for the EU, its identity, way of life, and values. This chapter analyses if migration is a threat to EU identity, how it became a challenge, and how the actors respond to this challenge. To find out how it became a challenge and how the actors, especially the Visegrad States' political leaders, respond to this challenge, the discourses of political actors are evaluated.

INTRODUCTION

The European Union (EU) is a *sui generis* union, which consists of many different characteristics, which make it EU. Its institutional structure, common policies, its language policy, the concept of citizenship, its currency and its identity are some of these things, which make it *sui generis*.

The European identity is an identity constructed in the lives of the EU citizens every day. It is not completed, it is not a product but it is a process. It is difficult to define this identity because the components of these identities can change, as well. But in general it has some common points like democracy, human rights, freedom of speech, free movement, solidarity and unity in diversity. But after the migration crisis there were some discourses, which cannot be thought to be in line with the components of

DOI: 10.4018/978-1-7998-1188-6.ch023

EU or its common values. So, in this chapter, it is aimed to focus on such discourses, especially to the discourses of the Visegrad States and their possible effects on the European identity and its components.

In this chapter, firstly it is focused on constructivism as a theoretical framework because identity is evaluated as a construction and then it is focused on the EU's identity and its construction process, which can be traced back to the 1970s when it was first mentioned in the Copenhagen Declaration on European identity. Even if the European identity's history is older than this time period here it is preferred to use Copenhagen Declaration as a milestone for the EU's identity because the EU was established in 1950s as a community. For that reason, it is preferred to start the process after the establishment of this community. This identity is used as European identity but it should be remembered that it is the EU's identity. Sometimes these two terms can be used interchangeably but within this chapter the term European identity is used for the EU's identity and it is used in this way in the literature and in the official EU texts, as well. After drawing the general picture about the European identity, migration crisis is explained to see the base of discourses, which recall discrimination, xenophobia and extremism. As a case study, the discourses of politicians of the Visegrad States (Hungary, Poland, Czech Republic and Slovakia) are analysed and their effects on the European identity is stated. Here, it is aimed to find out if migration crisis is a threat for the European identity, which has been constructed since the Copenhagen Declaration, and this is tried to be found out by focusing on the discourses of key politicians.

THEORITICAL BACKGROUND

In this research, constructivism is chosen as the theoretical basis of the study because of the idea that it can explain the construction of the European identity better than any other theory. One of the focus points of the theory is identity and it enables us to evaluate the European identity as a process. In order to form a basis for this study and clarify why it is preferred as the theory of this research some scholars are referred in this part.

First of all, it should be started with Ted Hopf's (1998, p.196) view that constructivism is a "theory of process" as in this chapter, the construction of the European identity is given in a historical context but it is not a finished process on the contrary, it is an on-going process. Here, it also needs to be stated that according to Hopf (1998, p.192), constructivist research program is about "understanding how identities are constructed, what norms and practices accompany their reproduction, and how they construct each other". This point of view of constructivist approach helps us to see both the European identity construction process and the its changing nature with the discourses of some member states. Even though in this chapter it is focused on the discourses it should also be noted that discourse is not the only factor, which has a changing and constructing effect in identity formation process. For instance, in the European identity construction process the importance of institutions and their effort cannot be overpassed and the effects of each enlargement should not be forgotten, as well. Here, to be in line with constructivist point of view the importance of institutions especially in the construction of European identity can be explained with Mark Pollack's statements. According to him:

… constructivist scholars generally define institutions more broadly to include informal norms and intersubjective understandings as well as formal rules, and posit a more important and fundamental role for institutions, which constitute actors and shape not simply their incentives but their preferences and identities as well. (Pollack, 2001, p.234)

So, the shaping effect of institutions should not be neglected. Even though the role of actors may not be the main focus point of this statement, the actors also have a shaping effect with their discourses as it can be seen within this research.

The views and evaluations of Robert Jackson and Georg Sorensen about constructivism is also related with this research as they indicated "the social world is a world of human consciousness: of thoughts and beliefs, of ideas and concepts, of languages and discourses, of signs, signals and understanding among human beings." (Jackson & Sorensen, 2006, pp. 164-165). They also added "The social and political world is made up of shared beliefs rather than by physical entities" (p. 172). There are many other statements in explaining constructivism, which are in parallel with Jackson and Sorensen statements, and they all focus on the idea that the identities, the interests and the behaviours are constructed with the impact of norms and shared ideas (Wendt, 1999, p. 1 and Christiansen et al., 2001, p. 5). Antje Wiener (2006, p. 6) summed up these views in two assumptions and according to him in addition to material capabilities ideas are important as social capabilities and norms have dual quality as both structuring and constituted through interaction. So, it can be noted that according to constructivist point of view, ideas, thoughts, beliefs and norms are important constituents rather than the material forces or entities and in constructing identities they have a role. This role is quite important for this research as it is aimed to find out how and in what way the ideas of political actors, which can be traced in their discourses, affect the European identity.

To sum up, it can be said that constructivism is a theory of process and it focus on how identities are constructed and in this construction process ideas, beliefs, norms, institutions are crucial factors. In other words, as a theory constructivism focuses on the identities, their constructions and changes as a process. So, these are also the reasons for choosing constructivism as the theory of this research.

IDENTITY

Identity is a concept, which is a subject of many different disciplines. Here, the general point of view of identity is given in order to form a basis for understanding European identity. In this part, the concept of identity is defined to form a starting point.

According to Brubaker and Cooper ("Beyond "Identity", p. 8):

It is used to highlight non-instrumental modes of action; to focus on self-understanding rather than self-interest; to designate sameness across persons or sameness over time; to capture allegedly core, foundational aspects of selfhood; to deny that such core, foundational aspects exist; to highlight processual, interactive development of solidarity and collective self-understanding; and to stress the fragmented quality of the contemporary experience of 'self,' a self unstably patched together through shards of discourse and contingently 'activated' in differing contexts.

Here, looking at this statement reference points of identities can be specified as "process, interaction, sameness, self, self-understanding, discourse and context". Even though it is not possible to make such inference from just one statement, it should be noted that scholars from different disciplines supports these reference points in different ways. For instance, Richard Jenkins (2014, p. 2) notes that "identification, whether of ourselves or of others, is a process; something that we do". In identity construction, if it is accepted that this is a process, it should also be accepted that interaction is inevitable as it is subsistent part of it. Mead (1934, p. 164) notes this reality by stating, "selves can only exist in definite relationship to other selves".

Hopf (1998, p. 174) indicates the importance of context and he states "identities cannot be understood without a simultaneous account of normative, cultural and institutional context". So, the construction of identity cannot be evaluated without knowing what is happening around, which cultural and institutional factors are having effects in this construction process. Another scholar who emphasizes the importance of social context is Erikson and he notes "identity as an individual phenomenon developing in social contexts" (Ciepiela, 2011, p. 7). And the discourses are also important part of social context and it will be mentioned in the following parts.

"Sameness", "self" and "self-understanding" are also crucial components of identity and they can be related with "other" in identity construction. William E. Connolly (1991, p. 64) explains this by noting that "identity requires difference in order to be and it converts difference into otherness in order to secure its own self-certainty". Another related statement is Jean- François Staszak's (2008, p. 2) statement where he notes "Otherness and identity are two inseparable sides of the same coin. The Other only exists relative to the Self, and vice versa." So, "other" is needed while selves try to define themselves. "Other" is a reference point for "self" to define himself/herself, to know who he/she is, also to know who he/she is not. In other words, it has functional responsibility in positioning and defining identities.

If the subject is European identity values should also be mentioned and Manuel Castells (p. 3) explains identity as "a set of values that provide symbolic meaning to people's life by enhancing their individuation (or self-definition) and their feeling of belonging". Common values of the European identity will be noted in the following parts.

Lastly to give a definition of identity Jenkins can be referred. According to him, identity is about human capacity which is rooted language and it includes "...who we are, knowing who others are, them knowing who we are, us knowing who they think we are, and so on." (Jenkins, 2014, p. 6). So, many things can be said about defining identity such as it is processual and interactive; it is about forming sameness; it is also about how we understand ourselves; discourses, institutions and contexts are important factors in identity construction and other is used as a reference point but in short it is about understanding ourselves and others while it also includes their understanding of us.

The European Identity

European identity is one of the identities of the EU citizens, which is constructed every day within the lives of Europeans. The history of this identity goes back a long way but it is not the aim of this research to search for the whole history but to focus on the identity of the EU whose history can be started with the Copenhagen Declaration on European Identity (1973) in which the European identity was first introduced. From then on, this identity has changed, enriched and evolved a lot with each enlargement policy and within the official texts of the EU and it is still changing because it is an unfinished process. However, giving the whole historical developments is far beyond the scope of this research. Here, it is just focused on some of the developments to draw the general framework.

The construction of European identity within the EU can be evaluated by analysing the official documents, which have been prepared since 1970s to support the process. These official documents can be separated as treaties and reports/declarations. The treaties and the reports, which can shed light on the historical construction process of the European identity, are the Single European Act (SEA), the

Treaty on European Union (the Maastricht Treaty), the Amsterdam Treaty, the Lisbon Treaty; and the Copenhagen Declaration, the Tindemans' Report, and the Adonnino Reports.

The European identity concept first entered to the EU treaties with the SEA (1987). There it was mentioned that closer cooperation on European security matters would contribute to the development of a European identity (SEA, 1987, pp. 13-14). This is just a slight reference to European identity but as mentioned before with this wording the concept entered into the treaties of the EU.

The second step in terms of treaties was the Maastricht Treaty (1992). In this Treaty, there were references to the European identity but it was mostly related to security and defence identity and there were also references to the common cultural heritage and diversity, (Maastricht Treaty, 1992), which can also be related with the European identity and its motto: "unity in diversity".

The Amsterdam Treaty (1997) as a next step made a contribution to the European identity construction process in a different way as in this treaty; the common values of the EU, which are liberty, democracy, respect for human rights, fundamental freedoms and rule of law, were noted as the principles of the EU (p. 8). Thomas Risse (2004, p. 256) notes that these values become the constitutive elements of the European identity and candidates have to subscribe these values, as they are also the accession criteria for the EU.

The Treaty of Lisbon (2007) was an important step in the construction process of European identity. According to Article 1a of the Treaty;

The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail. (p. 11)

As it can be seen in the Article, it is clear that the values are important part of the European identity. These values are evaluated as the basis of the EU. The minority rights were also included and it was noted that these values were common in the member states. Besides, it was pointed out that pluralism, non-discrimination, tolerance, justice, solidarity and equality were valid in the member states. So, it can be said that the European identity cannot be thought independent from these values. Moreover, the Charter of Fundamental Rights of the European Union (2000) was stated to have the same value with the EU treaties (The Treaty of Lisbon, 2007, Article 6, p.7). So, the rights written in this Charter cannot be ignored. All of the articles in this Charter are quite important in terms of rights and the common values of the EU. However, Article 21 is especially related to the subject of this research, as it is clear in the following parts. According to this Article:

Any discrimination based on any ground such as sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation shall be prohibited. (p. 13)

This means that any kind of discrimination is prohibited and as noted in the Article 22 diversity, including cultural and religious diversity, is respected (p. 13). Here, it should be also noted that the EU "is based on the rule of law" and all the EU treaties are binding for member states ("EU Treaties"). So, any kind of discrimination is prohibited for the EU member states and their citizens, as well. This can be interpreted as the citizens or the member states cannot make any kind of discrimination according to abovementioned Article.

Another point related to the treaties, which should be mentioned, is the Consolidated Version of the Treaty of the Functioning of the European Union (2012). The Article 80 is related with solidarity and the subject of this chapter. According to this article, it was noted that the policies related to border checks, asylum and immigration "shall be governed by the principle of solidarity and fair sharing of responsibility.." (p. 78). This Article may be seen irrelevant at first sight but it is completely related with the subject of this chapter as solidarity is one of the values of the EU and the European identity. The member states should share the responsibilities of the migration crisis as it is stated in the founding treaties and as it is mentioned above these treaties are binding.

The reports and declarations have important role in constructing European identity, as well. They have further pushing effect and they include too many proposals to be able to make the concept accepted and felt in the lives of the EU citizens. For instance, democracy, the rule of law, social justice and human rights were noted as the fundamental elements of the identity in the Declaration on European Identity (1973, p. 2). In this Declaration, the dynamic nature of the European identity and the construction of this identity in concert with the other states were also stated (p.4). This is also an important point, as it can be understood that the construction of identity is not a stable issue but a dynamic process and other states or member states also take part in this defining, shaping and constructing process.

Another step in the identity construction process was Tindemans Report (1976) in which the importance of being felt in the lives of citizens and making the EU a 'discernible reality' for the citizens were emphasized (pp. 15-30). Proceeding from this emphasis, with this Report it was aimed to make the EU more tangible, more concrete for the EU citizens and identity could be thought as a tool to create a sense of belonging.

Addonnino reports (1985) were also another milestones in the EU identity construction history. Brigid Laffan (1996, p. 96) appraises these reports as "a deliberate process of manufacturing and legitimizing a European identity from the top down." Because in these reports it was proposed to have a European passport, a flag, emblem, anthem and stamps which were designed with the events and ideas of the Community (1985, pp. 10-30). So, it can be stated that European identity has been elaborated with each suggestion and different symbols proposed with the declarations and reports. It should also be noted that it has been tried to make European identity and the EU real and felt in the daily lives. This can also be seen as a deliberate attempt to construct the identity of its citizens.

These were just some of the developments in the history and most of these proposals were realized with the treaties. However, it should be noted that there are also projects, initiatives, programmes and actions to create the sense of belonging in the EU history. Some of them are the educational movement programmes such as Lifelong Learning Programmes and some others are the European Union Action for the Heritage Label and Europe for Citizens Programme. All these efforts are so meaningful as it is aimed to construct an identity of a union. This identity can be called collective/cosmopolitan societal (Delanty, p. 56) and supranational/ transnational identity as it has been constructed within the EU and based on common values and principles of the EU.

MIGRATION CRISIS AND THE RESPONSES OF THE VISEGRAD STATES TO THIS CRISIS

Migration is a term, which has been researched many times by many scholars in international relations. The term itself and its derivatives are defined; the reasons and consequences of migration are stated, many other issues related to the term researched within different disciplines with different approaches. In this part, the migration issue is not discussed deeply as it is beyond the scope of this research but the general framework of migration crisis, which Europe has been tackling, is presented.

It is important to know what the term migrant means in order to understand to what migration crisis refers. International Organization for Migration (IOM) defines migrant as:

any person who is moving or has moved across an international border or within a State away from his/her habitual place of residence, regardless of (1) the person's legal status; (2) whether the movement is voluntary or involuntary; (3) what the causes for the movement are; or (4) what the length of the stay is. (IOM, "Key Migration Terms")

Concerning the abovementioned definition, migration can be defined roughly as an act of moving. If it is explained in this way, it cannot be understood how the act of moving can cause crisis. The numbers related to migrants can help to understand it better.

The flow of migration into the Europe changed dramatically in recent years especially in 2015. According to Frontex ("Migratory Map"), illegal border crossing into Europe was over 1,800,000 in 2015 while it was over 200,000 in 2014 and over 400,000 in 2016. So, 2015 became the peak point of migration crisis, as just illegal crossings were 885,336 on the Eastern Mediterranean Route and 764033 on the Western Balkan Route. These numbers show how a lot of pressure there were over the states, which are on these two routes. For example, Greece was under a lot of pressure in 2015 especially because of the Eastern Mediterranean Route as the migrants using this route entered in Greece. Moreover, the Western Balkan route created pressure over Greece, as well. The migrants using this route were also pressure for Hungary because most of the migrants aimed to reach Western Europe were passing through Hungary, so they also created pressure over Hungary (Frontex, "Migratory Routes").

When the migration crisis reached its peak point in 2015, the member states of the EU tried to find a way to cope with it. EU - Turkey Statement, a European Agenda on Migration, border controls and building walls and fences were some of these ways. Turkey – EU Statement became a reality in March 2016 (Frontex, "Migratory Routes") and the irregular migration flow decreased after it (European Commission, 2019, "EU-Turkey Statement"). In May 2015, the Commission presented a European Agenda on Migration (2015). The Agenda included immediate action, reducing the incentives for irregular migration, saving lives and securing the external borders, a strong asylum policy and new policy in legal migration (pp. 3-17). Moreover, it was decided to activate the Emergency system under Article 78 (3) of the Treaty on the Functioning of the EU to distribute people from frontline countries to other states (p. 4). Here, the aim was to set up a relocation scheme to alleviate pressure over frontline states and it was also decided which parameters (GDP, population, unemployment rate, past numbers of asylum-seekers and of resettled refugees) would be used to prepare a justice relocation plan (p. 4). In the Agenda relocation scheme was also presented (2015, pp. 21-22) with the possible funding to support the scheme (p. 5). Even though these efforts were valuable to manage migration crisis, all member states did not take same responsibility.

Many member states reintroduced border controls with the emergence of migration crisis. The member states, which reinstalled border controls in 2015 and in 2016 with a reason of big influx of persons seeking international protection were Germany, Austria, Slovenia, Hungary, Sweden, Norway, Denmark and Belgium ("Member States' notifications of.."). But they were temporary precautions for a short period because of Schengen Borders Code (European Commission, "Temporary Reintroduction of Border Control").

As it is stated above, some of the member states built walls as a response to the migration crisis. According to Transnational Institute Report (2018, Building Walls"), "Member States of the EU and Schengen Area have built around 1000 kilometres of walls … since the nineties to prevent displaced people migrating into Europe". In this same Report, it is noted that there was an increase in 2015 with 7 new walls and the member states which have built walls since 1990s are Spain, Greece, Hungary, Bulgaria, Austria, Slovenia, United Kingdom, Latvia, Estonia and Lithuania. So, it is clear that member states want to exclude immigrants and they find walls as a solution.

The Visegrad Group (Hungary, Czechia, Poland and Slovakia) opposed to the relocation plans (Maurice, 2015), which were designed to share burden on the frontline states. They noted their opposition clearly and according to the Joint Statement of Heads of Governments of the V4 Countries published in 2016, they presented the term "flexible solidarity" with which member states would be able to contribute to the solution of migration crisis according to their experience and potential (Visegrad Group, "Joint Statement of the Heads"). The term flexible solidarity is not in line with the term solidarity, which is referred frequently when the issue is migration crisis because this crisis affects all of Europe. Here, there is a need to act together and share burdening is a must in such an influx of people. Closing borders or building walls are not solutions. They are just prolonging the solution process. However, it is really difficult to relocate the migrants to different countries than the ones they prefer, especially in a union where free movement has been realized.

Within this Group just Hungary both reintroduce border controls because of big influx of persons seeking international protection between 17 and 26 of October 2015 ("Member States' notifications of") and build walls to prevent the entrance of migrants besides acting with the other Visegrad Group countries. Because of their opposition to the migrants and the solution presented by the EU, the discourses of the Visegrad States' presidents and prime ministers are evaluated to see their effects on the European identity, which is based on common values and the principles of the EU, one of which is solidarity.

DISCOURSE ANALYSIS

In this part of the research, discourse analysis is explained briefly as it is used to evaluate the statements of the high political actors (mainly presidents and prime ministers) in the Visegrad States. Here, it is not focused deeply on the issue of discourse or on the critical discourse analysis but it is aimed to form a basis for the research.

Ove K. Pedersen notes that discourse analysis is part of Constructivism (or Social Constructivism) and added "It assumes that basic assumptions with regard to being, self and the world are constructed by individuals living in a historical and cultural context which is produced and reproduced by their speech acts". Looking from this perspective, discourse analysis matches with the objectives of this research. Norman Fairclough's definition of discourse analysis is also explains the aim of choosing it, as Fairclough (2003, p. 2) notes that discourse analysis "is based upon the assumption that language is an irreducible part of social life, dialectically interconnected with other elements of social life, so that social analysis and research always has to take account of language" and he added that it is a version of critical discourse analysis. But here, it is especially preferred to use discourse historical analysis (DHA) which concerns with many discourse areas which include discourse and discrimination, discourse and identity, discourse and politics/policy/polity beside some other areas (Martin Reisgl, 2017, p. 48).

Reisgl (p. 52) points out five discursive strategies, which are nomination, predication, argumentation, perspectivisation, mitigation and intensification and asks some questions to find out the purpose within the discourse. So, the statements of the presidents and prime ministers of the Visegrad States are evaluated according to these strategies in order to find out their general point of view to the migration issue. It is also aimed to see their effects on the European identity.

Before passing to the next part, it should also be noted that the statements of the president and prime ministers are chosen departing form the view that the "groups who control most influential discourse also have more chances to control the minds and actions of others" (Teun A. van. Dijk, 1998, p. 5). It is so clear here that the political leaders, who have the chance to be in contact or in interaction with the society easily and who have the power, can control the minds and actions of the society. They can attend public meetings, give an interview and use media to give a speech or convey their messages. This kind of power can direct the society according to his/her own views. Dijk (1998, p. 8) referring to Nestler and his friends supports this view by noting that "…recipients tend to accept beliefs, knowledge, and opinions (unless they are inconsistent with their personal beliefs and experiences) through discourse from what they see as authoritative, trustworthy or credible sources…". So, it can be interpreted that presidents and prime ministers have the power to control or direct the societies and their views in a way. And this makes 'discourse' a critical tool, which can provoke feelings like xenophobia, racism, and extremism besides many others.

Migration Discourses of the Visegrad States and their Effects on the European Identity

In this part, migration related statements of the presidents and prime ministers of the Visegrad States are chosen to see their effects on the European identity as these states opposed to have a common plan to manage the migration crisis. This opposition is not in line with solidarity, which is accepted and referred frequently in the EU. The statements related to the migration issue are examined as the effect of migration crisis on the European identity is researched. And as a time period, it is preferred to focus on the statements after 2015 when the migration crisis was in its peak point. The news related to migration and the statements of Visegrad Group countries' presidents and prime ministers particularly from the Guardian, BBC, Reuters, Politico and some other web sites are chosen. The related news are screened according to the determined two groups of key words such as migration, migrant, immigrant, migrate, Europe, EU, refugee, relocation; and presidents and prime ministers' names of the Visegrad Group countries. The statements that included both the key words from the first group and second group are examined. The direct statements of the political actors are preferred to give directly their point of view. Here, it is also preferred to focus on the statements of presidents and/or prime ministers state by state.

Milos Zeman is the president of Czech Republic since 2013 and he was on duty during the migration crisis and he is still on duty. When it is looked to his statements to see how he evaluates migration, it can be seen that he defines migration as an "organized invasion". It is clear from the headline of the Guardian (2015), which is "Czech president: migrants should be fighting Isis, not 'invading' Europe" and from his statements, which are "I am profoundly convinced that we are facing an organised invasion and not a spontaneous movement of refugees" and "A large majority of the illegal migrants are young men in good health and single. I wonder why these men are not taking up arms to go fight for the freedom of their countries against the Islamic State”. Here, both the act of migrating and the migrants are characterized negatively. As the word ‘invasion’ evokes ‘war’, ‘marauding’ and may be ‘chaos’. So, it can be said that migration is associated with invasion and he represents the immigrants negatively by defining them as ‘healthy’, ‘young’ and ‘single’ men who can fight for their freedom instead of moving and ‘invading’ Europe. He uses ‘Europe’ as referring to ‘we’ and the ‘illegal migrants’ as ‘they’ just trying to put the difference and excluding them from Europe. He also notes that “[I]t is said that in Africa, at least several million people are ready to migrate to Europe. Because they are mostly Muslims whose culture is incompatible with European culture, I do not believe in the ability to assimilate them.” in an interview with Vacenje Novosti in 2017 (“Can the Czech Runoff”, 2018). In this excerpt, he uses passive voice and gives information in facts but its source is not clear, which may have been overrated or incorrect. However, this information can stoke fear of migration. Here, there is also a binary construction as ‘Muslim culture’ and ‘European Culture’ and it is noted that Muslim culture is not compatible with the European culture. The immigrants are excluded by the argumentation that they are from different culture and that culture is not compatible with European culture. This is a kind of justification for exclusion and it is also a kind of identity construction by using ‘others’ and positioning ‘ourselves’ against ‘others’ who are different than ‘us’. This kind of discrimination is not acceptable within the EU as it is contradictory to the EU values and as it is stated in the previous parts any kind of discrimination is prohibited according to the Charter of Fundamental Rights of the European Union (2000). Furthermore, it should be noted that Islam or any other religion is not mentioned as the ‘other’ of the European culture in constructing the European identity in any of the official texts. So, these kinds of discourses are contradicting with European identity. Another point is that the verb ‘assimilate’ is not compatible with the EU’s motto: ‘unity in diversity’, either. The EU is a union, which respects to diversity as it consists of 28 different member states and diversity is always accepted as richness.

Bohuslav Sobotka who was prime minister in Czechia in 2015, also made a statement opposing the EU relocation scheme and he noted that “The compulsory quotas are not a good solution” (DW, 2015, “EU leaders debate value..”) The present Prime Minister Andrej Babis also opposes to accept migrants according to him, “we [in the Czech Republic] take illegal migration as a threat to the European civilization,” (Sputniknews, 2018, Muslim Migrants are ‘Threat’..”). As it is clear he is just othering the migrants and noting that ‘we’ and ‘they’ are different. The headline of this news also shows that Muslims are evaluated as a threat to European civilization.

In the case of Poland, the statements of Andrzej Duda who is the president of Poland since 2015, Maeusz Morawiecki who is the prime minister of Poland since December 2011 and Beata Szydlo who was the prime minister of Poland before Mateusz Morawiecki are referred. Starting with Andrzej Duda, a headline from Internet news can be given as an example, which is “Migration crisis is a problem of entire EU” (2015). There are contradicting views in this news. According to the headline, migration crisis is defined as a problem and it is the problem of all member states. However, in the news it is stated “Admission quotas and administrative decisions regarding the number of refugees that has to be admitted are not effective and European countries, especially in this part of Europe, do not accept them”. This statement shows that how he is contradicting with the headline as he is making separation within Europe and notes that admission quotas, which is the common solution for the problem of all EU member states as he states, are not acceptable to that part of Europe. Another statement of Duda is “There are no anti-immigrant actions in Poland, we simply do not agree that people should be forcefully sent to us, that’s all” (“Forced migration ‘is enslavement..’”, 2018) In this statement, the President tries to justify Polish attitude and emphasizes that there is no anti-immigrant action; what they are opposing is to send people without asking them. Here, the question of what if people choose to live in Poland when they are asked comes into minds. He may be noting it because of the general view that migrants want to go to Western Europe (whether this view is correct or not). However, it is clear that he is trying to justify the Poland's opposition. The adverb 'forcefully' also strengthen their perspective.

Current Prime Minister Mateusz Morawiecki is looking from the same perspective and he says, "Some leaders begin to understand that forcing the sovereign countries with varying historical experience to accept some numbers of refugees is unfair. The EU needs to maintain unity and justice in this regard" ("Prime Minister Mateusz Morawiecki", 2018). The last excerpt is from previous Prime Minister Beata Szydlo, whose statement is harsh and direct. According to her, "I hear in Europe very often: do not connect the migration policy with terrorism, but it is impossible not to connect them" ("Polish PM draws link between..", 2017). Here, she makes a direct connection with migration policy and terrorism. Making such generalisations or connection just after 'London attack' provokes fear and security threat. Migrants are pointed and labelled as dangerous targets. It is so possible for the people to afraid of these migrants and to exclude them, as it is an existential problem. This kind of discourses possibly feeds extremism, xenophobia and racism and it is so dangerous for peace in Europe. It is also a danger for the future of Europe.

Hungary is another state and it criticizes the EU and uses one of the most intolerant discourses. Janos Ader is the president of Hungary since 2012. One of his statements which became headline is: "Tackling migration is about sovereignty" ("President Ader: Tackling migration..") and he also notes more attention-grabbing statement in the same news which is: "Masses of people are arriving uncontrolled, as well as illicit drugs and weapons, and the number of crimes has increased". In the headline, managing or tackling with the migration crisis is presented as tackling with something which jeopardize sovereignty of a state. This can be seen as an attempt to legitimize their perspective because sovereignty is one of the issues, which draws attention of people as it is about the existence of a nation. In the second excerpt, information is given. The first one is about uncontrolled arrivals of masses of people, illicit drugs and weapons and the second one is about the increase of crimes. However, there is no clear information. For example, it is not stated how many people are coming, where and when illicit drugs and weapons were caught and there is not any rate to show the increase of crimes. But this information promotes fear, security problems and threat for people of Hungary. All these negative predications can be evaluated as legitimizing the Hungarian perspective in not accepting migrants and building walls to control migration or protecting their borders from illicit drugs, weapons, crimes and people who cause all these.

Prime Minister Viktor Orban's statements are harsher than the Ader's statement. After the relocation plans Orban made many speeches related to the quotas proposed. For example, in BBC (2015), he mentions that "They're not just banging on the door, they're breaking the doors down on top of us. Our borders are under threat. Hungary is under threat and so is the whole of Europe." In this statement, migrants are generalized as 'they' and Hungary and later Europe as 'we'. According to the statement, the migrants are not coming silently, knocking the door and asking for permission to enter but they are breaking and destructing the door. This is an example of binary construction of identity: 'they' and 'we'. 'Door' is used as a metaphor of border and this metaphor makes it easier to visualize or identify with the event defined in the statement. Lastly it is noted that migration is a threat for both Hungary and Europe and this is another fear promoting statement like all mentioned above. It is also about identifying a common enemy on the doors or borders of Europe. In the same news, new laws about giving permission to "the army to use rubber bullets, tear gas and net guns to control migrants at its borders" (BBC,

2015) are mentioned, as well. Orban's statements are justifying the law as he emphasises the threat and a need to take precautions.

Some other statements of Orban with same point of view are; "All of them present a security threat because we don't know who they are. If you allow thousands or millions of unidentified persons into your house, the risk of …terrorism will increase", "the factual point is that all the terrorists are basically migrants" (Kaminski, 2015), and "Every single migrant poses a public security and terror risk", "For us migration is not a solution but a problem… not medicine but a poison, we don't need it and won't swallow it" (Hungarian prime minister says.."). He associates migrants with terrorist and makes a hyperbolic generalization by saying that all the terrorists are migrants without giving any factual information. In the second statement, he gives numbers but they are not explicit but exaggerated by saying 'millions of' and in the third statement, he continues his generalizations by putting all the migrants into the same equation. In the last statement, the metaphor of 'poison' is used to show how dangerous are the migrants and how they can cause to their lives if they swallow them or in other words allow them in. Positive and negative representations are used together but the negative ones are preferred to characterize migrants. Here, the argumentation is that there is a security threat, which occurs because of the migrants so opposing is the only way to stay secure and alive.

Lastly, it is focused on the migration statements of Slovakia. Andrej Kiska is the president of Slovakia since 2014. Different than the previous leaders he is more moderate. He indicates, "There will always be problems and challenges that we will have to face. But it must not be a reason for us to isolate our country and become reluctant to help others" and "Please, let's put an end to scaremongering " (Kiska, 2015) Even if he is more moderate he is still using the word 'problem' and 'challenge' but he is not addressing migrants directly instead he is calling people to be thoughtful not to ignore people in need. Peter Pelegrini is the current prime minister since 2018 and he is moderate, as well but the previous Prime Minister Rober Fico who had the position during 2012 and 2018 was not moderate as they are. According to one of his statements, "The idea of multicultural Europe failed and the natural integration of people who have another way of life, way of thinking, cultural background and most of all religion, is not possible" (Cunningham, 2016). This emphasis is quite contradictory to the multicultural policy of the EU and the values, which are supported and form the basis of the EU. Moreover, the differences are noted one by one and living together with these differences is stated to be impossible. Discrimination, exclusion and xenophobia can be the consequences of such statements.

In this part, the views of the presidents and prime ministers of the Visegrad States related to the subject of migration are evaluated in order to see their effects on the European identity. According to the evaluations, it is seen that most of the referred statements are quite compatible with the common values and principles of the EU. These principles and common values are the basis of the European identity as it is stated in many official documents of the EU. So, it can be said that the generalisations, labelling people as 'terrorist', 'poison', 'threat' and making discriminations as 'us' and 'them', hyperbolic statements promoting fear and arising security relate questions and xenophobia and maybe racism is quite challenging for the European identity. This can be also evaluated as violation of law and fundamental rights, which are at the core of EU. Migration issue cannot be the responsibility of just Italy or Greece because of their geographical position or Germany and Sweden's responsibility because they try to be in line with human rights and rule of law or because of their welfare level. The member states of the EU are benefitted from the prosperity, which the EU provides, so they should share the responsibilities and come over the problems together without evading responsibility.

In this part, it can also be noted that the Visegrad States generally have a common opposition against migrants and even though they have some commonalities the discourses are varying. As it is mentioned in the previous part, they declared their opposition to mandatory relocation scheme but all of them did not take the same precautions like building walls and reintroducing border controls because of big influx of people. Hungary's politician's especially Orban uses more direct, combatant discourse and trenchant words while Slovakia uses more moderate rhetoric. However, the common point of these states is their anti-migrant position. This can be seen in November 2017 facts, Slovakia relocated just 16 migrants and Czechia relocated 12 migrants while Poland and Hungary relocated none. They had different quotas such as 902 for Slovakia, 2691 for Czechia, 6182 for Poland and 1294 migrants for Hungary (European Commission, 2017, "Relocation: EU Solidarity between.."). Another point that they partially have in common is that positioning the migrants as Muslims and their culture on the one side and Christianity and the European culture on the other one.

Looking to the public opinion may be beneficial to see how people think about migrants while their leaders are using particular kind of discourse on migration. Eurobarometer data is a useful source to make such kind of evaluation. When it is looked to the Special Eurobarometer 479 Report on Future of Europe (October-November, 2018, p. 23), the main challenge for EU is unemployment but migration is also one of the three main challenges with a proportion of 34% in 2018 and 36% in 2016. Here, it can be observed that there is a decrease in the point of view that evaluates migration as a main challenge in time. However, it is the first mentioned item in Czechia (59%) and Hungary (46%) (p. 24). So, the respondents from Czechia and Hungary think that migration is the main challenge while it is the third most frequently mentioned item in Slovakia (36%) and the second most frequently mentioned item in Poland (33%) (p. 26). Here, it should be also pointed out that migration was not one of the options presented to the respondents in 2014 (European Commission, "Special Eurobarometer 413..", 2014, p. 9) so it is not possible to make any evaluation comparing the views before 2015 and after 2015. It became one of the options after the crisis. And it is seen as a main or one of the main challenges in all Visegrad States and this shows that public opinion is parallel to the views of politicians.

When it is looked to the data related to the EU values, which are at the core of European identity, in the same Report it can be seen that social equality and solidarity is evaluated as one of the main values of the EU besides peace and freedom of opinion. The other values, which are the options of the asked question in Eurobarometer 451 and 479 (2016, pp. 23-32 and 2018, pp. 31-40), are respect for nature and the environment; progress and innovation; tolerance and openness to others; and respect for history and its lessons. In order to be in line with rest of the chapter the data related to solidarity and tolerance are evaluated. In Eurobarometer reports, it can be seen what percentage of the Europeans associate EU with which value. According to the data, in 2018 48% and in 2016 55% of the respondents in the EU are associated 'social equality and solidarity' with the EU. The percentage decreased in two years' time. When it is looked to the Visegrad States it can be seen that proportion of all these countries decreased between 2016 and 2018, as well. The same results with a slight change can be observed for 'tolerance and openness to others' within the same period. Here, just Czech public opinion increased 1%. All other rates decreased. So, it can be said that views of the respondents from the Visegrad States changed after the migration crisis and the discourses of the politician may have had an effect in this change as the discourses of the politicians can be related neither with solidarity nor with tolerance and the reflection of it can be seen in the public, as well.

As stated in the previous parts, the discourse of authoritative people can control the way of thinking of people and also their actions. These people also have power to steer tendencies or effect societies in desired ways. So, repeating the concepts like ‘migration’, ‘migrant’, ‘threat’, ‘terrorist’, ‘terrorism’ and ‘poison’ together and relating them can form an image in the minds of people which is quite contradictory to the European identity and its inclusive nature. Diversity is accepted as a richness within the EU, any kind of discrimination related to religion, sex, language, etc. is prohibited and solidarity, tolerance and burden sharing is praised.

Constructing an identity for a union is not easy because it is a supranational or name it transnational identity. The discourses have an important role in constructing or deconstructing this identity. So, migration crisis and the discourses as an outcome of this crisis are real threat or challenge for the identity, which has been constructed since 1970s. Repeating the same discriminating argumentation in a society again and again and presenting a perspective will have an effect, which can be realized clearly in future as identity is not stable but active.

RECOMMENDATIONS

In this study, it is found out that discourses can affect societies and so can the identities in a negative way. To avoid such an outcome, authoritative powers should be careful and politically correct in their public discourses. It should no be forgotten that negative discourses including extremism, xenophobia and racism can feed extremism, xenophobia and racism and turn the societies into chaotic places. Such an outcome will be good neither for migrants nor for the others.

FUTURE RESEARCH DIRECTIONS

Within this study, it is preferred to focus on discourses of the Visegrad States leaders. Different researches with similar perspective can be made to all member states or to the different actors in a member state or states.

CONCLUSION

In this chapter, it was aimed to see the effect of migration crisis on the European identity. It was examined if the discourses of political leaders who opposed to relocation plan or in other words the plan to relocated the migrants within the EU in order to eliminate the suppress over the frontline member states, had a challenging effect on the European identity.

Constructivism was chosen as a theoretical framework as it focuses on identity issues, their constructions and evaluate the construction as a process and it also focuses on ideas. In this research, the European identity was also evaluated as a construction, which never ends and constantly constructed within relations and interactions. So, this relations and interactions affect the identity. Departing from this point it will not be wrong to note that migration issue also affects the identity construction process of the EU.

The identity of EU is a collective identity, which tries to embrace the citizens of the EU, and this identity has been constructed since it was first introduced in the Copenhagen Declaration on European Identity (1973). This process can be traced back with the official documents of the EU. In this study, the historical framework was given roughly to have a general idea about the construction process and what was included in this process.

Identity is about knowing who we are and also knowing who they are and ‘other’ is generally used as a reference point in defining ourselves. According to some discourses mentioned in the previous parts, it can be noted that in this context ‘Muslim migrants’ are evaluated as the other of ‘Europeans’.

Some of the components of the European identity are ‘Unity in diversity’, free movement, human rights, democracy, respect for diversity, transparency, freedom, rule of law, solidarity. However, the discourses noted in this research are not in line with the common values stated again and again in the official documents. Here, the context of the discourses should also be noted because these discourses were expressed after the migration crisis, which reached its peak point in 2015, and after the EU’s decision to relocate the people in member states. The Visegrad States opposed this plan and their leaders’ discourses shaped in relation to this opposition. Nevertheless, it is needed to say these kinds of discourses are dangerous both for the European identity and in relation to this identity it is also dangerous for the future and integrity of the EU. They may have disruptive effect because they are contradicting with the values of the EU on which the European identity has been constructed. Later, these values may be meaningless words just written in the treaties. They may also cause EU to evolve into more transnational less supranational union without having a common identity. Discourses can cause changes and a discourse starts with a word. So, discourses of politicians both using its authoritative power and media power to reach the public can make a difference by changing the attachment of the citizens to the common European identity.

In the anti-migrant discourses of abovementioned leaders, it can be noticed that European identity or the national identities should be protected from invasion, threat, different identities without referring to the motto of the EU: unity in diversity? Moreover, national borders should be secured rather than thinking of EU borders and walls and fences can be built ignoring free movement. So, lastly it can be said that constructing and maintaining the European identity is challenging with discourses of abovementioned leaders and this may even deconstruct the European identity. As a last word, migration crisis is a test for the European identity and future will show how the identity will evolve.

REFERENCES

Adonnino, P. (1985). A People’s Europe reports from the ad hoc committee. Retrieved from http://aei.pitt.edu/992/1/andonnino_report_peoples_europe.pdf

Brubaker, R., & Cooper, F. (n.d.). Beyond “Identity” (pp. 1-47). Retrieved from https://works.bepress.com/wrb/2/download/

Can the Czech runoff election impact the country’s stance on migration? (2018, Jan. 24). *Migration voter.* Retrieved from https://migrationvoter.com/2018/01/24/can-the-czech-runoff-election-effect-the-countrys-stance-on-migration/

Castels, M. (n.d.). The construction of European identity (pp. 1-9). Retrieved from http://www.chet.org.za/files/CASTELLS%202004%20European%20Identity.pdf

Charter of fundamental rights of the European Union. (2000, Dec. 18). Retrieved from https://www.europarl.europa.eu/charter/pdf/text_en.pdf

Ciepiela, K. (2011). From language as an identity marker to language as a toolkit for identity performance. In K. Ciepiela (Ed.), *Identity through a language lens* (pp. 7–20). Frankfurt am Main: Peter Lang.

Connolly, W. E. (1991). *Identity/difference: Democratic negotiations of political paradox*. New York: Cornell University Press.

Cunningham, B. (2016, Oct. 2). We protect Slovakia. *Politico*. Retrieved from https://www.politico.eu/article/slovakia-fico-migrants-refugees-asylum-crisis-smer-election/

CVCE. Declaration on European Identity. (1973, Dec. 14). Retrieved from http://www.cvce.eu/content/publication/1999/1/1/02798dc9-9c69-4b7d-b2c9-f03a8db7da32/publishable_en.pdf

Czech president: migrants should be fighting Isis, not 'invading' Europe. (2015, Dec. 27). *The Guardian.* Retrieved from https://www.theguardian.com/world/2015/dec/27/czech-president-migrants-should-be-fighting-isis-not-invading-europe

Delanty, G., & Chris, R. (2005). Is there a European identity?: European self-understanding beyond unity and diversity. In *Rethinking Europe: Social theory and the implications of Europeanization* (pp. 50–68). Oxon, UK: Routledge. doi:10.4324/9780203640050

EU leaders debate value of mandatory refugee relocation. (2015, Sept. 9). DW. Retrieved from https://www.dw.com/en/eu-leaders-debate-value-of-mandatory-refugee-relocation/a-18703817

European Commission. (2014, January-March). Special Eurobarometer 413 – Report Future of Europe. Retrieved from http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/SPECIAL/surveyKy/2038

European Commission. (2015, May 13). European agenda on migration. Retrieved from https://ec.europa.eu/home-affairs/what-we-do/policies/european-agenda-migration_en

European Commission. (2016, October-December). Special Eurobarometer 451 – Report Future of Europe. Retrieved from http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/SPECIAL/surveyKy/2131

European Commission. (2017, November). Relocation: EU Solidarity between Member States. Retrieved from https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20171114_relocation_eu_solidarity_between_member_states_en.pdf

European Commission. (2018, October-November). Special Eurobarometer 479 – Report Future of Europe. Retrieved from http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/survey/getsurveydetail/instruments/special/surveyky/2217

European Commission. (2019, March). EU – Turkey Statement Three years on. Retrieved from https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/background-information/docs/communication_on_the_european_agenda_on_migration_en.pdf

European Commission. Temporary reintroduction of border control. Retrieved from https://ec.europa.eu/home-affairs/what-we-do/policies/borders-and-visas/schengen/reintroduction-border-control_en

Fairclough, N. (2003). *Analysing discourse: Textual analysis for social research*. London, UK: Routledge. doi:10.4324/9780203697078

Forced migration is enslavement: Polish president. (2018, Aug. 22). *Polandin.* Retrieved from https://polandin.com/38606869/forced-migration-is-enslavement-polish-president

Frontex. Migratory map. Retrieved from https://frontex.europa.eu/along-eu-borders/migratory-map/

Frontex. Migratory routes. Retrieved from https://frontex.europa.eu/along-eu-borders/migratory-routes/western-balkan-route/

Frontex. Migratory routes. Retrieved from https://frontex.europa.eu/along-eu-borders/migratory-routes/eastern-mediterranean-route/

Hopf, T. (1998). The promise of constructivism in international relations theory. *International Security*, *23*(1), 171–200. doi:10.1162/isec.23.1.171

Hungarian prime minister says migrants are ‘poison’ and ‘not needed’. (2016, July 27). *The Guardian.* Retrieved from https://www.theguardian.com/world/2016/jul/26/hungarian-prime-minister-viktor-orban-praises-donald-trump

Hungary P. M. Orban: Europe borders threatened by migrants. (2015, Sept. 21). *BBC*. Retrieved from https://www.bbc.com/news/world-europe-34311254

International Organization for Migration. Key migration terms. Retrieved from https://www.iom.int/key-migration-terms

Introduction. (2001). InChristiansen, T., Jorgensen, K. E., & Wiener, A. (Eds.), *The social construction of Europe* (pp. 1–21). London, UK: Sage. doi:10.4135/9781446221105.n1

Jenkins, R. (2014). *Social identity* (4th ed.). New York: Routledge. doi:10.4324/9781315887104

Kaminski, M. (2015, Nov. 23). All the terrorists are migrants. *Politico*. Retrieved from https://www.politico.eu/article/viktor-orban-interview-terrorists-migrants-eu-russia-putin-borders-schengen/

Kim, B. (2001). Social constructivism. Emerging perspectives on learning, teaching, and technology, 1(1), 16.

Kiska, A. (2015, Sept. 7). Kiska: Attitude to refugees will define the heart and soul of Slovakia. Retrieved from https://www.prezident.sk/en/article/vyhlasenie-prezidenta-kisku-k-teme-utecencov/

Maurice, E. (2015, Sept. 4). Refugee quotas ‘unacceptable’ for Visegrad states. *Euobserver*. Retrieved from https://euobserver.com/migration/130122

Mead, G. H. (1934). Play, the Game, and the Generalized Other. In G. H. Mead & C. W. Morris (Eds.), *Mind self and society from the standpoint of a social behaviorist* (pp. 152–164). Chicago, IL: University of Chicago.

Member States' notifications of the temporary reintroduction of border control at internal borders pursuant to Article 25 *et seq.* of the Schengen Borders Code. Retrieved from https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/borders-and-visas/schengen/reintroduction-border-control/docs/ms_notifications_-_reintroduction_of_border_control_en.pdf

Migration crisis is a problem of entire EU. (2015, Oct. 9). *president.pl.* Retrieved from https://www.president.pl/en/news/art,44,migration-crisis-is-a-problem-of-entire-eu.html

Muslim migrants are 'threat' to European Civilization- Czech PM. (2018, Sept. 2). Sputniknews. Retrieved from HTTPS://SPUTNIKNEWS.COM/EUROPE/201809021067689690-MUSLIM-MIGRANTS-EUROPEAN-CIVILIZATION/

Polish PM draws link between London attack and EU migrant policy. (2017, March 13). *Reuters.* Retrieved from https://www.reuters.com/article/us-europe-migrants-poland/polish-pm-draws-link-between-london-attack-and-eu-migrant-policy-idUSKBN16U0TO

Pollack, A. M. (2001). International relations theory and European integration. *Journal of Common Market Studies*, *39*(2), 221–244. doi:10.1111/1468-5965.00286

President Ader. (n.d.). Tackling migration is about sovereignty. *Hungary Journal.* Retrieved from https://thehungaryjournal.com/2017/09/16/president-ader-tackling-migration-is-about-sovereignty/

Risse, T. (2004). European institutions and identity change: what have we learned? In R. Hermann, T. Risse, & M. Brewer (Eds.), *Transnational identities: Becoming European in the EU* (pp. 247–271). New York: Rowman & Littlefield Pub.

Oxford University Press. (2006). Social constructivism. In R. Jackson & G. Sorensen (Eds.), Introduction to international relations theories and approaches (3rd ed., pp. 161–177). Retrieved from http://e-edu.nbu.bg/pluginfile.php/147644/mod_resource/content/0/jackson_sorensen_Intro_in_IR_chap06.pdf

Staszak, J. F. (2008). Other/otherness. *In International Encyclopaedia of Human Geography.* Elsevier. Retrieved from https://www.unige.ch/sciences-societe/geo/files/3214/4464/7634/OtherOtherness.pdf

The consolidated version of the treaty of the functioning of the European Union. (2012, Oct. 26). Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12012E/TXT

The EU must maintain unity and justice in its approach to the issue of migration. (2018, June 25). premier.gov.pl. Retrieved from https://www.premier.gov.pl/mobile/en/news/news/prime-minister-mateusz-morawiecki-the-eu-must-maintain-unity-and-justice-in-its-approach.html

The Single European Act. (1987, June 29). Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:1987:169:FULL&from=EN

Tindemans, L. (1976). European Union report by Mr. Leo Tindemans to the European Council. Retrieved from https://publications.europa.eu/en/publication-detail/-/publication/86474a24-ccae-462b-8de4-00aacde62c65

Transnational Institute. (2018, Nov. 9). Building walls. Retrieved from https://www.tni.org/en/publication/building-walls

TreatiesE. U. (n.d.). Retrieved from https://europa.eu/european-union/law/treaties_en

Treaty of Amsterdam amending the treaty on European Union. The treaties establishing the European communities and certain related acts. (1997, Nov. 10). Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:11997D/TXT&from=EN

Treaty of Lisbon amending the treaty on European Union and the treaty establishing the European Community. (2007, Dec. 17). Retrieved from http://publications.europa.eu/resource/cellar/688a7a98-3110-4ffe-a6b3-8972d8445325.0007.01/DOC_19

Treaty on European Union. (1992). Retrieved from https://europa.eu/european-union/sites/europaeu/files/docs/body/treaty_on_european_union_en.pdf

van Dijk, T. A. (2001). Critical discourse analysis. In D. Schiffrin, D. Tannen, & H. E. Hamilton (Eds.), *The handbook of discourse analysis* (pp. 352–371). Malden, MA: Blackwell Publishing Ltd.

Visegrad Group. (2016). Joint statement of heads of governments of the V4 Countries. Retrieved from http://visegradgroup.eu/calendar/2016/joint-statement-of-the-160919

Wendt, A. (1999). *Social theory of international politics*. Cambridge, UK: Cambridge University Press. doi:10.1017/CBO9780511612183

Wiener, A. (2006). Constructivist approaches in international relations theory: puzzles and promises, *ConWEB*, 5, 1-27, Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1939758

KEY TERMS AND DEFINITIONS

Burden Sharing: The act of sharing responsibilities comes out of a relation.

Challenge: It is something difficult which can be overcome by great effort.

Crisis: A very difficult or dangerous situation which is really complicated.

European Identity: An identity, which is constructed everyday within the lives of Europeans.

Migration: The act of moving from one place to another.

Solidarity: It is a concept which requires being and acting together among people who have common interests or belong to same community.

Threat: A person or a thing which can cause danger.

Chapter 24
European Union as Environmental Governance System

Bekir Parlak
https://orcid.org/0000-0002-9173-7563
Bursa Uludag University, Turkey

Furkan Korkmaz
https://orcid.org/0000-0001-6141-5777
Bursa Uludag University, Turkey

ABSTRACT

Nowadays, the environment has become a global phenomenon. The main reason for this is the environmental problems. Therefore, solving these problems requires international cooperation. Environmental governance implies that states, international institutions, supra-national institutions, and societies act together in the solution of environmental problems within the framework of international cooperation. The European Union is a global power and actor with many states. Therefore, it is an effective actor in the search for solutions to environmental problems. The European Union's environmental attitude and regulations have national, regional, and international importance. This chapter evaluates the importance of the European Union for environmental governance within the framework of environmental action programs. In this context, environmental action programs will be examined in terms of environmental governance regarding formal and informal reports.

INTRODUCTION

Environmental problems are no longer a simple pollution problem perceived at the local level; they have global impacts and become a problem that affects all conditions of life on earth. The importance of environmental problems for world societies and states is increasing day by day. Therefore, environmental policies are gaining importance and developing rapidly both at national and international level.

DOI: 10.4018/978-1-7998-1188-6.ch024

The change in the extent and impact of environmental problems has increased the efforts to solve the problems and brought these efforts from national to regional and global level. This difference in the scale and perception of the problem naturally brought about discussions and attempted to address the environment as an international policy area rather than a national policy area. Environmental policies can vary considerably from country to country. However, it is not possible to speak of a national environmental policy that is completely independent of international obligations and global trends. Global environmental policies define the framework of national environmental policies and guide the national policies of states (Kaya, 2013: 466-470).

From the second half of the 20th century onwards, there has been a tendency towards the environmental problems and the policies to solve them at the international level. In this respect, the first concrete step towards the solution of environmental problems was the Stockholm conference in 1972. In the conference, attention was paid to environmental problems, and it was emphasized that the solution-oriented policies should be formed within the framework of cooperation. In the following years, many conferences were organized, and reports were published. However, although policies have been developed for the solution of environmental problems, they have not been implemented effectively. The resolution of environmental problems requires common responsibility and cooperation. This means co-formulating, implementing, and evaluating environmental policies. Environmental governance is a system that meets this understanding.

Despite all these efforts and initiatives, the lack of effective solutions to environmental problems stems from economic concerns. In order to ensure their economic development, states ignore many measures to be taken regarding environmental problems and act on the assumption that the resources are unlimited. Therefore, it is necessary to find effective solutions to environmental problems, to take the measures required and to set specific standards for these solutions and measures. However, since environmental issues are global rather than local/regional, comprehensive addressing of the environmental problems and setting specific standards is not an issue that every state can do alone.

In this context, states, international institutions and organizations should act together and cooperate against environmental problems. At this point, the concept of environmental governance gains importance. The EU is an international power and actor as it has many states. Therefore, it is an effective actor in the search for solutions to environmental problems. The EU's attitude and regulations to the environment have national, regional, and international impacts. The EU is struggling to bring environmental standards into line with global environmental policies. With this effort, it plays a leading role in the creation and implementation of global environmental policies. On the other hand, the EU is a supranational institution in which sovereign nation-states are represented. Therefore, the EU is seen as a multi-level governance system in itself.

In this framework, in this study, the importance of the EU in terms of environmental governance will be evaluated within the framework of environmental action programs. In this context, firstly environmental governance understanding will be mentioned, and then the information will be given about the EU on environmental policies and environmental action programs. Finally, environmental action programs will be examined within the scope of formal and informal reports prepared as a result of action programs in terms of environmental governance. Reports state that the objectives of environmental action programs have not been achieved. The main reason for this is the lack of stakeholder engagement during the policy implementation phase, while the policy formulation process is co-operative.

BACKGROUND

Environmental Governance

It can be stated that there is a strong international trend towards the globalization of environmental policies (Kaya, 2013: 470-471). One of the reasons for this trend is the cross-border effects of environmental problems and the fact that states cannot find solutions to these problems through unilateral actions. Another reason is that the environment has become an issue that directly affects interstate relations. The close connection of the environment with economic, political, and security issues accelerates it is becoming an international policy area (Chasek et al., 2013: 42-43). In this context, the environment is one of the areas where governance can be the most necessary and most functional.

The concept of governance was first included in a World Bank report published in 1989 as 'good governance'. Governance is defined as the structure or order of the results obtained through the joint efforts of all relevant actors for the identification and solution of problems in a social-political system (Çukurçayır & Sipahi, 2003: 46; TODAİE, 1998: 274; Parlak, 2011: 865). In other words, governance is a system that expresses the creation, co-production, and decision-making through the interaction between the state, private sector and civil society in relation to economic, political and social issues in society. In this way, a society can decide and apply with mutual understanding and negotiation. Governance, with its social, political and economic dimensions, enables the participation of individuals at household, village, town, nation, region or international level (Fakier, Tholin & Kapelus, 2005: 4).

One of the areas where governance can be the most necessary and most functional is undoubtedly the environment. In this context, environmental governance is defined as the interaction between formal and informal institutions and actors in society and decision-making, which are effective in defining and covering environmental problems. Therefore, governance in terms of environment includes organizations, societies, policy and decision-making mechanisms, financial mechanisms, laws, regulations, states, governments and non-governmental organizations for solving environmental problems (Mitchell, 2002: 670-671).

Global environmental governance and policies have gradually changed in line with this understanding. With the creation of an international environmental agenda in the early 1970s, governments and intergovernmental institutions have been at the center of this governance approach. However, this understanding, which has accelerated in recent years, has become transnational, and non-state actors operating at different levels ranging from local to regional and global have started to take part in the process (Falkner, 2011: 4).

The subject of environmental governance is soil degradation, climate change, biodiversity, transgenic organisms, erosion, desertification, loss of agricultural products, loss of tropical forests, mass extinction of species, rapid population growth threatening underdeveloped countries, and gradually decreasing freshwater resources, the deterioration of marine habitats, the negative effects of organic pollutants and pesticides on human health, ozone depletion, acid rains, ozone depletion, nuclear accidents, nuclear waste and energy problems, nuclear risk, socio-environmental conflicts (Sipahi, 2010: 333).

The concept of global environmental governance has emerged as a result of international conferences and agreements concluded at these conferences. Environmental problems came first on the global agenda at the United Nations Conference on the Human Environment in Stockholm in 1972. Stockholm Conference is the first serious step related to environmental problems. The Stockholm conference has had a significant impact on acknowledging the importance of the environment as a global issue and highlighting issues that will form the agenda in the coming years (Kaya, 2013: 474). One hundred fourteen countries participated in the conference and discussed problems such as environmental pollution and resource management. In the Conference, it was stated that unless the differences between developed and underdeveloped countries were eliminated, environmental conditions could not be improved; It is argued that development does not contradict environmental protection and that environmental protection is not an excuse to slow down development. As a result of these discussions, it was stated that development should be seen as the main objective and environmental protection initiatives should not be perceived as an obstacle to the development goals of the states (Ertürk, 2009: 323). In this context, the concept of sustainable development has emerged as a new expression of the balance between economy, environment, and society (Sipahi, 2010: 333).

After this conference, it was accepted that the environment was a big problem and that affected the people and the economic development of the states. In addition, it was decided to establish an international body in the United Nations to address environmental issues globally. This structure is called the United Nations Environment Program (UNEP) (Wagner & Brinkmann, 2005: 8). Establishment of an institution that will organize global efforts in the environmental field can be interpreted as a success (Kaya, 2013: 474).

The United Nations Environment Program aims at coordinating environmental issues at the United Nations, continuously reviewing the state of the environment on a global level, attracting the attention of the international community on environmental issues, and ensuring the development of international and national environmental policy and law (Ministry of Foreign Affairs, 2019). The United Nations Environment Program aims to bring together representatives from international organizations, nation-states, non-governmental organizations, the private sector, and civil society to discuss environmental issues and ensure sustainable development (Wagner & Brinkmann, 2005: 8). Thus, the understanding of environmental governance has emerged and developed.

In the development and strengthening of the United Nations Environment Program, the UN Conference on Environment and Development in Rio de Janeiro in 1992, World Summit on Sustainable Development in Johannesburg in 2002 and finally, the World Summit on the Summit in 2005 were effective (Ministry of Foreign Affairs, 2019).

The second major conference on environmental problems and environmental governance were the United Nations Environment and Development Conference in 1992 in Rio. In this conference, representatives from 180 countries agreed on action plans for sustainable development, Agenda 21, climate change (United Nations Climate Change Framework Convention), biodiversity and desertification (Wagner & Brinkmann, 2005: 8). Rio summit represents a critical stage where global environmental policies have transformed into global sustainable development policies.

Parties of the United Nations Climate Change Framework Convention signed the Kyoto Protocol in 1997. Purpose of this protocol was to reduce greenhouse gas emission by 5.2% until 2012. The Protocol came into force in 2005 as a result of long negotiations. However, the U.S., China, and Australia did not sign this protocol. America did not want to share its sovereignty with other states (Wagner & Brinkmann, 2005: 9).

In 2002, World Sustainable Development Conference was organized in Johannesburg. At the beginning of the conference, an assessment of the time since the Rio Conference was made and the reasons for the failure were questioned (Kaya, 2013: 475). It focuses on the mechanisms needed to implement Agenda 21 and other Rio decisions more effectively in all countries, particularly in developing countries. In the conference, the heads of state and government signed the Johannesburg Political Declaration on

Sustainable Development. The declaration included common promises on changing production and consumption patterns, eradicating poverty, and conserving and managing natural resources. Besides, among the difficulties encountered in achieving the goals, the deepening of the gap between the rich and the poor, the deterioration of biodiversity, the negative effects of globalization and the decreased confidence in democratic systems are stated in the declaration (Sipahi, 2010: 334).

The important aspect of the Johannesburg Conference in terms of environmental governance is that it supports a multi-actor structure in environmental management. The involvement of non-state actors in environmental governance was also highlighted at the Rio Conference. However, it can be stated that states have dominant positions in policy-making and implementation. The Johannesburg Conference was held with the participation of a large number of non-state actors, and the views of different actors were tried to be reflected in the policies established. Furthermore, in the Political Declaration adopted after the Conference, it was stated that the participation of different actors such as non-governmental organizations, companies, and scientific communities should be encouraged in the process of environmental policy formation. Therefore, the Johannesburg Conference is interpreted as a transition from global environmental management to global environmental governance (Kaya, 2013: 477-478). In accordance with the governance approach, the Johannesburg Conference called upon governments to support projects in collaboration with the private sector and the public sector, also known as the Type II initiative, to promote the use of market instruments and to increase voluntary cooperation initiatives (Speth & Haas, 2006: 78; Clapp & Dauvergne, 2005: 68-69). After the conference, a hybrid approach started to dominate environmental management, which imposes significant roles in both the government and the private sector (Kaya, 2013: 478).

In 2012, the Rio+20 United Nations Sustainable Development Conference was organized. This conference was organized with the participation of state leaders, senior representatives, and civil society. At the end of the conference, a final declaration called “the Future We Want” was published. The declaration reiterated its commitment to implement the decisions taken at previous conferences. Also, it is emphasized that economic, social and environmental factors should be harmonized and all segments of the society should play an active role in achieving sustainable development in order to achieve sustainable development (Türk & Erciş, 2017: 357). In addition, the social dimension of sustainable development such as financial support for developing countries, strengthening international co-operation in capacity building and technology transfer, closing the technology gap between developing and developed countries and reducing technological dependence, respecting the rights of life and life forms of local communities and eliminating inequalities functions was emphasized in the conference (Kaya, 2013: 478).

The EU is of great importance for environmental policies as it is expressed as a multi-level governance structure. According to Marks and Hooghe, multi-level governance is defined as a system of continuous negotiations between interconnected governments at different levels such as supranational, national, regional, local (Hooghe & Marks, 2003: 234; Hooghe & Marks, 2001: 5). In this sense, the EU can be regarded as a multi-level governance structure in environmental policies. As a matter of fact, since the United Nations Conference on Environment and Development held in 1992, the EU has played a leading role in the adoption of environmental treaties such as climate change by the United States and other states (Axelrod, Vig & Schreurs, 2005: 200). Besides, as a supranational institution, the EU strives to harmonize environmental policies of member and candidate countries. As can be seen, the EU is an important actor in environmental problems and environmental governance. In this context, the EU has an important position both in terms of global and regional environmental governance.

Historical Development of European Union Environmental Policies

EU fights to match environmental standards with global environmental policies. With this effort, this structure plays a leadership role to form and apply global environmental policies. On the other hand, the EU is a supranational institution where sovereign nations states are represented. Therefore, the EU is regarded as a multiplatform governance system within itself. Therefore, the EU is the best example that shows how environmental protections are negotiated more and how complex and conflicting decision structures of environmental policies are distributed (Falkner, 2011: 17). EU is an important field where environmental protection is represented at both international and regional level (Orlando, 2012: 2).

In the last 40 years, the EU has enacted more than 200 secondary legislation for environmental protection. EU has been parties in more than 40 multi-parties environmental agreement and active supporter of protecting environmental standards in environmental negotiations in the international arena (Orlando, 2012: 2).

When the EU was established in 1957, there was no article in Rome agreement on environmental policies, environmental bureaucracy, or environmental laws. European Economic Community (first name of the European Union) emerged as an inter-governmental agreement between six states to increase economic and political relationship. In 1973, as England participated in the European Economic Community, there were small scale regulations on environmental policies. However, these regulations were limited with the protection of health and eliminating the barriers of trade (Jordan, 1999: 1). In this period, the environmental rules of the EU have not yet been established. Brinkhorst defined this period as the unconscious, random, keen attitude of the EU for environmental protection (Brinkhorst, 1993: 9).

With the Stockholm conference in 1972, the EU had a more explicit role in increasing environmental awareness and the environment sector in the international arena (Orlando, 2012: 4). Environmental provisions that comply with European Economy Commission targets were added to Rome agreement, and Environmental Action Plan was created. European Economy Commission created three separate environmental action plan that covers 1973-1976, 1977-1981 and 1982-1986 periods. Additionally, more than twenty directives were accepted on decreasing air and water pollution, waste management, noise pollution; protecting endangered plants and animals; evaluating environmental impact and other environmental topics (Axelrod et al., 2005: 201).

Another significant development for the EU was the Single European Act accepted in 1986. This Act accelerated internal market integration between European member states. Another important contribution of this Act was “balanced growth” by defining environmental purpose and procedures of European Economic Community and matching environmental policies with other policy fields in decision-making processes (Axelrod et al., 2005: 201). Since this Act provided explicit provisions regarding EU environmental legislation, it is considered as an important step for the integration of European environmental policies (Orlando, 2012: 4). In this Act, the EU environmental policies purposes were expressed as follows (Jordan, 1999: 11):

- Protecting, supporting and improving environmental quality,
- Protecting human health
- Smart and careful use of natural resources,
- Supporting international level precautions to intervene with regional and international problems.

At the end of the 1980s, the European Economic Community started to search for new methods towards environmental policies as the private sector was included in the environmental norm application process. New precautions were added to EU environmental laws. Some of these were eco-labeling, access of the public to environmental information, environmental impact assessment, and personal responsibility for waste (Orlando, 2012: 5).

Maastricht and Amsterdam agreements were other significant developments in terms of the environment. With the 1993 Maastricht agreement, increasing political and monetary unity and common currency were supported. With this agreement, the formation of common foreign policies and security policies and cooperation in justice and internal affairs were expressed. Maastricht agreement consolidated environmental policy-making procedures and legal basis (Axelrod et al., 2005: 202). With this agreement, environmental protection was explicitly mentioned for the first time as purposes of the EU (Orlando, 2012: 6).

1997 Amsterdam agreement bring necessary steps towards environmental policies. In this agreement, it was stated that the EU must integrate environmental protection policies and activities and support sustainable development (Axelrod et al., 2005: 202). Most important contribution of Amsterdam agreement was adding sustainable development within EU political purposes. Additionally, during the 1990s, environmental policies of the EU has become stronger in corporate and financial terms. European Environmental Agency was established, and a fund was created to decrease waste of member states and to protect natural habitats; a fund was established for weaker member states to apply high-cost EU environmental directives (Jordan, 1999: 12).

In 2000, the Lisbon Strategy added new environmental targets. Lisbon Strategy emphasized fighting against noise and pollution, chemical material use, greenhouse emission, and biodiversity. However, the 2005 assessment showed that these targets were not reached. By learning from these failures, the European 2020 Strategy that covers targets related to economic growth, employment, and environmental were created. In this strategy, targets to protect the environment and decrease effects of climate change towards decreasing greenhouse gas emission, increasing energy efficiency, increasing the share of renewable energy in energy production were identified (Erdem & Yenilmez, 2017: 97-98; İktisadi Kalkınma Vakfı, 2014: 95).

Development for broader application of EU environmental policies and directives happened in 2003. With Nice Agreement, EU member states raised from 15 to 27. This way, the EU has become the most comprehensive regional environmental regime around the world. In this sense, the EU can be regarded as a “multi-layered governance” structure of environmental policies (Axelrod et al., 2005: 202-203).

European Union Environmental Action Program

Since the mid-1970s, EU environmental policies have been guided by action programs that set the priority objectives that should be achieved in the multi-year period (European Commission, 2014: 1). Although environmental action programs are not legally binding, these programs have important effects at the EU level and among member states to develop environmental policies (Axelrod et al., 2005: 207).

These programs are called strategic documents. The programs set forth expectations and new ideas for the following periods and have a directive on the environmental policies of the EU in order to provide a framework for further studies. The programs propose European Parliament, member states, regional and local authorities/actors, private sector, and non-governmental organizations to work concurrently

(Kıvılcım, 2014: 3). Therefore, although they are not binding, environmental action programs need to be examined to understanding the EU environmental policies.

Environmental Action Programs are programs that determine the environmental problems that threaten the world, list the objectives, and call the EU to take action for the solution of environmental problems. Even if the principles and objectives set out in the program are not always implemented at the Union level, it is of great importance that these problems are accepted and emphasized the need to take action as soon as possible (Utku, n.d.: 6).

First environmental action program prepared by the European Commission was accepted by the European Union Council and representatives of member states on 22 November 1973 and become Union declaration. Later, this action program was followed by second EAP in 1977, third EAP in 1983, the fourth EAP in 1987, fifth EAP in 1993 and sixth EAP in 2002 (Kıvılcım, 2014: 3).

First action program covers the period between 1973 and 1976. Three action categories were created within this program. These were preventing and decreasing things that cause noise and pollution, improving environment and living conditions and developing cooperation with international organizations. In this action program, there were fundamental principles such as the prevention of pollution from the source, becoming a part of all planning and decision-making processes in consideration of the environment, and polluter pays principle (Budak, 2004: 399-400).

Second action program covers the period between 1977 and 1981. This program is an extension and extended version of the first action program. The main topic in this program was preventing air and water pollution. For this purpose, the Environmental Impact Assessment was first introduced in this action program (Bayram, Altıkat & Torun, 2011: 34).

Third action program covers the period between 1982 and 1986. Content of this program included harmonizing environmental policies with other political fields, preparing the procedure for environmental impact assessment and prioritizing important points for environmental importance (Bayram et al., 2011: 34). This program emphasized preventing pollution rather than controlling pollution. In this program, it can be seen that environmental policy targets of the Union were considered a broader scale compared to previous programs (Aydın & Çamur, 2017: 36).

Fourth action program covers the period between 1987 and 1992. There are distinctive properties of this program compared to other previous programs. One of these properties is being the first program prepared after the Single European Act, which is one of the most important agreements in Europe Society history. This program analyzed environmental policies as an element of economic and social development, and this program was created based on policies stated in the Single European Act (Ulukent, 2010: 42). Another property that distinguishes this program from others is involving specific national financing resources. This program striking as it related environmental policies with other union policies and consolidates environmental legislation. In this program, the significant balance was searched to prevent adverse impacts of agricultural sector on environmental and precautions to prevent pollution at the beginning were taken (Çokgezen, 2007: 94-95).

Fifth action program covers the period between 1993 and 2000. This program is based around "Towards Sustainability" slogan and focuses on integrating environmental with economy, production, agriculture, tourism, transportation, and energy sector policies. During policy planning in these sectors, related political tools such as considering environmental damages and benefits, monitoring environmental impact, cooperating with related authorities on environmental topics, public access to environmental information and assessment of environmental impact were presented (Axelrod et al., 2005: 207; Çörtoğlu, 2016: 51). In line with this, "Communication on Environment and Employment" report was published and how to create environmental protection and new job opportunities at the same time is expressed for the first time (Axelrod et al., 2005: 207). Lenschow says that instead of directly regulating the integration process of this program, it is expected that the relevant decision-makers and stakeholders will come together in the process of cooperation and thus the sustainable development and program of action will penetrate other sectors (Lenschow, 2002: 32).

The fifth environmental action program was prepared simultaneously with the Rio Conference and Agenda 21. The Community announced its readiness to implement the sustainable development model with this program. In the program, the environmental issue has been put forward as one of the three pillars of sustainable development and sustainable development is even more important especially for the poor who are exposed to pollution and environmental disasters. Therefore, the importance of environmental protection for sustainable development as well as economic growth and social importance were included in this program (Çörtoğlu, 2016: 52).

Sixth action program covers the period between 2002 and 2012. This program was created under "Our Future, Our Choice" title. Outline of this program emphasized the high-level implementation of environmental law by EU member states and approving full integration of environmental principles and political targets by EU countries (Popeanga, 2013: 27). With this program, integrating political fields of other sectors with the beginning of the decision-making process for environmental purposes and making these sectoral decisions based on environmental purposes was proposed (Çörtoğlu, 2016: 54).

There are four prioritized topics in sixth Environmental Action Program. These are (Papadaki, 2012: 152):

- Climate change by reaching Kyoto Protocol targets in the shortest time possible,
- The main focus point was preventing the great disaster that involves dangerous materials and ensuring management based on biologic diversity and Natura 2000 Network,
- Relationship between environment and health where human health is not threatened and not negatively impacted,
- Sustainable management of solid waste and resources.

In this program, environmental protection precautions are stated as follows (Çörtoğlu, 2016: 54):

- Most effective application of environmental law in European Society,
- Completely integrating environmental principles and purposes with other policy fields and cooperating with other Society policies,
- Providing active dialogue with the entire society and transparently informing consumers,
- Determining the incentive mechanism in environmental protection,
- Easier information access for active participation of citizens.

Seventh action program covers the period between 2012 and 2020. This program was executed with "Living Well within the Limits of Our Planet" slogan. The action plan presented in November 2012 was reached to a consensus between European Parliament and European Council and accepted on June 2013. This program was enacted in January 2014 (Kıvılcım, 2014: 1; Çörtoğlu, 2016: 55).

Different from sixth environmental action program that has four prioritized areas such as climate change, protecting nature and biodiversity, protecting environmental health and life quality, management of natural resources and waste management, new environmental action program that presented common goals of EU Environmental Policy until 2020 identified 9 prioritized areas (European Commission, 2014):

1. Protection, preservation, and increment of the natural wealth of the Union,
2. Turning the Union into resource-efficient, green and competitive low carbon producing economy,
3. Protecting citizen health and well-being from environmental pressures and risks by the Union,
4. Benefiting from environmental legislation at the highest level possible,
5. Benefiting from scientific proves more in environmental policies,
6. Investing in the environment and climate change topics and ensuring these investments to be made with correct pricing,
7. Integrating and harmonizing environmental policies with other policies,
8. Increasing urban sustainability within the Union,
9. Increasing effective of the Union to fight against regional and global environmental problems.

In addition, it is stated that sectoral policies at EU and Member States level should be regulated and implemented in order to support the related targets on the environment and climate change in order to further improve environmental integration and policy harmonization by 2020. In this context, it is aimed to integrate the obligations and incentives related to environment and climate change at all levels during the regulation of related policies, to assess the environmental, social and economic impacts of policies at all levels, to ensure compliance and effectiveness, and to evaluate the experience gained from the implementation of environmental legislation (Çörtoğlu, 2016: 55).

EU environmental action programs have helped to implement and achieve environmental programs. These programs, which have been prepared for the implementation of the EU member states in line with the policies set by the EU, also serve as an example for the candidate countries and other countries of the world. While policies created by the EU sets the general framework related to the environment, environmental action plans mean filling inside this framework. Environmental action programs need to be implemented successfully to eliminate environmental pollution (Aydın & Çamur, 2017: 39).

EVALUATION OF EUROPEAN UNION ENVIRONMENTAL ACTION PROGRAM UNDER ENVIRONMENTAL GOVERNANCE CONTEXT

Environmental Action Program is developed to overcome current and long-term environmental and climate challenges in the EU and around the world. Accordingly, environmental action programs constitute the desired form of environmental action objectives that will be realized with common efforts of EU and member states (Karamfilova, 2017: 9). The success of these programs depends on the co-operation of EU institutions and member states, regional and local actors, and non-governmental organizations in the decision making process and the policy formulation and implementation of environmental policies.

EU environmental governance aims at broad stakeholder engagement and an improved knowledge base. Action programs seek to ensure that policymakers and stakeholders have a direct impact on the formulation and adoption of environmental policy processes. It also focuses on improving the levels of perceiving the role and added value of environmental action programs (Final Report for the Assessment of the 6th Environment Action Programme, 2011: 234). In line with this understanding, unlike the previous programs, the 6th and 7th Action programs have been established as a result of the common decisions of the European Parliament and the Council of Europe (Gancheva, Sarah, Catarina & Alessia, 2018: 1). The European Commission's evaluation report states that the 7th action program was formulated as part of the broad consultation process and that the usual legislative procedures were decided together (European Commission, 2019b: 3). Thus, the EU institutions and their member states acted together in environmental policies. This reflects the understanding of co-decision making, which is a fundamental part of governance. On the other hand, through the common decision-making procedure, it increases the legitimacy of EU environmental action programs, ensures its adoption and continuity and has a substantial impact on the performance of EU environmental policies (Final Report for the Assessment of the 6th Environment Action Programme, 2011: 235).

However, the reports prepared for the results of the environmental action programs emphasize that the targets cannot be achieved clearly (Karamfilova, 2017; Gancheva et al., 2018; European Parliament, 2018; European Commission, 2019b). The fact that stakeholder participation in the policy formulation process could not be achieved during the policy implementation phase is stated as the main reason for not meeting the targets. In particular, the limited participation of regional and local actors and non-governmental organizations in the policy implementation phase and the inadequate financial support required for investments in environmental policies are cited as the factors leading to this result (Gancheva et al., 2018: 2; European Parliament, 2018: 3).

Although the financial support required for stakeholder engagement is not considered sufficient, some financial support is provided by the EU. Through the LIFE program, the EU provides financial support to the private sector, public institutions, and non-governmental organizations to encourage them to produce projects and campaigns on environmental and climate issues. This program is planned to be conducted between 2014-2020. The priority of the LIFE program is the realization of information and communication campaigns and projects on environmental problems and environmental policies within the framework of the 7th environmental action programs (LIFE Environmental Governance and Information Guidelines for Applicants, 2018: 20). As it is seen, it is tried to ensure the participation of the stakeholders in the issues related to environmental problems and solutions, even if they are not sufficient.

Constraints arising in the sixth and seventh environmental action programs affect the expectations for the 8th environmental action program. One of these expectations is that local and regional aspects of environmental action programs need to be developed and strengthened. Accordingly, it is stated that local and regional stakeholders and local committees should be more involved in the processes of environmental action programs. It is emphasized that defining various roles for local and regional actors in the implementation of environmental policies and the objectives of environmental action programs is necessary to ensure local support and stakeholder participation. In order to ensure stakeholder engagement, it is emphasized that regional cooperation should be increased and mechanisms should be established to ensure participation (Gancheva et al., 2018: 4-5).

In addition to ensuring participation in the implementation of environmental policies, another important factor is that the environment should be harmonized with other policy areas. In other words, environmental policies, especially the economy, need to be aligned with other policy areas. As a matter of fact, according to the report published by the European Commission, the isolation of policy areas from each other causes inefficiency. Therefore, there is a need for more comprehensive and integrative strategies. As long as fossil fuels, inefficient use of resources or unsustainable production and consumption continue to be supported in economic policies; there will be no solution to environmental problems (European Commission, 2019a: 14-15). In this context, it is understood that the cooperation of the relevant actors for environmental problems and their solutions is deemed insufficient and inter-sectoral cooperation should be ensured.

Besides, the European Environment Agency has prepared an environmental indicator report on the priority objectives of the 7th Action program. In the report, priority objectives are divided into three sections: 1) to protect, conserve and enhance the Union's natural capital, 2) to turn the Union into a resource-efficient, green, and competitive low-carbon economy, 3) to safeguard the Union's citizens from environment-related pressures and risks to health and well-being (European Environment Agency, 2018: 7). At the same time, this report provides indicators for evaluating the environmental policies of the EU and its member states over the last two decades. According to the European Environmental Agency's Environmental Indicator Report (2018), the latest status in the action program and environmental regulations and practices can be expressed as follows:

Although the EU's primary objectives of protecting, preserving and developing its natural capital have been in development since the early 2000s, it is stated that the 2020 targets are challenging to achieve (Eutrophication of terrestrial ecosystems due to air pollution, gross nutrient balance in agricultural land: nitrogen, marine fish and shellfish status in European seas, status of animal species, habitat status in Europe).

The other priority objectives of transforming the EU into a resource-efficient, green and competitive low-carbon economy indicate that it is possible to achieve the 2020 targets with the development trend provided since the early 2000s (Resource efficiency, waste consumption, waste recycling, use of freshwater resources, total greenhouse gas emissions, share of renewable energy in total energy consumption, progress in energy efficiency, household energy consumption, employment and value-added in environmental goods and services sector, environmental protection expenditures). However, despite the positive trend in terms of greenhouse gas emissions from transportation, consumption of animal products, and the share of environmental taxes in total tax revenues, the 2020 targets cannot be achieved.

The other priority objectives of protecting the health and welfare of EU citizens from environmental pressures and risks indicate that it is possible to reach the 2020 targets with the development trend provided since the beginning of the 2000s (Emissions of air pollutants, bathing water quality, number of countries adopting climate change adaptation strategy or plan, consumption of chemicals, total pesticide sales). Besides, it has been noted that although there has been progress in meeting air quality standards and exposure to environmental noise in urban areas, the EU cannot achieve the 2020 targets.

The European Commission's report provided similar conclusions. The Commission made assessments on the effectiveness of the 7th action program. Some progress has been made in achieving the objectives of the 7th Action program. The program has helped to act more predictable, faster, and more coordinated in environmental policy. In line with the second priority objective, the most progress has been achieved in actions towards a resource-efficient low carbon economy. In contrast, the least progress so far is the protection of nature, environment, and health and integration-related actions (European Commission, 2019b: 5).

Since the 7th action program came into force in 2014, progress has been made in increasing the integration of environmental concerns, both horizontally (between policy areas) and vertically (between government levels). This supports measures aimed at saving costs and increasing productivity. However, despite increasing ambitious environmental targets in many policy areas, environmental protection spending has remained relatively stable over Europe for many years (%2 of Gross Domestic Product). Also, non-implementation of environmental legislation brings about 55 billion euros of direct costs to the EU economy in health and environmental costs each year (European Commission, 2019b: 6). Failure by the member states to make environmental investments and to make and implement legal arrangements prevents the achievement of the determined targets. This reduces the effectiveness of the EU in environmental policies.

FUTURE RESEARCH DIRECTION

In this study, the authors analyzed European Union environmental policies through environmental action programs. The effectiveness of environmental action programs has been determined through official documents and reports. As a result of the analysis, it is understood that environmental action programs play more and more role in environmental policies. As a result of the analysis, it is understood that environmental action programs are more effective in environmental policies day by day. However, there are disruptions in achieving the objectives of environmental action programs. In this context, it is necessary to investigate in detail the causes of disruptions in achieving the objectives of environmental action programs. Conducting these surveys with methods such as field surveys, interviews, and surveys will provide a thorough determination of the causes.

CONCLUSION

One of the areas where governance can be the most necessary and most functional is undoubtedly the environment. The EU has the potential to achieve successful results with its experience, principles, and policies in this field. Therefore, the EU is an important actor in terms of environmental problems. Because it has many states in its structure and it provides integration of member and candidate states in all policy areas. The EU's regulations and directives on environmental protection are aimed at harmonizing and integrating environmental policies with all other policy and sectoral areas. Besides, there is often an emphasis on the involvement of states, non-governmental organizations, and citizens in the policy-making process in the EU.

The EU pursues the policy of integrating environmental policies for environmental protection, such as in the economy and trade. In terms of governance, the integration of environmental policies brings together action and decision-making.

The EU sets its goals for environmental policies through its environmental action programs. The objectives in these programs emerge as a product of co-production and decision-making together for environmental protection policies. In this context, the EU has both regional and international importance for environmental governance.

The EU environmental action programs, particularly programs sixth and seventh, have been able to bring together various institutions and actors in the decision-making process and carry out the decision-making procedure together. However, cooperation at the Union level in the policy-making process could not be achieved because the implementation of environmental policies and environmental action programs could not be extended to local and regional actors. These results have increased awareness of subsequent environmental action programs, and more emphasis has been placed on stakeholder engagement in the preparation and implementation of future programs. In this context, in addition to ensuring stakeholder participation in the decision-making process, roles need to be defined for stakeholders at the implementation stage. However, it is stated that inter-sectoral cooperation should be ensured. In other words, environmental policies need to be harmonized with other policy areas, particularly the economy.

Besides, the seventh action program has made significant changes in policy-making. It is recognized that environmental protection, social benefits, and sustainable economic growth are sustained in cooperation with the program. Many objectives have been determined for environmental policies. However, despite these developments, the EU cannot provide efficiency in environmental policies. It can be stated that this is due to problems in implementation, knowledge, investment, and integration.

REFERENCES

Axelrod, R., Vig, N., & Schreurs, M. (2005). The European Union as an environmental governance system. In R. Axelrod, D. L. Downie, & N. Vig (Eds.), *The global environment: institutions, law and policy* (2nd ed., pp. 200–224). Washington, DC: CQ Press.

Aydın, A. H., & Çamur, Ö. (2017). Avrupa Birliği Çevre Politikaları ve Çevre Eylem Programları Üzerine Bir İnceleme. *Bingöl Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, *7*(13), 21–44. doi:10.29029/busbed.310635

Bayram, T., Altıkat, A., & Torun, F. (2011). Avrupa Birliği ve Türkiye'de Çevre Politikaları. *Iğdır Üniversitesi Fen Bilimleri Enstitüsü Dergisi*, *1*(1), 33–38.

Brinkhorst, L. J. (1993). The road to Maastricht. *Ecology Law Quarterly*, *20*(1), 7–23. doi:10.15779/Z38PG22

Budak, S. (2000). *Avrupa Birliği ve Türk Çevre Politikası*. İstanbul, Turkey: Büke Yayınları.

Budak, S. (2004). Uluslararası Çevre Düzenlemeleri Bağlamında Politika Adalet ve Kalkınma. In U. Yıldırım & M. C. Marin (Eds.), *Çevre Sorunlarına Çağdaş Yaklaşımlar* (pp. 385–430). İstanbul, Turkey: Beta Yayınları.

Chasek, P. S., Downie, D. L., & Brown, J. W. (2018). *Global environmental governance: dilemmas in world politics* (7th ed.). New York: Routledge. doi:10.4324/9780429495236

Clapp, J., & Dauvergne, P. (2005). *Paths to a green world: the political economy of the global environment*. Cambridge, MA: MIT Press. doi:10.7551/mitpress/5265.001.0001

Çokgezen, J. (2007). Avrupa Birliği Çevre Politikası ve Türkiye. *Marmara Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, *23*(2), 91–115.

Çörtoğlu, F. S. (2016). *Avrupa Birliği'nde Çevre Politikasının Bütünleşmesi ve Türkiye'de Doğa Koruma Açısından Önemi (Araştırma Dizisi No. 40)*. Ankara, Turkey: Ankara Üniversitesi Avrupa Toplulukları Araştırma Ve Uygulama Merkezi.

Çukurçayır, M. A., & Sipahi, E. (2003). Yönetişim Yaklaşımı ve Kamu Yönetiminde Kalite. *Sayıştay Dergisi*, *50*, 35–66.

Emanuela, O. (2013). The evolution of EU policy and law in the environmental field: achievements and current challenges. *Transworld*, Working Paper 21.

Erdem, M. S., & Yenilmez, F. (2017). Türkiye'nin Avrupa Birliği Çevre Politikalarına Uyum Sürecinin Değerlendirilmesi. *Optimum Ekonomi ve Yönetim Bilimleri Dergisi*, *4*(2), 91–119. doi:10.17541/optimum.292768

Ertürk, H. (2009). *Çevre Bilimleri*. Bursa, Turkey: Ekin Yayınları.

European Commission. (2014). *Living well, within the limits of our planet: 7th Environmental Action Programme*. The new general Union Environment Action Programme to 2020. doi:10.2779/57220

European Commission. (2019a). *Towards a sustainable Europe by 2030*. Reflection Paper; doi:10.2775/676251

European Commission. (2019b). Report from the commission to the European parliament, the council, the European economic and social committee and the committee of the regions. On the evaluation of the 7th Environment Action Programme, Brussels, Belgium.

European Environment Agency. (2018). *Environmental Indicator Report 2018: In support to the monitoring of the seventh environment action programme* (EEA Report No. 19). Luxembourg, Publication Office of the European Union. doi:10.2800/180334

European Parliament. (2018). *Report on the implementation of the 7th Environment Action Programme* (Report No. A8-0059). Committee on the Environment Public Health and Food Safety.

Fakier, S., Stephens, A., Tholin, J., & Kapelus, P. (2005). Environmental Governance, Background Research Paper: Environmental Governance. *South Africa Environment Outlook*.

Falkner, R. (2011). *Global governance- the rise of non-state actors: A background report for the SOER 2010 assessment of global megatrends* (European Environment Agency Technical Report No. 4). Luxembourg, Publications Office of the European Union. doi:10.2800/7633

Gancheva, M., Sarah, O., Catarina, M., & Alessia, V. (2018). *Towards an 8th environmental action programme: local and regional dimensions report*. European Committee of Regions; doi:10.2863/70733

Hooghe, L., & Marks, G. (2001). *Multi-level governance and European integration*. Boston, MA: Rowman & Littlefield Publisher.

Hooghe, L., & Marks, G. (2003). Unraveling the central state, but how? Types of multi-level governance. *The American Political Science Review*, *97*(2), 233–243. doi:10.1017/S0003055403000649

İktisadi Kalkınma Vakfı. (2014). *Avrupa 2020 Stratejisi*. İstanbul, Turkey: İktisadi Kalkınma Vakfı Yayınları.

Jordan, A. (1999). Editorial introduction: The construction of a multilevel environmental governance system. *Environment and Planning. C, Government & Policy*, *17*(1), 1999. doi:10.1068/c170001

Karamfilova, E. (2017). *Implementation of the 7th environment action programme: Mid-term review*. Brussels, Belgium: European Parliamentary Research Service; doi:10.2861/069953

Kaya, Y. (2013). Çevre Politikası İlkeleri Aktörleri ve Araçları: Söylemden Pratiğe Bir Süreç Analizi. In M. Yıldız & M. Z. Sobacı (Eds.), *Kamu Politikası: Kuram ve Uygulama* (pp. 466–497). Ankara, Turkey: Adres Yayınları.

Kıvılcım, İ. (2014). Avrupa Birliği Yedinci Çevre Eylem Programı. *İktisadi Kalkınma Vakfı Değerlendirme Notu*, No. 82.

Lenschow, A. (2002). New regulatory approaches in greening EU policies. *European Law Journal*, *8*(1), 19–37. doi:10.1111/1468-0386.00140

LIFE Environmental Governance and Information: Guidelines for applicants (2018). https://ec.europa.eu/easme/sites/easmesite/files/life_2018_environmental_governanceand_information_application_guide.pdf

Mitchell, R. (2002). International environment. In W. Carlsnaes, T. Risse, & B. Simmons (Eds.), *Handbook of international relations* (pp. 660–681). London, UK: Sage Publications. doi:10.4135/9781848608290.n26

Papadaki, G. (2012). European environmental policy and the strategy: Europe 2020. *Regional Science Inquiry Journal*, *4*(1), 151–158.

Parlak, B. (2011). *Kamu Yönetimi Sözlüğü*. Bursa, Turkey: MKM Yayıncılık.

Popeanga, V. (2013). Envıronmental action programmes in the European Union: Evolution and Specific. *University Of Targu Jiu Letter And Social Science Series*, *3*, 24–33.

Republic of Turkey Ministry of Foreign Affairs. (2019). Retrieved from http://www.mfa.gov.tr/birlesmis-milletler-cevre-programi.tr.mfa

Sipahi, E. B. (2010). Küresel Çevre Sorunlarına Kolektif Çözüm Arayışları. *Selçuk Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, *24*, 331–344.

Speth, J. G., & Haas, P. M. (2006). *Global environmental governance*. Washington, DC: Island Press.

TODAİE (Türkiye ve Ortadoğu Amme İdaresi Enstitüsü). (1998). *Kamu Yönetimi Sözlüğü*. Ankara, Turkey: TODAİE Yayınları.

Türk, B., & Erciş, A. (2017). Türkiye'de Çevre Politikası ve Uluslararası Çevre Sözleşmeleri. *The Journal of Academic Social Science Studies*, *54*, 351–362.

Ulukent, A. N. (2010). *Avrupa Birliği Çevre Politikaları ve Türkiye* (Postgraduate Dissertation). Available from Republic Of Turkey Council Of Higher Education Thesis Center. (No. 309024)

Utku, T. (n.d.). AB Çevre Müzakerelerinde Türkiye. *TEPAV*.

Von, H. I., & Withana, S. (Eds.). (2011), Final Report for the Assessment of 6th Environmental Action Programme.

Wagner, M. & Brinkmann, C. (2005). Global Environmental Governance: A European Perspective. *European Essay*, No. 36.

ADDITIONAL READING

Arts, B., & Leroy, P. (2006). *Institutional Dynamics in Environmental Governance*. Dordrecht: Springer. doi:10.1007/1-4020-5079-8

Baird, J., Schultz, L., Plummer, R., Armitage, D., & Bodin, Ö. (2019). Emergence of Collaborative Environmental Governance: What are the Causal Mechanisms? *Environmental Management*, *63*(1), 16–31. doi:10.100700267-018-1105-7 PMID:30259093

Godzimirski, J. M. (Ed.). (2016). *EU Leadership in Energy and Environmental Governance: Global and Local Challenges and Responses*. London: Palgrave Macmillan. doi:10.1057/9781137502766

Oberthür, S., & Gehring, T. (Eds.). (2006). *Institutional Interaction in Global Environmental Governance: Synergy and Conflict among International and EU Policies*. Cambridge: MIT Press. doi:10.7551/mitpress/3808.001.0001

Okereke, C. (2008). *Global Justice and Neoliberal Environmental Governance: Ethics, Sustainable Development and International Co-operation*. London: Routledge.

KEY TERMS AND DEFINITIONS

Cooperation: Interaction and cooperation of public, private and non-governmental organizations.

Co-Production: Co-production process including public sector, private sector and non-governmental organizations.

Environmental Action Programme: Programs setting priority environmental objectives.

Environmental Governance: Formal and informal institutions and actors carry out decision-making processes together in defining and solving environmental problems.

Environmental Policy: A set of principles, strategies, and actions aimed at the protection of the environment and natural resources, the prevention and limitation of polluting and disruptive activities.

Environmental Problems: Environmental pollution and problems arising from this pollution.

Governance: Public, private and non-governmental organizations to manage decision-making processes together.

Chapter 25
European Union and China Relations in the Light of Changing Global Order

Sedef Eylemer
Izmir Katip Celebi University, Turkey

Elif Cemre Besgur
Dokuz Eylul University, Turkey

ABSTRACT

The European Union (EU), United States (US), and China are the main global drivers of the international trade system. However, trade wars between them create tensions in the world. As the world is facing increasing neo-protectionist trade applications of the Trump administration, this chapter analyses whether a greater convergence between China and the EU is possible for protecting multilateralism through two case studies, namely (1) market conditions and discrimination, (2) cybersecurity. In this context, the chapter argues that although the US pressure has led the EU to rapprochement with China, this situation creates a dilemma for the EU in terms of the fears about the problems of alignment with the normative identity of the EU. Whereas the EU aims at regulating the global trade on a normative basis originating from its acquis, China has a more strategic perspective based upon specific relationship context. It is difficult to take a side for the EU due to its different standpoint compared to China in defending the multilateral trading system.

INTRODUCTION

The deadlock in the Doha Round of World Trade Organization (WTO) has diluted the belief in the principle of multilateralism pushing the countries to conclude bilateral or regional trade agreements rather than multilateral ones. This situation has altered the reference point of multilateralism as well. Due to this shift in the global economy, bilateral Free Trade Agreements (FTAs) and in particular Mega Regional Trade Agreements (MRTAs) with their quite wide scope have become the landmark of the

DOI: 10.4018/978-1-7998-1188-6.ch025

contemporary perspective on multilateralism (Kıncal and Utkulu, 2018, p. 330). Due to this global transformation, both the European Union (EU) and the United States (US) decided to conclude MRTA with each other and FTAs with the other third countries to cope with the increasing competitive pressure in particular from China and other emerging countries. Even though under Obama administration the US and the EU made good progress to isolate China in the world trade, the climate has completely changed with Donald Trump's presidential victory in the US. Since his main claim is based on altering liberal trade order according to the sole interest of the US, Trump has implemented numerous neo-protectionist policies against mainly China but also other countries including European countries.

This situation has adversely affected the global trade order. In particular, the recent confrontations between China and the US for influence and dominance in the world is a significant threat for the multilateral trade system. This new global setting is pushing the EU not only to support multilateralism but also to align with partners to defend it. Within this context, the possibility of enhancing the relationship between the EU and China comes to the forefront as an issue to be addressed.

In light of these developments, this article's main focus is on EU and China relations in the context of the uncertainty created by the US in the global trading order. The article mainly aims to question whether a greater convergence between the EU and China is possible in order to protect multilateralism. This research question will be addressed through two case studies namely (1) market conditions and discrimination, (2) cybersecurity. These two cases which form essential elements of global free trade order are also critical for the EU's Market Access Strategy to tackle market and investment barriers as part of its global trade policy. Besides the market conditions, cybersecurity-related measures which are in essence legitimate policy tools can be also used as a new prominent type of barriers for businesses and investors.

Hence, the article will firstly elaborate on the changes in the global order following the Doha Round, particularly considering the impact of neo-protectionist measures of the Trump administration. In the second section, EU-China relations will be examined through the convergences and divergences in the positions of the both sides under the shifting circumstances of global order. In this sense, this study aims to shed light on key developments in the complex relationship between the EU and China. In the third section, the two cases will be evaluated with reference to the European Chamber of Commerce's Business Confidence Survey 2018, the European Commission Report on Trade and Investment Barriers 2017 and the recent cybersecurity law in China to address the research question. According to the findings, whereas the EU aims at regulating the global trade on a normative open-trade understanding originating from its well-developed acquis communautaire, China has a more strategic perspective based upon the development of specific relationship contexts and trade-restrictive measures. Therefore, the conclusion is that although the US pressure has led the EU to rapprochement with China, this situation creates a dilemma in terms of the EU's fears about China's extreme empowerment and the problems of alignment for China with the normative identity of the EU. Thus, it is argued that it is difficult for the EU to take a side with China as a long-term ally due to its different standpoint and priorities compared to China in defending the multilateral global trading system.

CHANGING GLOBAL ORDER

The world has been witnessing a "peaceful rise" of China more than three decades. This concept of "peaceful rise" dates back to around 2006. Basically, it is designed against the image of a "Chinese threat" to reassure other states that China will not resume dominance through military means but use economic means as a responsible world player (Bijian, 2005, pp. 19-20; Liru, 2012, p. 15). Even though China modified this term as "peaceful development" in order not to be seen as antagonistic by the Western states, China has faced suspicion of the US administration in particular (Luri, 2012, p. 15). Therefore, the US responded to the Chinese "peaceful development" by adopting a strategy called 'Pivots to Asia'. This strategy is a policy mainly aimed at reinforcing US presence in Asia to encounter China's increasing influence (Kelly, 2014, p. 479). Pivots to Asia included diplomatic support to Association of Southeast Asian Nations (ASEAN) integration and to take a more active role in Asia-Pacific Economic Cooperation (APEC) summits for stronger US presence throughout the region. On the military side, the US reinforced its presence with the establishment of new bases in Australia and air missiles defence system in South Korea. On the economic side, the US signed Trans-Pacific Partnership (TPP) agreement in 2016 with the objective of strengthening relations with Asia Pacific countries in order to isolate China.

In this setting, the EU responded to China's increasing influence by concluding its own trade agreements with Asian countries in the region. Thus, the EU has concluded FTA with South Korea in 2009. Besides, the EU has launched trade negotiations with ASEAN countries as well. Negotiations with Singapore and Malaysia took place in 2010, with Vietnam in 2012, with Thailand in 2013, with Philippines and Indonesia in 2016 [1].Even though all these initiatives are curial steps in terms of limiting China's influence in the world trade, the most significant initiative was taken by the EU and US by starting negotiations for Transatlantic Trade and Investment Partnership (TTIP) in 2013.

On the other hand, China reacted to all these developments by launching a new policy called 'Belt and Road Initiative' in 2013[2].It was designed to enhance "regional cooperation and connectivity on a trans-continental scale" (The State Council of People's of Republic of China, 2015). In addition to China's WTO membership since 2001, the Belt and Road Initiative which intends to connect Asia, Europe and Africa to the east, was seen as another threat by the US because of the potential of the Initiative to shift the world's economic centre to the east. In addition to this new policy, China launched its own regional bank called Asia Infrastructure Investment Bank (AIIB) in 2016. Initially, the EU and US decided to boycott this bank. However, this decision was deteriorated on the EU side. First, UK decided to join this bank and was later followed by the other EU member states as well.

Until 2016, the US's policy based on China's isolation seemed to be working. TPP was concluded and good progress was achieved in TTIP negotiations in many aspects. However, the arrival of Donald Trump to the White House has changed the global atmosphere dramatically. He withdrew from TPP, stopped TTIP negotiations and created a tension with traditional allies like Japan, South Korea and the EU member states. In addition, he carried out neo-protectionist trade policies towards the United Nations (UN) and WTO. China was not initially discontented with these developments because Trump's protectionist policies damaged traditional Western trade network. However, Trump's economic confrontation against China has also become obvious via increased tariffs on steel and aluminium. On 8 March 2018, Trump administration announced additional tariffs of 25 percent on steel and 10 percent on aluminium imports from all countries except Canada and Mexico (White House, 2018). With this decision, Trump fired the first spark of the trade war. This decision raised concerns about the possible distortions in the rule-based global trading system. In other words, the decision to increase tariffs put the future of the rule-based liberal and multilateral trading system in jeopardy. Furthermore, Trump administration also declared that it would restrict investments to China in key technology sectors and would a file a case in WTO against China's discriminatory licence practices. This was followed by the decision in 2018 to prohibit the US companies from making business with Chinese telecom company ZTE for seven years although the US and ZTE could reach to a compromise later on (Wong and Koty, 2019).

In this setting, the US's restrictive and aggressive trade policies has pushed China to take a countermeasure. Thus, increased tariffs and other aggressive steps of Trump administration creates a kind of trade wars with measures and countermeasures. China's retaliatory measures against the US including imposition of tariffs and antidumping duties and suspension of agricultural purchases also contributed to the tension. China also filed cases against the US tariffs in the WTO in 2018. The Chinese tariffs exclusively imposed on the US are calculated to amount to 110 billion US dollars, whereas the US tariffs exclusively imposed on China are calculated to be of 250 billion US dollars (Wong and Koty, 2019). This situation renders the multilateral trade system inoperative while creating uncertainty and tension in the global trade order.

In this complex order, it is difficult to take a side for the EU. Although the EU shares the American assessment of the Chinese economic challenge and unfairness, the EU does not support American trade measures or other unilateral measures that breach WTO commitments. In the light of the growing protectionism, the EU has continued FTA negotiations without abandoning its demands regarding ruled-based liberal market order. In 2018, the EU has concluded the trade negations with Mexico and finalised the trade agreements with Singapore, and Japan. Furthermore, the EU has reached the agreement in principle with the Southern Common Market (MERCOSUR) in 2019. By doing so, the EU has been trying to reinforce the multilateral trade order. As declared by the European Commissioner for Trade, Cecilia Malmstörm (2019), the EU views the global institutions such as the WTO, UN, International Monetary Fund (IMF) as the crucial actors of a rule-based international order. In other words, whereas the EU is the traditional ally of the US, the EU shares the same view with China concerning the protection of the multilateral trade system in the world. However, it is not easy to enjoy greater convergence between the EU and China on international trade owing to the preserved divergences in the nature of the EU-China relations.

EUROPEAN UNION-CHINA RELATIONS

The official relations between the EU and China launched in 1975. In 2003, parties decided to form their relations within the framework of "EU-China Comprehensive Strategic Partnership". This strategy aimed at increasing the efficiency of the dialogue in the area of the global governance, raising the human rights dialogue, encouraging the economic opening of China and supporting China's internal reform process (European Commission, 2003). According to Maher (2016, p. 961), geopolitical aspirations related to the US unilateral use of military power around the world triggered the EU and China to cooperate more closely in those years. However, the change in the US policy, the EU's engagement with internal problems such as the economic crisis, and the failure of member states to reach a consensus on relations with China have caused a disruption in relations (Maher, 2016, p. 962). Nonetheless, the rise of China in global trade and enormous Chinese investments to the EU especially after 2008 motivated both parties to cooperate again (Sertic, Ceh Casni and Vuckovic, 2017, p. 93). That's why, after a long break, the EU-China relations have recently gained more importance. In 2013 as an initiative to commit the parties to the strategic partnership, the EU and China adopted "EU-China 2020 Strategic Agenda for Cooperation" which set the tone of today's relations. Besides, negotiations of the "EU-China Investment Agreement" launched in the same year. Furthermore, the EU adopted "Elements for a new EU strategy on China" in

2016 in order to define its own strategy in line with its interests and values against the increased role of China in the global trade system. More recently in March 2019, the European Commission published "EU-China: A Strategic Outlook" and set out 10 actions to lead relations in the upcoming years. In fact, the logic of these initiatives is to intensify commercial relations between the EU and China. China received 11 per cent of the EU's export in goods in 2017 which made the EU its second largest partner behind the US (Eurostat, 2018a). On the imports, China is the largest partner of the EU with a share of 20 percent followed by the US (Eurostat, 2018b). Besides, the average trade between the EU and China worth more than 1.5 billion Euro per day (Eurostat, 2018). Due to the increased economic power of China, the European Commission has classified China as a developed country and a key global player instead of an emerging power (European Commission, 2019, p. 1).

Thus, China is a significant market for the EU as a vital trade partner and is expected to become even more important unless the multilateral trade order dominates the world. This pushes the EU to expand bilateral relations with China. However, even though convergences in the positions of the EU and China in the face of the US restrictive trade policies creates an opportunity to enhance relations, divergences arising from the complex nature of relations do not seem easy to overcome.

Convergences

The shift in global governance, global financial crisis and the US distortions have brought a new dynamic to international relations. In this setting, some developments have created convergences in the positions of the EU and China on the global scene. Firstly, the global financial crisis and the European sovereign debt crisis have paved the way for changing attitudes of the EU member states concerning the Chinese investments. Due to the fact that "beggars can't be choosers", many EU member states have lessened their political resistance to Chinese foreign direct investments (Meunier, 2014, p. 294). In other words, the economic and financial crisis in Europe has facilitated the acceptance of investments from China by the member states. As a consequence, Meunier argues that (2014, pp. 289-300), on the one hand the EU has started to prioritize its short-term fears like unemployment over long-term fears like national security; on the other hand, this situation has created an opportunity for China to acquire technology, build brands, overcome trade barriers in Europe. Therefore, this policy change led to greater convergence between the parties.

Secondly, the EU's pragmatist stance and China's growing globalist stance facilitate greater convergence between the parties as well (Chen, 2016, p. 788). In this sense, the EU's pragmatist stance is associated with the decision of the 14 EU member states to be a founding member of China's AIIB and 2010 IMF Reform to grant some voting rights to China and other emerging countries (Chen, 2016, p. 788). In fact, the EU's pragmatic stance can be observed in more detail through the Global Strategy of the EU. In this regard, the discourse of resilience, stress on flexibility, tailor-made approaches and local ownership are seen as a pragmatist component of the strategy (Juncos, 2017). On the side of China, the globalist stance of China is associated with advocating multilateralism, promoting measures to combat climate change with the EU and supporting United Nations Security Council (UNSC) resolutions. In this sense, China and the EU's common stance in Iranian nuclear issue by promoting a multilateral political dialogue was interpreted as a norm convergence between the parties (Ai and Song, 2018).

Thirdly, an enormous untapped potential between the EU and China creates a room for greater convergence. The EU has a large stock of investments in China. However, recently flows have become smaller and smaller. In contrary to this development, the opposite pattern happened in terms of Chinese investments in Europe. Although the amount of Chinese investments in Europe used to be small, it has been steadily increasing. In 2017, Chinese investment in the EU was more than three times higher than the EU's investment in China (Mercator Institute for China Studies, 2018). Thus, this untapped potential is a motive force for greater convergence. In this sense, "EU-China Investment Agreement" as a key instrument is crucial. It has been negotiated since 2013.

Lastly and relatedly, it is important for Chinese and Europeans to demonstrate that they have partners to engage with against the US protectionism. Besides, while the process of Brexit remains as an important source of uncertainty for the EU, advancing its trade relations is a crucial way of staying as a relevant global actor for the EU. This could be why over the years of pretty slow moving negotiations, the EU-China relations have gained a new dynamic. The first exchange of offer in this regard took place in 2018. Afterwards, President Xi Jinping made his first 2019 state visit to two EU member states: France and Italy in March. Moreover, during his visit to France President Xi met with French President Emmanuel Macron, German Chancellor Angela Merkel and the President of the European Commission Jean Claude Juncker. Subsequently, the EU-China summit was held in Brussels in April 2019. In addition to these diplomatic efforts, the EU's increased number of publications and strategies towards China, confirms new changing dynamic of relations. In March 2019, the European Commission published the paper entitled as "EU-China: A Strategic Outlook". According to this paper, China is both seen as a strategic partner and systematic rival by the EU (European Commission, 2019, p. 1). This change in discourse reflects the global shift in the world trade system. Hence, the change in the global atmosphere is another driving force for the EU and China. Even though all these developments push the EU and China to a closer engagement, it is still questionable whether it is possible to expect a greater convergence for the future due to the deep-rooted divergences in fundamental norms between the parties.

Divergences

Constituting one of the most important and complex global partnerships in the world, the EU-China relations have undeniably far-reaching implications in the international arena (Ferenczy, 2019, p.1). Nevertheless, their quite different and sometimes conflicting stances as international actors may lead to divergences which are not easy to overcome. The table below demonstrates the divergences between the EU and China in terms of normative power, their logic of taking action, their understanding of sovereignty and modernity and desired world order.

The major divergence between the EU and China is related to their norm dynamics. In other words, the parties have different definitions of normative power. In the case of EU, normative power depends

Table 1. Divergences in relations

	European Union	China
Normative Power	Acquis Communautaire	Guanxi
Desired World Order	Multilateralism	Multipolarity whereby multiple orders may coexist, overlap and often interact with each other
Logic of Taking Action	Logic of Appropriateness	Logic of Relationships
Sovereignty and Modernity Understanding	Post-modern Polity	The Defence of State Sovereignty/ Modern state

Source: Compiled by the authors depending on Kavalski 2013; Kavalski and Chul Cho 2018; Manners 2002; Womack 2008 on its acquis communautaire which constitutes the EU's deep rooted legal framework whereas for China it is based on practices of guanxi which is a Chinese concept of international relations (Kavalski and Chul Cho, 2018, p. 50). While acquis communautaire represents binding common rights and obligations, guanxi represents "a tradition of nuanced balancing of relationships within the family, society, the state, and the international community" (Kavalski, 2017, pp. 150-151). In fact, these two different explanations of normative standing are linked with the different historical background of the EU and China. In the case of the EU, acquis communautaire reflects the adoption of binding rules to prevent another conflict after the destructive effects of world wars. In the case of China, guanxi is related to the national humiliation of China owing to colonialism and ensuring others not to experience the same humiliation (Kavalski, 2013, p. 257). Owing to this, "respect for the other" approach has a central place in Chinese normative understanding.

Deriving from this main divergence, the EU and China have different positions in several ways. Firstly, they are different concerning the definition of the "normal". For the EU, internalization of EU's core values and norms frame the 'normal' in its relations with other states (Manners, 2002). By doing so, the EU portrays itself as an ideal and superior model (Cebeci, 2012, p. 571). In other words, other actors are forced to comply with the norms and values of the EU. In contrast to imposed norms and rules of the European case, China frames the normal "in, from and through the very process of interaction" and practices (Kavalski and Chul Cho, 2018, p. 57). Therefore, guanxi understanding of relations does not involve "the application of abstract norms to cases", instead it is concerned with "a set of particular international relationships, with concrete obligations defined within the context of each relationship" (Womack, 2008, p. 265). In this sense, the application of norms is not a rule-based issue for China instead it is an interest-based issue depending on specific relationship contexts. Thus, in the Chinese perspective, there are no pre-defined general norms to project others. In other words, contrary to the EU's rule based governance, Chinese relation based understanding is linked with "shared expectations of reciprocity" with others (Kavalski and Chul Cho, 2018, p. 57). The distinction in this sense also reflects the difference of the two actors with respect to their view of the ideal world order. While the EU's view of multilateralism involves a desire to project its norms in the international arena and thus construct a uniform world order, China's understanding is based on multipolarity whereby multiple orders may coexist, overlap and often interact with each other (Kavalski and Chul Cho, 2018, p. 58).

Secondly and relatedly, the EU and China's strategies to take action are also different from each other. While the EU follows the "logic of appropriateness" in relation to its norms and values, China prioritizes the application of interaction with "logic of relationships" (Kavalski, 2013, p. 249). According to Womack (2008, p. 160), Chinese understanding of "logic of relationships" is based on the prediction that future is unknown and future partners are the same as in the past and present. Thus, a particular interaction depends on how it shapes a particular relationship. This difference between the EU and China also reflects their understanding of roles in the international area. In light of "logic of appropriateness", norms and values are in a central place in the EU's understanding. Therefore, the EU's identity shapes its roles. In other words, the EU takes action which seems appropriate to its norms, values and identity. In contrast to this, "logic of relationships" emphasizes the relationship which arises from the process of interactions (Kavalski and Chul Cho, 2018, p.59). Due to the fact that interactions may change overtime, the roles of the actor can change as well (Kavalski and Chul Cho, 2018, p.59). Therefore, contrary to the EU there is no reference to identity concerning the roles of actors.

Lastly and again relatedly, the EU and China are different concerning the conceptualization of sovereignty and modernity. The striking structural change following the post-cold war period has brought challenges to traditional norms such as sovereignty, multilateralism (Hamiton, 2008, p. 79). In this sense, it is crucial to emphasize that the difference regarding the sovereignty and modernity between parties is related to their structure as well. The EU has achieved to transform itself as a post-modern polity by limiting national sovereignty and transferring it up to the supranational level to a certain degree. By doing so, the EU has emerged as a "sui generis" supranational organization in the world stage. However, China as an independent state views sovereignty as an ultimate and fundamental principle of international relations due to the colonial experiences in the past (Finamore, 2017, p. 166). Therefore, the protection of state sovereignty and non-interference in internal affairs and international co-operation based on consensus rather than supranational governance are the main components of Chinese perception of sovereignty (Chen, 2016, p. 783). Thus compared to the EU, China's transformation of sovereignty to post-sovereignty was not fully realized.

CASE STUDIES

Market conditions, discrimination and cybersecurity have been selected as cases in this study in order to analyse the divergences between the EU and China with regard to their positions in the global trade system. These two cases are seen critical in the sense that they constitute areas which are regulated in the EU acquis as vital elements of the EU's internal market as well as global trade strategy. The rule-based nature of these areas makes them precise cases in terms of demonstrating the difficulty of achieving greater convergence between the two actors. Since economic integration and trade liberalization lie at the heart of the EU, reciprocal market access is a crucial area where the EU desires to achieve convergence with China. In connection with this point, ruled-based cybersecurity also very essential for the EU for ensuring security in the age of digitalisation. The objective of convergence with China on these issues is an important element of the EU's strategy documents. In this regard, these case studies are vital for presenting a reflection of divergence where the convergence is desired. In this framework, the scope of case studies is limited with market conditions, discrimination and cybersecurity. The boundaries of the rules and norms for the EU action in the area of market conditions, discrimination and cybersecurity are more concrete in comparison to political fields of acquis communautaire (human rights, democracy, rule of law and etc.). Therefore, divergences in the nature of the EU and China relations will be analysed with reference to these case studies in the following part of the paper.

Market Conditions and Discrimination

The EU's international trade policy is based on the goal of "promoting reciprocal market opening and trade liberalisation, creating new opportunities for increased levels of trade, investment, innovation and productivity growth" (Eurostat, 2019). In this context, having equal market conditions and non-discrimination constitute an important part of the international trade policy of the EU. On the basis of this understanding, the EU wants to develop equally balanced two-way trade with China in the changing global environment (European Commission, 2019, p. 6). That's why, the EU constantly emphasizes these principles in its commercial relations with China.

According to the "Elements for a New EU Strategy on China", the EU desires to "ensure reciprocity and a level playing field in all aspects of its trade and investment relationship with China" (European Commission, 2016, p. 8). Similarly, "EU-China: A Strategic Outlook" emphasizes the lack of reciprocal access and highlights the importance to have a more balanced and reciprocal economic relationship with China (European Commission, 2019, pp. 5-6). In order to achieve this aim, the EU expects China to diminish a number of protected sectors, improve market conditions and minimise national security reviews (European Commission, 2016; European Commission, 2019). Even though this aim is crucial to attain for the EU, it is not easy to achieve. The European Commission Report on Trade and Investment Barriers 2017 and the European Chamber of Commerce's Business Confidence Survey 2018 confirm this situation.

The European Commission Report on Trade and Investment Barriers (2017) elaborates on the barriers reported by European companies and the Member States to the European Commission on an annual basis. The latest report published in 2018 covered the time period between 1 January 2017 and 31 December 2017. According to the main findings of this report, protectionism is on the rise. While 372 barriers existed at the end of 2016, this number climbed to 396 at the end of 2017 (European Commission, 2017, p. 7). The highest number of trade barriers was noticed in China with 25 different measures after Russia with 36 measures (European Commission, 2017, p. 7). Similarly, China came second after Russia with regard to behind border measures with 17 recorded unjustified technical restrictions to trade (European Commission, 2017, p. 9). However, China came first concerning the occurrence of new barriers in 2017 with 10 new trade measures (European Commission, 2017, p. 10). Therefore, in the light of increased trade barriers, this report demonstrates that accessing the Chinese market has been becoming more difficult for foreign companies. In line with this report's findings, the European Chamber of Commerce in China published its Business Confidence Survey 2018 in June 2018. The report is significant because it is generally difficult for an individual European company established in China to criticize the host country due to the possible repercussions. However, the European Chamber of Commerce makes a survey for European companies in China periodically and publish anonymously. In this sense, this report is quite crucial to evaluate the business climate in China for individual European companies.

The report mainly highlights that although China has made some progress in the area of intellectual property rights, environmental law, research and development; doing business in China has become more difficult in particular on market access and discrimination (European Chamber of Commerce, 2018). Firstly, European companies operating in China face numerous trade barriers. Concerning the regulatory environment, almost half of the respondents stated that doing business has become more difficult in comparison to previous years (European Chamber of Commerce, 2018, p. 25). Similarly, more than 50 per cent of respondents expects that the situation will get even worse over the next five years (European Chamber of Commerce, 2018, p. 26). In this regard, top-rated hurdles which are quite unchanged in comparison to previous years are as follows: ambiguous rules and regulations, administrative issues and discretionary law enforcement (European Chamber of Commerce, 2018, p. 37). Owing to this, 46 per cent of respondents indicated that they missed business opportunities and 12 per cent of respondents reported that the cost of regulatory barriers equal to their 26 per cent of annual revenue (European Chamber of Commerce, 2018, p. 48).

Secondly, European companies in China are exposed to discrimination in comparison to Chinese companies. Slightly more than half of the respondents stated that foreign-invested enterprises were treated unfairly compared to domestic enterprises (European Chamber of Commerce, 2018, p. 27). Besides, more than 60 per cent of respondents indicated that domestic companies in their sector enjoyed greater market access in the EU than European companies enjoyed in China (European Chamber of Commerce, 2018, p. 29). Furthermore, more than a quarter of respondents indicated that they were aware of subsidies offered to domestic companies in previous years which European companies could not access (European Chamber of Commerce, 2018, p. 40).

Thus, these findings demonstrate that European companies operating in China are less welcomed and more discriminated compared to the Chinese companies operating in Europe. Besides, forced technology transfers, the lack of protection of intellectual property rights and subsidies provided to Chinese companies are other problematical areas for the EU-China relations in trade perspective. Chinese companies operating in Europe enjoy greater open market conditions than European countries in China enjoy. In other words, whereas Chinese companies operating in Europe have access to the European single market, the European companies operating in China have limited access to the Chinese market. Therefore, it is more difficult for individual European companies to operate in China. In fact, this situation arises from the different interpretation of the principle of reciprocity. Compared to the EU, even though China's "respect for other" approach creates an expectation of equal treatment, China's understanding is based on "an appreciation about what is distinct and valuable" beyond the "equal membership rights" (Nel, 2010, p. 965; Kavalski, and Chul Cho, 2018, p. 64). In fact, this reflects the divergence that is born out of guanxi and acquis communautaire. To overcome the barriers and enjoy greater convergence, China needs to implement reforms. President Xi pointed out the reforms that will "enable the market to play a decisive role" in Davos 2017 (The State Council Information Office of the People's Republic of China, 2017). However, the dilemma is again the same here as whether China is planning market reform or open market economy in a way that the EU expects is still questionable. Hence the EU Commissioner for trade, Cecilia Malmström indicated that "liberalisation in name without real market access is of no value to our exporters—or to the EU" (European Commission, 2017, p. 3). In this context, the establishment of a balanced relationship on the basis of fair competition conditions and equal market access was a major message in the EU-China summit in April 2019 (European Commission, 2019a).

Cybersecurity

The table below demonstrates the reflection of norm divergence between the EU and China in terms of cybersecurity.

In the case of the EU, cybersecurity is perceived as an important component of the internal digital single market. In this context, the EU adopted "Cybersecurity Strategy of the European Union: An Open, Safe and Secure Cyberspace" in 2013. In this strategy, the EU aimed to increase cyber resilience, reduce

Table 2. Understanding of cybersecurity

	European Union	**China**
Current Framework	**Cybersecurity Act in 2018**	**Cybersecurity Law in 2017**
Goal	Tackling cyber attacks and promoting cyber resilience with respect to the EU's core values	Penalize those whom intend to damage national security
Scope	Fundamental rights and freedoms in particular protection of personal data and privacy in particular	The broader definition of cybersecurity
Accountability and Transparency	EU cybersecurity agency and new cybersecurity certification framework	Limited transparency and accountability

Source: Compiled by the authors based upon the European Commission, the State Council Information Office of the People's Republic of China cybercrime, develop cyberdefence policy of the EU and constitute a coherent international cyberspace policy (European Commission, 2013, pp. 4-5). In this regard, combating with cyberattacks is at the heart of the strategy. That's why, this strategy imposed all member states to have a strategy on cybersecurity to make sure that member states created a system to protect themselves from possible cyber attacks (European Commission, 2013, pp. 5-6). However, it is important to highlight the fact that the scope of cybersecurity action of the EU is limited with fundamental rights and freedoms. In other words, the cybersecurity understanding of the EU is based on the application of the EU's core values as much in the digital as in the physical world (European Commission, 2013, p. 3). Therefore, the emphasis lies on the protection of fundamental rights especially personal data and privacy. In line with these objectives, the EU agreed on Cybersecurity Act in December 2018. This act includes a permanent EU cybersecurity agency which will replace with the European Union Agency for Network and Information Security (ENISA) and new cybersecurity certification framework to create a single cybersecurity market. By forming a permanent EU cybersecurity agency, the EU intent to reinforce the assistance offered to member states in case of a cybersecurity incident and prevent the spreading cyber attacks. In relation with this intention, the EU's aim by adopting cybersecurity certification framework is to make sure that products circulating in the internal market are certified for their security aspect (European Commission, 2018b). Therefore, protection of the EU's core values in the digital sphere, combating cyber attacks through a permanent agency and creation of new set rules for cybersecurity provide certain level of transparency and accountability in terms of the EU's understanding of cybersecurity. However, this situation is quite different in the Chinese understanding of cybersecurity.

China adopted a new Cybersecurity Law that came into effect in June 2017. Its main goal is to "monitor, defend and handle cybersecurity risks and threats originating from within the country or overseas sources, protecting key information infrastructure from attack, intrusion, disturbance and damage" (The State Council Information Office of the People's Republic of China, 2016). Moreover, the Law enables the government to penalize individuals or organizations who intend to "damage national security, honour and interests" (The State Council Information Office of the People's Republic of China, 2016). Thus, the emphasis lies on national security. Besides, Chinese President Xi associated national security notion with the notion of sovereignty. He defined cyber sovereignty as "honouring the rights of countries to choose independently cyberspace development path, cyberspace regulation models and Internet public policies and to participate in the international cyberspace governance as equals" (Ministry of Foreign Affairs of the People's Republic of China, 2016). However, there is no clear information regarding the scope of the concept. In fact, the adoption of ambiguous concepts is not a new matter for China. China under President Xi administration has launched "a series of normative and strategic concepts" for boosting its discursive power (Zeng, Stevens and Chen, 2017, p. 436).

In this regard, the concept of cyber sovereignty is designed to legitimize China's coercive actions and defend its interest internationally on cyberspace (Zeng, Stevens and Chen, 2017, pp. 433-436). Indeed, this concept has been used for this purpose in the area of commercial diplomacy and international technical standards to promote China's economic and political interests (Segal, 2017, pp. 1-2). Thus, the broader definition of cybersecurity or/and cyber sovereignty without transparency and accountability constitute a manoeuvre area for the Chinese government. However, due to the fact that Cybersecurity Law lacks the aspects of transparency and accountability, it is possible to raise European concerns further. Because close to 60 per cent of European companies in China already reported that internet restrictions during the important political meeting have a negative impact on their business (European Chamber of Commerce, 2018, p. 30). According to them, the negative impact of internet restrictions led to difficulties in particular in data exchange, productivity and engaging research (European Chamber of Commerce, 2018, p. 31). In contrast to the Chinese perception of cybersecurity, the EU's perception of cybersecurity is based on tackling cyber attacks and promoting cyber resilience with respect to the EU's core values, fundamental rights and freedoms, specifically personal data and privacy. In this regard, the EU has a more explicit approach to cybersecurity compared to China, because the EU tries to standardize cybersecurity norms through a permanent agency and certification framework.

As Segal (2018, p.3) argues, the European understanding of cybersecurity is related to safeguarding "communications and networks from unauthorized access". On the other hand, Chinese understanding is associated with "controlling the flow of information and censoring content" (Segal, 2018, p. 3). Hence, cybersecurity understandings of the EU and China do not seem very compatible with each other mainly due to their different perspectives of sovereignty. As a post-modern state, the EU's stance regarding the cyber security is to protect the freedoms that are granted to both individuals and market. On the other hand, China as a more classical Westphalian state, tend to implement cybersecurity measures which reflect its priority to maintain its global power as a modern actor taking sovereignty as an organizing principle in its international trade perspective.

In this regard, Chinese Cybersecurity Law allows the government to use data. This is completely incompatible with the EU's principle of governmental non-interference in the market. In this sense, even though the EU and China's norms are not compatible with each other, this situation does not trigger the EU to take aggressive decisions or directly follow protectionist measures towards China. Because, the EU is keen to maintain its rules-based entity identity as a trade actor. For example, the Huawei decision of the EU is a good reflection of this explanation. Huawei is currently the world leader in fifth-generation (5G) network technology (European Parliament, 2019). Due to its leading position in the market, the US President Donald Trump banned the use of the products of Huawei and ZTE –Chinese state-owned telecommunication company- by executive agencies in August 2018. In addition to the US, New Zealand, Australia and Japan banned the Huawei 5G network mainly on the basis of security concerns (European Parliament, 2019).

Against these protectionist measures associated with possible security risks, the EU preferred to remain open to the Huawei 5G network through additional security requirements. Therefore, the EU's favoured approach is associated with mitigating security risks through additional security requirements rather than protectionist measures (European Parliament, 2019). Moreover, as it is indicated in the EU Communication on "EU-China: A Strategic Outlook", the EU is aware of the fact that 5G network will be the future cornerstone of the telecommunication technology (European Commission, 2019, p. 5). Therefore, the EU has chosen to manage the possible risks instead of closing its markets to Huawei. The EU's attitude can be explained with its norm understanding related to multilateralism. The EU constantly promotes multilateralism through the promotion of its core values underlining that the European market is open to all countries that are respecting its standards and values. On the one hand, the possible cyber-security threats that are associated with the close relationship of the Chinese government with Huawei did not keep the EU from remaining an open market policy which is based upon the EU acquis. On the other hand, the EU's rule-based market access order pushed Huawei to combat against unjustified claims through a transparent mechanism. In this regard, the company has opened a "Cybersecurity Transparency Center" in Brussels in order to deal with the suspicions. By doing so, Huawei invites all Europeans "to perform fair, objective, and independent security tests and verifications according to industry-recognized cybersecurity standards and best practices" (Huawei, 2019). In addition, while the EU market remains open, the EU introduced new rules to screen investments. This new regulation entered into force in April

2019 and will fully apply in November 2020 (European Commission, 2019, p.10). This new regulation is not designed as a countermeasure just against China which is a vital competitor for the EU, but aims to take countermeasure against all the actions that undermine the EU's norms and rules. This is also in line with the EU's identity as a rule-based entity expecting from the external actors operating in its market to respect its rules. The President of the European Commission, Juncker confirms this approach of the EU by the following statement: "We are not rejecting someone because he is coming from far away, because he is Chinese, the rules have to be respected" (China Daily, 2019).

CONCLUSION

The radical change in the US policy towards unilateralism has initiated confrontation in the world trade system. The negative wind of protectionism has paved the way for unilateralism and populism across the world. Owing to this situation, the multilateral trade system has been facing its most severe crisis. In the shadow of the tensions in the global trading system, the US, China and the EU have emerged as three leading actors. New conditions that occurred in the trade system pave the way for closer cooperation between China and the EU against the US. However, in relation with the inconsistency arising from the nature of EU-China relations, two case studies have demonstrated that it is difficult to achieve greater convergence. Concerning the market conditions and discrimination, the case study has illustrated that Chinese companies in Europe have greater open market conditions in comparison to European countries in China due to the different interpretation of the rule of reciprocity. In a similar vein, the norm difference in sovereignty reflects the divergence between actors regarding the cybersecurity. While the EU approaches to cybersecurity in a value-based manner emphasizing the protection of fundamental rights and freedoms-particularly of personal data and privacy, the Chinese emphasis is on the protection of national security and interests.

Although the EU hopes that China will be more liberal by changing its understanding of the socialist market economy and become a member of the international order by opening its doors to the world, this paper claims that it is difficult to come true in the near future due to the main divergence hidden in the normative interpretations of the two actors. Besides, it is important to emphasize that differences in normative interpretations may also cause conflict and mistrust between the parties (Tocci and Manners, 2008, p. 315). This actually takes places in particular "when one international actor interprets a normative difference as another party's violation of a universal norm rather than as a legitimate challenge to its own norms" (Tocci and Manners, 2008, p. 315). Therefore, expecting a greater and permanent convergence between the EU and China in light of the recent global developments would be an overambitious anticipation under the current conditions. As the possibility of fluctuations in the EU-China relations is quite high, issue-based convergence rather than permanent convergence seems to be more likely.

Due to the fact that as long as normative divergence exists between the EU and China, there will be always a possibility of conflict or mistrust. In other words, the normative divergence between the EU and China is evaluated as the biggest obstacle for a permanent convergence between the two actors. Therefore, cooperation between the EU and China to defend multilateral trading system is estimated to be limited because their reference points of multilateralism are not similar to each other. In this sense, they are "two order shapers in different directions" (Chen, 2016, p. 782). This setting puts the EU into a unique position in trade wars not to take a side but stand up for its own interests and norms for defending the multilateral global trading system. Therefore, whereas the EU aims to expand its relations with

China, it is also continuing to negotiate with the other Asia Pacific countries in the region. In this regard, EU-Japan Economic Partnership Agreement is an important element to balance China's significance in Asia. In fact, the measures to be taken to deal with the increasing threats to the multilateral global trading system is not just a question of China for the EU. Beyond this, it is a question of how the EU trade policy and trade relations with the wider world would look like under the current neo-protectionist conditions and competitive international setting.

REFERENCES

Ai, W., & Song, W. (2018). China and the European Union's participation in conflict resolution: norm dynamics, convergence and divergence in foreign policy, *Journal of Contemporary China*, (published online in 2018), 1-16.

Bijian, Z. (2005). China's peaceful rise to great power status. *Foreign Affairs*, *84*(5), 18–24. doi:10.2307/20031702

Cebeci, M. (2012). European foreign policy research reconsidered: constructing an 'ideal power Europe' through theory. *Millenium: Journal of International Studies*, *40*(3), 563–583. doi:10.1177/0305829812442235

Chen, Z. (2016). China, the European Union and the fragile world order. *Journal of Common Market Studies*, *54*(4), 775–792. doi:10.1111/jcms.12383

China Daily. (2019). *Juncker: EU open to Huawei's 5G business*, Retrieved from https://www.chinadailyhk.com/articles/119/63/211/1556246201057.html

European Chamber of Commerce. (2018). *European Business in China Business Confidence Survey Report,* Retrieved from http://www.europeanchamber.com.cn/en/pressreleases/2633/european_chamber_report_highlights_gulf_between_china_s_dynamic_economy_and_its_burdensome_regulatory_environment

European Commission. (2003). *EU-China: Commission adopts new strategy for a maturing partnership*, Retrieved from http://europa.eu/rapid/press-release_IP-03-1231_en.htm#file.tmp_Ref_1

European Commission. (2013). *Cybersecurity strategy of the European Union: An open, safe and secure cyberspace*, Retrieved from https://eeas.europa.eu/archives/docs/policies/eu-cyber-security/cybsec_comm_en.pdf

European Commission. (2016). *Elements for a new EU strategy on China*, Retrieved from http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf

European Commission. (2017). *Report from the commission to the parliament and the council on trade and investment barriers Jan. 1, 2017- Dec. 31, 2017*, Retrieved from http://trade.ec.europa.eu/doclib/docs/2018/june/tradoc_156978.pdf

European Commission. (2018a). *Overview of FTA and other trade negotiations*, Retrieved from http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf

European Commission. (2018b). *Cybersecurity act*, Retrieved from https://ec.europa.eu/commission/news/cybersecurity-act-2018-dec-11_en

European Commission. (2019). *European Commission and HR/VP contribution to the European Council EU-China – A strategic outlook*, Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf

European Commission. (2019). *EU-China summit: Rebalancing the strategic partnership*. Retrieved from http://europa.eu/rapid/press-release_IP-19-2055_en.htm

European Parliament. (2019). *5G in the EU and Chinese telecoms suppliers*, Retrieved from http://www.europarl.europa.eu/RegData/etudes/ATAG/2019/637912/EPRS_ATA(2019)637912_EN.pdf

Eurostat. (2018a). *China: EU's largest partner for imports*, Retrieved from https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180522-1?inheritRedirect=true

Eurostat. (2018b). *China-EU international trade in goods statistics*, Retrieved from https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU_-_international_trade_in_goods_statistics

Eurostat. (2019). *World trade in goods and services - an overview*, Retrieved from https://ec.europa.eu/eurostat/statistics-explained/index.php?title=World_trade_in_goods_and_services_-_an_overview&oldid=414018

Ferenczy, Z. A. (2019). *Europe, China, and the limits of normative power*. Cheltenham, UK: Edward Elgar Publication. doi:10.4337/9781788975827

Finamore, S. (2017). Normative differences in Chinese and European discourses on global security: obstacles and opportunities for cooperation, *Chinese Political Scientific Review (Singapore)*, *2*(2), 159–178.

Hamilton, D. (2008). The United States: A normative power. In N. Tocci (Ed.), *Who is a normative foreign policy actor?* (pp. 76–155). Brussels, Belgium: Center for European Policy Studies.

Huawei. (2019). *Huawei cyber security transparency centre opens in Brussels*, Retrieved from https://www.huawei.com/en/press-events/news/2019/3/huawei-cyber-security-transparency-centre-brussels

Juncos, A. E. (2017). Resilience as the new EU foreign policy paradigm: A pragmatist turn. *European Security*, *26*(1), 1–18. doi:10.1080/09662839.2016.1247809

Kavalski, E. (2013). The struggle for recognition of normative powers: normative power Europe and normative power China in context. *Cooperation and Conflict*, *48*(2), 247–267. doi:10.1177/0010836713485386

Kavalski, E. (2017). Normative power Europe and normative power China compared: Towards a relational knowledge-production in international relations, *Korean Political Scientific Review (Singapore)*, *51*(6), 147–170.

Kavalski, E., & Chul Cho, Y. (2018). Wording the study of normative power: assessing European and Chinese definitions of the normal. *Uluslararası İlişkiler*, *15*(57), 49–65. doi:10.33458/uidergisi.518042

Kelly, R. (2014). The 'pivot' and its problems: American foreign policy in Northeast Asia. *The Pacific Review*, *27*(3), 479–503. doi:10.1080/09512748.2014.909526

Kıncal, A., & Utkulu, U. (2018). The political economy of the mega-regional trade agreements and the future of the global trading system. In B. Tunçsiper & F. Sayın (Eds.), *Critical debates in social sciences* (pp. 320–342). London, UK: Frontpage.

Liru, C. (2012). Peaceful rise: China's modernisation trajectory. *The International Spectator*, *47*(2), 14–17. doi:10.1080/03932729.2012.683272

Maher, R. (2016). The elusive EU–China strategic partnership. *International Affairs*, *92*(4), 959–976. doi:10.1111/1468-2346.12659

Malmstörm, C. (2019). *Speech by Cecilia Malmström, European commissioner for trade at the Atlantic Council,* Retrieved from https://ec.europa.eu/info/news/trade-trends-2019-2019-jan-10_en

Manners, I. (2002). Normative power Europe: A contradiction in terms. *Journal of Common Market Studies*, *40*(2), 235–258. doi:10.1111/1468-5965.00353

Mercator Institute for China Studies. (2018). *EU-China FDI: Working towards reciprocity in investment relations*, Retrieved from https://www.merics.org/sites/default/files/2018-08/180723_MERICS-COFDI-Update_final_0.pdf

Meunier, S. (2014). Beggars can't be choosers: The European crisis and Chinese direct investment in the European Union. *Journal of European Integration*, *36*(3), 283–302. doi:10.1080/07036337.2014.885754

Ministry of foreign affairs of the People's Republic of China. (2016). *Xi Jinping attends opening ceremony of Second World Internet Conference and delivers keynote speech*, Retrieved from https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1325603.shtml

Nel, P. (2010). Redistribution and recognition: What emerging regional powers want. *Review of International Studies*, *36*(04), 951–971. doi:10.1017/S0260210510001385

Segal, A. (2017). *Chinese cyber diplomacy in a new era of uncertain*ty, AEGIS Paper Series No 1703. A Hoover Institution Essay. pp. 1-2. Retrieved from https://www.hoover.org/sites/default/files/research/docs/segal_chinese_cyber_diplomacy.pdf

Sertic, M., Ceh Casni, A., & Vuckovic, V. (2017). The impact of China's imports on European Union industrial employment. *Economics of Transition*, *25*(1), 91–109. doi:10.1111/ecot.12113

The State Council Information Office of the People's Republic of China. (2016). *China adopts law on cybersecurity*, Retrieved from http://english.gov.cn/news/top_news/2016/11/08/content_281475486222054.htm

The state council information office of the People's Republic of China. (2017). *Full Text: Xi Jinping's keynote speech at the World Economic Forum*, Retrieved from http://www.china.org.cn/node_7247529/content_40569136.htm

The State Council of People's Republic of China. (2015). *Action plan on the Belt and Road Initiative*, Retrieved from http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm

Tocci, N., & Manners, I. (2008). Comparing normativity in foreign policy. In N. Tocci (Ed.), *Who is a normative foreign policy actor?* (pp. 300–329). Brussels, Belgium: Center for European Policy Studies.

White House. (2018). *Presidential proclamation on adjusting imports of steel into the United States*, Retrieved from https://www.whitehouse.gov/presidential-actions/presidential-proclamation-adjusting-imports-steel-united-states/

Womack, B. (2008). China as a normative foreign policy actor. In N. Tocci (Ed.), *Who is a normative foreign policy actor?* (pp. 265–300). Brussels, Belgium: Center for European Policy Studies. doi:10.2139srn.1337618

Wong, D., & Koty, A. C. (2019). *The US-China trade war: a timeline*, Retrieved from https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/

Zeng, J., Stevens, T., & Chen, Y. (2017). China's solution to global cyber governance: unpacking the domestic discourse of internet sovereignty. *Politics & Policy*, *45*(3), 432–464. doi:10.1111/polp.12202

ADDITIONAL READING

Herrero, G. A., & Xu, J. (2017). China's Belt and Road Initiative: Can Europe Expect Trade Gains. *China & World Economy*, *25*(6), 84–99. doi:10.1111/cwe.12222

Lawrence, R. Z. (2018). Can the Trading System Survive US–China Trade Friction? *China & World Economy*, *26*(5), 62–82. doi:10.1111/cwe.12256

Nengye, L., & Qi, X. (2018). How Might the European Union Engage Constructively with China in the South China Sea? *Ocean Development and International Law*, *49*(4), 301–312. doi:10.1080/00908320.2018.1479356

Qiu, L. D. and Wei, X. (2019). China–US trade: implications on conflicts. *China Economic Journal*, (published online in 2019), 1-20.

Reilly, J. (2017). China's economic statecraft in Europe. *Asia Europe Journal*, *15*(2), 173–185. doi:10.100710308-017-0473-6

Ventre, D. (2014). Discourse Regarding China: Cyberspace and Cybersecuriy. In D. Ventre (Ed.), *Chinese Cybersecurity and Defense* (pp. 199–282). Hoboken: Wiley-ISTE Publishing.

Westad, A. (2013). China and Europe: Opportunities or Dangers? *Global Policy*, *3*(1), 96–100.

Wuttke, J. (2017). The Dark Side of China's Economic Rise. *Global Policy*, *3*(4), 62–70. doi:10.1111/1758-5899.12439

KEY TERMS AND DEFINITIONS

Acquis Communautaire: It represents the legal framework of the EU which consists of binding rules and obligations.

Guanxi: The source of interest-based and contextual norms and rules of China.

Multilateralism: Unlike unilateralism, it means the cooperation of many international actors in various fields.

Normative Power Europe: Based upon Manner's (2002) explanation, it is defining the 'normal' in EU's relations with other states with reference to its norms and values.

Reciprocal Market Access: Against discriminatory trade policies, having the same set of rules between trading parties in order to have a balanced trade partnership.

Trade War: It occurs when a country imposes tariffs on imported goods in order to protect its own economy.

Westphalian State: It means modern state in which protecting national sovereignty is at the forefront.

ENDNOTES

1 For more information on EU's trade negotiations please see. European Commission, *Overview of Free Trade Agreements and Other Trade Negotiations*, 2018, http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf, (12.12.2018).

2 Also known as Silk Road Economic Belt or One Belt One Road Initiative

Chapter 26
Russia's Role in the Unification Process of Ukraine to EU:
Hinderance or Cause?

Zafer Yildirim
Faculty of Economics and Administrative Sciences, Kocaeli University, Turkey

ABSTRACT

Ukraine's efforts to unite the EU since it gained independence caused some splits in the heterogeneous Ukrainian society. They induced discontent within the Russian Federation as well; because Russia considers itself the inheritor of the former United Soviet Socialist Republic. When Ukrainian President Yanukovych announced that the partnership treaty with the EU was suspended just before the due date for signing, a crisis broke out in Ukraine. Consequently, Yanukovych left the country. Russia reacted to the situation by invading Crimea. Moreover, the EU's Ukraine policy was not clear enough. The main objective of this study is to reveal if Russia was hindering Ukraine's integration to the EU or it was the motive for the process. There are different points of view on that matter. In this chapter, those points will be analyzed under the following subtitles: "Russian Politics of Ukraine", "EU-Ukraine Relations", and "EU-Russia Relations."

INTRODUCTION

Sharing the natural sources among European countries has been an important problem across Europe for years. This was especially true for Germany and France during the first half of the twentieth century. The foundation of the EU with the Schuman plan aimed to solve that problem which was one of the major causes of the two world wars. The EU project, developed by French Jean Monnet and German Robert Schuman, targeted the co-production of coal and steel of Europe by those two countries; thus, put an end to the competition between them. The Union has been seen the address of economic developments and stability of West Europe and after 1989 of East Europe as well. It has had three enlargement phases so far and experienced some political and economic crisis and has already been having problems of that kind. It has enlarged to twenty eight member countries at present.

DOI: 10.4018/978-1-7998-1188-6.ch026

Ukraine, after acquiring independence, set forth its intention to join the Union; but, the ethnic split in the society and Russia's influence over the country impeded Ukraine's unification with the EU. On the other hand, the Union itself was also reluctant about integrating with it because of its heavy problems such as financial bottleneck, political instability, overpopulation and so on. Ukraine's undeclared war with Russia, Europe's dependence on Russian natural gas and Germany's trade volume with Moscow were some other reasons of the averseness. The EU principally did not reject the unification with Ukraine in its formal statement. A long roadmap for meeting the EU's criteria was issued on the matter; yet, no timeline was designated. Russia, counting the territory of former the USSR as its own borders, was regarding US and EU's policies of the former Soviet states to be a threat for its security and efforts to neutralize itself. Ukraine, had a significant place in that policy. It has been in the focus of Russia's Eurasia politics since 1998; because, Russians believe that their ancestors come from Ukraine. So, they needed to defend their national interests as well as blocking the expansionist policies of the West. For all these reasons, Russia has tried to include that country into its own economic system. The theme and major objective of this study is to analyze the positions of the EU and Russia during Ukraine's unification period until Euromaidan demonstrations in 2013.

I summed up that analyze in three parts: In the first part, Ukraine policy of Russia which is regarded to cause Ukraine to stop the integration process will be reviewed. In the second part EU-Ukraine relations will be analyzed to bring out the EU's position on Ukraine's integration to the Union. In the last part, EU-Russia relations will be explained.

RUSSIAN POLITICS OF UKRAINE

Ukraine policy of the Russian Federation has developed on the basis of New Eurasianism after Ukraine had acquired independence.That policy was aiming to regain the status of former the USSR against the West. Pursuant to that aim, Russia tried to keep those countries politically, economically, and militarily under control.Thus, Moscow took the first step politically in 1991 founding Commonwealth of Independent States (CIS) which intended to confederate the former twelve Soviet states including Ukraine. (CIS, 2019) As for the first military step, it was taken by the participation of six states in Tashkent on May 15.,1992 by signing up Collective Security Treaty which was aiming to gather all those states under a security umbrella; but, Ukraine preferred to stay out of the treaty; because it was sceptical about depending on Russia at security issues. Leonid Kravchuk, Ukraine's president of the time, did not want to seem eager to cooperate with Russia, for he thought such an organization which was formed to fulfill Moscow's demands, would eventually yield to failure. Prime Minister Leonid Kuchma also reported a similar concern and added that they were against a power increase of CIS. Ukraine's major concern was to lose its new-gained sovereignty under different titles. (Webber,1996, p.101) On 7 November 2002, Collective Security Treaty evolved to a NATO like organization which was based on military cooperation of the member states, so that Collective Security Treaty Organization was established. (Bescotti, 2018) Russia was planning to keep the old Soviet states within its economic periphery as well. In accordance with that plan, Customs Union was founded in 1995 by the participation of Russia, Kazakhstan and Belarus.

Later in 2000 a meeting was held in Astana which concluded to set up Eurasian Economic Community. Ukraine and Moldova took part in the process as observers. Finally, Eurasian Economic Union was founded in 2010. (Euroasian Economic Commission, 2019) Yanukovych's decision was approved by Russia but, ıt arose some allegations in Ukraine asserting that it was getting away from the West.

(İsmayil, 2016, pp.135-137) Putin's statement that Ukrainians and Russians were identical and a unique society did not content the Ukrainians.

Russian Federation has followed two different set of policies about Ukraine. When the first ones fell under Russa's general politics towards the former the USSR countries, the second ones were specially designed for Ukraine. The reason behind such a division was Moscow's specific stance on the issue. While Russia was trying to keep the former Soviet countries, including Ukraine under control, it considered Ukraine as the homeland of its ancestors arguing that the people of Ukraine and Russia have specific historic ties.As the large amount of Ukrainian population was of Russian origin,, Russia had the right to decide about Ukraine's future. As long as Russia kept Ukraine in its orbit, it would not need to follow the latter policy. Yet, from time to time, Moscow did not avoid to use the second method as a means of threat.

When the USSR was undergoing a dissolution process in 1990, Ukraine's Parliament declared independence, the same year, in June. The decision was confirmed by the Senior Council. A few months later, a referendum was held over the issue with the participation of. 82% of the population while 90% of the voters saying "yes" to the independence. The referendum was a success from the point of Ukraine because, it proved the legitimacy for independence and prevented a possible intervention from Russia;(Buyukakinci; 2004, p.4) but, it did not mean the same thing for Moscow. When Ukraine proclaimed independence on August 24th. 1991, Boris Yeltsin released a press bulletin asserting that Russia reserved the right to redefine the borders of neighbour countries except three Baltic Republics. The countries Yeltsin meant in that statement was later made clear by Yeltsin's spokesman as Donesk, Crimea and Northern Kazakhstan. (Solchanyk, 1995, pp.5-6) At that time, Russian population in Donesk was 45% and Ukrainians were more than that. While Russia was recognizing Ukraine's independence, Russian public and political circles regarded it as a historical mistake. Even Boris Fyodorov, Yeltsin's former deputy prime minister, stated that Russian constitution should be revised in order to unify Ukraine, Belarus and Kazakhstan with Russian Federation A prominent figure in the Russian press and the chairman of the Collective Security Organization Committee Constantin Zalutin, defined Ukraine having no borders throughout history. A survey which was made that time put forth that 80% of Russians consider Ukraine, Belarus and Northern Kazakhstan as a part of their homeland. (Donaldson & Nogee, 2009, pp.171-172) Ukraine's efforts to prevent Russia's involvement in its internal affairs as a member of the CIS failed. Russia had started to involve in Ukraine's administration during Yeltsin's power. Yeltsin openly supported Leonid Kuchma at Ukraine's presidential elections in 1994. (Bugajski, 2004, p.92) In the early days of its independence Ukraine was still depending on Russia economically and commercially. Ukraine's export rate to Russia was 39% while import rate was 30%. By 1995 those rates scaled up to 42% versus 50%. Despite the political problems, Ukrainian government was against cutting the existing ties with Russia, on the contrary, it supported the strengthening of the existing ties. (D'Anieri, 1999, pp.106-107) However, the turmoil broke out in both countries in 1995 hampered a further rapprochement. Nationalists in DUMA and their sympathizers in Supreme Soviet oppressed Yeltsin about Ukraine issue. NATO's enlargement across Eastern Europe put pressure on Yeltsin in terms of domestic politics which he responded strengthening the relations with Ukraine. (Donaldson and Nogee, pp. 171-172) While Ukraine's debt to Russia was being discussed in DUMA, Yeltsin's opponents propounded a view suggesting Crimea's official language be Russian. That crisis was overcame when Kuchma declared that Ukraine would never merge with the EU and remain to be the most important strategic partner of Russia. Despite that declaration, Ukraine's interest to the West has never decreased. Having got more aid from the West, Ukraine signed the treaty on military cooperation with NATO in 1998 in order to act together in security issues against Russia, GUAM,(*)[1] was founded with participation of Georgia, Ukraine, Azerbaijan and Moldova. When Vladimir Putin was elected the president in 2000, the relations between the two countries were still problematic. Putin objected NATO's expansion policy at first advocating the multi-poled policy of Yeltsin's prime minister Yevgeniy Primakov. However, he shifted that attitude soon and visited Kiev a fortnight after he took office in June, 2000. At that visit Ukrainian President Leonid Kuchma articulated the terms " New Russia, New Politics". After eight mutual meetings, Putin stated that "The shift in the form of the relations between two countries was one of the significant achievements of the Russian diplomacy of the previous year as to himself and Kuchma." (Nygren, 2006, pp.51-52)

Ukraine -Russia relations went on improving. In 2001, the Russian Prime Minister Victor Chemomyrdin's appointment to Ukraine as ambassador pointed out what Moscow's priority of external politics was. While September 11 attacks were normalizing the relations between US and Russia, the same year in May, a treaty between NATO and Russia was signed up. Later on, mutual statements were made to emphasise that there was no conflict between the two countries about NATO's enlargement process. (Nygren 2008, pp.51-53) The proceedings after presidency elections in Ukraine in 2004 opened a new page in Russia's Ukraine policy. After the elections, first Viktor Yanukovych was announced the winner; but it did not satisfy people, so they hit the streets for demonstrations. Consequently, The Supreme Court decided to renew the elections. In the new election Viktor Yushchenko was announced the winner. The West welcame the conclusion; but, so many Russians considered these events, which is called "Orange Revolution" as Washington's manoeuvre to expand its authority. (Trenin, 2008) As the so-called "Velvet Revolutions" were going on to occur in Ukraine Russia's conviction on the US involvement strengthened. The events in Ukraine were seen as the fall of the USSR by Russian press. While Sergey Mironov, chairman of Russian Federation Council was defining Orange Revolution "producer's hand" like in Yugoslavia example, Putin was also criticized by his citizens for yielding the West in order to avoid a conflict. (Hard, 2005, pp-16-20) After Orange Revolution, Putin responded those criticisms stating that they would go to a radical shift in their politics and not let such kind of acts any more. That statement was an indicator of future Russian policies on Georgia after 2008 and Ukraine after 2013 forth. (Siruk & Shevtsova, 2013)

At NATO-Russian Council Summit in 2008, Putin propounded that Ukrain's borders were artificial ones created by the the USSR. After the natural gas crisis with Ukraine in 2009, Putin, with his usual contemptuous language defined Ukraine as follows: "Ukraine's existence depends on just one component, lard and vodka." (Moser, 2014, pp.138-139) In 2009, Russian President Dmitry Medvedev stated that during Yushchenko's presidency, the relations between the two countries hit the bottom and added that his pro-West policies and efforts to join NATO were all threats for Russia's national security. At another statement in January 2010 he mentioned about opening a new page with the new government of Ukraine. He hoped to strengthen the security of Europe with the new page and deal with the actual demands of people, he added. Yanukovych replied Medvedev stating that they would review Ukraine's politics of their " strategic partner Russia" in terms of mutual interest and good neighboring as equal countries. Internal support of Russia would be their primary affair, he added. (Moser, 2014, pp.139-140) Political circles were sceptical about Yanukovych's politics. He might follow a pro-Russian policy leaving Kuchma's balance policy between the EU and Moscow; but, after he was elected the president, at his address to Ukrainian Assembly Rada, he stated that he saw Ukraine's future in the EU. At his another later statement, he emphasised that their ultimate goal was to integrate into the Union; thus, they would maintain good neighboring relations with Russia. (Armandon, 2011) However; that balance policy was overshadowed by Kharkiv Treaty he signed up with Russia in 2010, according to some critics. In respect of the treaty, lease deadline of the Sevastopol Naval Base was prolonged until 2042. In return for it, Ukraine would pay $100 less for per 100 cubic meter of natural gas they import from Russia. Despite that discount, Ukraine was still paying more for the gas compared to Germany and Italy. (Moshes, 2013) Obviously, Russia was desperately dependent on Ukraine regarding natural gas export to Europe. However, that situation has changed by the agreement with Germany in 2012 on the new pipeline Nord Stream which would reduce Russia's dependence on Ukraine at natural gas export. Soon after Yanukovych had taken office, Ukraine was announced an impartial country which meant Ukraine's affiliation to NATO page is closed henceforth. (Armandon, 2013, pp.290-293)

While Pro-EU politicians were considering Yanukovych's policies unsatisfactory, Russia was also uneasy about it. As for Ukrainians, Russian authority on themselves might increase during the Yanukovych's office. Russia applied carrot and stick approach to control Ukraine. While Moscow was threatening Ukraine with economic sanctions and visa application to separate it from Europe, (Tolksdorf, 2014) Putin's economy adviser Sergei Glazyev promised nine billion dollar profit per year if Ukraine took part in Customs Union. (Moshes, 2013) As Russia's pressure was continuing, some Ukrainian businessmen objected the idea of customs union with Russia. Some of the oligarchs who had invested on metal and mine industry were afraid that Russian market might harm their industry for, it was more powerful than theirs. Those kind of worries mostly came from the east of the country where people of Russian origin live. (Paul, 2010) On the other hand, some other oligarchs from the west and north strongly supported the unification. They believed they would get cheap loan from the EU by the execution of the treaty. While discussions were going on the issue in Ukraine, the EU required some terms of condition such as reforms in legal, electoral and energy systems. Furthermore, the Union stipulated the release of former prime-minister Yulia Tymoshenko who was under arrest. Another interesting point in Russia-Ukraine relations was Russia's important share in Ukraine's weapon exports. Although it took less than 5% of Russia's arms import, Ukraine was the third country in 2009-2013. Different kinds of defence arms, including helicopters, engines of cargo aircraft, rockets, ballistic missiles in addition to some strategic nuclear systems are all imported from Ukraine. A possible crisis between the two countries might destroy Ukraine's arms industry and cause some of them to bankrupt. (Larrabee & Wilson 2015, p.5.) In the shadow of the tensions with the EU and bonds with Russia, preliminary agreement on partnership was signed at Yanukovych's visit to Brussels on 30 March 2012. (Conradi, 2017, p.267) However, the EU warned Ukraine about the reforms it required to finish the accession procedures. As for Putin, he proposed Kiev some soft loan in case Ukraine did not sign the partnership treaty with the EU. (Tolksdorf, 2014) A week later, on Nov.21, 2013, Yanukovych announced that his government had suspended the signing of the partnership treaty. Shortly after, demonstrations against the government started at Euromaidan. There upon, Putin stated that they would invest 15 billion dollars on Ukrainian public bonds and added that the price of per 1000 cubic meter of the natural gas, which was being exported to Ukraine would be discounted from $ 430 to $ 268. (Tolksdorf, 2014) When anti-government protests expanded, Yanukovych left the country on Feb. 22, 2014.

As it was stated above, Russia has wanted to keep Ukraine under its influence area and keep it away from the West taking all kinds of measures including economic, political and military ones. Russia could not succeed in incorporating Ukraine into any of the international organization it had set up until Yanukovych suspended the registration of the partnership treaty with the EU. Different views such as whether Yanukovych suspended the treaty due to Russia's pressure or Moscow was not strong enough to keep Ukraine within its orbit or if it was powerful enough to hinder Ukraine unify into the EU are all inadequate without knowing about EU's attitude about the issue. It is important to remember that despite

Russia's efforts to keep Ukraine in its orbit, EU strove hard to unite it into the Union. Therefore, I will try to review EU's policy of Ukraine through the next chapter.

EU-UKRAINE RELATIONS

The EU-Ukraine relations started in Dec.1991 during Nederland's presidency when Dutch Minister of Foreign Affairs recognised Ukraine's independence. (Mission of Ukraine to the EU) Later, Ukraine defined the EU to be their strategic goal and in 1994, President Leonid Kuchma, who was elected president by the support of Russia announced Declaration Europeanization Strategy. (Volzcuk, 2004, p.4) Four years after that, he submitted "Strategy of Ukraine's Integration to the European Union" to the approval of Ukrainian Assembly, Rada. Soon after it was approved, a declaration which was stating that Ukraine's integration to the EU was of "considerable importance" in terms of the EU's security, was issued. (Vicere, 2018, p.122) When Kuchma was re-elected president in 1999, he mentioned about their goal to full integrate into the Union in 2007. (Nygren, 2008, p.58) In return for it, European Council thanked to Ukraine for its pro-European choice at Helsinki meeting of the European Commission and declared Ukraine's integration process among EU's strategic goals. However, Kuchma's democratic backslid and his involvement in some scandals alienated Ukraine from the Union. The reflection of it was seen at EU-Ukraine summit in Yalta on Sept. 11, 2001.The objective of the EU was defined to draw its strategic partner Ukraine close to the Union; but, obviously the EU had avoided mentioning about Ukraine's unification with itself. Despite that attitude of the EU, Ukraine set forth an integration plan involving economic and social reforms, which it was intending to implement between 2002-2011 to get ready for membership. (Viceré, 2018, p.123.) That plan was followed by Law on Fundamentals of National Security in Ukraine which was presented to Rada by Yanukovych and clearly stated that Ukraine's aim was to join the NATO and the EU. The law was passed by unanimous vote. (Haran & Zolkina, 2014) However, the EU did not pay any attention to those steps. When the Union rejected Kiev's demand to be raised to "free market economy status" Ukraine was disappointed. Yet, Russia had already been granted that status. Kuchma blamed the EU in Oct. 2013 for neglecting Ukraine and compelling it to integrate with CIS. President of the Post Orange Revolution period Viktor Yushchenko also mentioned at his late 2004 statement about their goal to integrate with the EU and added that his government was ready to eliminate all of the commercial hurdles with Russia; therefore, Moscow would not impede them. However, there was no reference to Ukraine's membership in the action plan of the EU. Yushchenko announced that they were determined to walk on the way to the EU and ready to accept Copenhagen Criteria so, they intended to initiate the integration negotiations in 2007. (Nygren, 2008, pp.58-59)

Russia expressed its concerns about Ukraine's acceptance to Free Market Economy lest it should harm their interests. Thus, Ukraine has become the basic element of Russia-EU struggle (Nygren, 2008, p.59). EU's policy considering Ukraine's steps to integrate with the Union is important in terms of comprehending the process. The Union proposed to give "Special Neighbors Status" to Ukraine at Luxemburg meeting on April 15, 2002. That proposal was later revised to be "New Neighbors Inıtiative" and opened up for discussion on Sept.30, 2002 to comprise a larger part of geography. Eventually, European Commission issued " Wider Europe Neighborhood: A new framework for relations with our Eastern and Southern Neighbors" plan on March 11, 2003, (Vicere, 2018, pp 124-125) and a year later European Neighborhood Policy (ENP) which was aiming to serve a larger part of Europe was announced. Ukraine policy of the Union became an agenda item within the content of that plan afterwards. (Wilson, 2014, p.13) That policy was not simply of Ukraine but of so many other countries comprising Ukraine, Belarus, Moldova, Caucasia, and Mediterranean countries from Morocco to Israel. EU Enlargement Commissioner Günter Verheugen made a statement about the policy emphasising that it did not involve integration process and added that the eastern border of the EU would remain to be the western border of Russia for a long time except Baltic republics. Some € 250 million was to be provided for supporting the economic and social reforms in those countries in 2006. Verhaugen's explanation certainly disturbed all of the countries which were intending to integrate into EU, particularly Ukraine. Leonid Kozhara, an official from Ukrainian presidency made a statement saying: "We are disappointed to be equated with Arabic countries or Israel by the European Neighborhood Policy; for, none of those countries intends to join the EU but, our country has followed a rapprochement policy and we have never concealed our desire to integrate into the Union." (Klaus & Dahmann, DW, 2004) Zbigniew Brzezinski, an American politician once said "It was based on a category mistake. Its real goal was not to change countries like Ukraine, but to change Russia by civilising the whole region from a distance and transforming the periphery would not be possible without changing Russia." (Wilson, 2014, p.13)

It was rather difficult for the EU to put the integration provisions into effect considering the political and economic situation in Ukraine. The Commission announced that it would allocate €15.4 billion to neighboring countries in 2014-2020 in accordance with the resolution they took on March, 5, 2004. (Ciceo, 2015, p.176.) The amount of allocation for Ukraine for that time was just one billion euro. (European Commission, 2017) The Union was not giving any undertaking about membership by that policy; but, supporting the countries in question to conform their economic and political systems to European standards. (Naumescu, 2015, pp.4-6) That move of the EU, naturally excited the applier countries about membership. When pro-EU Viktor Yushchenko and Yulia Tymoshenko came into power in 2005, the expectations for an improvement in the relations between the Union and Ukraine grew. The EU's acknowledging Free Market Economy status of Ukraine which it had rejected before on the grounds that Kiev administration did not meet the provisions of the EU might be seen as an indicator of backing up the new government. By that privilege, Ukraine got the opportunity of ease with anti-dumping duties at chief industrial exports in December 2005. (Beatty, 2014) Prime Minister of Great Britain Tony Blair talked at a summit as follows: "All these are important in their own right, but the greatest importance is the symbolism of a newer and deeper and stronger relationship between the EU and Ukraine." (Bellaby, 2005) However, the EU's and Ukraine's expectations from that new statute were different. The Union had acknowledged that new statute just before Brussels visit of the new president Viktor Yushchenko. Moreover, there were rumors that the member states agreed on not to take any more steps on behalf of Ukraine. A diplomat from the EU has explained the reason of that acknowledgement: "There is agreement on the need to send Ukraine a message." (Beatty, 2014) But, the Union avoided giving a positive message. The situation disappointed Ukrainians and inclined them to blame the EU applying double standard for them. While the EU was welcoming Yuschenco's power, it did not respond fairly enough to Kiev's efforts to improve their relations with the EU. The first reason was Russia's restraint while the second was the high cost of such a poor country with its 45 million population. In fact, Russia did not officially oppose to that integration. It was certainly because the EU did not have a positive look on that matter. Free Market Economy status and ENP which involved so many complicated details and provisions did not offer an open integration plan to Ukraine. "Clearly neither Ukraine, nor the EU is ready" for it. The Union's policy of Ukraine during that term undermined the position of pro-reform groups that were advocating European model of development for Ukraine. (Wolczuk, 2005)

Considering the events in Georgia in 2008, the EU put Eastern Partnership Policy into effect on May, 7, 2009, which was follow-up of European Neighborhood Policy. In accordance with EPP, the EU would allocate some additional aid of 350 million euro for those six countries in 2010-2013. However, that new policy did not promise anything new to Ukraine about the integration process. (Viceré, 2018, p.128) The EU policy of Ukraine during that term was depending on the benefits of the member countries from Russia, therefore was multi focused. Now, it is important to know about what the objectives of Eastern Partnership Policy: First, to strengthen the authority of the EU on former USSR territory; second, to guarantee the security of member states by supporting their development. (Viceré, 2018, pp. 129-130.) When Viktor Yanukovych, defeating his rival Tymoshenko, was chosen president (48.95%-45.47%) (Conradi, 2017, p. 266) in January 2010 elections, he stated that his administration's foreign policy should be conducted on pragmatism basis and emphasised on the importance of their ties with Russia claiming that it would not harm his country's preference of Europe. (Nygren, 2008, p.159) Signing up the Partnership Treaty with the EU, Yanukovych intended to be seen as a reformist leader and at the same time he would avoid the criticisms of the West. That would help Ukraine get the support of the West at 2015 presidency elections. (Kudelia, 2014, pp. 27-29)

Consequently, Yanukovych paid his first visit to Brussels after taking office. Despite the disparities between the parties "EU Association Agreement was initialled" (Conradi, 2017, p. 267) at that meeting on March, 30, 2012. On the other hand, Yanukovych was aware of the need to preserve the commercial relations with Russia, particularly energy import for a low cost. He was worrying about the possibility of Russia's withdrawing its financial aid to himself and cutting off the trade with Eastern Ukraine where he got the highest support. (Ramani, 2016) The EU neither suggested a plan about how to react in case of a possible Russian sanction on that region of heavy industry, nor responded to Yanukovych's demand of 20 billion dollar aid. (Conradi, 2017, p. 267) Moscow was dissatisfied with Ukraine's policy and wanted to give a message to Yanukovych refusing any discount on the gas price. In return for it, Kiew denied to join Customs Union. (Kudelia 2014, pp. 27-29 Hillary Clinton, Secretary of Foreign Affairs interpreted Russia's efforts as attempts of reviving the old USSR and inducing a USA-Russia struggle over Ukraine. While Yanukovych was trying to maintain the relations with Russia, he was also striving to sustain the ties with the EU. President of the European Commission Manuel Barroso ended that intermediary policy stating that since Ukraine was a member of Customs Union, it was impossible for it to attend free trade area with the EU. (Conradi, 2017, p. 268) But, German political scientist Ulrich Speck said: " The EU always regarded itself as someone that was not into playing geopolitical games. But the irony is that Putin's new assertiveness forced the EU into playing power politics, so this has become largely a geopolitical game." (Gvosdev, 2013) Furthermore, Russia announced that unless Tymoshenko, who was sentenced to seven years imprisonment in 2011 after being accused of involving in corruption in the gas deal with Russia was released and social reforms, especially the reform in judicial system was completed, the Partnership Deal would not be signed. (BBC, 2013) As to Yanukovych, Tymoshenko' s imprisonment might have been more beneficial than a deal with the EU for short term. (Gvosdev, 2013) Her release might have been a victory for Yanukovych's opponents. In addition to it, Tymoshenko's criticisms would restart to draw the attention of the West. That potential release would not please his voters either. (Aslund, 2015, pp.104-105)

A questionnaire which was held in October, 2013 put forth that 68% of the people from East and South Ukraine, who backed Yanukovych were not content with his policy of Russia. People from West Ukraine also saw his policy as pro-Russian. EU's anti-Russia politics was risky considering a possible reaction from Russia. (Kudelia, pp. 27-29) In fact, Ukraine's deal with the EU was a symbolic one and did not meet the expectations of Ukrainians. After a confidential Putin-Yanukovych meeting, Ukraine Prime Minister Mykola Azarov and Russia Prime Minister Dmitry Medvedev held another one which was defined to be one of the most productive meetings. Shortly after that, Ukraine-EU summit was announced to be frozen in the "national interest" (Traynor & Grytsenko, 2013) which made a shock effect on the EU. The summit started under the pressure of those unfavorable conditions. Consequently, a turmoil occurred in Kiev which was followed by Russian invasion of Ukraine. British political scientist Andrew Wilson commented that (Wilson, 2014, p. 14) Ukraine had learned a lot about Europe from all those proceedings. Ukraine crisis indicated that "Europe had been sleeping since 2008", he added.

Although Europe had been demanding for heavy responsibilities from the new members, it could not save its own values. According to some comments, even if Brussels had followed a different policy, Yanukovych would not have signed the deal due to Ukraine's high amount of debt to Russia. (Naumescu, 2015, pp. 12-14) Yet, the question was whether economically and politically powerful EU had provided adequate support to Ukraine in that circumstance or not. The answer was definitely negative. It is clear that despite the heavy winter conditions, Ukraine was not supplied with natural gas during that term. According to European media, the crisis outbroke because; Ukraine plan in the leadership of Germany was not a successful project, therefore it did not work. Consequently, European Commission announced that it would stop the enlargement process for the next five years. (European Commission 2014) The increasing immigration problem was an urgent problem for the Union which it could hardly shake off 2009 economic crisis. Moreover, the member countries from East Europe were extra burdened with the crisis compared to the relatively easy, locomotive countries like Germany. The primary factor that defined the EU's politics in that term was relations with Russia. The Union's policy maker country Germany and other members from West Europe had strong commercial ties with Russia mostly on energy issues. (Stegny, 2014) Germany was being criticised to define its foreign policy as "Russia First". In order to clarify how important the relations with Russia for the EU in the politics of Ukraine, Russia-EU relations will be examined in the last chapter of this study.

EU-RUSSIA RELATIONS

EU-Russia relations during Cold War was generally designated within the framework of block policies. One block's interpretation of the other as to its political and economic power impeded the development of the relations. Viewpoints of both parties were different in terms of the content, meaning and provisions of cooperation. Russia's virtual relations with the EU started in 1989 when a deal on economic cooperation between the EU and former the USSR was signed up. Both parties were still under the influence of the Cold War. Due to economic and social disparities and the different expectations, no considerable step was taken in the relations. (Romanova 2011, p. 124) The main reason of Russia's heading for the West after the collapse of communism was to search for a way out of the economic and social hardship. Russia did not accept any support except economic ones.The EU stipulated that Russia must transform its systems as to European standards; thus, be a part of Europe first. (Trenin, 2018, pp. 307-308.) Despite the dissidences and the problems, during the first president of the Russian Federation, Boris Yeltsin's power the relations with the EU and the West were warmer compared to the following terms. During his term, Russia was busy with problems such as disintegration process, reconstruction issues and Chechnya's struggle of independence; therefore, it could just observe the ongoing incidents. Russia was striving to gather the dissolving USSR countries around CIS then; but, CIS did not meet the expectations of Russia.

Furthermore, the countries which were planning to be a part of the European geography so that trying to improve the relations with the West were regarding CIS as a hurdle in front of them. (Mirfendereski, 2001, pp. 63-65) Russian Federation's tending to the West started with NATO's Partnership for Peace (PfP) programme which had been ratified after hard negotiations at the EU in January, 1994. PfP was allowing the countries comprising the former Warsaw Pact members, which were in cooperation with Russia but intending to join NATO, to conform their systems to the Union's standards. However, member countries of former Warsaw Pact were uneasy about the probability of being in the same organization with Russia. As for Russia, nationalists and communists across the country were protesting to come to an agreement over the EU. (Kharchenko, p. 210) Russia demanded a concessionary status to take part in the programme. The USA denied any kind of priority whereas Germany approved it. However, while signing deal for PfP, Russia Foreign Minister Andrei Kozyrev stated that the protocol reflected the status of Russia as a superpower. (Stent, 2001, pp. 215-218)

The next step in the relations was Partnership and Cooperation Agreement which was signed up on June 24, 1994. The agreement involved democratic improvements and clauses on facilitating the trade between the parties; but the incompatibility of Russia's infrastructure for such a liberal trade was impeding the improvement of commercial relations. (The Embassy of RF to UK, 2019) The EU's expanding policy following NATO was generating economic problems for Russia as well as political ones. Russia which was trading with the countries of that region must export goods compatible with the EU standards. Russian farmers whose products were under the EU standards would definitely get harmed of it. Annual cost of the EU's expanding policy to Russia in that term was estimated around 150-200 million euro. (Romanova, 2011, pp. 120-123) The EU supported Russia to join European Council in 1996 in order to orient it to Europe. One year later the EU took a step for expanding across Eastern Europe and resolved to invite Czech Republic, Hungary, Slovenia, Estonia and South Cyprus to Brussels. Countries from Central Europe had not been invited at that first wave of expansion considering Russia's possible reaction; yet, a decision was taken to improve the relations with those countries in question. Germany and France, being the major supporters of that policy avoided damaging the relations with their economic and political partner Russia. (Milczarek, 2006, pp. 11-16) But, Russia did not give any reaction by virtue of its susceptible situation as to the Union. In fact, Russia was not powerful enough then because of coping with domestic problems. (Nitoiu, 2016, p.12)

The West could hardly adjust to the New Russia when Boris Yeltsin passed the office on Vladimir Putin. Mr. Putin's Russia was anti-Western because, it was regarding the expansion of the West as a threat to its sovereignty. Putin announced that he would also abide by the strategic and economic cooperation with the EU. After 9, 11 attacks, Russia seemed to be eager to improve its relations with the West but, USA did not regard Russia as a cooperatable partner in the New World Order. Instead of a loser and weak Russia, China could be a strategic partner for the USA. (Trenin, 2018, pp. 301-302)

In 2004, European Neighborhood Policy, covering a wide range of geography, became a current issue. Later, It was modified to cover six countries and called Eastern Partnership policy which would draw the reaction of Russia. In fact, Polish foreign minister Radoslaw Sikorski had brought Eastern Partnership project on the EU's agenda in 2008 but, Germany denied that proposal; therefore, no tangible step could be taken on both of the projects. When the project was put into practice, some of the member states did not welcome it warmly. Some countries within the Union were worrying about a possible reaction of Russia to the project. (Speck, 2014) As to the official statement of the EU, one of the objectives of the project was improving the relations with Russia and it was also the first step taken to build a bridge between both sides. Moscow did not agree with that view and regarded Eastern Partnership project, which Ukraine was also included in, as a hostile takeover. (Larrabee, Wilson & Gordon IV, 2015, p. 25) The same year in August, when South Ossetia declared independence, it was invaded by Georgian army. Consequently a war broke out when Russia also deployed its troops into South Ossetia to respond Georgia. The war ended five days later by proclamation of a ceasefire on August,12 which led South Ossetia to declare independence. The EU tried hard to soothe Russia and avoided standing against it during that war. So, it justified Russia to apply "hard power" against Georgia, because, the matter was a security problem for Moscow. The Union was convinced that Russia was not against its expansion policy across the former USSR countries. Nevertheless, Russia reacted to the expansion of the Union across East establishing the Eurasian Economic Union which would start "a zero-sum game" between the parties. (Nitoiu, 2016, p. 12-13) Dmitry Medvedev had taken the presidency office just before the Georgia crisis. It was France's turn of presidency of the EU so, Medvedev wanted to take the opportunity of improving the relations with the EU. That move would also accord with "Russia First" policy which Moscow was carrying out in coordination with Germany. On the other hand, following presidents of the Union Czech Republic and Sweden did not welcome to build warm relations with Russia. On the contrary, they were favoring to draw Belarus, Ukraine, Moldavia, Armenia, Azerbaijan and Georgia near the EU in accordance with Eastern Partnership policy. (Trenin, 2018, p. 309) Although Medvedev was in favor of developing the relations with the West, his primary policy of enhancing Russian authority over the former the USSR territory and even carrying it beyond was preventing a warming in the relations. (Bret, 2016, p. 7) After a Merkel-Medvedev meeting in 2010, Meseberg Memorandum was issued. In accordance with that memorandum, EU-Russia Political and Security Committee which was aiming to deal with political, economic and security problems in Europe was formed; thus, Russia was also included in the decision makers of Europe whereas NATO and the USA had been put out of the course of events. Despite all the developments, Russia did not regard the EU as an actor to solve the security problems of Europe. Russia was neither determined nor prepared to solve those frozen issues. Russia's only aim was to unite the territory of former the USSR into its own zone of influence where NATO and the EU would not be able to penetrate. (Larrabee, Wilson & Gordon IV, 2015, pp. 22-25)

After Vladimir Putin came to power in 2012, the EU-Russia relations deteriorated once more; because he was sceptical about the EU and West for the first eight years of his power. At home, he was trying to reinforce his regime to constitute a powerful Russia. EU-Russia relations began to develop when Four Common Spaces which was a project involving economy, freedom, security and justice issues was put into effect in 2003. (David & Romanova, 2016, pp. 1-2) Two years later, a roadmap of the medium and long term arrangements was approved; but, organizing a free trade area between the EU and Russia was rather difficult due to structural diversities. Free trade area was essentially a step to encourage Russia to join the World Trade Organization. (Romanova, 2011, p. 124) Russia, France and Germany's cooperation against the American invasion of Iraq in 2003, was commented to be a sign of their alliance, even a move to break NATO apart. However, no considerable step was taken to maintain that warm atmosphere. (Trenin, 2018, p. 306)

There were critics about the image of Yeltsin's loser Russia at home. Russian society was being gathered around Putin's otoritarian administration by the help of improving economic conditions and nationalist discourses. (McNamara, 2014, p. 109-112) The people were assured that the USSR collapsed because of the exogenous forces, hence Putin's regime should be maintained for a powerful Russia. The diversity of European and Russian values arose problems in the relations with the Union. (Bret, 2016, p. 7) The EU-Russia tension over Ukraine during Putin's early third term power was called "New Cold War" by some columnists. (Hahn, 2018, pp. 18-20)

Two major points defined the EU-Russia relations in that term. The first one was the EU's locomotive country Germany's policy towards Russia, while the second was EU's energy dependency on Russia and vice versa. Russia policy of Germany which was called Ostpolitik (eastern policy) had been developed by Chancellor Willy Brand's political advisor Egon Bahr during the USSR and maintained by Chancellor Helmut Schmidt. The objectives of the policy were creating a warm atmosphere between the two countries as well as providing the energy supply of West Germany. It was followed after Cold War as well; so, Germany became Russia's strategic partner. (Forsberg, 2016, p. 21) Germany-Russia relations improved more after Mikhail Gorbachev approved the reunification of the East Germany with the West. On the other hand, Margaret Thatcher and François Mitterand disapproved such a merge asserting that Germany might have been a threat for Europe once more but, they could convince neither Gorbachev nor their ally the USA about that matter. German Chancellor Helmut Kohl held a meeting with Gorbachev at Stavropol in July 1990 and convinced him that reunification of two Germanies would not menace the USSR. (Conradi, 2017, pp. 70-72) That collaboration reminded the historians of the historical marriage of Tzar Great Peter to Catherine, the daughter of a German Prince.That cooperation of resource-poor Germany with technology-poor Russia worried their neighbors. (Szabo, 2015, pp. 14-16) Germany's integration to NATO was resolved by withdrawal of Russian troops from East Germany in 1994. (Conradi, 2017, pp. 72-73) After 1990, while Germany was trying to include Russia in the European politics on the one hand, it was providing financial support for its economic problems on the other. From time to time, France and Russia came together in the leadership of Germany to tackle with the economic and political problems of Europe. (Trenin, 2018, p. 311) When Putin was the president and Gerhard Schröder was the chancellor, (prime minister) Germany-Russia relations improved to the utmost. They even evolved to a personal intimacy in 1998-2005 when Schröder was the chancellor. Mr. Putin was a true democrat as to Schröder. (Motyl, 2013, p. 56)

Schröder ratified the deal (Nord Stream I) that natural gas flow would be supplied by from Russia to Germany before he stepped down the prime minister's office in September 2005. When Poland and Baltic countries were being bypassed by that deal, Polish Defence Minister Radek Sikorski expressed his discontent likening it to 1939 Hitler-Stalin Pact. (Szabo, 2015, p. 3) Those warm relations between the two countries could not be maintained in 2005-2009 during Angela Merkel's power. At 2007 Munich Conference, Putin warned the European countries stating that as long as they followed the USA an armament race was likely to start in Europe. Thus, he gave the message that Russia would apply hard power in its foreign policy more often. (Rumer, 2016) While Russia was tough against the West, German politicians were still expressing their favor toward Russia. Peter Struck, head of the Social Democratic parliamentary group argued in 2007 "Germany should have the same proximity to America on one hand, and Russia on the other hand." Another German Social Democratic politician Martin Schulz said " It is Germany's strong interest that its partnership with Russia is at least on the same level as Germany's partnership with the United States." (Chivvis and Rid, 2009, p. 109), As for Foreign Minister Steinmeier expressed in May, 2008 their aim was to improve the strategic relationship with Russia. He also emphasised on the need for modernisation partnership between the two countries. (Gotkovska, 2010) Putin's Berlin visit in 2012 was held in a cold atmosphere. Russia was expecting to be met as a superpower whereas Germany was focusing on the common areas of collaboration. (Adomeit, 2012) Germany's approach toward Russia changed after Russia had invaded Crimea and when the separatists,who were supported by Russia occupied the South and East Ukraine.The EU's leader country Germany was able to impose its point of view to the EU uniting the other opponents of Russia within the Union; because, Merkel was determined on giving a message to Russia, and Germany was a prestigious country in Europe. (Kaim, 2017, p. 34) On the other hand, according to ongoing comments, Merkel planned to present its policy shift as an EU policy, because she did not want to totally destroy Russia-Germany relations.

Two major points that compelled both parties to cooperate with each other despite the problems were energy in terms of Germany, trading in terms of Russia. Germany had to import a considerable amount; 78% of its energy resources: 98% of all mineral oil resources 82% of natural gas and 55% of coal. (Schlögel, 2006, p. 208,) Strategic partnership with Russia was of vital importance for Germany due to its dependency on foreign sources in terms of energy supply. German politician Gernot Erler, explained why that "strategic partnership" was important for Germany and said: "We get 45% of our gas and 34% of our oil from Russia." (Adomeit, 2012) 20% of Russian gas and 10% of oil were being exported to Germany; (Chivvis and Rid, 2009, p. 110) therefore, Berlin was concerned about how to secure a regular gas flow to the country. Russia's shortcomings of infrastructure investment on the gas sector pushed Germany to invest on Russian energy sector so that prevent an energy cut. (European Commission, 2019.)

Second important point defining the policy between the two countries was trade. While Germany was ranking fifth in Russia's export in 2013 by 22.962 million dollar and 4.35% ratio, Germany was ranking second in its import the same year by 37.905 million dollars and 12.04 ratio. (World Integrated Trade Solution, 2019) In terms of total trade volume, 10,2% ranked second after China. German investment in Russia was valued 16 billion euro in 2013 (Bristow, 2014), whereas it was just 4.2 billion euro in 2010. (Adomeit, 2012)

As it is in Germany-Russia example the trade volume between the EU and Russia and EU's need to Russian natural gas bind the parties to each other. The Russian export to the EU in 2012 amounted to 123 million dollar whereas its import was 213,2 million dollar. (eurostat, 2013) Some Russian specialists criticised the EU over that imbalance against Russia. The EU's export to Russia increased 50% after Central and Eastern Europe countries had integrated into the EU. Although Russia was economically smaller than the EU, it was still a large market for the Union. That kind of trading was defined as "donor-recipient" relation by some economy experts. (Romanova,2011, pp. 124-125)

As for the EU, the most important point in the relations was safe and consistent energy flow to Europe. Europe's energy dependence on Russia dates back to 1960s. In parallel with detente between the East and West, Austria, France, West Germany and Finland bought fossil oil from Russia. The USSR started to export natural gas to Europe via Transcontinental Export Pipeline in 1983. (Siddi, 2018, p. 1556,) The dependency on the Soviet energy went on escalating after Cold War as well. According to the 2012 parameter data of Energy Information Administration (EIA), European countries imported 84% of Russia's oil exports, and about 76% of its natural gas. (BBC, 2014) Dependency on Russian gas was 100% in Baltic countries while it was 30% in Italy. (Locatelli, 2013) However, Russia was being criticised to abuse its energy advantage for political purposes, and sold it for different prices according to the political stand of the purchaser country. Germany was an example of it; because it was buying Russian gas on cheap compared to its neighbors. (Germany has paid Gazprom only €24/MWh, much less than Lithuania (€38) or Bulgaria (€43). (European Parliament, 2015) Moscow has cut the gas flow to some European countries, particularly to Ukraine several times for different reasons since 1993, which was interpreted as blackmailing. European Parliament, 2018, pp. 15-17)

To sum up, it should be pointed out that Russia policy of Germany and of some EU countries can be summarized to be a completely pragmatic approach. (Goldstein, 2018) The priorities of those countries have been safe and sustained transport of Russian energy to the West. The EU had been caught unprepared for those economic and political problems; Ukraine crisis in particular, due to the expansion of the

Union. The EU did not pay enough attention to the security concerns of Baltic countries and Poland.. Consequently a split within the Union occurred because of Russia. As for Russian Federation, it has applied "hard power" policy easily in that divided Europe since 2008 and used its energy as a weapon against Europe.

CONCLUSION

Ukraine's efforts to integrate into the West have failed due to inhomogeneous structure of the society and lack of a strong political determination. That situation generated so many problems across the country. When the EU included Ukraine into its expansion programme, it became the home of a Russia-Ukraine struggle. In consequence of that struggle the country split and lost some of its soil. Yet, the EU has kept being the unique goal for Ukraine to acquire democracy, freedom and a stable economy. As for some intellectuals, the basic motivation of Euromaidan protests was diverging from that goal. Having lost some of its territory and reflection of that loss to the demographic structure, Ukrainian society separated on the EU goal. A survey set forth that a substantial number of people sympathized with the USA compared to the pre-crisis time. The survey also revealed that Ukrainians were disappointed about the EU and favored the pro USA views. Political scientist Andrew Wilson claimed that Ukrainian people had shed their blood for European values but Europe ignored them. (Wilson, 2014 p.1) Although the people's demands were innocent, the political power did not abstain to shoot them down by snipers who had been hired from Poland, Georgia and Lithuania. "Estonia's Foreign Minister Urmas Paet phoned the EU High Representative Catherine Ashton after his visit to Kiev on 25, February and told her that, behind the snipers it was not Yanukovych but it was somebody from the new coalition." Ashton responded that they did not want to investigate it. It was interesting, she added. (Youtube, 2014) Investigating that leaked conversation and claims would certainly have revealed the provocation allegations about presenting Ukraine as an oppressed country, thus ease its integration to the EU. Yet, no report about that conversation took place on media.

Another point of discussion about Ukraine's membership was that, the economy of the country was behind European standards in account of the data and structure of the system. Ukraine's admittance to the EU under those circumstances would load a heavy burden on the country. There were remarks as ıt was better for Ukraine to join to Eurasian Economic Union. Ukraine's debts and dependence on Russia on energy and foreign trade issues were corroborating those remarks.

Russia policy of the EU was formed by Germany, the locomotive of Europe. Russia's integration to Europe and regular energy procurement was targeted by "Russia First" policy which had been created by Germany and carried out together with France. Thus, President Charles de Gaulle's vision to defend Europe from within Europe, not from beyond Atlantic during Cold War would come true. That collaboration was supported by Putin-Schröder friendship, but remained limited just with increased trade volume and cooperation in energy import. There were two reasons of it: First, Russia was regarding itself a superpower which rose from the ashes; but, the EU was not an important actor of global politics. Second, Moscow considered the expansion of the EU towards Central and Eastern Europe as threatening as NATO's expansion; because the EU countries of "new aboard" were Russian countries of "near abroad". (Trenin, 2018, pp. 303-305.) Russian Foreign Minister Sergei Lavrov accused the EU of seeking to create a sphere of influence by pressing Ukraine to establish closer ties with the bloc at the expense of relations with Russia. Germany and France avoiding a further tension tried to soothe Russia having seen its stable stance. They also opposed Georgia and Ukraine's membership to NATO at 2008 Bucharest Summit noting that "it would unduly antagonize Russia." (Mearsheimer, 2014) 2009 economic crisis, which hit Europe seriously, caused Ukraine to be forgotten in the anteroom. Increasing migrant problem was also an immediate issue for the EU waiting to be tackled with. During the crisis, French economy stopped growing whereas the growth rate of German economy was slowing down. The USA intended to give financial support to the economies in Eurozone, but the circles who disliked the involvement of the USA to the problems of Europe reacted it negatively. On the other hand, the United Kingdom was keeping to appeal to Brexit on the agenda unless it was bestowed more autonomy. (Dobbins, 2015, pp. 90-91)When Ukrainian crisis broke out, Poland and Lithuania asserted that it was a threat for NATO as well; therefore. the organization should deal with the matter. Germany and France opposed the proposal because they were dependent on Russia and some possible sanctions on it would harm their national interests as well. The reaction had to be limited as to them. Merkel suggested Russia and Ukraine negotiate the matter. European Parliament President Josep Borrell was saying that " One could even have an impression that most EU member states principally intended to maintain correct relations with Moscow and they were ready even to sacrifice democratisation of Ukraine to that priority." (Milczarek, p. 20) Germany Foreign Minister noted in his speech that they needed to carry on their relations with Russia on a collaborative and constructive level. (Steinmeier, 2014) Merkel, at her Kiev visit, said that Ukraine was free to go to Russia's Eurasian Union. (Pop & Rettman, 2014) Zbigniew Brzezinski also commented on the relations between the two countries and said: "If the romance between Russia and Germany goes too far, it could strike a blow against European integration." (Szabo, 2015, p. 3)

One year after the Ukraine crisis, Nord Stream II project, which was the second pipeline project to convey Russian gas directly to Germany beneath the Baltic Sea was signed despite the objection of the USA, Poland, Ukraine and Baltic countries. This move revealed that the priority of the Union was still its economic and political interests. Germany and France ignored Ukraine's possible loss by the project alleging that Ukraine would also benefit from it. In fact, natural gas volumes through Ukraine would fall from around 80 billion cubic metres a year to as low as 30 bcm, cutting transit fees from $2.5 bn to $1 bn a year. (Vaughan, 2019)

In conclusion; that divided structure of the EU has reflected on the decision processes, so the policies of the Union have been established around the interests of a few countries which weakens the credibility of it in terms of the member countries. Therefore, the assumption that Ukraine's integration to the EU was prevented by Russia is unreal; because, Russia had clearly indicated that it did not approve Ukraine's efforts for such an integration. The determinant of the process was the EU's attitude. EU's and its powerful member Germany's priority had been their relation with Russia. That "German-Russian relationship is the most puzzling and troubling feature of modern European politics." (Szabo, 2015, p. 3) Any probable improvement in membership to the Union will come off in accordance with the improvement of EU-Russia relations.

REFERENCES

Adomeit, H. (2012), German-Russian relations: balance sheet since 2000 and perspectives until 2025, *ifri*, Retrieved from https://www.defense.gouv.fr/.../EPS2012-Bilan%20relations

Armandon, E. (2011) EU-Ukraine relations: what developments have there been since the election of Viktor Yanukovych? Foundation Robert Schuman. Retrieved from https://www.robert-schuman.eu/en/european-issues/0214-eu-ukraine-relations-what-developments-have-there-been-since-the-election-of-viktor-yanukovych

Armandon, E.(2013) Popular assessments of Ukraine relation's with Russia and European Union under Yanukovych, Demokratizatsiya, *The Journal of Post-Soviet Democratization,* April 2013, 21(2), 289-308

Aslund, A. (2015). *Ukraine: What went wrong and how to fix it*. Danvers, MA: Peterson Institute.

BBC. (2013) Ukraine suspends preparations for EU trade agreement, *BBC NEWS*, Nov. 21, 2013. Retrieved from https://www.bbc.com/news/world-europe-25032275

BBC. (2014) Russia's trade ties with Europe. March 4, 2014, Retrieved from https://www.bbc.com/news/world-europe-26436291

Beatty, A. (2014). EU set to grant Ukraine market economy status, Retrieved from https://www.politico.eu/article/eu-set-to-grant-ukraine-market-economy-status/

Bellaby, M. D. (2005). EU opens door to Ukraine as a free-market economy. *The Seattle Times*, (December): 2.

Bescotti, E. (2018). The collective security treaty organisation and its limits on integration, Retrieved from http://greater-europe.org/archives/3965

Bret, C. (2016). EU-Russia: Beyond rivalries, Jacques Delors Institute, Retrieved from http://www.institutdelors.eu/wp-content/uploads/2018/01/eurussia-bretparmentier-jdi-july16.pdf?pdf=ok

Bristow, T. (2014) How important is Russia to Germany? *The Local*. Retrieved from https://www.thelocal.de/20140403/how-important-is-russia-to-germany-as-a-trading-partner

Bugajski, J. (2004). *Cold peace: Russia's new imperialism*. Westport, CT: Praeger.

Buyukakinci, E. (2004). Bağımsızlık Sürecinde Ukrayna-Rusya İlişkileri, ed. Erhan Buyukakıncı, Değişen Dünyada Rusya ve Ukrayna, Ankara, Turkey: Phoenix Yayınevi pp. 401-436.

*ChinaDaily. (*2014, Feb. 24). Russia say EU seeking 'sphere of influence' in Ukraine, Retrieved from http://www.chinadaily.com.cn/world/2014-02/14/content_17283928.htm

Chivvis, C. S., & Rid, T.(2009). The roots of Germany's Russia policy. *Survival Global Politics and Strategy,* 51(2), 2009, pp. 105-122.

CIS. (2019). About Commonwealth of Independent States, Retrieved from http://www.cisstat.com/eng/cis.htm

CNNTÜRK. (2010). Ukrayna'da Turuncu Devrim'in sonu 08.02.2010. Retrieved from https://www.cnnturk.com/2010/dunya/02/07/ukraynada.turuncu.devrimin.sonu/562698.0/ind x.html

Conradi, P. (2017). *Who lost Russia?* London, UK: Oneworld.

D'Anieri, P. J. (1999). *Economic interdependence in Ukrainian-Russian relations: Descartes to Kant*. Albany, NY: New York University Publishers.

David, M., & Romanova, T. (2016). *Modernisation in EU-Russian relations: Past, present, and future. In M. David (Ed.), Modernisation in EU-Russian relations: past, present and future*. New York: Routledge.

Dobbins, J., Solomon, R. H., Chase, M. S., & Henry, R. (2015). *Choices for America in a turbulent world: strategic rethink* (pp. 90–91). Santa Monica, CA: Rand Corporation.

Donaldson, R. H., & Nogee, J. L. (2009). *The foreign policy of Russia: Changing systems, enduring interests*. New York: M. E. Sharpe.

Euroasian Economic Commission. (2019). Retrieved from http://www.eurasiancommission.org/en/Pages/default.aspx

European Commission. (2014). European Commission press release database, Retrieved from http://europa.eu/rapid/press-release_MEMO-14-523_en.htm

European Commission. (2017). European neighbourhood policy and enlargement negotiations. Ukraine. Retrieved from .https://ec.europa.eu/neighbourhood enlargement/neighbourhood/countries/ukraine_

European Commission. (2019). Countries and regions. Russia, Retrieved from http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/

European Parliament. (2015). EU-Russia energy relations – stuck together? Retrieved from http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/551343/EPRS_ATA(2015)551343_EN.pdf

European Parliament. (2018). Energy as a tool of foreign policy of authoritarian states, in particular Russia, Policy Department for External Relations, pp. 15-17. Retrieved from http://www.europarl.europa.eu RegData/etudes/STUD/2018/603868/EXPO_STU(2018)603868_EN.pdf

Eurostat. (2013). Record levels for trade in goods between EU27 and Russia in 2012, Retrieved from https://ec.europa.eu/eurostat/documents/2995521/5165358/6-03062013-AP-EN.PDF/33db85e7-252a-4a59-a7f3-3a01093abf18

Federal Foreign Office. (2014). Speech by Foreign Minister Frank Walter Steinmeier at the 50th Munich Security Conference. Retrieved from https://www.auswaertiges-amt.de/en/newsroom/news/140201-bm-muesiko/259556

Forsberg, T. (2016). From Ostpolitik to 'frostpolitik'? Merkel, Putin and German foreign policy towards Russia, International Affairs, Chatham House, 92, 1, January 2016, pp. 21-42. doi:10.1111/1468-2346.12505

Goldstein, L. J. (2018). The Russian-German relationship is in free fall. *National Interest*, (May): 2018.

Gotkowska, J. (2010) The GermanRussian Modernisation Partnership – failing to meet great expectations, Retrieved from https://www.osw.waw.pl/en/publikacje/analyses/2010-07-21/german-russian-modernisation-partnership-failing-to-meet-great

Gvosdev, N. K. (2013). Ukraine: Why Yanukovych said no to Europe. *National Interest*, *26*(November), Retrieved from https://nationalinterest.org/commentary/ukraine-why-yanukovych-said-no-europe-9453

Hahn, G. M. (2018). *Ukraine over the edge: Russia, the West and the "New Cold War"*, Jefferson, NC: McFarland Co.

Haran, O., & Zolkine, M. (2014). Ukraine's long road to European integration. Retrieved from http://www.ponarseurasia.org/memo/ukraine%E2%80%99s-long-road-european-integration

Hard, G. P. (2005). Russia and the "Orange Revolution" response, rhetoric, reality? *Connections*, *4*(2), 15–28. doi:10.11610/Connections.04.2.04

Ismayil, E. (2016). Rusya'nın Avrasya Birliği Politikası, *Avrasya Etüdleri,* 49, 1, January 2016, pp. 125-151.

Kaim, M. (2017). Germany: A lynchpin ally?, In M. Wesley (Ed.), Global allies: Comparing US alliances in the 21st century. Australia: Australian National University Press.

KharchenkoI. (n.d.). Russia and the PfP, http://www.rozenbergps.com/books/future_role_of_russia/kharchenko.pdf

Kudelia, S. (2014, July). The maidan and beyond: the house that Yanukovych built. *Journal of Democracy*, *25*(3), 19–34. doi:10.1353/jod.2014.0039

Larrabee, S., Wilson, P. A., & Gordon, J., IV. (2015). The Ukrainian crisis and European Security, Santa Monica, CA: RAND Corporation.

Locatelli, C. (2013) Security challenges in EU-Russian gas relations CAIRN INFO, Retrieved from https://www.cairn-int.info/article-E_REI_143_0035--the-issue-of-gas-security-in-eu-russian.htm

McNamara, K. R. (2014). The EU after Ukraine, *Crisis in Ukraine Foreign Affairs*, March/April 2014, pp. 104-108.

Mearsheimer, J. J. (2014). Why the Ukraine crisis is the West's fault. *Foreign affairs, 93*(5).

Milczarek, D. (2006). *Eastern dimension of the European Union's foreign policy, Yearbook of Polish European Studies, Vol. 10, 2006*, 9–26.

Mirfendereski, G. (2001). *A diplomatic history of the Caspian Sea: treaties, diaries, and other stories*. New York: Palgrave.

Mission of Ukraine to the European Union. (2017). Ukraine: EU Relations; Retrieved from http://ukraine-eu.mfa.gov.ua/en/ukraine-eu/relations

Moser, M. (2014). *Language policy and the discourse on languages in Ukraine under President Viktor Yanukovych (Feb. 25, 2010-Oct. 28, 2012)*, Stuttgart, Germany: Ibidem Press.

Moshes, A. (2013). Will Ukraine join (and save) the Eurasian customs union. Retrieved from http://www.ponarseurasia.org/memo/will-ukraine-join-and-save-eurasian-customs-union

Motyl, A. J. (2013). Yanukovych must go, *Crisis in Ukraine Foreign Affairs*, December 2013, pp. 52-58.

Naumescu, V. (2015). Introduction: The new "Eastern Europe" and Cold War II. In V. Naumescu, & D. Dungaciu (Eds.), The European Union's Eastern Neighbourhood Today. London, UK: Cambridge Scholars Publishing.

Nitoiu, C. (2016). *The Ukraine crisis and the conflict/cooperation dichotomy in EU-Russia relations* (p. 16). Southeast European Studies and Black Sea Studies; doi:10.1080/14683857.2016.1193305

Nygren, B. (2008). *The rebuilding of Greater Russia: Putin's foreign policy towards the CIS countries*. Abingdon, UK: Routledge.

Paul, A. (2010). Ukraine under Yanukovych: Plus ça change? *European Policy Centre.* Retrieved from http://www.epc.eu/documents/uploads/731850014_Ukraine%20under%20Yanukovych.pdf

Pop, V., & Rettman, A. (2014). Merkel: Ukraine can go to Eurasian Union, *Observer,* Aug. 25, 2014, Retrieved from https://euobserver.com/foreign/125331

Ramani, S.(2016). Interview with Kiev International Democracy Institute Director and Ukraine expert, Sergiy Taran, *HUFFPOST,* July 7, 2016.

Romanova, E. (2011). Russia–EU relations, or How the Russians really view the EU. *Journal of Communist Studies and Transition Politics*, *27*(March), 120–141.

Rumer, E. (2016). Russia and the security of Europe, *Carnegie Endowment for International Peace,* Retrieved from https://carnegieendowment.org/2016/06/30/russia-and-security-of-europe-pub-63990

2019 . Russia-Eu Strategic Partnership. (2019). The Embassy of Russian Federation to United Kingdom of the Great Britain and Northern Ireland. Retrieved from https://www.rusemb.org.uk/resp/

Schlögel, K. (2006). *Russian-German relations in the 20th century*. New York: Berg Publishers.

Siddi, M. (2018). 2018 The role of power in EU–Russia energy relations: the interplay between markets and geopolitics. *Europe-Asia Studies*, *70*(10), 1552–1571. doi:10.1080/09668136.2018.1536925

Siruk, M., & Shevtsova, L. (2013). Orange Revolution and Putin's overturn, *Carnegie Moscow Center,* Retrieved from https://carnegie.ru/2013/02/21/orange-revolution-and-putin-s-overturn-pub-51063

Solchanyk, R. (1995). Crimea: Between Ukraine and Russia. In M. Drohobcky (Ed.), CRIMEA Dynamics, Challenges, and Prospects. Maryland: Rowman & Littlefield Publishers. Published by: Partnership for Peace Consortium of Defense Academies and Security Studies Institutes.

Speck, U. (2014). How the EU sleepwalked into a conflict with Russia, *Carnegie Europe*, Retrieved from https://carnegieeurope.eu/2014/07/10/how-eu-sleepwalked-into-conflict-with-russia-pub-56121

Stegniy, O. (2012). Ukraine and the eastern partnership lost in translation? In E. Korosteleva (Ed.), *Eastern partnership: A new opportunity for the neighbours?* New York: Routledge.

Stent, A. E. (2001). *Russia and Germany reborn: Unification, the Soviet Collapse, and the New Europe*. New Jersey: Princeton University Press.

Szabo, S. F. (2015). *Germany, Russia, and the rise of geo-economics*. New York: Bloomsbury Academic.

Tolksdorf, D. (2014). The European Union to Ukraine's rescue, I. F. R. I. Retrieved from https://www.cairn-int.info/article-E_PE_143_0109--the-european-union-to-ukraine-s.htm

Traynor, I., & Grytsenko, O. (2013) Ukraine suspends talks on EU trade pact as Putin wins tug of war, *The Guardian,* November 21, 2013.

Trenin, D. (2018). Russia and Ukraine: From brothers to neighbors, *Carnegie Moscow Center,* Retrieved from https://carnegie.ru/commentary/75847

Vaughan, A. (2019). Nord Stream 2 Russian gas pipeline likely to go ahead after EU deal, Feb. 25, 2019, The Guardian. Retrieved from https://www.theguardian.com/business/2019/feb/25/nord-stream-2-russian-gas-pipeline-likely-to-go-ahead-after-eu-deal

Viceré, M. G. A. (2018). *The high representative and EU foreign policy integration: A comparative study of Kosovo and Ukraine*. Rome, Italy: Palgrave Macmillan.

Wilson, A. (2014). *Ukraine crisis: What it means for the West.* New Haven, CT: Yale University Press.

Wolczuk, K. (2004). Ukraine's policy towards the European Union: A case of 'declarative Europeanization, p. 4'

Wolczuk, K. (2005) Ukraine after the Orange Revolution. Retrieved from https://www.cer.eu/sites/default/files/publications/attachments/pdf/2011/policybrief_ukraine_feb2005-852.pdf

Worldbank. (2012). World integrated trade solution, Russian Federation trade summary. Retrieved from https://wits.worldbank.org/CountryProfile/en/Country/RUS/Year/2012/Summary

Youtube. (2014). Breaking: Estonian Foreign Minister Urmas Paet and Catherine Ashton discuss Ukraine over the phone. Retrieved from https://www.youtube.com/watch?v=kkC4Z67QuC0

ENDNOTE

1 (*)GUAM (Official name of Organization for Democracy and Economic Development) was established in 1997 to stand politically and economically powerful against Russia by the participation of Georgia, Ukraine, Azerbaijan and Moldova. It is composed of the capital letters of the participant countries and was called GUUAM after Uzbekistan(1999-2005) had also joined the organization.

Chapter 27
"Europe Without Borders" and the Future of European Integration:
Internal Border Controls in the Schengen Area

Sevgi Çilingir
https://orcid.org/0000-0003-4597-6691
Dokuz Eylul University, Turkey

ABSTRACT

The Schengen Area is one of the most remarkable developments of EU integration, signifying supranationalization in a field where national sovereignty is rigorously protected. However, following the migration crisis and the escalation of terrorist attacks in 2015, some member states reintroduced border controls within the area. By 2018, they have exceeded the time limits set by EU law. The Commission called for amendment instead of compliance from member states. This chapter demonstrates recent developments in the field of internal border controls in the Schengen Area with respect to European integration and its future. By inquiring member states' actions and EU institutions' reactions in the context of EU law, it sheds light on whether "Europe without borders" has become an accomplishment of the past. Evaluated in relation to integration models in EU literature and future scenarios for the EU presented by the Commission in 2017, the findings suggest that internal border controls will continue in the course of deepening, despite their contradictory effect.

INTRODUCTION

Following the summer of 2015, in a period when terrorism and the migration crisis prioritized internal security considerations on the European agenda, a group of Schengen member states reintroduced border controls inside the Schengen Area. Although these measures were announced as temporary, they have

DOI: 10.4018/978-1-7998-1188-6.ch027

been renewed constantly, exceeding the maximum time periods allowed by Schengen Borders Code (SBC). The Schengen Area is experiencing an unprecedented crisis with the possibility of disintegration. In this context, “Europe without borders” seems to have become an ideal of the past, rather than today’s reality, and the future seems vague.

The goal of this chapter is evaluating the temporary reintroduction of border control (TRBC) at the internal borders of the Schengen Area from the perspective of intergovernmental and supranational elements of EU border control policy. Situating TRBC applications within EU integration models in the literature and future scenarios for European integration presented by the Commission in its “White Paper on the Future of Europe”, the chapter also aims at projecting the future of the Schengen Area in the light of internal border controls. Following the specification of the *acquis*, member states’ past and current TRBC applications are demonstrated in relation to the legal framework. Then, the positions of institutions representing the intergovernmental and supranational characteristics of the EU - the Commission, Council and Parliament - are specified. Findings are evaluated in relation to EU integration literature and future scenarios for the EU.

THE LEGAL FRAMEWORK OF THE SCHENGEN AREA AND EU BORDER CONTROLS

The establishment of the Schengen Area began as an intergovernmental initiative of five of the founding members of the Communities (The Benelux Economic Union - Luxemburg, Belgium, the Netherlands, Germany and France) - to gradually remove checks at their common borders. Initially based on international treaties outside Community law - Schengen Agreement (1985) and Implementing Convention (1990) (both in force since 1995), the Schengen *acquis* gradually became part of EU law. Today, the Schengen Area covers most of EU (excluding Bulgaria, Croatia, Romania and Cyprus) and European Economic Area (including Iceland, Liechtenstein and Norway) territories, with 26 member states.

Schengen Agreement coincided with Single European Act (1986), the first major revision of Treaty of Rome, with the goal of establishing a closer union between member states of the Communities. Since it facilitates free movement of persons required by the single market, the Schengen Area is an integral part of EU integration. It is also connected to other policy fields. Sustainability of an area without internal border controls depends on the provision of security at the external borders. Furthermore, border control is closely related to various ways of entry of third country nationals (TCNs) into EU territories - short-term visits, asylum, immigration, illegal border crossings. It is also related to law enforcement: tackling undocumented migration, international terrorism and organized crime. As a result, the Schengen Area has required and developed alongside common policies on external border control, visa, asylum and immigration, police and judicial cooperation in criminal matters, all of which are interrelated. (European Commission, 2011; 2017a, p. 2). With the establishment of the EU, these policy fields, classically under the prerogative of sovereign states, were combined under Justice and Home Affairs (JHA) - later called the Area of Freedom, Security and Justice (AFSJ) - provisions of the founding treaties. Over time, intergovernmental cooperation turned into common policies with shared competence between member states and the EU (Papagianni, 2006, pp. 8-9). However, integration has been slow and irregular.

Primary Law: Europeanization of AFSJ and the Schengen *Acquis*

Integration on border control and related policies under EU primary law began with Maastricht Treaty (1992). Under the JHA pillar, member states would cooperate and develop joint positions (via the Council); actions would be taken unanimously (Treaty on European Union - TEU, Title VI, Art. K). At this point, member states had exclusive competence and utilized the EU as a framework for inter-state cooperation. Under AFSJ, Amsterdam Treaty (1997) introduced supranational elements (in force since 2004). Although the Parliament had limited power, community method was introduced to the legislative process. Council decisions would be taken by qualified majority instead of unanimity. Moreover, Schengen Agreement and the Convention were included in the founding treaty with a protocol, making border control part of EU *acquis* - albeit allowing member states to opt-in and opt-out from the measures. (European Commission, 2006) Three EU members made use of this flexibility. Denmark joined the Schengen Area, yet opted-out from EU policy related to AFSJ. Britain and Ireland remained outside the Schengen Area, yet they have partially opted-in AFSJ, including some measures related to the Schengen Area[1].

Removing the pillar system, Lisbon Treaty (2007) placed AFSJ under shared competence with ordinary legislative procedure. The Parliament became entitled as the Council; co-decision and qualified majority became the norm. Under AFSJ provisions of the Treaty on the Functioning of the European Union (TFEU, Title V), the EU was given the task of ensuring “absence of internal border controls” and developing a “common policy on asylum, immigration and external border control, based on solidarity between Member States, which is fair towards third-country nationals.” (Art. 67.2). The treaty also introduced the concept of integrated border management to EU primary law (TFEU, Art. 77.1j).

Secondary Law: Schengen Borders Code (SBC)

As Schengen membership and EU competence increased, secondary law developed. Since the inclusion of the Schengen *acquis* in the founding treaties, Schengen members - and other EU members that opt-in - are bound by EU law that regulates border crossings, have committed to the development of surveillance systems and established various agencies. This body of law has been legislated in the form of regulations (at first of the Council, then by co-decision of the Council and the Parliament) that have direct effect in member states. (Çilingir, 2018, pp. 29-34) These apply to the Schengen Area rather than the EU as a whole; including non-EU members of Schengen, excluding EU-members not part of AFSJ or Schengen.

The main secondary legal instrument regulating EU border policy is Schengen Borders Code (SBC, EU 2016/399).[2] SBC builds on the previous Schengen *acquis*. It excludes some EU members (Denmark - with a possibility to opt-in, Britain, Ireland, Bulgaria, Croatia, Cyprus and Romania). Non-EU members of Schengen - Iceland, Norway, Switzerland and Liechtenstein are associated through the Schengen *acquis*. France and the Netherlands are bound only by their territories in Europe. (Recital, para. 37-44)

While protecting fundamental rights and the right of free movement within the Union (para. 5, 36), the primary goal of common border control policy is enhancing security at both internal and external borders. The justification relies on the absence of border checks within the Schengen Area, increasing the importance of common standards applied at the external borders. The security issues are identified as: “…illegal immigration and trafficking in human beings... any threat to the Member States’ internal security, public policy, public health and international relations” (para. 6). It is also acknowledged that internal security risks at member states have the potential to affect external border security (para. 8).

Following general provisions, SBC is comprised of two sections. The first is on external borders (Title II, Art. 5-21). It regulates the procedures, conditions for entry and refusal of TCNs at the borders, staff, resources, cooperation between member states and deficiencies regarding the control of the crossing of external borders. The second regulates internal borders (Title III, Art. 22-35). Although there exists a body of secondary law regulating the management of external borders - e.g. surveillance systems, EU agencies, related AFSJ policies - internal border controls are only regulated by SBC.

Internal Border Controls Under SBC

Removal of checks at internal borders in the Schengen Area has been in force since 1995. Although the *acquis* is focused on external border control, there are circumstances specified in SBC that allows "temporary reintroduction of internal border control" (TRBC) by member states. SBC Preamble lays out the grounds and guiding principles. Internal Borders section (Title III) first enacts the "absence of border control at internal borders" (Chapter I, Art. 22-24), then proceeds to the specification of conditions and procedures for TRBC (Chapter II, Art. 25-35).

A considerable part of SBC recitals (11 of the 44 paragraphs) is related to TRBC. The Code, based on the principle of free movement of persons (para. 21-24), regards absence of control as the norm and introduction of control as temporary and only due to exceptional circumstances. Member states have the option, yet are bound by principles and procedures. The principle of proportionality should be followed for the necessity, scope and duration (para. 22-24, 27). Reasons for such control should be based on "commonly agreed criteria" (para. 23). There should be a "serious threat to public policy or internal security" of a member state or an area within the Schengen (para. 22-24, 26, 30). Threats by terrorism and organized crime are accepted as such risks (para. 25), yet migration or entry of large number of TCNs are not sufficient grounds for TRBC by themselves (para. 30). The decision has to be notified to related parties, the reasons have to be provided for, and the execution will be monitored (para. 23). The evaluation process is guided by Schengen Evaluation Mechanism (SEM) (para. 30, 33). The Commission has the role to provide guidelines, monitor and propose actions (para. 23, 28, 30-33). The Council may issue recommendations for remedial action (para. 29-31, 33).

SBC regulates three circumstances that justify TRBC, with different procedures:

- **Foreseeable cases (Art. 25-27):** Based on "a serious threat to public policy or internal security in a Member state", border controls may be reintroduced for certain periods following the notification of related parties (Art. 25). Proportionality assessment must include the likely impact of the threat on the member state and on free movement of persons in the Schengen Area as a whole (Art. 26). Other member states and the Commission must be notified four weeks prior to the application. The Council and the Parliament are informed as well. Member states may issue opinions. The Commission may execute a consultation between affected parties, latest by 10 days prior to the application. (Art. 27)
- **Cases requiring immediate action (Art. 28):** May be applied directly provided that other member states and the Commission are informed by member states. The Commission informs the Parliament.
- **Exceptional circumstances putting the overall functioning of the area without internal border control at risk (Art. 29-30):**[3] Based on persistent "serious deficiencies in carrying out of external border control" in spite of previous Commission recommendations to the related member

state (Art. 21). These are among foreseeable cases, yet subject to a specific procedure that requires a Council recommendation, upon a proposal from the Commission. The Commission may prepare the proposal by its own initiative or upon member states' request. In contrast to other procedures, member states must justify their decision not to implement TRBC. The Commission informs the Parliament and the Council. (Art. 29) Council recommendation must be based on a comprehensive analysis requiring more detailed information, including previous and possible measures, at the member state or the Union level (Art. 30).

Member states and the Commission must provide justification for TRBC applications to the Parliament and the Council under any of these circumstances (Art. 31). Four weeks following the removal of internal border controls, the member state must provide a report to the Parliament, Council and Commission. The Commission and the member state must inform the public about the time period "unless there are overriding security reasons" (Art. 34). Table 1 presents the maximum time periods allowed for TRBC under Title III.

TRBC clauses establish a framework under which member states share information, consult each other and cooperate through EU institutions. They emphasize the exceptional character and the need for justification. Yet, the terminology of "serious threat to public policy or internal security" is open to interpretation, allowing a high degree of flexibility. Moreover, exceptions are acknowledged, such as reductions in the minimum time period for notifications under foreseeable cases (Art. 27.1) and withholding of information from the public (Art. 34). The procedural criteria are aimed at transparency and improving cooperation. The only instance where TRBC decision lies at the EU level is exceptional circumstances putting the whole area at risk (Art. 29). Here, it is the Council that decides the need for TRBC, since the subsidiarity principle substantiates a Union level action. Nonetheless, it is only a recommendation for member states to decide upon. There is no enforcement mechanism. Therefore, TRBC clauses cannot be characterized as hard law.

TRBC APPLICATIONS OF MEMBER STATES

The Commission publishes a list of member states' TRBC notifications. Frequently updated, the dates, geographical scope and reasons for TRBC are presented in chronological order. (European Commission, 2019b) The findings below were gathered from this source. According to the information available at the time of the study, there were 116 TRBC announcements, between 21.10.2006 and 12.11.2019. The most striking observation was that the number of applications, duration and reasons have changed

Table 1. Maximum time periods for TRBC

Type of circumstance	Beginning	Renewal	Total
Immediate action (Art. 28)	10 days	20 days	2 months
Foreseeable cases (Art. 25)	30 days	30 days	6 months
Exceptional circumstances (Art. 29)	6 months	6 months	2 years

Source: (SBC)

dramatically since September 2015. Therefore, the data is presented at two intervals. Table 2 shows the duration of all TRBC applications since 2006.

All TRBC before 09.2015 lasted less than a month. Since then, TRBC was announced more than twice as much. In this second period, TRBC was used in its maximum capacity; 3/4 of applications lasted at least a month and the majority of those applications lasted 3 to 6 months. Tables 3 and 4 demonstrate member states’ justifications of TRBC in the two periods.

In the first period, with the exception of terrorism related applications by Sweden and Norway in 2011 following the Oslo bombing and Utoya island shooting (1-3 days) and by Norway in 2014 for a terrorist threat (7 days), almost all TRBC rested on three types of circumstances: (1) meetings of international organizations (IOs-more than half of the cases, most of the member states, up to a month); (2) international sports, cultural or political events (1/4 of the cases, up to a month); and (3) expected political demonstrations (less than 1/5 of the cases, up to a single day). None was based on exceptional circumstances (Art. 29) although the option was available since 2013. (European Commission, 2019b)

IO meetings and international events comprised a much less portion of TRBC compared to the previous period. No TRBC was based on demonstrations. Terrorism has been the predominant basis for TRBC in the case of France, since Paris attacks of November 2015 and the following state of emergency. Migration crisis appeared for the first time in TRBC justifications on 13.09.2015. From then on, phrased in various ways, it was utilized by 2/3 of the states, comprising about 3/4 of the cases. With the exception of Belgium (once for 2 months), Slovenia (twice for 9 days) and Hungary (once for 9 days)[4], applications lasted much longer. (European Commission, 2019b) Table 5 shows long term TRBC applications and their prolongation.

Table 2. Duration of TRBC since 2006

Duration	Before 09.2015	Since 09.2015	Total
0-30 days	36	20	56
1-3 months	-	13	13
3-6 months	-	47	47
Total	36	80	116

Source: Compiled by the author (European Commission, 2019b)

Table 3. Reasons of TRBC provided by member states before 09.2015

Reason	Times Applied	Duration	Member States
IO meetings	20	2-30 days	Germany, Austria, Denmark, France, Belgium, Netherlands, Spain, Italy, Portugal, Finland, Poland, Latvia
International events	8	2-29 days	Norway, Estonia, Poland, Austria, Iceland
Demonstrations	5	8 hrs-1 day	France, Spain
Terrorism	3	10 hrs-7 days	Norway, Sweden
Total	36	8 hrs-30 days	17

Source: Compiled by the author (European Commission, 2019b)

Table 4. Reasons of TRBC provided by member states since 09.2015

Reason	Times Applied	Duration	Member States
IO meetings	10	4 days-1 month	Austria, Sweden, France, Italy, Malta, Poland*
International events	2	29 days	Norway, France, Poland
Demonstrations	-	-	-
Terrorism	7	6 months	France**
Migration crisis	61	9 days-6 months	Germany, Austria, Denmark, Norway, Sweden, Belgium, Slovenia, Hungary
Total	80	4 days-6 months	12

*: One of Poland's applications included both IO meetings and international events as the justification. Not to affect the total number of applications, that TRBC was recorded only in the IO meetings category.

**France based its last two TRBC on three grounds: terrorism, "situation at the external borders" and IO meetings. Not to affect the total number of applications, that TRBC was recorded only in the terrorism category.

Source: Compiled by the author (European Commission, 2019b)

Since September 2015, six member states almost continuously renewed TRBC decisions based on terrorism and migration crisis, resulting in a total duration of 3.5 to over 4 years. However, the maximum total duration allowed by SBC under the same circumstance is 6 months for foreseeable cases (Art. 25) and 2 years for exceptional cases under Council recommendation (Art. 29). A closer look at justifications and timing may reveal whether these were in line with SBC.

Table 5. Long term TRBC applications

Reason	Member states	Dates	Times applied	Gaps in renewal	Periods	Total duration
Migration crisis	Germany	13.09.2015* 14.11.2015 12.11.2019	10	-	2.5-6 months	49.5 months
	Austria	16.09.2015** 16.11.2015 12.11.2019	9	-	1.5-6 months	48.5 months
	Denmark	04.01.2016 12.11.2019	10	-	2-6 months	46 months
	Sweden	12.11.2015 12.11.2019	11	-	2-6 months	48 months
	Norway	26.11.2015 12.11.2019	10	1 month international event related TRBC and 1.5 months following 6th	2-6 months	48 months
Terrorism	France	14.12.2016 31.10.2019	7	29 days of IO related TRBC following 1st, 3.5 months after 3rd	6 months	42 months

*Germany applied 4 consecutive short term TRBC (9-19 days) in this period, then proceeded to longer periods (3-6 months). The short term applications were recorded as one period of 2.5 months.

** Austria's initial TRBC based on migration crisis resembled Germany's (4 consecutive applications of 8-19 days followed by longer periods). The short term applications were recorded as one period of 1.5 months.

Source: Compiled by the author (European Commission, 2019b)

Germany, Austria, Denmark, Sweden and Norway (The Five, hereafter) justified their TRBC applications with the migration crisis. After initial short-term applications by Germany and Austria, they acted together with similar intervals of TRBC. During the first year, the geographical scope covered all internal borders but periods were different for each country. The crisis was phrased as “big influx of persons seeking international protection” or “unexpected migratory flow”. In the second half of 2016, TRBC became focused on land borders of Germany and Austria, (between each other, Slovenia and Hungary in the case of Austria) and sea borders of Denmark, Norway and Sweden (ferry ports between each other and Germany). Between 12.05.2016 and 11.11.2017 (17 months), four consecutive applications took place under Article 29. Despite the absence of Council recommendations thereafter, TRBC continued with similar justifications: “security situation in Europe” (all except Sweden and Germany), “threats resulting from the continuous significant secondary movements” (all except Sweden) and “continuous serious threat to public policy and internal security” (Sweden). (European Commission, 2019b) By changing the wording of each application that lasted up to 6 months, The Five do not appear to have violated SBC. As explained below, neither the Commission nor the Council raised any objections, legitimizing the situation.

France announced its first terrorism-related application for the maximum duration (6 months). Terrorism was used to justify 7 TRBC applications (6 months each), for 3.5 years. However, by interrupting the renewals with other justifications and time gaps, France’s application appears within the limits of SBC. France also added “situation at the external borders” to its last terrorism-related TRBC, avoiding the appearance of renewal based on the same singular reason. (European Commission, 2019b)

THE POSITIONS OF EU INSTITUTIONS

The arrival of over 1.5 million people from Eastern borders in the summer of 2015 and their movement within EU territories started a crisis within the EU. These were mainly comprised of asylum seekers from Syria, eligible for refugee status due to internal war. The EU and member states were unprepared for providing humanitarian assistance, processing asylum claims and settling them in such numbers. Besides the numbers, the irregular characteristic of this inflow triggered a crisis of border control and security. The deficiency of external border control became the primary reason for long term TRBC applications mentioned above. Since then, the EU has been trying to reform its asylum system, internal security cooperation and external border control capabilities. (European Commission, 2016; 2017a; 2017c)

Terrorist attacks and attempts escalated considerably since the second half of 2015. Although not depicted as a crisis, terrorism and its cross-border dimension has been regarded by EU institutions as a major threat to internal security of the EU as a whole. Internal Security Strategy (Council of the EU, 2010), European Agenda on Security (European Commission, 2015c), Internal Security Fund (2014-2020) and its composition (police cooperation, cooperation on external borders and visa) (European Commission, 2019a) reveal the priority of the issue and its cross-border dimension. Moreover, its characteristics seem to be evolving, such as the phenomena of home grown terrorism and foreign terrorist fighters, requiring new responses beyond member states’ individual capabilities. (European Commission, 2017a, pp. 2-4; Council of the EU, 2018a)

The following sections delineate the positions taken by the three EU institutions that represent the supranational and intergovernmental features of the EU, in response to member states’ prolonged TRBC applications based on the migration crisis and terrorism. These were detected by a review of documents specific to border control in the Schengen Area.

The Commission

In the field of border controls, the Commission’s position is the main source of legitimacy for member states’ actions, for two reasons. First, it represents the supranational interests of the EU with its role as the guardian of the treaties. Second, in addition to its general role of initiating EU level legislation and monitoring member states’ performance in all areas of the EU *acquis*, it promotes cooperation by ensuring coordination between member states and EU institutions in line with the procedural criteria of SBC. In 2011, the Commission started to issue biannual reports on the functioning of the Schengen Area. A comparison of the reports before and after September 2015 is useful to infer the Commission’s response to the change in the characteristics of TRBC applications demonstrated above.

The 7th report (November-April 2015) problematized increased irregular migration to the EU through Western Balkans and Central Mediterranean and warned about terrorists’ entry, jeopardizing internal security of the EU. Irregular stay had also increased, affecting Germany, Sweden, France, Spain and Austria. (European Commission, 2015b, pp. 1-6) However, the increase in irregular inflows did not lead to TRBC applications (European Commission, 2019b). Neither did the Commission suggest any need. The Commission reported that some members applied police checks in a manner resembling systematic border checks, which was against SBC. However, it avoided making judgements, only asked for clarification. (European Commission, 2015b, p. 7)

The 8th report (1 May - 10 December 2015) changed remarkably. This time, the irregular inflow was characterized as an “unprecedented migratory pressure” (European Commission, 2015a, p. 2). The difference rested in the numbers, over 1.5 million in a year, compared to 800 thousand between 2009-2014. (pp. 2-3). The Commission acknowledged that the majority of the people arriving irregularly needed international protection and reported responses at the EU (pp. 3-4):

- Joint operations at the borders (Frontex and member states),
- Common Security and Defense Policy (CSDP) operation at the borders (the EU),
- Deployment of Rapid Border Intervention Teams for Greece (Frontex),
- Hotspot approach assisting Greece and Italy in documenting arrivals and arrange returns (the Commission),
- Relocation regime for 160 thousand people in need of international protection from Greece and Italy to other member states (the Council, via Council Decision),
- Building of fences at borders by Hungary and Slovenia (member states).

The Commission did not evaluate the building of fences as contradictory to EU law or the Schengen *acquis* since they were at the external borders (Hungary with Serbia and Croatia, Slovenia with Croatia). However, because Croatia was an EU member in the process of joining the Schengen Area, the Commission called for a reconsideration of the practice. (European Commission, 2015a, p. 4)

Internal borders section of the 8th report was predominated by TRBC based on migration crisis. Significant secondary movements were taking place within the Schengen Area, disabling the Dublin system. Hence, the applications were found appropriate. For the Commission, although SBC did not allow TRBC for migration per se, a large inflow of undocumented persons fulfilled the criteria of serious threats. The

Commission also uttered the possibility of utilizing Article 29 of SBC in the future. (European Commission, 2015a, pp. 5-7) The Commission argued that the Schengen framework was not responsible for the crisis. On the contrary, member states' fulfillment of their responsibilities and cooperation through the EU remained vital. (pp. 12-13) Threat of terrorism was also mentioned. However, France's application of first terrorism-related TRBC was only reported, not evaluated. (p. 6)

In March 2016, instead of issuing the 9th biannual report, the Commission issued the communication "Back to Schengen: A Roadmap" (BSR, hereafter). The Commission argued that the migration crisis put an unprecedented pressure on Schengen members. There were serious deficiencies regarding the control of external borders, especially in the case of Greece. Since the situation put the overall functioning of the Schengen Area at risk, member states' TRBC applications based on migration crisis were found appropriate. Instead of *ad hoc* responses, the Commission called for a coordinated approach integrating border management with the related areas of asylum and immigration. (European Commission, 2016, pp. 2-3) Calling attention to the necessity and advantages of free movement, the Commission warned that continuous application of TRBC would jeopardize the system as a whole. Instead of unilateral actions, a multilateral approach was proposed under Article 29. The communication also suggested ways to alleviate the situation at the external borders (particularly at Greece) so that internal border controls would become unnecessary over time. (European Commission, 2016) The Commission avoided evaluating France's application on as before, by stating that BSR was intended only to address TRBC based on migration crisis. (p. 10).

During the last period of TRBC applications of The Five under Council recommendation, the Commission issued various suggestions. Recommendation of 12 May 2017 called for the replacement of internal border checks with increased police checks at the borders and improvements in cross-border police and law enforcement cooperation (EU 2017/820). However, member states approached police checks as a complementary measure to TRBC rather than replacing it. In September, as it became clear that member states would continue TRBC, the Commission issued the communication "On Preserving and Strengthening Schengen" (PSS, hereafter) and a proposal for the amendment of TRBC clauses of SBC (PTRBC, hereafter) (European Commission, 2017a, pp. 8-9)

According to PSS, member state reports and the situation in Greece showed that irregular entries from external borders and secondary movements had decreased significantly. Asylum applications and refusals at the internal borders had also decreased (European Commission, 2017a, pp. 2-4). Yet, the Commission did not call for ending TRBC. Although terrorism was framed as one of the two major challenges for the Schengen Area, the related section was very short. The Commission stated that since 2015, seven EU members were attacked (Belgium, Denmark, Finland, France, Germany, Spain, Sweden, the United Kingdom), France being a repetitive target (last in February 2017). The Commission stated that TRBC applied by France was in line with SBC, yet without further specification or comments. (p. 4)

For the Commission, reduced secondary movements, improvements at the external borders and police cooperation showed that the current Schengen framework for TRBC benefited member states. (European Commission, 2017a, pp. 2-10) Nonetheless, the Commission argued that the SBC section on TRBC should be amended. The primary reason for this proposal was the time limits. At the time of the publication of PSS, The Five were applying prolonged TRBC under Article 29. The Commission predicted that they would continue with individual applications. These would have to rely upon emergency measures (Art. 28) or foreseeable cases (Art. 25) for which the maximum periods were 2 and 6 months. (European Commission, 2017a, pp.11-12; 2017b, pp. 2-3) PSS also proposed the enlargement of the Area. The Council was called upon to finalize the accession of Bulgaria and Romania. (European Commission, 2017a, pp. 13-14)

PTRBC had two objectives: (1) providing member states the time limits they may need and (2) introducing procedural safeguards for renewals with adequate risk assessment and cooperation with other member states (European Commission, 2017b, p. 3). Amendments were proposed only for Articles 25 (time limits) and 27 (procedures) for foreseeable cases. These were as follows (European Commission, 2017b, pp. 3-10):

- Maximum time limit for foreseeable cases: renewals were increased from 30 days to up to 6 months, total period increased from 6 months to 1 year. (Art. 25)
- A further prolongation for up to 2 years (making the total duration 3 years) was made available for threats based on the same grounds if other exceptional measures - e.g. state of emergency - were also taken, upon Council recommendation (without a need for Commission proposal). (Art. 27a)
- For periods exceeding 6 months, member states would provide risk assessments for the future, prepared with the involvement of EU Agencies if the Commission required. (Art. 27)
- A more specific consultation procedure was introduced, including EU agencies. (Art. 27)

The Council

The Council reflects the intergovernmental aspect of the EU. Comprised of state representatives, it is the institution where member states negotiate and determine common positions, instead of unilateral actions. Although the Council has only advisory power on TRBC, its position provides a source of legitimacy for individual members.

The Council initially focused on the external border management aspect of the migration crisis. Recommendation of 12 February 2016 proposed ways to assist Greece with Union’s resources upon its incapability in coping with over 500 thousand irregular arrivals in a year (2016/0035 NLE). By that time, The Five had already put long term TRBC in place and made their first renewals, approved by the Commission and the Council alike. Following the continuation of the deficiency of control at the external borders, the Council issued the first of four consecutive recommendations for the application of TRBC by The Five, based on Article 29. (EU 2016/894) Overall, they applied TRBC between 12.05.2016-11.11.2017 (17 months) under Council recommendation. (European Commission, 2019b)

The time periods suggested by the Council were 6 (5 used), 3, 3 and 6 months. By subjecting member states to frequent evaluations, the Council tried to ensure the necessity and proportionality. The Five were to conduct self-reviews regularly (TRBC 1) and then weekly (TRBC 2,3,4). They had to report to the Commission (all TRBC) and the Council (TRBC 3, 4) - every 2 months in the first TRBC and monthly for the duration of the following TRBC. (EU 2016/894; 2016/1989; 2017/246; 2017/818) The Council used various sources for the justification of TRBC under Article 29, as shown in Table 6 below.

In line with SBC, the Council acted upon the information given by and suggestions of the Commission. Based on the reports provided by The Five and the Commission, the Council found TRBC applications appropriate and renewed its recommendations upon following proposals by the Commission. The Council also made its own assessment based on BSR, linking external border management to internal border safety. The improvements in Greece’s border management and European Border and Coast Guard (EBCG) Regulation (TRBC 3, 4), and returns based on EU-Turkey statement (TRBC4) were not found sufficient for ending TRBC, as secondary movements continued (all TRBC). None of the Council rec-

Table 6. References for justification under Council recommendations for TRBC

References	TRBC1	TRBC2	TRBC3	TRBC4
1.BSR	Yes	Yes	Yes	Yes
1a. Greece's external border management	Inadequate	Inadequate	Improved	Improved
1b. EBCG regulation for safe return	Not legislated	Not yet operational	Newly operational	Operational yet member state commitments not fulfilled
1c. EU-Turkey Statement	Newly signed	In progress	In progress	Implemented yet arrivals exceed returns
1d. Secondary movements of undocumented persons from Greece	Continued	Continued	Continued	Continued
2. Member state reports	Appropriate	Appropriate	Appropriate	Appropriate
3.Commission reports	Appropriate	Appropriate	Appropriate	Appropriate
4.Proposals by the Commission	Initiate TRBC	Continue TRBC	Continue TRBC	Continue TRBC

Source: (EU 2016/894; 2016/1989; 2017/246; 2017/818)

ommendations included terrorism or comments on France's continued application of terrorism-related TRBC. Like the Commission, the Council avoided comments on this issue. (EU 2016/894; 2016/1989; 2017/246; 2017/818)

There were no Council documents issued in relation to TRBC after the fourth period, although member states continued to apply TRBC individually. Following PSS and PTRBC issued by the Commission in September 2017, the Council decided to start negotiations with the Parliament in June 2018, upon the Parliament's clarification of its position (Council of the EU, 2018b).

The Parliament

Comprised of directly elected representatives, the Parliament provides democratic legitimacy to the EU. Since it is organized around political groups rather than member states and participates in co-decision procedure, it also represents the supranational characteristic of the EU. Although regulations in the field of AFSJ are legislated by co-decision, the Parliament has no statutory role in evaluating TRBC applications under SBC. Procedural clauses solely require that the Parliament is informed in a timely manner. Nonetheless, when the migration crisis jeopardized the overall functioning of the Schengen Area, the Parliament started scrutinizing the results of SEM through a working group under the Committee on Civil Liberties, Justice and Home Affairs (LIBE) by its own initiative (5 September 2016). The resulting report (5 May 2018) was adopted by a Parliament resolution (30 May 2018) on the functioning of the Schengen Area, focused on border management. The Resolution drew upon regulations related to external border management and police cooperation, SBC clauses on refusal of entry (Art. 14), member state cooperation (Art. 17) and the Commission's BSR and PSS communications (European Parliament, 2018).

As the Commission and the Council, the Parliament viewed the area without internal border controls among the most remarkable achievements in EU history and as a guarantee of the principle of free movement, made possible by the measures in related fields of AFSJ. In this regard, continued application of

TRBC was evaluated as harmful for EU integration on various accounts (European Parliament, 2018), presented in Table 7.

As the other EU institutions, the Parliament acknowledged that in the beginning, irregular movements of TCNs and international terrorism posed serious threats. However, TRBC renewals continued regardless of developments in external border control and cross-border law enforcement cooperation. The Five justified TRBC by perceived, rather than actual threats, disregarded alternative methods such as police checks and exceeded the time limits. As the Commission and the Council, the Parliament avoided evaluating France’s application although the threat of terrorism was mentioned (European Parliament, 2018).

The Parliament also criticized the Commission, albeit indirectly. The Commission had not objected to the continuous renewal of TRBC and building of fences between member states. It had not utilized unannounced visits to member states allowed by SEM. The risk assessment procedure of PTRBC was found deficient because it was based on perceived risk and relied upon the member state as before. For the Parliament, new legislation should not provide further excuses for prolonging TRBC. Like PSS, the resolution supported the enlargement of the Schengen Area (European Parliament, 2018).

In response to PTRBC, the Parliament prepared a report on the proposed amendments (29 October 2018), adopted its own amendments (29 November 2018) and completed the first reading (4 April 2019), enabling the Council start the first reading. In line with its criticisms in its 2018 Resolution, the Parliament’s amendments to PTRBC were as follows (European Parliament, 2019):

- The exceptional nature of TRBC and its use as a last resort was stressed (recital),
- The criteria for justification were specified in detail,
- The Parliament would be notified more frequently,
- Procedures were introduced to reduce unilateral actions,
- Time limits were reduced (longer than allowed by SBC 2016, less than PTRBC),
- Special prolongation procedure (Art. 27a) was introduced earlier (when TRBC exceeds 6 months, instead of 1 year),
- Special prolongation procedure required Council recommendation upon Commission proposal (as in Art. 29).

Table 7. The Parliament’s criticisms regarding TRBC renewals

Criticism	Problem
Continued for years (no longer an exception)	Prevents proper functioning of the Schengen Area, harms free movement and single market, costly, harms mutual trust and solidarity between member states, harms trust of EU citizens to the EU and EU integration
Exceeds necessity and proportionality	Unlawful
Exceeds maximum time periods	Unlawful
Deficient information provided by members	Deficient evaluation by the Commission
Deficient consultation with other members	Harms mutual trust, solidarity, cooperation

Source: (European Parliament, 2018)

EU INTEGRATION AND THE FUTURE FOR THE SCHENGEN AREA

Since its beginning, European integration has been differentiated with respect to member states and policy areas. This became apparent during enlargements, establishment of the EEA and other types of association of the EU with countries at its borders. Widening raised the question of deepening, usually suspending or decelerating integration[5]. As the Communities progressed into a union, integration occurred at different speeds for the single market, monetary policy, security and defense policy, and AFSJ. Member states have different levels of integration in these areas. Supranational EU is far from complete.

EU Integration Models and TRBC

Analogies to geometry and speed are common in the conceptualization of differentiated integration in the EU. Whereas analogies to geometry signify clear separation between groups of states, analogies to speed assume a progressive dissemination of deepening.

The term "concentric circles", mostly used in the context of regional economic integration of the EU and its periphery (Eurozone, other EU members, European Economic Area and the neighborhood), describes different levels of integration increased towards a core group of states. (Lavenex, 2011). The term "variable geometry", first used by Mitterrand to characterize the difference between core members and Britain, which was reluctant towards the Single European Act (Zaiotti, 2011, pp. 84-85), is generally used to signify rigidly separated groups of states with different levels of integration - a deeply integrated core and partially integrated others. For some scholars, it describes the EU as it is (Waever, 2009, p. 175).

The terminology with the analogy of speed, such as "multispeed" or "two-tier" Europe", signifies a group of states that circumvent others' objections to supranationalization and integrate further among themselves, assuming others will follow over time. A similar terminology for this type of differentiated integration - "enhanced cooperation", is recognized by EU law. A group of member states may increase the level of their integration or cooperation in various policy fields, within the boundaries of the founding treaties. (European Union, 2019)

There is another term for describing differentiated integration, yet without any analogies to architecture or linear progress: "Europe *a la carte*". Here, it is assumed that EU members have minimal common objectives. In this picture, the EU becomes an open menu of policies from which members choose to participate (Stubb, 2002, pp. 32-33). Among the models of differentiated integration, this concept seems to be the most accurate in describing the state of affairs in the field of AFSJ and border control policy.

As regards the legal and institutional framework, the progressive adoption of the Schengen *acquis* by EU law did not necessarily amount to deepening. Intergovernmentalism has dominated AFSJ, even in the post-Lisbon period when shared competence became the norm. Secondary law remains at the level of principles and guidelines, and includes subjective terminology. (Çilingir, 2018) Schengen governance is intergovernmental, especially in the field of border control (Zaiotti, 2011, pp. 154-156). The partial inclusion of Britain, Ireland and Denmark may suggest a variable geometry, since they were generally reluctant on deepening. However, opt-ins to and opt-outs from various policies in in a policy field with a high level of interconnectivity does not signify any specific level of integration. Moreover, even core member states of Schengen (France and the Netherlands) placed limitations on the applicability of SBC in their territories. The Schengen framework for border controls is neither based on geometry nor speed.

It became even more difficult to ascertain a specific structure of integration following the migration crisis. A division seems to be emerging between members at the borders (e.g. Greece, Italy), at the transit routes (e.g. Visegrad-4) and the destination of secondary movements (Western Europe). Destination countries try to prevent arrivals by the externalization of EU migration policy, providing assistance to EU members at the borders and relocating asylum seekers in other member states. (Schimmelfennig, 2017) This has restrained integration by causing deadlock in vital legislation at the EU level. The reform of the Dublin system, which remains at the core of the resolution of the migration/refugee crisis has already been subject to several criticisms and still could not be materialized (Kaya, 2017). Yet, integration continues in other AFSJ policies. EU legislation regarding external border security, to which internal border security depends upon, is developing without discord. For instance, even member states that opposed the relocation system agreed to the entry-exit system that abolished the principle of minimum checks on EU citizens. (Vote Watch Europe, 2019)

As regards TRBC applications, the findings of this chapter show that not only the *acquis*, but also its application by member states has been differentiated. However, this differentiation remains at the member state level, without structure or integration. Countries of entry and transit, most of which are newer members, have not applied long term TRBC. Some of the core EU and Schengen members receiving secondary movements (Germany, Austria and France) prolonged TRBC for years. Other core members (e.g., Belgium and the Netherlands) did not use this option. The Five includes non-EU or newer members of Schengen (Denmark, Sweden, Norway). In other words, the division is not based on differences in circumstances or the level of integration. In any case, prolonged TRBC is contradictory to one of the main principles of European integration: Free movement. Therefore, the term “disintegration” is more fitting than differentiated integration terminology.

“White Paper on the Future of Europe” and TRBC

Towards the 60th anniversary of the founding treaties, the Commission published its “White Paper on the Future of Europe: Reflections and Scenarios for the EU27 by 2025” (WP, hereafter), initiating a discussion for the direction of European integration. The Commission argued that challenges in the past decade - including border security - resulted in a decrease of the trust to the EU, widening the gap between expectations from the EU and its capacity to deliver. (European Commission, 2017c, pp. 9-13) WP developed 5 scenarios with their likely impact on European integration and the expectations-capacity gap. For the Commission, deepening will simplify decision-making will, increasing EU capability to deliver. Yet, a fast deepening on all policy areas (Scenario 5) may decrease the popular legitimacy of the EU, causing division within societies. (pp. 16-25) The scenarios refer to AFSJ as “Schengen, migration and security” (SMS), comprised of external border management (EBM), internal security policy (ISP) and Common European Asylum System (CEAS). The contents of these scenarios regarding SMS and the repercussions for TRBC are as follows:

- **Scenario 1 - “Carrying On”:** Common agenda continues. Deepening is expected to happen slowly in policy areas except the single market, including SMS (pp. 16-17). There will be less need for TRBC.
- **Scenario 2 - “Nothing but the Single Market”:** Integration retreats to the single market. Cooperation on SMS issues becomes bilateral. TRBC is expected to become the norm, making it difficult for the functioning of the single market. (pp. 18-19)
- **Scenario 3 - “Those Who Want More Do More”:** Resembling “enhanced cooperation” model, integration increases for a group of willing member states in some policy fields. As regards SMS,

deepening is expected for ISP (pp. 20-21). Although EBM is not mentioned in this scenario, deepening of ISP would reduce the need for TRBC for the deepening group.

- **Scenario 4 - "Doing Less More Efficiently":** Integration increases only in selected areas, including SMS. (pp. 22-23) There will be less need for TRBC.
- **Scenario 5 - "Doing Much More Together":** Integration increases in all policy areas (pp. 24-25). There will be less need for TRBC.

All predictions except Scenario 5 rest on differentiated integration or retreat from integration (Scenario 2) in terms of policy areas or member states. Whereas current AFSJ law and policy (included in the SMS field in the White Paper) falls under "variable geometry" or "Europe *a la carte"*, the Commission expects deepening in almost all AFSJ fields in the near future (for some members in Scenario 3, for all members in Scenarios 1, 4 and 5) except in Scenario 2. Since the decision of The Five and France to apply prolonged TRBC initially rested on the incapability of the EU on EBM, ISP and CEAS in dealing with the migration crisis or terrorism, it may be inferred that there will be less need for TRBC in the scenarios in which these policy areas are expected to deepen (all except Scenario 2). However, the decision to apply TRBC remains at member states' discretion. This will continue with even more flexibility for member states in the *acquis*, as manifest by PTRBC. Even though the Parliament amended the proposal to increase accountability, the positions of the Commission and the Council since September 2015 suggest that they will support member states as long as procedural criteria are fulfilled. Therefore, deepening of AFSJ does not necessarily suggest the end of long term TRBC.

DISCUSSION AND FUTURE RESEARCH DIRECTIONS

The migration crisis and escalation of terrorism put pressure on the EU and member states alike. When security implications of irregular border crossings are considered, the decision of The Five and France to make use of TRBC is reasonable. However, its prolongation of TRBC by The Five after Council recommendations violated EU law. France's application after the state of emergency is also unlawful. The discursive strategy of member states to present the same reasons under different justifications or proposed SBC amendments cannot conceal this fact. In addition to being unlawful, the continuation of TRBC during a time when the integration on external border management is improved, presents an anomaly. The very existence of an external border policy is justified by the lack of internal border control, as specified in SBC (Preamble).

SBC has no enforcement mechanism. Yet, the EU institutions could have called upon The Five and France to cease TRBC when it became unlawful. However, only the Parliament was critical. By approving ongoing TRBC applications or by remaining silent, the Commission and the Council legitimized the suspension of the main characteristic of the Schengen Area: The area without internal borders. SBC amendment process does not seem to provide a solution for the near future. If the Council acts as before, amendments will solidify internal border controls, rather than deter them. Most of the future scenarios for the EU suggest deepening in AFSJ policies, including border control policy. Yet, there is no evidence that indicates this will preclude member states from utilizing long term TRBC. They had continued TRBC despite the reduction in secondary movements. The restoration of the Schengen Area depends on the change of member states' priorities, from security to the benefits of free movement.

The crisis of the Schengen Area is far from being over. Despite developments in the security aspect of border control at the EU level, member states continue to act unilaterally. The duality of integration and disintegration within AJSF will remain significant for EU studies.This chapter utilized sources specific to border control. However, there is need for studies that evaluate developments in the related AFSJ fields comparatively, especially since the 2015 crisis.

The chapter focused on member states that applied prolonged TRBC and EU institutions' reactions to these applications. Future studies on TRBC would benefit from information about member states that have not resorted to TRBC under the same pressures. Discerning their positions on TRBC clauses and applications by other member states, would provide useful for the analysis and prediction of border controls in the Schengen Area.

CONCLUSION

The establishment of "Europe without borders" took many decades of intergovernmental cooperation, widening and deepening. The Schengen Area appeared to be functioning smoothly, despite the peculiarities of *a la carte* Europeanization in the field of AFSJ. However, the crisis of 2015 caused a suspension, if not a retreat. Members at the external borders could not cope with massive inflows, putting the overall functioning of the area at risk. Members at the transit routes refused the relocation of asylum seekers. Members at the destination of irregular movements started to use TRBC clauses in a way that surpassed the limits and violated the spirit of the law. This situation is harmful for the EU integration as a whole, as emphasized by the 2018 Resolution of the Parliament.

The lack of criticism of The Five and France by the Commission and the Council legitimized their actions. Like the positions of EU institutions, legislative action at the EU level does not necessarily promote integration or prevent disintegration. The extension of time limits brought by PTRBC, even with the Parliament's amendments, is inconsistent with EU integration and spirit of the law. Procedural safeguards do not compensate for the action itself. Continuous TRBC is antithetical to the rest of SBC that regards it as an exception rather than the rule. Internal border controls that have been in place for four years and may be continued under SBC amendments, can hardly be characterized as exceptions. Furthermore, the tolerance of the Commission and the Council, followed by the initiative for increasing the flexibility of the law, provides incentive for other member states. Members that have prolonged TRBC, some of which are among the architects of Schengen cooperation and EU integration, have acted unilaterally - except The Five during Council recommendations - and breached EU law. In the end, they were rewarded.

Since the crisis of 2015, contradictions in the field of border controls in the Schengen Area makes it difficult to ascertain any integration model for the present or the future. The simultaneous development of internal security and external border control policy under EU law and the breach of Schengen principles and norms about TRBC show that even within a specific policy field, *a la carte* integration may be coupled with disintegration. In the meantime, the enlargement of the Schengen Area is under way. The Council is expected to confirm the accession of Bulgaria and Romania. The impact of enlargement in the context of the duality of convergence and divergence is ambiguous.

Most of the future scenarios for European integration predict deepening in the area of border controls, as well as related policy fields under AFSJ. Yet, the repercussions for TRBC is not clear. Although it appears that there will be less need for long term TRBC, the increased flexibility provided by the ongoing amendments will not deter applications. As the Parliament pointed out in its 2018 Resolution, despite the economic and normative costs, once TRBC was introduced, member states became reluctant to cease it, owing to the fact that such security precautions are based on perceived threats, which will continue to affect decision-makers in the near future.

REFERENCES

Çilingir, S. (2018). Kriz gündeminde AB göç politikasinin yetkiler, hedefler ve araçlar itibariyle değerlendirilmesi: Sınır yönetimi örneği. *Dokuz Eylül Üniversitesi İşletme Fakültesi Dergisi*, *19*(1), 19–49. doi:10.24889/ifede.334138

Commission Recommendation (EU) 2017/820 of May 12, 2017 on proportionate police checks and police cooperation in the Schengen area. (2017). *Official Journal of the European Communities,* L122, 79-83.

Council Implementing Decision (EU) 2016/1989 of Nov. 11, 2016 setting out a recommendation for prolonging temporary internal border control in exceptional circumstances putting the overall functioning of the Schengen area at risk. (2016). *Official Journal of the European Communities,* L306, 13-15.

Council Implementing Decision (EU) 2016/894 of May 12, 2016 setting out a recommendation for temporary internal border control in exceptional circumstances putting the overall functioning of the Schengen area at risk. (2016). *Official Journal of the European Communities,* L151, 8-11.

Council Implementing Decision (EU) 2017/246 of Feb. 7, 2017 setting out a recommendation for prolonging temporary internal border control in exceptional circumstances putting the overall functioning of the Schengen area at risk. (2017). *Official Journal of the European Communities,* L36, 59-61.

Council Implementing Decision (EU) 2017/818 of May 11, 2017 setting out a recommendation for prolonging temporary internal border control in exceptional circumstances putting the overall functioning of the Schengen area at risk. (2017). *Official Journal of the European Communities,* L122, 73-75.

Council Implementing Decision setting out a recommendation on addressing the serious deficiencies identified in the 2015 evaluation of the application of the Schengen acquis in the field of management of the external borders by Greece. (2016). 2016/0035 (NLE). Retrieved from http://data.consilium.europa.eu/doc/document/ST-5985-2016-INIT/en/pdf

Council of the EU. (2010). *Internal security strategy for the European Union: Towards a European security model*. Luxembourg: Publications Office of the European Union, March 2010.

Council of the EU. (2018a). Response to the terrorist threat and recent terrorist attacks in Europe, Nov. 21, 2018, Retrieved from https://www.consilium.europa.eu/en/policies/fight-against-terrorism/foreign-fighters/

Council of the EU. (2018b). Schengen internal border controls: Council agrees negotiating mandate on the amendment of the Schengen borders code. Retrieved from https://www.consilium.europa.eu/en/press/press-releases/2018/06/19/schengen-internal-border-controls-council-agrees-negotiating-mandate-on-the-amendment-of-the-schengen-borders-code/

European Commission. (2006). Towards a common European Union immigration policy. Retrieved from http://www.europa.eu.int/comm/justice_home/fsj/immigration/fsj_immigration_intro_en.htm

European Commission. (2011). *Schengen governance - strengthening the area without internal border control*. COM (2011) 561.

European Commission. (2015a). *Eighth biannual report on the functioning of the Schengen area: May 1 - Dec. 10, 2015*. COM (2015) 675.

European Commission. (2015b). *Seventh bi-annual report on the functioning of the Schengen area: Nov. 1, 2014 - April 30, 2015*. COM (2015) 236.

European Commission. (2015c). *The European agenda on security*. COM (2015) 185.

European Commission. (2016). *Back to Schengen: A roadmap*. COM (2016) 120.

European Commission. (2017a). *On preserving and strengthening Schengen*. COM (2017) 570.

European Commission. (2017b). Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/399 as regards the rules applicable to the temporary reintroduction of border control at internal borders. COM (2017) 571.

European Commission. (2017c). *White paper on the future of Europe: Reflections and scenarios for the EU27 by 2025*. COM (2017) 2025.

European Commission. (2019a). Internal security fund – police. Retrieved from https://ec.europa.eu/home-affairs/financing/fundings/security-and-safeguarding-liberties/internal-security-fund-police_en

European Commission. (2019b). Temporary reintroduction of internal border control. Retrieved from https://ec.europa.eu/home-affairs/what-we-do/policies/borders-and-visas/schengen/reintroduction-border-control_en

European Parliament. (2018). European Parliament resolution of May 30, 2018 on the annual report on the functioning of the Schengen area. 2017/2256(INI), Retrieved from http://www.europarl.europa.eu/doceo/document/A-8-2018-0160_EN.html

European Parliament. (2019). European Parliament legislative resolution of April 4, 2019 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/399 as regards the rules applicable to the temporary reintroduction of border control at internal borders. P8_TA-PROV(2019)0356.

European Union (2019). Enhanced cooperation. Retrieved from https://eur-lex.europa.eu/summary/glossary/enhanced_cooperation.html

Kaya, G. (2017). AB'de yeni bir ortak sığınma sistemine doğru: Dublin sisteminin reformu. In Y. Gülcan, S. Akgüner, & Y. Kuştepeli (Eds.), *Türkiye-AB ilişkilerinde yeni bir konu: mülteci sorunu ve Türkiye-AB işbirliği* (pp. 92–133). İstanbul, Turkey: İktisadi Kalkınma Vakfı Yayınları.

Lavenex, S. (2011). Concentric circles of flexible 'EUropean' integration: A typology of EU external governance relations. *Comparative European Politics*, *19*(4-5), 372–393. doi:10.1057/cep.2011.7

Niemann, A. (2008). Dynamics and countervailing pressures of visa, asylum and immigration policy treaty revision: Explaining change and stagnancy from the Amsterdam IGC to the IGC 2003/2004. *Journal of Common Market Studies*, *46*(3), 559–591. doi:10.1111/j.1468-5965.2008.00791.x

Papagianni, G. (2006). *Institutional and policy dynamics of EU migration law*. Leiden, The Netherlands: Martinus Nijhoff Publishers. doi:10.1163/ej.9789004152793.i-393

Schimmelfennig, F. (2017, May). *European integration (theory) in times of crisis: Why the Euro crisis led to more integration but the migrant crisis did not*. Paper presented at EUSA Conference, Miami.

Stubb, A. (2002). *Negotiating flexibility in the European Union. Houndsmill*. Palgrave Macmillan. doi:10.1057/9781403907615

Vote Watch Europe. (2019). Amendment of the Schengen Borders Code as regards the use of entry/exit system. Retrieved from http://www.votewatch.eu/

Waever, O. (2009). Discursive approaches. In A. Wiener & T. Diez (Eds.), *European ıntegration theory* (2nd ed., pp. 163–180). Oxford, UK: Oxford University Press. doi:10.1093/hepl/9780199226092.003.0009

Zaiotti, R. (2011). *Cultures of border control: Schengen and the evolution of European frontiers*. Chicago, IL: University of Chicago Press. doi:10.7208/chicago/9780226977881.001.0001

ENDNOTES

1. They joined the Schengen Information System (SIS).
2. SBC was first legislated in 2006 (EC 562/2006), renewed in 2013 (EU 1051/2013) and 2016 (EU 2016/399). 2016 version is used in this chapter.
3. This category was added to SBC in 2013, along with the procedure for Council recommendation.
4. Slovenia and Hungary placed TRBC at their common borders, based on "big influx of persons seeking international protection". The timing (09.2015, 10.2015) and duration (less than 10 days) indicate that these measures were taken under immediate action (Art.28). Similar applications were made in the same period by Germany and Austria (all borders, for 8-10 days, renewed 4 times).
5. For neofunctionalists, on the contrary, widening accelerated deepening since the increased complexity of decision-making necessitated the extension of qualified majority voting to more policy areas - including migration policy. (Niemann, 2008)

Chapter 28
Migration Policy of the European Union From the Perspectives of Turks in the EU Countries and Syrian Immigrants in Turkey

Serkan Ökten
Turkish Presidency Directorate of Communications, Turkey

Azize Ökten
Institute of Social Sciences, Süleyman Demirel University, Turkey

ABSTRACT

This chapter deals with the adventure of Turkish workers' upcoming 60th year in the Europe and EU's cooperation with Turkey at the wave of immigration based on civil war in Syria to Europe, in accordance with the immigration policy of the European Union. In this context, the question of how the European Union's human rights and freedoms-based rhetoric and its practices on the basis of protectionist border policy are conforming will be answered. In this study, literature review and resource collection are used by evaluating the available resources. As a result, the European Union's human rights and freedom-based rhetoric against the threat of disrupting its own order and welfare is only consistent with the integration of qualified migrants who will provide the workforce that is compatible and in need. However, a rising, prejudiced phenomenon reaching Islamophobia and xenophobia emerged at the social and political framework that is against the immigrants who cannot achieve cultural integration.

DOI: 10.4018/978-1-7998-1188-6.ch028

INTRODUCTION

With the development of the European Union, the phenomenon of migration has become an unchangeable fact in the history of the EU. As the EU grew, it became the center of attraction for immigrants.

The changes in European Union (EU) migration policies are evaluated in three periods. The first period migration policy is a form of worker acceptance to rebuild the destruction of Europe after World War II. The second period of migration policy is aimed combining the families of guest workers at a period reducing the need for workers by technological developments. The latest immigration policy period is when the citizens of the Eastern Bloc began to migrate freely after end of the Cold War and the Union start to be more cautious against the migration, with the idea that migration was a security problem (Uzun and Özer, 2016:79). However, policy on border security and the cooperation with the third countries after the so-called Arab Spring that caused the wave of migration from North Africa to Europe should be considered as a fourth period.

In this period, the EU, which puts its values support in its founding philosophy in to the second place with its security concerns, has taken all the measures to prevent the entry of immigrants in its borders, as well as trying to include the candidate countries in this policy (Uzun and Özer, 2016: 83). In order to legitimize its own security policies, the EU put forward that after illegal migratory mobility, organized crime such as human and drug trafficking, trafficking in human beings, and terrorism increased (Sever and Sever, 2013:94-95).

At the beginning of second millennium, the issue of irregular and illegal immigration to EU borders and the issue of refugees were considered not as a humanitarian dimension but as a political argument by the parties in terms of socioeconomic problems and unsuccessful integration discourses. With the added perception of security, the idea of the Europe of the Protected Castle[1] in the sense of defending the Union as a fortress was started to be expressed (Sever and Sever, 2013:91).

On the other hand, EU, Turkey and the concept of migration is seen that the two periods as the busiest intersection in historical perspective. The first of these periods is Turks becoming a fact of Europe era after going as labor for rebuilding Europe after the Second World War and their family reunion, the second is that as a country cooperates against the influx of refugees to Europe after the Arab Spring. Handling of immigration on these two periods in Turkey and the EU's policy axis is important in the case of Turkey's membership towards EU. In this study, these two terms in the context of migration in Turkey and the EU tried to reveal how the relationship will be formed. In this study, it is going to be held the question of whether the European Union's immigration policies is compatible with the human rights principles of it, by analyzing the researches and official data in the literature.

THEORITICAL BACKGROUND

Before addressing the issue, it is necessary to be informed about the development process of the European Union's migration policies from a historical perspective and with this process the view of the Europeans towards immigrants.

Migration Policies of the European Union

One of the most important problems faced by the EU after World War II, which started to transform into a political structure in the framework of common economic policies, is the migration towards its borders (Güleç, 2015:81). The integration movement that started after the 1950s and the developed European Free Zone have been reasons that made Europe one of the most important migration routes of the World. The Union, whose political boundaries have become clearer while the borders are obscured within it, has created a unique success in history (Canpolat and Arıner, 2012:11). In this respect, the fact that the Union has shifted from economic cooperation to advanced level cooperation has led to the establishment of common policies related to immigration problems towards its region (Genç, 2005:174).

Development of Migration Policies of the European Union

While European countries were in a situation that sending migrant until the end of World War II, then they embarked on a process of creating their own immigration policies by taking on immigration after the war II (Canpolat and Arıner, 2012:12). The integration process of the EU has demonstrated the necessity of harmonizing the national migration policies of the member countries with the Union and establishing a common migration policy (Güleç, 2015:83).

The first text in the framework of international law, which recognizes the basic right of asylum and is binding on EU member states, is the Geneva Convention signed in 1951 (Hopyar, 2016:62). In the 1980s it was decided that the member countries of the Union would no longer be able to solve the immigration problem alone, and it was decided to address the issue at Community level. However, the different approaches and practices of the member countries have prevented the issue of migration from being dealt with in a common arrangement within the Union (Samur, 2008:3).

The Amsterdam Treaty, which emphasized EU citizenship and came into force in 1999, adopted a common foreign and security policy and the Schengen system emerged as a mechanism to lift border controls among member states. After the entry into force of the Schengen system, the member countries of the Union have adopted the policy of creating a solution together with political integration, but have not succeeded in acting jointly with the issue of migration. The EU has tried to establish a European Common Asylum System to establish a policy for all Union member states from 1999 on the issue of refugees. The system aims to cooperate with each other and with other countries as well as to assess the refugee policies of the member states of the Union (Hopyar, 2016:62).

The Dublin Treaty of 1990 has adopted a common policy to collect asylum in a single country. Accordingly, as long as the application made by any Member State is rejected, applications for asylum from other member countries will not be accepted (Genç, 2005:188).

Migration, asylum and visa issues are expressed as "common interests" in the Maastricht Treaty of 1993; it was discussed under the third column on justice and home affairs with an intergovernmental perspective. Regulations on migration, asylum and border control amended by the 1997 Amsterdam Treaty have been taken under first pillar of the Union that contains Union's basic policies. However, the Council's effectiveness has continued, which made unanimous decisions on the support of the intergovernmental structure in (Samur, 2008:3).

While entering the second millennium, the Union has been looking for new quests with the increase of the problems caused by illegal migration and the completion of the enlargement process. In this context, after the Tampere Summit in October 1999, opinion of border control is a priority in the prevention of illegal migration has been sustained (Samur, 2008:5).

With a decision held in the 1999 Cologne summit established a Convention for the preparation of a catalog for the protection of fundamental rights and freedoms. Following the studies in the Council of Europe meeting held on 13-14 October 2000 in Biarritz, a draft of the Charter of Fundamental Rights, which aims to provide basic rights guarantee for the savings of the Union, is presented (Arsava, 2005:1). At the 2002 Seville Summit, the decision was made to expand the Union's migration policies towards the countries of origin and transit (Değirmenci, 2011:29).

The Treaty of Nice which was signed in 26 February 2001 envisions a partial and postponed transition period by enlarging the scope of decision-making within the scope of the Union's "Visa, Migration, Asylum and Other Policies Regarding the Free Movement of Persons" (Değirmenci, 2011:30).

At The Hague Summit, which was held in March 2003, a plan was prepared to reach the targets set at the Tampere Summit by 2010. Developing policies to develop asylum systems with third countries, combating illegal immigration, implementation of resettlement programs, development of policies to ensure the return of unregistered migrants to source countries, establishment of supporting funds to support the independent EU agency FRONTEX[2], which provides operational cooperation on border security are all became the main principles approved in The Hague (Güleç, 2015:87).

In the Constitution of the EU, when the issues of illegal immigration and asylum were regulated, two boundaries were defined: the boundaries between the member states and the external boundaries that exist with non-member states (Değirmenci, 2011:30).

The European Union for Migration and Refugee Pact, adopted by the EU in 2008 but not legally binding for the member states, advocates rigid measures against illegal immigration and encourages the migration of qualified staff to Europe. In this respect, the main purpose of the Pact is to be a center of attraction for the EU. On the other hand, Pact was criticized by human rights and refugee organizations on the grounds that it could not provide adequate legal protection to refugees (Özay, 2008).

The Hague program, which was launched in 2004, focused on the establishment of joint policies that provide cooperation with third countries within the framework of migration humanitarian aid, in particular, to ensure the harmonization of those coming with legal immigration, combating illegal immigration and the establishment of a European refuge system (Değirmenci, 2011:31-32). Unlike other policies, the Hague Program, which envisages cooperation with third countries on the protection of borders and regulation of migration flows, could not reach all its aims due to its security-based approach and the EU's bureaucratic structure and institutional problems (Özerim, 2014:32).

The Stockholm Program, which was adopted on 2 December 2009, became the document that starts third phase which determine the road map of the field in the period until 2014. While the program combines migration with the global economic and financial crisis, it focuses on combating illegal migration and cross-border crime by increasing its understanding of security. The global approach to migration, which the Hague Program emphasizes, has been adopted in the Stockholm program and it is desired to include non-EU countries in the struggle. By combining the documents of Tampere, The Hague and Stockholm, the issue of immigration in Europe have taken a shape that determines the border management with a security approach (Özerim, 2014:32-33).

Within this framework, the source of the EU's targeted policies of preventing illegal immigration is the security approach, which is the result of the threat perception that emerged after the attacks of September 11 and Madrid. On the other hand, it is possible to say that the international security concept which aims to ensure that the threat that is a threat to a country is accepted as a threat by other countries is also effective at this point (Uzun and Özer, 2016:83).

The Lisbon Treaty, which entered into force in 2009, introduced the regulations on immigration and asylum in the fifth chapter of the Freedom, Security and Justice Chapter in the Treaty on the Functioning of the EU. It has passed the ordinary legislative procedure within the framework of qualified majority principle on issues related to legal migration The decisive role of the European Parliament in this matter has increased with the right to veto the new legislative processes. The agreement is also important in that it gives partial authorization to determine how many immigrants can enter each EU member state (Özerim, 2014:32-33).

As a result of migration crisis by influx from Africa to the EU after 2011, a new report has been produced by the Union on the date of May 5, 2011. The report highlighted the need to protect the Schengen Treaty by addressing the issue of migration flows in the framework of the common migration and asylum policy at the EU level with the cooperation of the member states, preventing the illegal migration by increasing cooperation with third countries and increasing the security of external borders. On the other hand, in parallel with the European 2020 Strategy, it is supported that third-country nationals should be attracted to the EU by the incentives provided to meet the need for qualified human power due to the aging EU population (Güngör, 2014:27).

The case that many people die and force to leave from their country by the crisis known as Arab Spring that has lived in Middle East and North African countries in 2015 has caused the biggest migration crisis in Europe since World War II (Akdoğan, 2018:48).

This situation has led to the EU's need to produce a new strategy in the areas of migration and border management, which have long been cooperated with existing regimes in the region. Although it is emphasized to support the people's quest for democracy in the region, in the new conjuncture it has been seen that the EU's approach to democracy and human rights is in the second place in the face of a policy of strengthening the EU's external borders by means of control (Elmas, 2016:194-195).

EU Commission President Jean-Claude Juncker considers the issue of immigration as an important and priority area in order to identify the urgent measures to be taken in order to prevent immigrant deaths and to strengthen emergency interventions. Because of Immigration agenda suggesting a solution that combines cooperation all actors including national partners outside the EU by synthesizing internal and external policies, cooperation on migration management with Turkey has a crucial role. The Joint Action Plan dated 29 November 2015 and the EU-Turkey Declaration dated 18 March 2016, have been the basic regulations of the EU in cooperation with Turkey during this period (European Union, Access Date: 1.30.2019).

As a result, the phenomenon of migration, which is determined as a matter of common interest in the Maastricht Treaty, is taken under the roof of the Union by the Amsterdam Treaty and it is seen that the common policies tried to be produced in the EU on migration have not yet been in the expected level. EU has been criticized for only implementing blocking policies for migrants, regardless the deaths and negative conditions experienced by the immigrants in European countries. The positive efforts towards the rights granted to those who have entered the Union through legal means do not eliminate the negativity of forcing illegal immigration through the works done in order not to put people who are obliged to migrate (Uzun and Özer, 2016:84).

Table 1. Significant treaties within the scope of European Union migration policies

Date	Name of Agreement	Reason for Made
1985 and 1999	Schengen Agreement	Free Movement Principle
1990	Dublin Convention	Status of refugees
1993	Maastricht Treaty	Migration Policy in the Three Columns structure (justice and interior affairs, asylum policy and immigration policy)
1997	Treaty of Amsterdam	Post-Maastricht Arrangements
1999	Tampere Summit	Administration of Immigrant Flow
2000 and 2009	Charter of Fundamental Rights	Civil, Political, Economic and Social Rights
2002	Seville Summit	Expansion of European Union Migration Policy to Source and Transit Countries
2011	Nice Treaty	The majority of qualified votes in the field of migration
2004	Treaty of European Constitution	Common Migration Policies
2008	European Migration and Refugee Pact	Common Migration Policy for Europe
2004 and 2009	The Hague and Stockholm Program	Future Steps towards future
2009	Lisbon Treaty	The End Point (external border controls, asylum, immigration, crime prevention, free movement, freedom and security space without internal borders)

Source: Değirmenci, 2011,21-34

Perception of EU Citizens on Immigrants

It can be said that the EU, which is in the principle of defending fundamental rights and freedoms, considers everyone as equal in this direction and that everyone has the right to live safely. In this framework, although the EU has institutional mechanisms for active decision-making regarding asylum and migration cases, there may be differences in the practices of the member countries in this direction and their perspective to foreign countries (Sever and Sever, 2013:94).

Although EU member states have restrictive migration policies, there are also policies to facilitate the emigration of illegal labor and illegal employment from the employers' demands for cheap labor in the EU. Illegal immigrants are used in informal jobs which contain low wages, heavy work time and bad conditions (Gülten, 2010:125). In instead of view of the fact that migrants are considered as economic and political values or as groups in need of help and protection, the perception that there is a threat to the economy, cultural and social order in the society has started to emerge (Güleç, 2015:98).

The European Commission's Avrometer survey reveals that Europeans have a perception that there are more immigrants out of EU in their countries than they are. In general, it is seen that there are different perceptions about personal experiences with immigrants in the EU countries, intimacy with them and comfort levels. In Hungary, Malta, Greece, Slovakia, Bulgaria and Italy, more than half of the respondents view immigration as more problems, while participants in Sweden, Ireland and the United Kingdom see this as an opportunity. In the study, it was concluded that the young and better educated participants consider immigration as more opportunities. In addition, it was found that the vast majority thought that the role of national governments was important for successful integration, but they are skeptical about their governments' effort on immigrants (European Commission, 2018:469).

On the other hand, it is seen that the citizens of the member states face the threat of further migration to the new EU members due to the influence of the extreme right parties in the EU countries conducting xenophobic policies. It is also valid for Turkey's membership by developing prejudice as a result of its huge population, underdevelopment of its economy, cheap labor (Demiray, 2014:62-63).

It is seen that the issue of migration and immigrants increased xenophobia within the EU and that radical right-wing parties from Eastern Europe to Western Europe were on the rise. On the other hand, Germany and Sweden, which show more moderate approaches to immigrants, are trying to produce policies towards migrants coming to Europe (Koçak and Gündüz, 2016:87-88).

After the failure of governments to be effective in immigrant integration policies, it is seen that there is a negative perception towards migrants starting from the Eastern European countries, which are more confronted with the immigrant population in the first place and continuing to spread all over Europe, and then the situation has evolved into security-oriented policies by the demand of the society.

Critics of the EU's immigration policy argue that the issues which define the European identity such as the rule of law, democratic state structure, tolerance, respect for human rights and multiculturalism are also taken back while addressing the immigration problem with these policies (Güleç, 2015:98). In this respect, it is expected that EU will embrace immigrants from different religions and new living areas for them in order to avoid appearing as a Christian club by encouraging multiculturalism in order to get rid of the perception that these values are subordinated by EU (Koçak and Gündüz, 2016:88).

MIGRATION RELATION BETWEEN TURKEY AND EU

It is possible to evaluate Turkey and EU immigration relationship from two points of perspective. First, Turks as workers went to Europe after World War II for reconstruction and second, Turkey as a partner country in cooperation for cutting the flow of refugees to Europe after the Arab Spring.

Turks Who Goes to Europe From Turkey as Immigrants

Turkey's relations with the EU in the context of migration began in 1960 together with the needs of the European labor force. This temporary process has become permanent in time when the Turks have a controversial but indispensable part of Europe.

Migration History of Turks in EU Countries

The Turkish immigrants first began to migrate to Western European countries in 1961 in the framework of the Guest Labor Agreements with the European countries first with Germany and later years with the others (Kaya, 2011:163). In the aftermath of the economic crisis that began in the 1970s, restrictive immigration policies were initiated by EU member states to limit the legal movement of migrants and halt the reception of migrants (Gülten, 2010:124). In this context, the number of foreign labor force in the EU countries, which has been increasing every year until 1973, started to decrease with restrictive policies and continued until 1985. This situation has decreased gradually between 1986-1990 years (Özdal, 2008:94).

Table 2. Turks living in EU member states[3]

Country[4]	Number of Turkish Citizens	Total Population	Rate
Germany	2.000.000	82.000.000	0,98
Austria	250.000	8.300.000	0,97
Belgium	240.000	10.500.000	0,98
Bulgaria	60.000	7.700.000	0,99
Czech Republic	3.500	10.300.000	1
Denmark	75.000	5.400.000	0,99
Estonia	600	1.400.000	1
Finland	*	5.300.000	N/D
France	700.000	60.900.000	0,99
Southern Cyprus[5]	*	854.800*	N/D
Croatia	250	4.400.000	1
Holland	500.000	16.300.000	0,97
Britain	400.000	60.400.000	0,99
Ireland	4.500	4.200.000	1
Spain	7.000	43.800.000	1
Sweden	62.500	9.900.000	0,99
Italy	50.000	58.800.000	1
Latvia	250	2.300.000	1
Lithuanian	*	3.400.000	N/D
Luxembourg	*	500.000	N/D
Hungary	3.000	10.200.000	1
Malta	850	400.000	1
Poland	4.000	38.100.000	1
Portugal	650	10.600.000	1
Romania	13.000	21.600.000	1
Slovakia	600	5.400.000	1
Slovenia	*	2.000.000	N/D
Greece	296.000*	11.100.000	0,97
TOTAL	**4.375.700**	**495.200.000**	**0,99**

Source: Habertürk, Access Date:06.04.2019

Within the framework of the Guest Labor Agreements, guest workers were not granted permanent residence rights or citizenship rights but some trade union rights were granted. This situation provided the opportunity for Turkish workers to influence the decision-making mechanisms by gaining efficiency in workers' organizations. Thus, European governments had to make the temporary status of the workers permanent, but they put forward some incentives such as early retirement for the workers to return (Kaplan, 2014:104). As result, Turkish migrants who have gone to European countries with the status of temporary workers have become part of European countries.

Today, the number of Turkish immigrants in Europe with the number approaching 5 million is the largest group from non-EU countries. In fact, Turks account for three-quarters of all immigrants from outside the EU (Kaya, 2011:163).

Status and Rights of Turks in EU Countries

In EU member countries, there are fundamental differences in status and rights between Turkish immigrants who have received citizenship and those who have not. Turkish citizens of EU Member States, in their EU member countries or in other EU Member States where they are employed within the framework of free movement; they can benefit from EU legislation. On the other hand, Turkish citizens, who do not have EU citizenship, can only benefit from the rights of the country that they work in the status of foreign migrant workers (Bayhan, 2010:204).

While Turkish citizens in the EU benefit from the freedom of family reunification, the free movement of workers, the freedom of establishment, or the freedom to provide services, they are first use the national rules of the Union member state; secondly, they use the Union's norms for third country nationals, and finally, they use the Union's common law norms (Göçmen and Tezcan, 2014:620).

In addition to the rights provided for the Turks in the EU member countries, education and especially language training has come to the forefront as an important issue. Although this process was not primarily addressed by the member countries, it had to be considered as the biggest obstacle to integration in the future. However, the policies dealt with at this point are more likely to lead to assimilation rather than serving multiculturalism.

It is seen that the knowledge of German in the first generation immigrants, who are expected only to contribute to the economy by working in Germany and which are not requested for grammar, is insufficient. Low level of education of workers and long working hours can be said to be effective in this situation. In Austria, a study conducted in 2009 showed that 53% of the Turkish population could speak German as their mother tongue (Soytürk 2012:2324).

Although there are differences in the education system in Germany due to the practices of each province, it is seen that it is not sufficient for integration of Turkish children and do not have a permanency (Bingöl and Özdemir, 2014:150). Some of these practices are shown to be the removal of Turkish lecture from schools or giving as non-credit. In addition, policies such as the prohibition of Turkish in schools and workplaces can be thought to be aimed to prevent the adoption of Turkish culture by the German culture rather than the coexistence of two cultures (Şahin, 2010:126).

In the Netherlands, Turks and Moroccans are groups that are considered as living most integration problems among immigrant groups. With an education system that includes early guidance such as in Germany, Turkish children are unable to attend tertiary education because they do not know enough languages and they have to attend vocational schools where they can receive lower level of education (Bingöl and Özdemir, 2014:149-150).

Identity Problem of Turks in EU Countries

It is seen that the Union will continue to need migrants within the framework of the future projection of the EU with an aging population. In this context, the Union focuses on a holistic approach to integration, prioritizing the education of immigrants from an economy-based perspective, learning the mother tongue of country that they live at a good level and access to health and social services (Yücel, 2015:95). However, this approach is not successful in practice. For example, the social security legislation in Belgium has a quality that makes it difficult for people who are educated except EU to have a job. Therefore, the increase in the unemployed young population living with social assistance, it leads to the development of unskilled, unsocial and an inward looking identity for these young people. This mass can then be perceived as a problem by the society and can be a target for racist behavior (Manço, 2000:126).

On the other hand, it is seen that the policies and discourses that support the racism and xenophobia in the incitement of extreme right-wing politicians and a number of media cause the non-integration of migrant workers into the society in Europe (Yılmaz, 2005:6). In response to this situation, it is seen that migrants and their children adopt transnational European and Muslim identities or local identity to be protected from the nation-states' nationalist and exclusionist hegemonies (Kaya, 2015:74-75)

In a study on the French Muslim-Turkish minority, it was observed that the level of hopelessness of the Muslim-Turkish minority with high level of instinctive religiosity[6] was lower than the group with External Guided religiosity[7] (Koç, 2013:415). This situation shows that the religious group who live more intensely is more hopeful.

In a study conducted in the Netherlands, it was found that the Turks living in there had a lot of transnational activities such as "places of worship, businesses and consumption habits, establishment of new NGOs and participation to them, transnational marriages and leisure activities" and thus they are transnational immigrants (Bill, 2017:103). In the 50th year of migration to Europe Turks in Europe have become actors acting in the socio-economic and cultural changes in Turkey because of transnational identity and relationships as result of continued strong cultural and economic ties with Turkey. The most concrete indicator of this is political influence of Turkish immigrants to the Turkish political life (Güngör and Baysu, 2014:1).

The Turks, who are now becoming more difficult to define as immigrants and who express themselves only in the identity of the European or the living country, are mostly in the third and later generations. It can be said that this group has completed its socialization in the country it is located in as well as defining itself with the culture of the country where it is living due to having one consciousness (Coştu, 2016:543).

In this respect, it is seen that Turkish immigrants are not assimilated in European countries but they are integrated in many points. According to this, it can be said that Turks are ahead of other immigrant groups in terms of organization levels, political participation, voting rates, economic participation and entrepreneurship levels (Kaya, 2011:164).

On the other hand, in a Belgian study, it was found that even high socioeconomic consolidation did not diminish perceived group discrimination. Accordingly, the second generation Turkish immigrant minority, who has work and education and following the news of the region they live in, perceives more group discrimination against themselves (Alanya and Swyngedouw 2014:62).

In another study, it was determined that the Turkish immigrants in Italy had a negative judgment about the immigration policies of Italy and that they did not have equal rights of citizenship and that they were exposed to discrimination (Göker and Meşe, 2011:80).

In a study in UK it was observed that causes of asylum seekers for immigration that went from Turkey to the UK compliance with the "push-pull" and "ethnicity" migration model. According to this; the percentage of asylum seekers who came to the UK for economic reasons is higher than those due to political and human problems. It has been determined that Turkish Asylum-Seekers have not been able to establish close relations with the indigenous people and have experienced events such as exclusion, verbal or physical attacks. Although, they are seen as 'other' and' them' they have stated that the conditions in England are much better than Turkey. While the first generation of them in the United Kingdom was found to be relatively cultured in the patterns of customs, attitudes and behavior, no change in structural assimilation was observed (Erdoğan, 2007).

A research has shown that Western Europeans see migrants as a threat because of the perception that their culture does not compromise with their European culture. Therefore they prefer the assimilation of migrants, especially in the public sphere, instead of integration. In this sense, the terms of Turkish immigrants has been determined that European integration does not mean giving up the essence of the culture (Güngör, 2014:27)

While some countries in Europe maintain the immigration-immigrant policy dominated by security policies, the issue of "multiculturalism" that their societies occupy can be met with a threat perception in terms of Muslim-Turkish immigrants. According to this, the debates containing statements such as "Multiculturalism went bankrupt", "Leitkultur", "Islam is not part of Europe", "conscience test", "dual citizenship" and so on take place are mostly experienced in the Turkish immigrants. Therefore, the Turks have become the target of the Neo-Nazi, Racist and ultranationalist movements and have gave more than 100 victims from 1990 (Erdoğan, 2015:140).

In addition, after the September 11 attacks, the new atmosphere began to emerge, which led Europeans contradict with the values such as 'multiculturalism", "freedom of expression" and "privacy of private life" that they support. Therefore, German Social Democrat T. Sarrazin's book "Germany is Destroying itself" that suggests Muslim migrants, especially Turks are pulling down Germany and Western Societies, has been the best-selling book in the history of Germany by being sold 2 million (Erdoğan, 2015:143). Many problems such as assimilation, xenophobia, institutional discrimination, political exclusion are seen as an obstacle to the multicultural nature of Germany (Eren, 2007:286).

With the rise of Muslim immigrants in Europe, Western societies appear to develop new strategies within the framework of two main policies governing the management of Muslims. These states initially tried to converting Islam into a "Moderate Muslim" type by converting Islam into a quality that will be compatible with democratic values and regimes according to the Liberal model approach, and then they have adopted the second political approach aimed at removing Islam from the main society by diminishing Muslims into subclass (Bodur, 2008:17-18).

After all these processes, it is possible to mention that three different types of identity emerged in Europe as the cultural, political and religious level. The first is the 'hybrid identity" which develops culturally, the second is the "diasporic identity" which develops depending on the homeland, and the third is the "European Muslim Identity" which requires the Muslims to live in reconciliation with modern European culture (Kanık, 2018:243).

As a result, the Turks in the EU have an important role in this process because the EU represents a face of the local problems faced by the current national identity, inter-communal relations and multicultural state formation. The impact of Turkish migration on the EU is part of the future of the Union, as there is no longer a way to return to an imaginary monocultural past that tries to transform migrant communities under some imagined in pure and homogeneous cultural identity. In this regard, the Turks in Europe have potential to be a unifying factor between the EU and Turkey (Schaefer, et al, 2005:43).

TURKEY, EU AND THE PROBLEM OF SYRIAN REFUGEES

The most intense relationship between the EU and Turkey about the immigrants after the Turkish Workers who went to Europe after World War II was experienced in the context of the Syrian Refugees who fled the Civil War in Syria in 2011. Before starting the subject, it is necessary to go to a conceptual separation between Turkish immigrants who went Europe for work and Syrian refugees trying to go to EU member countries by escaping from war.

As it is stated in national and international legislation the concept of immigrant is a broad concept that includes different categories such as short-term or permanent immigration, political, economic, environmental or social migration, voluntary or forced migration, international or national migration. In this context, it is possible to say that the concept of migrant includes refugee and asylum seeker (Çakran and Eren, 2017:22).

The 1951 Geneva Convention defined refugee as a person who has fear for persecution because of his or her race, religion, nationality or affiliation to a particular social group or because of his/her political thought and therefore leaves his-her country, cannot return or refuse to return due to fear (UNHCR, Access Date: 08.04.2019). The "asylum-seeker" is defined as a person who has applied to obtain refugee status through international protection but has not received yet. The concept of refugee status differs between the EU member countries and Turkey as Turkey's geographical reservation by giving recognition to refugee status only to persons from Europe according to the Geneva Convention (Çakran and Eren, 2017:22).

Turkey gives "Temporary Protection" status to Syrians who cross into its border because of escaping the war massively, in the framework of 10.13.2014 dated and 2014/6883 numbered Temporary Protection Directive containing the principles of "open borders policy with admission to country's territory, non-refoulement, meeting the basic and urgent needs (T.C. İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü (b), Access Date:06.04.2019).

The concept of temporary protection status as defined by the United Nations Executive Committee Decision No. 100 of 2004, is a practical and complementary form of solution implemented in order to find immediate solutions in individual status determination procedures in accordance with the states' non-refoulement obligations in the case of mass influx (T.C. İçişleri Bakanlığı (C), Access Date:06.04.2019).

Readmission Agreement

Increasing immigration towards the EU from Turkey's borders because of Turkey's failure to take more hard measures has led to EU more seriously address the migration and refugee issues since 2015. In this respect, European Commission President Jean Claude Juncker defended the necessity of establishing mandatory quotas and sharing responsibility by offering a plan in May 2015 to help refugees and to prevent smugglers from entering Europe (Demir and Soyupek, 2015:30-31).

Despite making the division of responsibilities between EU members against the refugee crisis, there is also idea that the EU should cooperate with Turkey for the prevention of refugees from the Balkans and the Middle East since 1998 (Demir and Soyupek, 2015:33). As a result of this, it appears that on a study dealt with 2000, 2005, 2010, 2015 EU Commission Turkey Progress reports Turkey is defined as a peripheral country to stop EU migrants rather than a member state with the effect of EU's more security based approach (Aydemir and Keskin, 2017:1470). On the other hand, Turkey has taken migration potential as a country that sustains its economical development strongly. Therefore, it is sure that there will be an undeniable increase in this potential after Turkey's accession to the EU (Yontar and Savut, 2016:284). However, Turkey still refuses the right of refugees to be accepted for citizenship and right to settlement via UNHCR as the third country. There is fear in Europe for Turkey will be a "buffer zone", "unloading location", "safe country of first asylum" in the future as result of Turkey's geographic restriction removal at the 1951 Refugee Convention, as a condition of EU membership and there is also fear migrants will advance through the EU by this case (Çelik and Ayın, 2016: 843).

Nevertheless the EU against sudden emerging migration crisis, has decided to take Turkey as a partner, to solve the refugee crisis occurred in Europe. In this respect, at December 16, 2013 Readmission Agreement was signed between the EU and Turkey. The agreement entered into force on 20 March 2016 (European Commission, Access Date:08.09.2016).

While Readmission Agreement on the one hand predicted the readmission of Turkish citizens who go to EU member states illegally or that falls in an illegal situation in these countries and third country nationals who made transition from Turkey to the other countries or countries behalf of the agreement to Turkey, on the other hand Agreement predicted the readmission of EU member states and third country nationals who come to Turkey from EU countries illegally or that falls in an illegal situation in Turkey to related EU member countries. The agreement foresees a 3-year transition period and the parties are expected to begin accepting third-country nationals at the end of this period (Türkiye Cumhuriyeti Avrupa Birliği Bakanlığı, 2013:1)

EU has committed to make 3 billion Euros aid to support Syrian refugees in Turkey (European Commission, Access Date: 9.8.2016). In addition, the EU has initiated a process to provide visa liberalization to Turkish citizens for entering countries in the Schengen area, with the entry into force of the Convention (Türkiye Cumhuriyeti Dışişleri Bakanlığı, Access Date: 20.05.2019).

On the other hand, there are discussions that the Readmission Agreement is contrary to international law (Çakran and Eren, 2017:21-22). It can also be said that the EU reduces its political institution and credibility with such agreements. This shows that the EU is no longer a transformative power in regional and global politics (Bilgiç & Pace, 2017: 8).

Visa Free Dialogue (Road Map)

Some rights are envisaged to Turkish citizens in the case of the freedom to establish or provide services and to work as workers in EU countries as result of EU Court of Justice's decisions within the framework of the EU-Turkey partnership law (ECJ) and rights that are approved by member states courts.

Visa exemption process carried out between Turkey and the EU in the framework of Readmission Agreement has been started for making allow to visa-free travel for three months to all Turkish citizens in traveling to all EU member states except England and Ireland (Türkiye Cumhuriyeti Avrupa Birliği Bakanlığı, 2013:8-9)

In the framework of the process of visa liberalization for the Turkish citizens entering the EU, A Road Map has been created as an article of the Readmission Agreement. On the road map, Turkey's harmonization to EU has been required to the issues of "migration and border management, public order and security, visa policy, international protection" under 72 headings. The task of assessing the fulfillment of these criteria was given to the European Commission and final decision-making authority was given to the European Parliament and the Council of Europe (Şen and Özkorul, 2016:111).

Under these titles Turkey has three main drawbacks. These are; removal of article relating to geographic limitations of Turkey in the Geneva Convention, compliance with the EU's visa policy and political criteria that is required. One of these political criteria is definition of terrorism (Nas, 2016:29). Although the law on this definition does not have any direct connection with the visa issue, it is seen that the EU is trying to add as many political issues to the process as possible before the visa is lifted (Erdoğan, 2016:15). Due to this contradictory situation, in the Third Visa Free Progress Report published by the

Table 3. Migration project statistics

Subject	Project	Total	
Total Current Projects	EU	15	26
	Bilateral Cooperation	11	
Completed Projects	EU, Bilateral Cooperation, National Budget	42	42
Ongoing Projects	EU, Bilateral Cooperation, National Budget	8	16
		8	
IPA/SEI/ESEI Projects Which Will be Start	EU	7	7
GRAND TOTAL		**91**	

Source: T.C. İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, “Göç Projeleri”, Access Date: 06.04.2019

European Commission on 4 May 2016, it is determined that criteria about the amendment of the Law on the Protection of Personal Data, the signing of the operational cooperation agreement with EUROPOL, the amendment of Anti-Terrorism Law, the enactment of the Political Ethics Law and making judicial cooperation with all EU countries, have not yet been met (Avrupa Komisyonu, 2016).

Consequently, the Readmission Agreement signed regarding the readmission of illegal immigrants between the EU and Turkey basically aims to protect the security of the EU (Erdemir, 2013:113). On the other hand, abolishing the geographical reservation to the Geneva Convention of 1951 required from Turkey in the EU harmonization process and Readmission Treaty signed with the EU is likely to have adverse consequences for Turkey. Accordingly, while Turkey having to provide permanent protection of the incoming refugees from Europe after abolishment of the geographic limitation, the transit migrants seeking to reach Europe will also need to be accepted back by Turkey depending on Readmission Treaty (Güleç, 2015:99)

On the other hand, it is sure that as a result of the Readmission Agreement third country nationals will be a burden for Turkey operationally that requires administrative and technical capacity (Nas, 2015:184). Moreover, when readmission demand come to Turkey, the need to built new immigrant reception centers that brings the economic burden, and how to evaluate the “third country nationals” and “stateless person” are likely to be two main problems Turkey should solve (Göçmen, 2014:76).

Grants

For the years 2016 and 2017, a total of 3 Billion Euros within the scope of the Agreement is going to be met by the Budgets of EU and member states. (European Commission, 2016, Access Date:30.01.2019). Second 3 billion Euros aid payment that will paid to Turkey for 2018-2019 was approved at the EU summit held on June 29, 2018. Money commitment by the EU under the Agreement is not direct financial support to Turkey, it is sent in exchange for the projects approved by a special committee established for the program (Mülteciler Derneği, Access Date:30.01.2019).

According to this; Under the Financial Aid Program for 2016-2017, the entire operational fund of € 3 billion was contracted under a total of 72 projects. On the other hand, for the period 2018-2019, it has been committed 1.2 billion Euros and 450 million Euros is linked to the contract (EU Delegation to Turkey (a) Access Date:01.30.2019).

EU Financial Assistance Program for Refugees in Turkey operates in six priority areas namely, “humanitarian aid, migration management, education, health care, municipal infrastructure and socio-economic support”. In the field of humanitarian assistance European Civil Protection and Humanitarian Aid Operations (ECHO); In other areas of Pre-Accession Assistance (IPA), Stability and Peace Contribution Tool (IcSP) and the EU Trust Fund (EUTF) carry out the Implementation of aid activities under the program (European Union Delegation to Turkey (b) Access Date:06.04.2019).

Financial assistance provided by the EU is not used directly by Turkey; it is send to the projects developed for use of the Syrian refugees for their need as health, education, infrastructure food and other expenses. Social Cohesion Assistance provided by Kızılay Kart is an example of these projects (Refugee Association, Access Date: 30.01.2019). Program provides 120 TL cash assistance monthly per family member for migrants living outside the camps by “Kızılay Card” (AA, Access Date:06.04.2019).

Although, 3+3 billion Euros aid corresponds to project from EU expected to arrive depend on the agreement, it is seen that Turkey spent approximately 35 billion dollars until the end of 2018 for Syrians under temporary protection from its own budget as a result of the expenditures such refugee camps in the border, the health and education services and infrastructure development and so on (Mülteciler Derneği, Access Date: 30.01.2019). This is close to 6 times the amount of aid that the 28 EU member states undertake to give.

Status of Refugees After the Agreement

According to the data of the European Commission, while there were approximately 1,740 asylum-seekers moving to the Greek islands in the weeks before the Readmission Agreement, after the agreement, it is seen that the average number of daily arrivals in the period from 21 March 2016 until October 2017 was 90. On the other hand, 5.687 people came to the Greek islands from Turkey was recorded since the Third Report about the progress in the implementation of the Agreement between the EU and Turkey between 28 September-4 December 2016. In the same period of 2015, this number is around 390.000 (European Commission, 2016, Access Date: 30.01.2019). These data indicate that the Treaty plays a deterrent role for asylum seekers on going to the EU.

According to the data of the UNHCR, Germany is the leading country among the member states by hosting 115,604 Syrian Refugees in 2016, when the Readmission Agreement was made. Number of Syrian refugees accepted by EU member states is 217.247 in total.

On the other hand, following the Agreement between April 4, 2016 and April 1, 2019, the number of irregular migrants received from the EU has reached to 1,842, including 351 Syrians.

On the other hand most of those who escaped from the war in their countries could not provide in Europe a source of livelihood, protection, rights and a long-term future for themselves and their families (Crawley and Dimitrisi 2008: 14).

While the number of Syrians under temporary protection status in Turkey was 2.5 million before the agreement made in the year 2016 by the end of the 2015, it has reached 3,641,344 according to the data taken on March 28, 2019. It shows that after this agreement Turkey hosts 1 million more refugees who could go to the EU countries potentially.

After 2016, with the increasing insecurity perception, Turkey, then again after the 1960s, has become an emigration country with asylum applications to industrialized countries. On the other hand, Turkey was regarded as a secure the country by millions of Syrians and other refugees (Sirkeci, 2017:138).

Table 4. Syrian refugees living in EU countries (2016)

Country	Number of Syrian Refugees
Germany	115.604
Austria	14.894
Belgium	4.239
Bulgaria	13.819
Czech Republic	*
Denmark	12.988
Estonia	*
Finland	565
France	5.179
Southern Cyprus	3.110
Croatia	*
Holland	16.184
Britain	6.496
Ireland	*
Spain	1.992
Sweden	8.695
Italy	1.460
Latvia	*
Lithuanian	*
Luxembourg	*
Hungary	*
Malta	1.328
Poland	*
Portugal	*
Romania	1.591
Slovakia	*
Slovenia	*
Greece	9.101
TOTAL	**217.245**

Source: UNHCR, 2017, Access Date: 30.01.2019.

Within the framework of these data, it is possible to say that the readmission agreement with the member states of the EU has succeeded in cutting an influx of asylum seekers. On the other hand, Turkey has been forced to host more than 1 million Syrian refugees by giving temporary protection status after the Agreement.

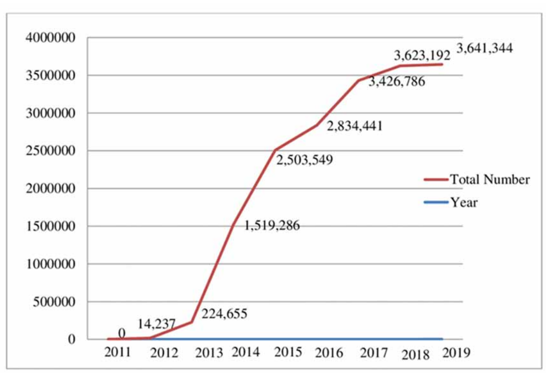
Therefore, Turkey should call for international support from developed countries not only for financial aid but also for sharing more issue against one of the largest immigration flow in the recent history. It is

Table 5. Delivery irregular migrants

Nationality	Total	Nationality	Total
Pakistan	710	Ghana	7
Syria	351	Tunisian	5
Algeria	193	Ivory	5
Afghanistan	105	Haiti	4
Bangladesh	101	Lebanon	4
Iraq	92	Mali	4
Morocco	56	Dominican	3
Iranian	50	India	3
Egypt	23	Sierra Leone	3
Nigeria	20	Yemen	2
Sri Lanka	17	Congo	2
Democratic Congo	16	Burkina Faso	1
Cameroon	15	Gambia	1
Nepal	11	Comoros	1
Myanmar	9	Niger	1
Guinea	9	Sudan	1
Palestine	8	Jordan	1
Senegal	7	Zimbabwe	1
GENERAL TOTAL		**1.842**	

Source: T.C. İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, "Geri Alım", Access Date: 06.04.2019

Figure 1. Temporary protection according to years
Source: *T.C. İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, "Geçici Koruma", Access Date:30.01.2019.*



important that the developed countries accept more Syrian refugees with extended resettlement programs. If not Turkey will continue to be a center for sheltering more refugees (Stars and Uzgören, 2016: 14).

RECOMMENDATIONS

EU should develop new multicultural and hospitable migrant policies to protect its founding principles. It is needed for its future labor need because of its olding population.

FUTURE RESEARCH DIRECTIONS

The results of this research show that there is a need for researches on the EU's development of multicultural and humanitarian policies that will also provide the labor force it will need in the future without isolating.

CONCLUSION

Although the European Union has emerged on the basis of economic cooperation, it has taken its place in the world history as a supranational model that takes political and social integration under principle of protecting humanitarian values based on freedom and equality within its borders. Therefore first it tried to respond the labor force that came with foreign immigration for developing collapsed Europe, with its own law supporting a multi-voice and multicultural social structure. Later, differences in immigrant policies of member countries appeared as a result of decrease in the need for employment as result of technological development and the integration of the Eastern Bloc countries to EU. This process has sustained later with the occurrence of a negative perception between migrants and indigenous people by the fact that EU was late in putting forward a common immigration policy as a single political structure and the governments of member states failed to produce multicultural integration policies for the adaptation of migrants to the European culture.

In this process, the fact that the Turks did not break their ties with Turkey and protect their Islamic identity caused them to become targets for radicals with the rise of political parties who advocate a single-cultural structure. Although the third generation of Turks started to define their self with the European Identity, Turks are the group that least fit to the integration in Europe because of their historical and cultural ties with Turkey. The fact that Turks came to Europe in a planned way as workers for contribution to the EU economy, and having a chance to open up a special field for them, has now made them an integral part of Europe.

At the beginning of the 21st century, the process called Arab Spring became a transcontinental humanitarian problem while it was a political crisis in North Africa. While it expanded into Europe as a point of attraction for migrants with the level of prosperity and development, it also brought a crisis in terms of EU's immigration policies. Therefore security policy that is the product of Fortress Europe idea became initial policy. This policy has leaved millions of asylum-seekers who come to European Gates with their fate at the expense of their deaths. Only those who have the qualified labor force to substitute for the aging population of the EU have been the exception. It is clear that this population will not be so fortunate in preserving their own identities compared to Turks in Europe who, in a planned manner, have migrated to Europe and have a chance to continue their ties with their own countries. With the adoption only of qualified employment, the EU has returned to its policy of establishment based on its economic motto. Turkey has been primarily partner as a result of The EU's strategy for finding solution to immigration problem by cooperation with countries outside of the Union at the scope of security policy of it.

Readmission Agreement has led to the burden for Turkey by hosting more than 1 million Syrian Refugees addition to present 2,5 million refugees and improving institutional and organizational capacity related to border security. 3+3 Billion Euros aid promised by the EU under the agreement is project-based and far behind 35 billion dollar spent of Turkey directly for 3,5 million Syrian asylum seekers. Again, Visa Exemption issue that was promised to Turkey under the Agreement is also inconclusive like Turkey's EU membership issue because of EU's political benchmarks that are considered sensitive by Turkey.

As a result, it can be said that the EU's freedom, equality and human rights discourses are applicable in their own borders and for their own nationals and only migrants with qualified labor force and integration who will contribute to the welfare of the EU have a place in Fortress Europe.

REFERENCES

AA. Kızılay Kart'a yeni AB desteği, 23.07.2018. Retrieved from https://www.aa.com.tr/tr/dunya/kizilay-karta-yeni-ab-destegi/1211486

Akdoğan, M. (2018). Avrupa Birliği'nin Sınırlarına Dayanan Mülteci Krizi ve Yönetimi. *Uluslararası İlişkiler ve Diplomasi Journal*, *1*(1), 48–74.

Alanya, A. ve Swyngedouw, M. (2014). Şehir Bağlamı ve Türk Göçmenlerin Ayrımcılık Algısı: İki Belçika Şehrinin Eğilim Skoru Eşleştirmesiyle Karşılaştırması. *Türk Psikoloji Yazilari*, *17*(34), 53–65.

Arsava, A. F. (2005). Avrupa Temel Haklar Şartı. *Ankara Avrupa Çalışmaları Journal*, *5*(1), 35–63.

Avrupa Birliği Official Website. Retrieved from https://www.avrupa.info.tr/tr/goc-politikalari-6892

Avrupa Birliği Türkiye Delegasyonu. Türkiye'deki Mülteci Krizine Avrupa Birliği'nin Müdahalesi. Retrieved from https://www.avrupa.info.tr/tr/turkiyedeki-multeci-krizine-avrupa-birliginin-mudahalesi-710

Avrupa Komisyonu. (2016) Üçüncü Vize Serbestîsi Raporu. Retrieved from http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/proposalimplementation-package/docs/20160504/third_progress_report_on_turkey_visa_liberalisation_roadmap_en.pdf

Aydemir, N., ve Keskin, G. (2017). AB - Türkiye İlişkilerinde Göç: İlerleme Raporları Üzerine İçerik İncelemesi, Süleyman Demirel Üniversitesi İktisadi ve İdari Bilimler Fakültesi Journal, 22, Special Number of Göç, p. 1457-1472.

Bayhan, T. (2010). Avrupa Birliği Ülkelerinde Türk İşçilerinin Serbest Dolaşım ve Aile Birleşimi Hakları, Sorunlar ve Beklentiler. *Çalışma İlişkileri Journal,* 1(1), p. 173-206.

Bilgiç, A., ve Michelle P. (2017). Avrupa Birliği ve mülteciler. Avrupa'nın kaderi için mücadele. *Küresel İlişkiler*, *3*(1), 89–97.

Bingöl, A., ve Özdemir, M. (2014). Almanya ve Hollanda'da Türk Göçmen İşçi Çocuklarına Uygulanan Eğitim Politikaları. *Türk Eğitim Bilimleri Journal*, *12*(2), 134–157.

Bodur, H. E. (2008). Türkiye-AB İlişkileri ve Din Eleştirel Bir Yaklaşım, *KSÜ İlahiyat Fakültesi Journal*, 11, p. 1-30.

Çakran, Ş., ve Eren, V. (2017). Mülteci Politikası: Avrupa Birliği ve Türkiye Karşılaştırması, Mustafa *Kemal Üniversitesi Sosyal Bilimler Enstitüsü Journal*, 14(39), p. 1-30.

Canpolat, H., ve Arıner, H. O. (2012). Küresel Göç ve Avrupa Birliği ile Türkiye'nin Göç Politikalarının Gelişimi. ORSAM. Report No: 22.

Çelik, S., ve Aydın, A. (2016). Türkiye'de Suriyeli Sığınmacı Krizinin Avrupa Birliği İlişkisine Yansımaları. In Proceedings IMUCO–April 21-22, 2016 Antalya, p. 837-846.

Coştu, Y. (2016). Göçmenlerin Kimlik Arayışı -Avrupalı Türkler Örneği-. *Hitit Üniversitesi Sosyal Bilimler Enstitüsü Journal*, *9*(2), 533–546.

Crawley, H., ve Dimitris, S. (2018). Her ikisi de mülteciler, göçmenler: Kategorik fetişizm ve Avrupa'nın göç krizinde sınırlama politikası. *Etnik ve Göç Çalışmaları Dergisi*, *4*(1), 48–64.

Değirmenci, G. (2011). Avrupa Birliği Göç Politikası Kapsamında Fransa'nın Göç Politikası, (Master Thesis), Istanbul University, Institute of Social Sciences, Department of European Union, Istanbul.

Değirmenci, S. (2018). Avrupa ve diğer ülkelerde yaşayan Türk nüfusu 24 Mayıs 2018. Retrieved from https://egezegen.com/yasam/avrupa-ve-diger-yabanci-ulkelerde-yasayan-turk-nufusu/

Demir, O. Ö., ve Soyupek, Y. (2015). Mülteci Krizi Denkleminde AB ve Türkiye: İlkeler, Çıkarlar ve Kaygılar. Global Politika ve Strateji Analiz 6, Ankara, Turkey.

Demiray, V. (2014). Avrupa Birliği'nde İşçilerin Serbest Dolaşım Hakkı ve Türk İşçilerinin Durumu. T.C. Çalışma ve Sosyal Güvenlik Bakanlığı Avrupa Birliği Koordinasyon Dairesi Başkanlığı Avrupa Birliği, Expertise Thesis, Ankara, Turkey.

Dışişleri Bakanlığı Avrupa Birliği Başkanlığı, T. C. (2011). BİR BAKIŞTA AB/Üye Devletler. Retrieved from https://www.ab.gov.tr/_233.html

Elmas, F. Y. (2016). Avrupa Birliği Göç-Dış Politika İlişkisinde Paradigma Değişimi, [Published PhD Thesis], Ankara Üniversitesi, Institute of Social Sciences Department of European Union and International Economic Relations, Ankara, Turkey.

Erdemir, G. D. (2013). Türkiye'nin Avrupa Birliği Entegrasyon Sürecinde Yasa Dışı Göç Ve Mülteci Sorunları, T. R. Trakya University Institute of Social Sciences Department of International Relations Master Thesis, Edirne.

Erdoğan, M. (2016). İlkeler-Çıkarlar İkileminde Türkiye-AB Mülteci Uzlaşısı, İktisadi Kalkınma Vakfı. Mülteci Krizi Ekseninde Türkiye-AB İşbirliği. Editörler: Demir, O.Ö. ve Soyupek,Y.İktisadi Kalkınma Vakfı Publications, Publication No. 289, İstanbul, Turkey.

Erdoğan, M. M. (2015). Avrupa'da Türkiye Kökenli Göçmenler ve 'Euro-Turksbarometre' Araştırmaları. *Göç Araştırmaları Journal, 1*(1), 108–148.

Erdoğan, S. (2007). İngiltere'de Yaşayan Türk Sığınmacılar, Sığınma Arayanlar İltica Etme Nedenleri ve Karşılaştıkları Güçlükler, *Hacettepe Üniversitesi Sosyolojik Araştırmalar E-Journal,* Retrieved from http://www.sdergi.hacettepe.edu.tr/makaleler/serdogan.pdf

Eren, S. (2007). Göç, Toplumsal Değişme ve Din: Avrupa'ya Göç eden Türkler Bağlamında Bir Değerlendirme. *Cumhuriyet Üniversitesi İlahiyat Fakültesi Journal*, *11*(2), 267–288.

European Commission. (2016). Fact sheet implementing the EU-Turkey statement – questions and answers, Dec. 8, 2016. Retrieved from https://www.avrupa.info.tr/sites/default/files/2017-09/MEMO-16-4321_EN_0.pdf

European Commission. (2018). Integration of immigrants in the European Union, Special Eurobarometer, April 2018.

European Commission. (2016, Aug. 9). Managing the refugee crisis: the facility for refugees in Turkey. Retrieved from https://ec.europa.eu/homeaffairs/ sites/homeaffairs/files/what-we-do/policies/european-agendamigration/ backgroundinformation/ docs/20160420/factsheet_financing_of_the_facility_for_refugees_in_ turkey_en.pdf

Gençler, A. (2005). Avrupa Birliği'nin Göç Politikası, *Sosyal Siyaset Konferansları Journal,* 2005, 49, pp. 173-197.

Göçmen, İ. (2014). Türkiye Avrupa Birliği Arasındaki Geri Kabul Anlaşmasının Hukuki Yönden Analizi. *Ankara Avrupa Çalışmaları Journal*, *13*(2), 21–86.

Göçmen, İ., ve Tezcan, N. (2014). Avrupa Birliği'ndeki Türk Vatandaşları ve Aile Birleşimi, *Ankara Barosu Journal,* 4, pp. 607-622.

Göker, G. ve Meşe, G. (2011). Türk Göçmenlerin İtalyanlara Bakış Açısı: Bir Kültürlerarası İletişim Araştırması. *Selçuk Üniversitesi İletişim Fakültesi Akademik Journal*, *7*(1), 65–82.

Güleç, C. (2015). Avrupa Birliği'nin Göç Politikaları ve Türkiye'ye Yansımaları. *Journal of TESAM Akademy*, *2*(2), 81–100.

Gülten, U. (2010). Avrupa Birliği Üyesi Ülkelerde Kaçak İşgücü Göçü ve Türkiye. Dokuz Eylül University Institute of Social Sciences Department of Labor Economics and Industrial Relations Labor Economics and Industrial Relations Program Master Thesis, Izmir.

Güngör, D. (2014). İkinci Kuşak Avrupalı Türklerde Psikolojik Entegrasyon ve Uyum: Çift Boyutlu Kültürleşme Temelinde Karşılaştırmalı Bir Derleme, *Türk Psikoloji Yazıları*, Dec. 17(34), pp. 16-31.

Güngör, D., ve Baysu, G. (2014). Önsöz: 50 Yılın Ardından Avrupa'daki Türkiyeli Göçmenler: Psikolojik ve Sosyolojik Yaklaşımlar. *Türk Psikoloji Yazilari*, *17*(34), 1–2.

Habertürk. (2019). Hangi ülkede kaç Türk vatandaşı yaşıyor?, Retrieved from https://www.haberturk.com/hangi-ulkede-kac-turk-vatandasi-yasiyor-2346034

Hopyar, Z. (2016). Avrupa'nın Mülteci Politikası. *Uluslararası Politik Araştırmalar Journal*, *2*(3), 59–67.

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü T. C. (n.d. e), Göç Projeleri. Retrieved from http://www.goc.gov.tr/icerik3/goc-projeleri_363_378_10095

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, T. C. (n.d. a), Geçici Koruma. Retrieved from http://www.goc.gov.tr/icerik6/gecici-koruma_363_378_4713_icerik

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, T. C. (n.d. b), Geçici Korumanın Unsurları, Feb. 2, 2015. Retrieved from http://www.goc.gov.tr/icerik6/gecici-korumanin-unsurlari_409_558_1095_icerik

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, T. C. (n.d. c), Genel Bilgi, June 3, 2015. Retrieved from http://www.goc.gov.tr/icerik6/genel-bilgi_409_558_1094_icerik

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, T. C. (n.d. d), Geri Alım. Retrieved from http://www.goc.gov.tr/icerik6/geri-alim_363_378_10093_icerik

İktisadi Kalkınma Vakfı. (2016). Mülteci Krizi Ekseninde Türkiye-AB İşbirliği. İktisadi Kalkınma Vakfı Publications, Publication No. 289, Istanbul.

Kanık, C. (2018). Türk Kökenli Göçmenlerin Kimlik Yönelimi. *Hitit Üniversitesi Sosyal Bilimler Enstitüsü Journal*, *11*(1), 227–246.

Kaplan, N. A. (2014). AB Ülkelerinde Mesleki Eğitim Uygulamaları ve Göçmenlerin Entegrasyonuna Etkileri. Yurtdışı İşçi Hizmetleri Çalışma ve Sosyal Güvenlik Bakanlığı Dış İlişkiler ve Yurtdışı İşçi Hizmetleri Genel Müdürlüğü. Expertise Thesis, Ankara.

Kaya, A. (2015). Euro-Türkler, Kuşaklararası Farklılıklar, İslam ve Entegrasyon Tartışmaları. *Göç Araştırmaları Journal, 1*(1), 44–79.

Kaya, İ. (2011). Avrupalı Türkler: Misafir İşçilikten Avrupa Vatandaşlığına. *Doğu Coğrafya Journal*, *13*(19), 149–166.

Kıbrıs Gazetesi. Güney Kıbrıs'ta nüfus yaşlanıyor. Retrieved from https://www.kibrisgazetesi.com/haber/guney-kibrista-nufus-yaslaniyor/31796

Koç, M. (2013). Diasporada Dindarlık ve Umutsuzluk: Fransalı Müslüman-Türk Azınlık Grup Üzerine Ampirik Bir Araştırma, *Atatürk Üniversitesi İlahiyat Fakültesi Journal,* 39, p. 415-441.

Koçak, O., & Gündüz, R. D. (2016). Avrupa Birliği Göç Politikaları ve Göçmenlerin Sosyal Olarak İçirilmelerine Etkisi. *Yalova Sosyal Bilimler Journal*, *6*(12), 66–91. doi:10.17828/yalovasosbil.288377

Kütük, B. Ş. (2017). Hollanda'ya Gerçekleştirilen Türk Göçü ve Ulusötesi Faaliyetler, *Sosyoloji Konferansları*, 55, p. 85-106.

Manço, A. (2000). Belçika'da Türklerin 40 Yılı (1960-2000) Sorunlar, Gelişmeler, Değişmeler. *Muğla Üniversitesi SBE Journal*, *1*(1), 119–133.

Mülteciler Derneği. Avrupa Birliğinden 3 milyar Euro geldi mi? Retrieved from https://multeciler.org.tr/avrupa-birliginden-3-milyar-euro-geldi-mi/

Nas, Ç. (2015). Türkiye-AB İlişkilerinde Geri Kabul ve Vize Serbestliği: Hareketliliğin Yönetimi. Marmara Üniversitesi Avrupa Topluluğu Enstitüsü Avrupa Araştırmaları. *Journal*, *23*(2), 169–186.

Nas, Ç. (2016). Türkiye-AB Vize Serbestliği Diyaloğunun Üyelikle Paralel Hikâyesi,-Mülteci Krizi Ekseninde Türkiye-AB İşbirliği. Editörler: Demir, O.Ö. ve Soyupek,Y. İktisadi Kalkınma Vakfı Publications, Publication No: 289, Istanbul, Turkey.

Özay, B. (2008). Avrupa Birliği Göç ve İltica Paktı" tartışılıyor, 27.11.2008. Retrieved from https://www.dw.com/tr/avrupa-birli%C4%9Fi-g%C3%B6%C3%A7-ve-iltica-pakt%C4%B1-tart%C4%B1%C5%9F%C4%B1l%C4%B1yor/a-3827099

Özdal, B. (2008). Türkiye'nin Avrupa Birliği'ne Üyelik Süreci Bağlamında Avrupa Birliği'nin Göç Politikası ve İstihdam Stratejisi. *ISGUC The Journal of Industrial Relations and Human Resources*, *10*(3), 89–121. doi:10.4026/1303-2860.2008.0080.x

Özer, Y. Y. (2010). Yasadışı Göçün Kontrolünde Destekleyici Düzenlemelerin Rolü: Avrupa Birliği ve Türkiye Örnekleri. Örgütlü Suçlar ve Yeni Trendler, Demir, O.Ö. ve Sever, M. (Ed.), Polis Akademisi, Ankara, Turkey.

Özerim, G. (2014). Avrupa'da Göç Politikalarının Ulusüstüleşmesi ve Bir Güvenlik Konusuna Dönüşümü: Avrupa Göç Tarihinde Yeni Bir Dönem Mi?, *Ege Stratejik Araştırmalar Journal,* 1, p. 11-48.

Şahin, B. (2010). Almanya'daki Türk Göçmenlerin Sosyal Entegrasyonunun Kuşaklar Arası Karşılaştırması: Kültürleşme, *Bilig Journal,* (Fall) 55, pp. 103-134.

Samur, H. (2008). Avrupa Birliği'nde Göçe Yönelik Global Yaklaşım. *Uluslararası İnsan Bilimleri Journal*, *5*(2), 1–16.

Schaefer, S., Austin, G., & Parker, K. (2005). *Turks in Europe: Why are we afraid?* London, UK: The Foreign Policy Centre.

Şen, Y. F., ve Özkorul, G. (2016). Türkiye – Avrupa Birliği İlişkilerinde Yeni Bir Eşik: Sığınmacı Krizi Bağlamında Bir Değerlendirme. *Göç Araştırmaları Journal,* 2, 2, (July-December), pp. 86-119.

Sever, H., ve Sever, M. (2013). Avrupa Birliği ve Türkiye Ekseninde Yasadışı Göç ve İltica Paradoksu: Domino Etkisi Sonrası Yaşananlar. *Polis Bilimleri Journal*, *15*(2), 85–108.

Sirkeci, İ. (2017). Türkiye'nin mültecileri, Suriyelileri ve Türkiye'den gelen mülteciler: Güvensiz bir ülke. *Göç Mektupları*, *14*(1), 127–144.

Soytürk, M. (2012). Türkiye'den Avusturya'ya İşgücü Göçü, Turkish Studies, 7/3, Summer, p. 2313-2328.

Türkiye Cumhuriyeti Avrupa Birliği Bakanlığı. (2013). Türkiye-AB Vize Muafiyeti Süreci ve Geri Kabul Anlaşması Hakkında Temel Sorular ve Yanıtları. Retrieved from https://www.ab.gov.tr/files/pub/turkiye_ab_vize_muafiyeti_sureci_ve_geri_kabul_anlasmasi_hakkinda_temel_sorular_ve_yanitlari.pdf

Türkiye Cumhuriyeti Dışişleri Bakanlığı. (n.d.). Vatandaşlarımızın Schengen Alanına Vizesiz Seyahati, Geri Kabul Anlaşması ve Göç Eylem, Planı. Retrieved from http://www.mfa.gov.tr/soru-cevap.tr.mfa

Türkiye Delegasyonu, A. B. (a), Türkiye'deki Mülteciler için AB Mali Yardım Programı Taahhüt edilen / karar verilen, sözleşmeye bağlanan ve ödemeleri yapılan projelerin listesi. Retrieved from https://www.avrupa.info.tr/sites/default/files/uploads/1801_facility_table_tr_final.pdf

Türkiye Delegasyonu, A. B. (b), Türkiye'deki Mülteci Krizine Avrupa Birliği'nin Müdahalesi. Retrieved from https://www.avrupa.info.tr/tr/turkiyedeki-multeci-krizine-avrupa-birliginin-mudahalesi-710

UNHCR. (2017). Yearbook 2016. Retrieved from https://www.unhcr.org/en-us/statistics/country/5a8ee0387/unhcr-statistical-yearbook-2016-16th-edition.html

UNHCR. BM Mülteci Örgütü, Mülteci Kimdir?, 14 Ocak 2009. Retrieved from https://www.unhcr.org/tr/multeci-kimdir

Uzun, M., ve Özer, M. A. (2016). Avrupa Birliği'nin Göç Politikalarına Dair Değerlendirmeler. 2nd International Congress on Applied Sciences: Migration, Poverty and Employment - UUBK'2016, pp .77-85.

Yıldız, A., ve Uzgören, E. (2016). Geçici korumanın sınırları: İzmir'de kamp olmayan Suriyeli mülteciler. *Güneydoğu Avrupa ve Karadeniz Çalışmaları*, *16*(2), 195–211.

Yılmaz, G. (2005). Emek Göçünün Tarihsel Arka Planı AB'deki Göçmen İşçilerin Durumu, *Türk Tabipleri Birliği Mesleki Sağlık ve Güvenlik Journal*. *July-August-September*, *2005*, 2–7.

Yontar, İ. G., ve Savut, E. (2016) Seçilmiş Avrupa Ülkeleri ve Türkiye'de Göçmenlerin Siyasi Katılımı, *Yönetim Bilimleri Journal,* 14, 28, p. 251-288.

Yücel, A. (2015). Batı Avrupa'da Göçmenliğin Değişen Algısı ve Türkiye Kökenli Göçmenler, *İdealkent,* 6(15), pp. 66-99.

KEY TERMS AND DEFINITIONS

Grant: Unrequited financial aid.
Identity Problem: Uncertainty in social status in society.
Migration Policies: Creating and implementing law for immigrants.
Perception: Any sense or opinion that occurs as a result of a thing.
Readmission Agreement: Agreement between the two parties stipulating extradition of illegal migrants.
Status of Refugees: Title that determines the rights of immigrants.
Visa Free Dialogue: Negotiations between the two sides for the abolition of visas.

ENDNOTES

1 Concept of Fortress Europe emerged as a means of military propaganda used by Nazi Germany to express the need to protect European territory against the United Kingdom during World War II (Sever and Sever, 2013: 89).
2 While the control and supervision of the external borders is the responsibility of the member states, FRONTEX has been created to facilitate the implementation of existing and future community arrangements (Özer, 2010: 200-201).
3 It is the number belonging to the Turks who has Turkish citizenship.
4 T.C. Dışişleri Bakanlığı Avrupa Birliği Başkanlığı, 2011, Access Date:06.04.2019
5 Kıbrıs Gazetesi, Access Date:06.04.2019
6 Determining life as religious and accepting it above all other thoughts
7 When faced with dangers, it is aimed at reaching the utilitarian and non-religious goals that include personal safety.

Chapter 29
EU Media Policies in the Context of Media Pluralism and Turkey's Consistency

Vedat Çakır
https://orcid.org/0000-0001-9445-7420
Selcuk University, Turkey

Sibel Ozkan
https://orcid.org/0000-0003-4088-4405
Selcuk University, Turkey

ABSTRACT

Media pluralism is one of the basic principles of EU media policies, which enables the protection of cultural diversity and the representation of different voices in the media. One aim of media pluralism is to provide a cultural flow between all member and candidate countries that make up the Union, giving right of representation to each component, while the other is to ensure that the different voices in the countries are heard. However, this economy-centered audio-visual policy, which is based on the free circulation of television broadcasts within the Union, has been criticized for increasing the commercialization, not supporting public service broadcasting enough, and for being inadequate against the concentration in the sector. This chapter examines steps taken when reviewing the legislation on media pluralism in the EU and the reflection of Turkey's media policies and media pluralism in the application of these policies.

INTRODUCTION

The fact that Continental Europe has witnessed human rights struggles throughout the 18th century has led to the adoption of human rights-based governance for the new states established in the region. The empires were destroyed and the nation-state understanding was effective on the whole continent. In Europe, which is shaped by this understanding, there is a need to gather under the single roof of supranational framework while considering common values and economic interests. After the World

DOI: 10.4018/978-1-7998-1188-6.ch029

War II, the foundations of the European Union were laid with the association agreements. These agreements, which aim to bring Europe to a level of development at which it can compete with the world economically, were demanded to be guaranteed through the provision of cultural unity and solidarity. The Treaty of Rome signed in 1957 for this purpose is one of the founding treaties of the EU and remains a mechanism that directly affects the domestic law of the member states. Starting with six countries, EU now has twenty-eight member countries and five candidate countries including Turkey. Although Turkey became a candidate country in 1999 and the negotiation process started in 2005, the process of Turkey's EU membership has continued for more than half a century. Turkey has signed important agreements like the European Economic Community (1963) and European Union- Turkey Customs Union (1996) which are important agreements in terms of EU.

As mentioned above, the European Union has shaped its common framework around human rights, which have been violated for centuries and achieved through long and hard struggles. According to Article 2 of the Treaty on European Union (1957), one of the basic treaties of the European Union and also known as the Treaty of Rome, the Union is based on the values of respect for human rights including respect for human dignity, freedom, democracy, equality, the rule of law and the rights of persons belonging to minorities. For this reason, the Union gives importance to the policies followed by the candidate countries in this respect. Referring to Turkey-EU relations, the periods during which human rights violations are experienced most in Turkey are seen as the periods where the relations are most damaged. After the 1980 coup in Turkey, the relations were suspended and a fifteen-year recession was experienced. The most important reason behind this situation are the anti-democratic decisions that were implemented by Turkish Government after the coup, such as death penalties, closure of non-governmental organizations and parties that provided multivocality. Turkey's entry into the martial law period after the coup attempt occurred in 2016 and its domestic policy followed during this time has brought it's relations with the EU to a breaking point. Therefore, it can be said that there is a direct relationship between the provision of internal democracy and the development of EU contacts.

EU policies are based on protecting values such as democracy, freedom, justice and equality. In order to achieve the desired democratic level, both the EU and each state within the EU must provide for each individual the rights of cultural diversity, plurivocality and legal equality. The policy of pluralism applied for the protection and development of these rights is a political method in which different voices are represented. Pluralist democracy is a form of government in which all dynamics in society are represented and included in the decision making process. Pluralism is a polical economy process and can have a positive effect if it is adopted as a mission in many areas. The media, which today penetrates a large part of social life, has an effective role in providing pluralism by incorporating all the dynamics of society. The fact that each segment of the society has a channel in which it can express its own culture, problems and values is related to the provision of media pluralism. Given its cultural effectiveness and role, the media provides a wide range of opportunities for the establishment and development of democratic values. The use of these broad facilities is made possible to the extent that is allowed and encouraged by the states' media policies.

In this study, firstly, the pluralism approach adopted by the EU as a form of government will be explained and then the EU's steps taken to ensure media pluralism and its reflections in the legislation will be examined. In this context, it is brought into light how Turkey's rules, with Turkey's status as an EU candidate country, adapt to the policies in question (pluralistic policies) and to what extent these laws are implemented. The data obtained in this study, are discussed in perspective of how policies of EU and Turkey are taken into consideration in media pluralism applications.

PLURALIST DEMOCRACY AND MEDIA

The pluralist view that appeared and developed as a political attitude emerged as one of the basic concepts of liberal democracy in the early periods of liberalism. In the classical sense, pluralism refers to the functioning of the state's legislative, executives and judicial bodies to be independent of each other and be monitors of each other. In a modern sense, pluralism refers to a thought that advocates that all segments of society can express themselves, regardless of differences such as religion, language, ethnicity, gender, age, geographical distribution etc. The emergence of this view has been influential in the efforts of an uncontrolled majority to overthrow the minority. According to the pluralist view, differences are nutritional elements, not destructive (Aydın, 2001: 8). A sustainable social structure and management can only be ensured by the right of all segments of society to decide on the administration.

There are three distinct applications in pluralist democracy (Türköne, 2008: 202).

- Political power has been widely distributed among numerous groups competing with each other,
- Group leaders have a serious responsibility towards their members,
- There is a democracy that is open to the influence of each group and which is not monopolized by a particular group.

This participatory understanding of the administration is close to the understanding of democracy in parliamentary systems. However, the idea of pluralist democracy is to include all ideas in the management and decision-making process without any voting. Pluralist democracy does not only occur through representative democracy but also through creation of public opinion and direct decision-making through different groups such as civil society organizations, trade unions and political parties, with no involvement of elections. It is not for the states that have adopted participatory democracy in this day and age to possible to turn away from pluralism. Modern states have to give importance to diversity and pluralism in order to receive international recognition, to improve trade and to receive funds from certain aids (Gündoğan, 2002:2).

Two elements stand out in the provision of media pluralism: diversity and media ownership. Due to the natural connection among them, it is not possible to think about these three concepts separately. Diversity is a necessity in ensuring pluralism. The representation of different cultures, ethnic structures and languages in the media serves to provide diversity. However, political economy of media is determinative in assuring diversity. This situation creates problems in the production of basic policies related to pluralism. One of the most important obstacles in the implementation of the pluralism policies of contemporary societies is the media concentration. Concentration means that mass media are in the hands of few large companies, which results in the representation of a limited part of the society in the mainstream media.

The transformation of mass communication into a sector that needs large capital with developing technology causes the companies that do business in many different areas to dominate media sector. Businessmen operate in visual, auditory and printed media, bringing a significant portion of national broadcasting organs under their hands and leading to cross-monopolization (Kuyucu, 2013, 160). For these investors, the media is completely a business and operates on profit. In this sense, the social responsibilities on the media are taken into account as required by the relevant regulations.

Reporters Without Borders asserted in their report on media pluralism in 2016 that in order for a media organization to be pluralistic, the owner, partner or supporters (advertiser) should not be involved in the content, and that the media organization should maintain its editorial independence. On this and similar practices, European Union lawmakers are doing researches and trying to find solutions.

The Principle of Pluralism in EU Media Policies

Freedom of expression and the right to information are prioritized in the Charter of Fundamental Rights of the European Union; according to Article 11, media freedom and pluralism should be respected (European Commission, SEC (2007) 0032). The European Union has many differences within itself, along with the convergence of states with common values. In order to achieve its democratic initiatives, the Union must guarantee the right of all sections of society to express themselves in a way that is based on equal opportunities in all areas from politics to social life. The state taking the responsibility of ensuring pluralism in media and the development of its laws in this direction is one of the policies that the European Commission has committed to and closely followed.

The EU 's Audiovisual Media Services Directive - AVMSD (2006) states that the media is a cultural as well as economic service. For this reason, the EU Commission states that member states should do what is necessary to improve the pluralism of the media and to ensure cultural diversity. First, it was found that lawmakers should be independent from national governments and audiovisual media service providers so that they can conduct their work impartially and transparently and contribute to pluralism (Commission of the European Communities, 2005, s.19).In order to ensure the pluralism of the media, it was decided that 'independent regulators' meeting the qualifications would manage and control the process.

According to the Media Pluralism report in the EU Member States in 2007, which was published by the European Commission in 2007, many analysts and observers stated that media pluralism meant almost exclusively the plurality of media ownership. According to this understanding, the expectation of the Commission from the member states is that the terms of media ownership should be followed to a level that it creates competition. According to the Commission, states should try to multiply the number of media ownership by practices such as low taxes, incentive allowances, flexible publishing rules etc. It was also stated in the report under discussion that pluralism in media ownership is necessary but not sufficient. In the media, it is necessary to support pluralism together with all other instruments and to diversify and enrich the media content.

The EU should support the development of this market. Media programs[1] are designed to improve the European audio-visual market and to take necessary measures to prevent the destruction of cultures and languages in small countries (Gül, 2013, 239). Media programs are primarily aimed at training professionals in the media field, developing program construction projects, promoting and distributing films and programs, supporting film festivals and producing new technologies in this area. The Media 2007 program, which was realized between 2007-2013, has invested in the development of the European audio-visual sector with a budget of 755 million Euros (eacea, 2013, para. 1). In this program, both the development of the market and the provision of pluralism were highlighted with the budget allocated to the member and candidate countries. When the outcomes of the program are examined, it can be seen that the concern of the emergence of minority cultures and their introduction is being emphasized.

Although the implementation of pluralist policies has been emphasized in order to make the European media more democratic, it has been too late to produce a direct policy on how pluralism can be realized. However, how the EU will behave in the face of violations of rights is determined from the first treaty. The founding treaty of the European Union states that in case of violation of rights, if 4/5 of the Member

States accept the risk of this violation, sanctions can be imposed on the state concerned. When these violations are identified, sanctions can be imposed on the member state, such as the suspension of the right to vote on the council (Akt. Gül, 2013: 85).

One of the most important attempts to create diversity in the media is public service broadcasting. The concept was first proposed by the BBC's first director, John Keith, and it can be understood as 'publishing for the people, funded by the public and controlled by the public' (Bianet, 2013, parag.1-2).In this kind of broadcasting approach, the budget that finances the media organization is usually collected from the citizens through taxation. The construction of the system in this way means the equal representation of all citizens in the public service broadcaster. The Green Paper[2]of the European Commission published in May 2003, in its Public Broadcasting System Protocol, emphasized that public broadcasting in member states is directly related to protecting the democratic, social and cultural needs of all communities and the media pluralism (Green Paper on Services of General Interest, 2003, s. 5).Thus, a system has been developed to clearly differentiate public broadcasting from commercial and state broadcasting companies, and to decide the content in line with demands from the base, not from the top.

Whether media pluralism is ensured or not is supervised both by the EU Commission and by various non-governmental organizations. Brogi Elda, the scientific coordinator of the Centre for Media Pluralism and Freedom, explains the criteria which determine the pluralist structure in the media as follows (Erem, April 30, 2015, Birgün):

There are certain criteria we use in our research. These include the distribution of media ownership and the laws governing it, the media representation of different geographical, political and cultural groups and their access to the media, the existence of laws governing it, the prevalence and speed of Internet access, the working conditions of journalists, the freedom of the press and freedom of expression, independence of the regulatory authorities in media, the prevalence of censorship on certain issues, the regulations governing the representation and public broadcasting of different opinions in public broadcasts, the influence and pressure of politics and government on the media, the number of journalists charged with crimes like 'slander', the function of the right to information, the presence of different media types and many other criteria.

It is seen that many variables ranging from the penalties taken by journalists to the ownership structure in the media are the gears of the pluralism mechanism. As stated at the beginning of the study, in order for liberal pluralist policies to be effective, the steps to be taken in this direction should be planned as a mission to cover all areas of social life. Pluralism can be operative when it is adopted by the state or government as a perspective, not a policy. But because the social structure always has a nature in which the balance of power is changing with certain sectors getting exalted and the others suppressed, pluralist policies are stuck in a limited area.

Media Pluralism Policies and Practices in Turkey

The Commission, which cannot place its initiatives on media pluralism on a level surface, has put legislation on protection of minorities in the Amsterdam Treaty (1997) as a criterion to be fulfilled only by candidate countries as if they had achieved all pluralism targets within the EU (Gül, 2013:287).This has led to an incompatible development of the legislation between the member and candidate countries, along with the elimination of the obligation to develop legislation related to the minorities of member states. In the White Paper[3] published in 2003, it was proposed that the issue of pluralism be left to the member states, as a precautionary cooperation between the Commission and the national regulators in the Member States (Gül, 2013:283).In other words, one hand the states will take the measure of concentration in the media as if they are independent of the global economy and on the other hand they will be supervised by the Commission.

Turkish law has been harmonized with the European Audio-Visual Services Directive with the Law no. 6112[4], including RTÜK[5] regulations, and it is stated on the official ground that a number of measures will be taken on media pluralism. Among the duties and powers of Supreme Council, it is mentioned that 'to take essential precautions, in the field of media services, for securing freedom of expression and information, diversity of opinion, media pluralism and competitive environment, on the condition that the functions and powers of Turkish Competition Authority are reserved; for avoiding media concentration; and for protecting public interests' (Law. No 6112, 2011).How these measures will be taken is still in an undecided position today. Turkish Competition Authority, referred to in the Article, states that one or more undertakings prohibit the dominance of all or most of the market while avoiding the abuse of dominance of the ruling company(Law No. 4054, 1994).

The fact that the EU legislation does not include media ownership regulators, leaves the national regulators without a compass. Cross-media monopolization caused by condensation, is not only observed in Turkey, but also in EU member states. Investors who want to do radio and television broadcasting in Turkey must firstly obtain frequency. Since broadcast frequencies are considered to be in the public domain and are limited in number, they are distributed according to Article 26 of the Constitution (Kurban and Sözeri, 2012:25).The license fees for satellite broadcasting in 2019 are 37.320.00 TL for radio broadcasting services, 373.200.00 TL for television broadcasting services and 88.850.00 TL for on-demand broadcast services (www.rtuk.gov.tr).In view of these conditions, there is another reason for cross-monopolization in the media and thus the concentration. It is not accidental that the media entrepreneur has emerged from investors fed from different sectors to finance this very costly infrastructure of the media sector.

It is important how the minorities in the society use the media to express and sustain themselves and their identities (Ova, 2018:334).The above-mentioned media economic structure adversely affects the development of the minority media. The economic system is not the only obstacle to the existence of minority media. A significant part of the problems that are linked to economic impossibilities are based on political reasons. It is not a new tendency for the rulers to weaken the opposition and minority media while supporting the media channels defending their views. During the one-party government period when newspapers were largely taken out by the elites, the Democratic Party nurtured its own press organizations and applied political and economic pressures on the opposition when having crossed to multi-party period (Sözeri, 2015:8). In the following course of time, successive coups prevented the media from being independent; some ideas were exaggerated by the media, while some were partially or completely silenced for national security reasons. In 1994, following the adoption of EU law, there was no significant change in the situation present at that time.EU Commission progress report on Turkey published in 1998, states that freedom of the press was guaranteed by the laws enacted in 1994, but also points out serious disruptions experienced in practice. According to EU law, the expression of thoughts that do not involve violence and provocation is not prevented. This report stated that even the peaceful expression of alternatives to the principles of the Turkish state gave rise to criminal prosecutions (1998 Regular Report, 1998:13)and criticized the negligence of the freedom of expression practices.

Concentration in the media reduces the representation of different voices and causes the dominant to hypnotize the masses with excessive information power. Media pluralism expert Brogi Elda states that in many EU countries different voices occasionally fade away and then multiply, however, it is not observed that the seven or eight newspapers have the same headline in Turkey (Erem, April 30, 2015, Birgün). This approach, which is a serious obstacle to the freedom of the people to reach truth and to evaluate events based on different opinions, became permanent and as a result EU's democracy ratings for Turkey dropped. The budget allocated to Turkey to meet EU standards was lessened and visa liberalization negotiations were affected negatively.

Turkey, EU relations which gained momentum with the start of the negotiation process, despite of some disruptions till 2016 have progressed. However, from this year on, certain developments again hampered the results. As a result of the coup attempt that took place in Turkey on July 15, 2016, the process of a state of emergency started and with the State of Emergency Decree Law that came out in this period many media companies were closed. According to the European Commission's report on Turkey published in 2018:

Since the beginning of the state of emergency, 36 TV channels (3 of which broadcasting from and licenced abroad) and 37 radio stations were dropped from TÜRKSAT and closed down. Many of these were critical towards the government, while some were closed down for alleged links to the Gülen movement and several were broadcasting in the Kurdish language ("2018 Report on Turkey", 2018, p.73).

The data contained in the report has increased EU Commission's concerns about media pluralism in Turkey. These restrictions and closures have pacified the media of the minority and opposition and caused the remaining media organizations to broadcast in a single voice line.

The security practices that continued in the state of emergency process in Turkey in 2018, disrupted the freedom of expression and thus pluralism policy and the extension of the state of emergency negatively affected the relations with the EU. The layoffs, closure of media outlets etc. due to the quickly issued emergency decrees has overshadowed Turkey's democratic development. Such a process in which foreign investors' distrust towards Turkey has also jeopardized the economy. In this period, it was understood that democratic and economic development could not be considered as separate from each other. With the state of emergency ending on July 19, 2018, after seven times extension, EU-Turkey relations entered a normalization process and the search for ways of solution to regression in the field of media pluralism started.

CONCLUSION

Turkey's EU membership process is evolving over time. Turkey is constantly updating its legislation to comply with EU policies that permeate all areas of social life. Pluralism policies in the media are one of these areas. Pluralism is not only a requirement of EU law but also an essential part of democratic life. The components of society can make their voices heard and feel a sense of belonging as long as they have a voice in public sphere. Democratic, economic, technological progress etc. can only take place in this atmosphere.

One of the most effective areas of pluralism policies is the media. To be able to talk about democracy, the media must have a structure that represents all segments of society. However, the condensation of all sectors as an inevitable consequence of capitalism is dominant in the media sector. Cross-monopoly, which is formed by the accumulation of media ownership in certain hands, is the biggest obstacle in the way of plurivocality in the media. Both EU and Turkey legislations should take steps to ensure pluralism. Although the pluralism in the media has been continuously discussed among European law-makers for the last 40 years, it has failed to provide consensus and to develop effective legislation, laws and rules.

The failure to develop effective legislation to ensure pluralism in EU law leaves national regulators without any direction and the member and candidate countries fail to produce effective solutions on a national basis.

Referring to media pluralism in Turkey especially in the coup period, there appears to be a single voice in the media. These periods are recorded as the times when democracy is the most deteriorated in the national sense and the EU relations are the most damaged. Apart from these periodical crises, the world-wide trend of concentration in media also appears to be effective in Turkey. In a market where the circles close to the power hold large media outlets, the attempt of the minority media to exist is taking place under unequal conditions. The minority media are further undermined by heavy taxes, censorship and penalties while trying to survive in difficult conditions. Such practices suggest that pluralistic policies must be adopted by the state and government as a mission to ensure pluralism in the media.

As a result, both the EU and Turkey should take more friendly and effective steps for the development of pluralism. Turkey, as a component of EU, should become more powerful in the market, and should make every effort to ensure diversity of opinion within itself. It should not be ignored that the concrete steps taken to ensure the pluralism in the media will be reflected in the democratic and economic development.

REFERENCES

Bağımsız İletişim Ağı. (2003, Feb. 24). Kamu Yayıncılığı ve TRT Komisyonu Raporu. Retrieved from http://bianet.org

EACEA. (2013). *Media 2007-2013*. Retrieved from https://eacea.ec.europa.eu/creative-europe/actions/media/media-2007-2013_en

European Community Commission. (2000).Charter of Fundamental Rights of the European Union. *Official Journal of the European Communities,* 2000/C 364/01. Retrieved from http://www.europarl.europa.eu/charter/pdf/text_en.pdf?

European Community Commission. (2003). Greenpaper on services of general interest (COM(2003) 270 final). Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52003DC0270&from=EN

European Community Commission. (2005). Directive of the European Parliament and of the Council amending Council Directive 89/552/EEC (COM(2005) 646 final). Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005PC0646&from=EN

European Community Commission. (2007). Commission staff working document on media pluralism in the member states of the European Union (SEC(2007)32). Retrieved from http://ec.europa.eu/information_society/media_taskforce/doc/pluralism/media_pluralism_swp_en.pdf

European Community Commission. (2010). Audiovisual Media Services Directive. *Official Journal of the European Union,* 53, 95/1-95/24. Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2010:095:FULL&from=EN

European Community Commission. (2018). Komisyon Tarafından Avrupa Parlamentosuna, Konseye, Ekonomik ve Sosyal Komiteye ve Bölgeler Komitesine Sunulan Bilgilendirme (SWD(2018) 153). Retrieved from https://www.ab.gov.tr/siteimages/pub/komisyon_ulke_raporlari/2018_turkiye_raporu_tr.pdf

Gül, A. A. (2013). *Görsel-İşitsel Politikasıyla AvrupaBirliği: Televizyon Yayıncılığından Yöndeşen Medya*. İstanbul, Turkey: Beta.

Gündoğan, A. O. (2002). Çoğulculuk ve Değer Bunalımı. *Muğla Üniversitesi SBE Dergisi*, Bahar (8), 1-9.

Kurban, D., & Sözeri, C. (2012). *İktidarın Çarkında Medya: Türkiye'de Medya Bağımsızlığı ve Özgürlüğü Önündeki Siyasi, Yasal ve Ekonomik Engeller. (Rapor No:3)*. İstanbul, Turkey: TESEV.

Kuyucu, M. (2013).Türkiye'de Çapraz Medya Sahipliği: Medya Ekonomisine Olumsuz Etkileri ve Bu Etkilerin Önlenmesine Yönelik Öneriler. *Selçuk İletişim.* 8,1, 2013, 144-163.

Ova, N. (2018).Azınlıklar ve Medya. Bünyamin Ayhan (Ed.) in İletişim Sosyolojisi (p.317-338). Konya: Literatürk.

Picard, R. G. (2017). The Sisyphean pursuit of media pluralism: European efforts to establish policy and measurable evidence. *Communication Law and Policy*, *22*(3), 255–273. doi:10.1080/10811680.2017.1331644

Radyo ve Televizyonların Kuruluş ve Yayın Hizmetleri Hakkında Kanun. (2011). T. C. Resmi Gazete, 6112, Feb. 15, 2011.

Salman, F., & Ergün, A. (2017, Ocak 9). *Kapatılan Basın, Yayın, Radyo, Televizyon ve Haber Ajansları.* Retrieved from http://m.bianet.org/bianet/medya/182458-kapatilan-basin-yayin-radyo-televizyon-ve-haber-ajanslari

Sözeri, C. (2015). *Türkiye'de Medya-İktidar İlişkileri Sorunlar ve Öneriler*. İstanbul, Turkey: İstanbul Enstitüsü.

Türköne, M. (2008). *Siyaset*. İstanbul, Turkey: Lotus.

ENDNOTES

[1] The project is carried out by the Directorate General of Education, Youth, Sport and Culture (DG EAC) in order to develop the European audiovisual market and to ensure cultural diversity.

[2] The documents prepared by the European Commission to initiate a discussion and consultation process at a European level by offering a proposal in a specific area (www.ab.gov.tr).

[3] The documents prepared by the European Commission that contain concrete proposals for Union action on a particular issue. In some cases, they are a continuation of the Green Papers aiming to initiate a discussion and consultation process at the European level and turn the conclusions reached in the report into proposals (www.ab.gov.tr).

[4] the Establishment of Radio and Television Enterprises**:** The purpose of this Law is to regulate and supervise radio and television broadcasting services and on-demand media services; to ensure the freedom of expression and information; to determine the procedures and principles in relation to the administrative, financial and technical structures and obligations of media service providers and the establishment, organization, duties, competences and responsibilities of the Radio and Television Supreme Council (www.rtuk.gov.tr).

[5] Radio and Television Supreme Council: to organize and supervise the activities of radio and television in the Republic of Turkey, officials, members of Parliament within the scope of Article 133 of the Constitution, elected by the General Assembly is autonomous and impartial public entity.

Chapter 30
Comparison of Public Relations Education at Undergraduate and Graduate Levels in Turkey and EU Member States

Murat Sezgin
https://orcid.org/0000-0003-2200-3301
Uşak Üniversitesi, Turkey

Ferdi Bayoğlu
https://orcid.org/0000-0002-0759-7933
Uşak Üniversitesi, Turkey

ABSTRACT

Public relations education in Bulgaria, England, Germany, Spain, and Italy, is considered together with a university that provides public relations education in Turkey. The conditions of undergraduate or graduate admission, objectives, and curricula of Public Relations Education in universities are discussed. Anadolu University in Turkey, St. Sofia in Bulgaria, Kliment Ohridski University, Birmingham City University in the England, Ludwig Maximilian University in Germany, Sevilla University in Spain, and Iulm Milan University in Italy are the subjects of Public Relations training. Finally, the universities were compared and evaluated with an interpretive perspective of their similarities and differences.

INTRODUCTION

The fact that public relations is accepted as a discipline in itself has actually found meaning with the training in universities. Especially when we think that the trainings at universities are equipped and more systematic, public relations trainings have caused meaning in universities. When we consider public relations as a bachelor's degree, master and doctorate, it is more appropriate to evaluate and examine public relations on an international scale. In particular, when we look at the past training in the public

DOI: 10.4018/978-1-7998-1188-6.ch030

relations education in the member states of The European Union, it has become a special discipline that includes different branches and different studies. The reason for this is that the employment of people with wider qualifications is considered by the employer in terms of employment.

Referring to The European Union member countries, public relations conception in Turkey we look at the more generic training modules, but I can say that much of a difference. This is due to the fact that countries in Europe offer almost similar courses to students as part of common courses. However, excess of applications in education not only to other departments for public relations in Turkey can say it. In European Union member countries, practice and especially internship is very important. In Turkey, the organization providing education qualifications in accordance with the qualifications required by the private sector, said it was less than the universities in member countries of The European Union.

In order to test the accuracy of these beliefs, it is important to compare the public relations curricula in the relevant countries, how public relations departments are named in universities and how the number of the elective courses are formed.

PUBLIC RELATIONS

Public relations is the function of adopting the policies pursued by the institutions to large masses, continuously and fully announcing the works, creating a positive atmosphere against the institution, knowing what the people think about the institution and what they expect from the institution and providing cooperation with the public. Elimination of the requests and needs of people depends on the mutual communication of persons, enterprises, institutions and organizations. In this context, public relations has an important place in establishing and managing the relations between individuals and organizations.

Definition of Public Relations

Although Ivy Lee and Edward Bernays began to focus on the historical development of public relations, they put the concept of public relations into a systematic approach and started to use public relations. in fact, the beginning of the concept of public relations is based on a historical past that is not entirely clear. There are public relations since people have efforts to gain the trust of other people, socially or commercially. Although these efforts differ from the public relations concept used today, it would not be wrong to say that the foundations of the concept of public relations have been laid with the beginning of human history. The communication methods used to provide authority on the people in ancient civilizations are still seen in the context of public relations. Studies conducted with the techniques used in that period cannot be called public relations but are similar to the current studies in terms of their aims and effects (Akagün, Yozkat, 2018, p.8).

The concept of Public Relations has many definitions in the literature and it is very difficult to limit it with a single sentence. The understanding of academics, public relations practitioners, employers is different and therefore more than one but each of them has the right definitions. Some of these definitions include: “public relations is a management function based on collaboration, research and communication with target audiences to create mutually beneficial relationships.” Public relations is a strategic communication process that establishes mutually beneficial relations between the organization and target audiences. ”Public relations is a strategic engagement process to achieve mutual understanding between organizations and target audiences and to achieve their goals“ (Okay, 2015, p.13). Apart from these three examples, there are many different definitions. So many definitions have given birth to the need to put the definitions into a certain system.

Historical Development of Public Relations

1961 constitution has contributed greatly to the development of public relations in Turkey. The legal arrangements necessary for the society to have a say in management, workers and employers to seek rights through unionization and to reach their demands for management have started with this Constitution and contributed significantly to the development of public relations within public institutions and other institutions (Erdoğan, 2006, p.113). In 1962, the Central Government Organization research project (MEHTAP) is also of great importance today in order to examine and advise the activities of public institutions (Tortop, 2009, p.21). In May 1971, the government decided to form a ten-member advisory board to determine the general views and follow-up of 11 states. After completing his studies in Turkey and Middle East Public Administration Institute (TODAIE) in a short time, the board also conducted public relations research (Tortop, 2009, p.22). Public relations units working under different names in ministries have been transformed into "press and public relations consultancy" (Tortop, 2009, p.23). It was decided to transform the General Directorate of press and information into the General Directorate of State Information in order to provide central coordination in public relations services with the Public Administration research project (Kaya) which was completed and published in 1991. The institution is still continuing its activities as the General Directorate of press and information (Fidan, 2011, p.71).

Public relations departments in the private sector have started to show themselves since 1969. Koç Holding's public relations activities were first started, followed by Eczacıbaşı and Sabancı holdings, mobile, BP, Shell, petrol companies (Asna, 1998, p.191). Public Relations Association was founded in 1972. The first president of the Association Alaeddin Asna. In 1978, Betül Mardin took over the presidency (Peltekoglu, 2007, p.130). A&b agency is the first public relations agency in Turkey. It was found by Alaeddin Asna (Asna, 1998, p.128). In 1990, the first private television channel Star 1 was established in Turkey. In 1993, the first internet was used in Turkey. In 1997, many organizations offered services over the internet. (Kalender, 2015, p.23).

Historical Development of Public Relations in The European Union

19. For centuries, Public Relations was the first person to use public relations in 1937 when Carl Hundhausen wrote an article on public relations in Europe and more specifically in Germany in 1937 (Flieger and Ronneberger, 1993, p.26). The case of Public Relations was actually discussed a long time ago, but it was discussed more in terms of social criticism within The European tradition. The main issue of scientific analysis was the relationship between the press and public relations, especially the impact of Public Relations or the Press bureaus on the media and newspaper reports. German literature often mentions Wuttke (1866), Kellen (1908) and Max Weber (1910), and proves that public relations is a subject of scientific debate at an early stage. The critical debate on public relations in Europe continued between the wars and reached its peak at the seventh German sociological Conference, which was held in Berlin in 1930, which was also interested in the press and public opinion (Kunczik, 1993, p.232). After the Second World War, Hundhausen and Oeckel (1950-1974) continued to encourage the public relations concept as we know it today, and developed the concept further both theoretically and practically. For this

reason, they are regarded as the fathers of the German people's Republic. First, Germany's "Die Zeit" for Public Relations announced a competition in February 1951. (Flieger and Ronneberger, 1993, p.38).

Function of Public Relations

Public relations is the function of adopting the policies pursued by the institutions to large masses, continuously and fully announcing the works, creating a positive atmosphere against the institution, knowing what the people think about the institution and what they expect from the institution and providing cooperation with the public. Elimination of the requests and needs of people depends on the mutual communication of persons, enterprises, institutions and organizations. In this context, public relations has an important place in establishing and managing the relations between individuals and organizations. We can list the social benefits of public relations as follows:

- Ensures the common harmony between institutions and groups.
- Helps the community to reach decisions by contributing to a common understanding between groups and institutions.
- Ensures the compatibility of private and public institutions.
- Ensures that people are informed about the issues that affect their lives.
- He mobilizes social awareness (Erdoğan, 2006, pp.235-236).

Public relations is an umbrella term that includes a large area and function. These; communication, social relations, industrial relations, customer relations, international relations, investor relations, agenda management, media relations, relations with members, press agency, promotions, publicity, communication with different publics, visitor relations and copywriting are functions based on establishing and managing relations (Marconi, 2004, p.22).

Tools Used in Public Relations Practices

By using public relations tools and techniques proven in public relations activities, it is aimed to encourage positive attitudes and behaviors by organizing relations with target audience. In order to convey the message to be conveyed to the target audience, public relations tools should be used together with the mass media. Public relations experts use a variety of tools and techniques to build a relationship with the target audience and maintain it at a high level. The most commonly used are:

Media Relations: Media strategies focus on messages transmitted through media channels to manage how organizations are promoted by the media. Media tools may include media disclosures and information notes, journalists report positive messages about the organization, and use of social media to attract journalists.

Press Releases: Similarly, information transmitted as part of press broadcasts, regular TV or radio programs, newspapers, magazines, and other mainstream media make a much greater impact than advertisements.

Events: Public relations experts benefit from every public activity and public speaking opportunity to participate in public events, attract public attention and keep in contact with a particular organization or individual.

Bulletins: Newsletters are a common way to establish and maintain a strong relationship with the public, as well as to send information directly to the organization or to provide information about products and services.

Brochures and Catalogs: Although, in some cases, one of the tools and techniques of the past century, public relations practitioners still use brochures or catalogs to manage the audience's views on the organization.

Corporate identity: Corporate identity marks can be used to create an identity that the public recognizes immediately. These materials include logos, stationery, brochures, signs, business forms, business cards, buildings, uniforms, company cars and trucks.

Sponsorships or Partnerships: Supporting a nonprofit objective helps you to build goodwill and loyalty towards the organization.

Personnel Relations: We can say that employees are also ambassadors of every institution. Many enterprises develop the corporate culture and team relations by conducting the right relations with employees and sharing information.

Community Relations: Establishing good relations with the target groups of institutions helps to create loyalty.

Internet: Indeed, the Internet has now become the most important public relations tool. Websites, blogs and social networks offer powerful ways to reach more people than other important public relations tools.

Blogs: In this method, which has been rapidly increasing in recent years, public relations experts use the digital formats of press releases and newsletters to reach online audiences. In addition to establishing a two-way communication, it enables them to establish and maintain a relationship with the target audience.

Social Media: As with the use of the same blog, the use of social media has become one of the tools used by public relations practitioners in recent times.

EDUCATION

This section provides information about the education of Turkey and the Member States of The European Union.

Education in Turkey

Education in Turkey is one of the main duties of the state, such as Justice, security and health, and is carried out under the supervision and supervision of the state. Education system, Constitution of the Republic of Turkey, relevant laws, regulations and other legal texts, government programs, development plans, national education councils and national programs are established in line with (Çelik, 2010, p.2).

In general, Turkey has a system that can change within the structure of education and sometimes cause confusion. Especially when we look at high school entrance examinations and university entrance examinations, there was frequent confusion and student grievances. However, Turkey aims to be compatible with The European Union as educational standards.

Education in The European Union

Europe has educational objectives as a unity and structure. In order to achieve these objectives, a development plan has been prepared by preparing the legal infrastructure and this plan is called "Educational Policies".

Education as a process is taken into consideration; culture in terms of society is the process of transferring. This process takes place in and out of the school through educational means. In this respect, it can be said that the most important aim of the union consisting of very different structures is to create "European culture" in these policies. In order to achieve this goal, ways such as increasing individual ability, improving human development are first tools. With this, people are being given a "European citizen" or "European culture" consciousness (Demirbaş, 2010, p.10).

On the one hand, The European Union maintains the autonomy of member states in the scope and structure of education and training systems, while on the other hand, it forms cooperation mechanisms between member states. In this context, the EU forms a framework for the establishment of multinational partnerships, the creation of exchange programs that allow for education abroad, the development of innovative educational and teaching approaches, the establishment of networks of academic and professional expertise, the use of new technologies in education and the mutual recognition of qualifications. It also supports the creation of a dialogue and negotiation platform where ideas are exchanged, experiences are shared, comparisons are made between different applications, successful practices are highlighted and finally, common policies and common objectives are identified (Aykın, Oğuz, 2003, p.366-367).

METHODOLOGY OF RESEARCH

In this part of the study; the aim and importance of the research, the questions of the research, the determination of the limitations of the research, the method and the detailed evaluations about the findings are included.

Purpose and Importance of Research

The aim of the research, public relations, Turkey and taught at the undergraduate and graduate levels in European Union member countries by comparing the features mentioned in the literature in the framework of the curriculum is to demonstrate the similarities and differences between them.

Research Questions

The basic questions that form the starting point of the research can be formulated as follows:

- Which courses are taught about the public relations department in the relevant European Union member universities?
- What are the similarities and differences of these courses?
- How much of the courses should theoretically apply?
- What changes do public relations education make on the basis of countries?

The Universe and Sample of Research

The universe of the research was determined as public relations education in Turkey and EU member states. The universities discussed as examples are as follows:

- Eskişehir Anadolu University, Turkey
- University of Sofia St. Kliment Ohridski, Bulgaria
- University of Birmingham, England
- Ludwig Maximilian University, Germany
- University of Sevilla, Spain
- IULM University of Milan, Italy

Limitations of the Research

It does not cover all of the member states of The European Union. Only certain universities have been selected as sampling. Because:

- Most universities only share their course curricula with their enrolled students.
- Although the communication department is located in many European Union member universities, public relations department has less

Method of Research

Content analysis method was used. While examining the course content of the universities, a foreign language study was conducted. It is translated into Turkish as close as possible.

The most important purpose of the content analysis method is that the comparison of course contents is handled in a more systematic way.

FINDINGS

In this section, the public relations course curricula of the countries are discussed.

Public Relations Undergraduate and Graduate Studies at Eskişehir Anadolu University in Turkey

The foundation of Anadolu University is the Eskişehir Academy of Economics and Commercial Sciences, founded in 1958. The institution, which was converted into Anadolu University in 1982, is located in the center of Eskişehir and has 3 faculties, one of them is State Conservatory and 3 of them are open and remote and 30 Research Centers.

Table 1. Some Universities providing public relations education In Turkey

University	Department
Anadolu University Eskişehir - Turkey	Public Relations and Advertising Bachelor / Master / Doctorate
Uşak University Uşak - Turkey	Public Relations and Advertising Bachelor / Master
Ankara University Ankara - Turkey	Public Relations and Publicity Bachelor / Master / Doctorate
Marmara University İstanbul - Turkey	Public Relations and Publicity Bachelor / Master / Doctorate
Ege University İzmir - Turkey	Public Relations and Publicity Bachelor / Master / Doctorate

"Public Relations and Advertising" Undergraduate Education Acceptance Condition and Educational Objectives

Acceptance Condition: In the exam which is the Higher Education Institutions Examination (YKS), it is necessary to take the exam from the TS score type and get enough points. As a result of the points obtained in the university system and ÖSYM system should be preferred.

Objectives: Public relations and advertising is a communication discipline. This discipline has an interdisciplinary structure that is closely linked to various disciplines such as social psychology, economics, politics, and neuroscience. Perceptions about products, institutions, services, brands are created, managed and measured within the structure. In advertising, when using conventional or digital communication tools, it is tried to create a perception change in public relations by using tools such as activities, face to face communication and announcement.

In the department, there are practical courses supported by the theoretical and sectoral professionals on how the processes involved in the research, planning, implementation and evaluation stages required to find the data-based insight obtained from the consumer in the advertising area, transform it into ad content, plan the targeted audience and measure the results.

Public relations courses are carried out in theoretical and practical ways by taking the support of sector professionals in the fields of image communication, crisis communication, global communication and corporate social responsibility.

Admission Requirements and Educational Objectives of "Public Relations and Advertising" Graduate Education

Master's Degree

Acceptance Condition: Students who have successfully completed the undergraduate education and who have the right to be accepted in Ales and Yds or similar equivalent examination system can start the master program with thesis. There are a number of places in the program. The number of places in the fall semester of 2018-2019 was determined as 5 students.

Table 2. Undergraduate course curriculum

1 YEAR			
1st semester		2nd semester	
Lessons	Credits	Lessons	Credits
Research Methods in Social Sciences (Sos.Bil .Ar.Yön .) (ENG)	4.5	Basic Information Technology	5.0
Introduction to Communication	3.5	Basic Photography (ENG)	5.0
Business Management (ENG)	6.0	Communication Theories	4.5
Psychology (ENG)	3.5	Introduction to Marketing Management	6.5
Visual Communication	5.0	Verbal lecture	2.0
Sociology	3.5	Turkish Language II	2.0
Written Expression	2.0	Elective Courses (1)	2.0
Turkish Language I	2.0	Vocational Elective Courses (1)	3.0
2 YEARS			
3rd Semester		4th Semester	
Lessons	Credits	Lessons	Credits
Economics (ENG)	2.5	Introduction to Press and Publications	2.5
Sociale Psychology (ENG)	3.0	Introduction to Philosophy	2.5
Introduction to Advertising(Introduction)	6.5	Introduction to Philosophy (Introduction to Philosophy)	2.5
Introduction to Public Relations	6.5	Theory and Applications in Public Relations	6.0
Communication Research	6.5	Consumer Behavior (ENG)	6.0
Atatürk's Principles and History of Turkish Revolution I	2.0	history of art	3.5
Compulsory Foreign Language Courses (1)	3.0	Cinema and TV Information	4.5
		Atatürk's Principles and History of Turkish Revolution II	2.0
		Compulsory Foreign Language Courses (1)	3.0
3 YEARS			
5th Semester		6th Semester	
Lessons	Credits	Lessons	Credits
Convincing Communication (ENG)	4.0	Creativity in Advertising II	6.0
Creativity in Advertising I	6.0	Copywriting I	6.0
Media Planning (ENG)	3.5	Advertising Campaign Analysis	4.5
Political Science (Political Science)	3.0	Vocational Elective Courses (3)	13.5
Vocational Elective Courses (3)	13.5		
4 YEARS			
7th Semester		8th Term	
Lessons	Credits	Lessons	Credits
Advertising Campaign Design	8.0	Public Relations Campaign Design	8.0
Public Relations Campaign Analysis	4.5	Vocational Elective Courses (5)	22.0
Vocational Elective Courses (4)	17.5	Required Courses (1)	8.0
Required Courses (2)	12.5		

Table 3. Undergraduate course curriculum

Vocational Elective Courses			
Lessons	**Credits**	**Lessons**	**Credits**
Advertising Photography (TR)	6.0	Social Campaigns (TR)	4.5
Introduction to Computer Aided Graphic Design (TR)	6.5	Presentation Techniques in Campaigns (TR)	4.5
Social Media Applications (TR)	4.5	Digital Public Relations (TR)	4.5
Marketing Communication (TR)	4.5	Corporate Culture Management (TR)	4.5
Animated Graphic Design (TR)	5.0	Seminar I (TR)	5.0
Strategic Management (TR)	3.0	Media and Politics (Media and Politics) (ENG)	4.5
Qualitative Methods in Communication Research (TR)	4.5	Semantics and Visual Analysis (TR)	4.5
Spanish I (ISP)	4.0	Spanish II (ISP)	4.0
Ad Date (TR)	4.5	Communication Management (ENG)	4.5
Advertising Analysis (TR)	4.5	Brand Communication Management (TR)	4.5
TV Advertising (TR)	5.0	Communication Research Practices (TR)	4.5
Public Relations Writing (TR)	6.0	Academic English V (ENG)	3.0
Advertising Design II (TR)	4.5	Web Design in Advertising (TR)	6.0
Corporate Communication Management (TR)	4.5	Copywriting II (TR)	6.0
Seminar (Applications of Media Planning) (ENG)	5.0	Consumption and Beauty Representation (TR)	4.5
Advertising in the Digital Age (TR)	5.0	Community Service Practices (TR)	3.0
Digital Media Applications (TR)	5.0	Creative Studies at Computer II (TR)	6.0
Advertising and Subconscious Studies (TR)	4.5	Academic English VI (ENG)	3.0
Seminar II (TR)	5.0	Social and Political Communication Campaigns (TR)	4.0
Strategic Planning (ENG)	4.0	Marketing Communication in Sport (TR)	4.5
International Advertising and Public Relations (TR)	4.5	Advertising Project (ENG)	6.0
International Projects (ENG)	6.0	Seminar IV (ENG)	5.0

Table 4. Elective Courses

Elective Courses			
Lessons	**Credits**	**Lessons**	**Credits**
Bridge (TR)	3.0	Hall Dances (TR)	2.0
Graphics (TR)	3.5	Theater (TR)	2.5
Cultural Activities (TR)	2.0	Turkish Sign Language (TR)	3.0

Table 5. Compulsory foreign language courses

YÖK Compulsory Foreign Language Courses			
Lessons	**Credits**	**Lessons**	**Credits**
Academic English IV (ENG)	3.0	Academic English III (ENG)	3.0

Table 6. Master's course curriculum

1 YEAR			
1st semester		**2nd semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Advertising and Society	6.0	Statistical Analysis and Evaluation	6.0
Content Management and Planning in Marketing Communication	6.0	New Approaches in Public Relations	6.0
Mobile Advertising	6.0	Advertising Psychology	6.0
Science Ethics and Research Techniques	6.0	Seminar	6.0
Elective Course (1)	6.0	Elective Course (1)	6.0
2 . YEAR			
3rd and 4th Semester			
Lessons			**Credits**
Thesis			30.0

Objectives: The master's program with thesis is a prerequisite for starting PhD education. In addition, it contributes to the training of qualified personnel in the private sector. At the end of the master's program with thesis, you can apply for lecturers' positions.

Doctorate

Acceptance Condition: Students who have successfully completed the higher education education and who have the right to be accepted in the exam system such as Ales and Yds or similar, can start the master's program with thesis. There is a bachelor's degree and application to the doctorate, but the quota

Table 7. Elective courses

Elective Courses			
Lessons	**Credits**	**Lessons**	**Credits**
Global Marketing Communication (TR)	6.0	Crisis Communication (TR)	6.0
Brand Management (TR)	6.0	Measurement and Evaluation in Public Relations (TR)	6.0
Social Media and Corporate Communications (TR)	6.0	Theoretical Approaches in Public Relations (TR)	6.0

Table 8. Specialized field course

Elective Courses			
Lessons	**Credits**	**Lessons**	**Credits**
Area of Specialization (TR)	4.5	Area of Specialization (TR)	4.5

Table 9. Doctorate course curriculum

1 YEAR			
1st semester		**2nd semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Advertising Theories	7.5	Understanding the Digital Age Individual	7.5
Research Project I	7.5	Postmodernism and Consumption Discussions	7.5
Philosophy of Social Science	7.5	Seminar	7.5
Elective Course (1)	7.5	Elective Course (1)	7.5
2 YEARS			
3rd Semester		**4th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Qualifying examination	0.0	Thesis	30.0
		Thesis (Thesis Proposal)	30.0

is lower than the master's degree. There are a number of places in the program. The number of places in the fall semester of 2018-2019 was determined as 3 students.

Objectives: Students who have completed their doctorate education can apply to the faculty. Apart from this, in the private sector, qualified labor force is trained as well.

Public Relations Undergraduate and Graduate Studies at Sofia University St. Kliment Ohridski in Bulgaria

Sofia Kliment Ohridski University was founded in 1888. This is one of the oldest universities in The European Union. Sofia Kliment Ohridski University has bachelor, master and doctorate programs. Sofia

Table 10. Elective courses

Lessons	Credits	Lessons	Credits
Reputation Management (TR)	7.5	Cognitive and Affective Advertising Approaches (TR)	7.5
Global Public Relations Strategies (TR)	7.5	Digital Communication Strategies (TR)	7.5
Advanced Analysis and Reporting I (TR)	7.5	Integrated Marketing Communication and Digital Technologies (TR)	7.5
New Trends in Marketing Communication (TR)	7.5	Advanced Analysis and Reporting II (TR)	7.5

Table 11. Specialized field course

Lessons	Credits	Lessons	Credits
Area of Specialization (TR)	7.5	Area of Specialization (TR)	7.5

In order to register for the departments of Kliment Ohridski, high school education is sufficient, but the test system of the university exam system (written, oral, and applied) is carried out by the candidate students. The student candidate must pass the language proficiency stage successfully as well as pass the examination system successfully. If the university student does not speak Bulgarian, scholarship students or those who are Bulgarian citizens who cannot succeed in the Bulgarian exam or those who wish to improve their language skills attend the preparatory course in Bulgarian and English.

"Public Relations" Undergraduate Education Acceptance Condition and Educational Objectives

Acceptance Condition: Bulgarian student admissions (scholarship status is exceptional) Kliment Ohridski A competitive (equal) written examination is conducted at the undergraduate level of Public Relations, followed by an oral examination of both the Department of Public Relations and Journalism (since it is opened within the Faculty of Journalism and Mass Communication). The classification of the candidate students is based on the grades obtained from the entrance exams and the graduation certificate (high school diploma) and the ranking is determined.

Objectives:

- **Educational:** The program provides students with a broad profile in mass communication, basic education, public relations, advertising and media, vocational education specialized in integrated marketing communication and vocational education of the student.
- **Professionalism:** Public relations: it is carried out professionally in institutions and organizations, advertising agencies and media organizations. In public relations departments and agencies, they

Table 12. Some Universities providing public relations education In Bulgaria

University	Department
Sofia University St. Kliment Ohridski Sofia - Bulgaria	Public Relations - Bachelor / Master
New Bulgarian University Sofia - Bulgaria	Public Relations - Bachelor
Burgas Free University Burgas - Bulgaria	Public Relations - Bachelor Journalism and Public Relations - Master
South-West University "Neofit Rilski" Blagoevgrad - Bulgaria	Public Relations - Bachelor Public Relations in Business Administration - Master Public Relations - Doctorate
University of Veliko Turnovo St Cyril and St. Methodius Turnovo - Bulgaria	Public Relations - Bachelor Public Relations and Strategic Communication - Master

serve as experts, consultants, members of the press, and communication managers as advertisers to work in the media.

Master's Degree

Acceptance Condition: In order to receive master's degree, it is necessary to have a minimum Bachelor's degree. The duration of education is 3 semesters. Buying takes place in two ways. The first is for Bulgarian citizens. The second alternative is for those who are not Bulgarian citizens and those who want paid education, the monthly fee is 750 Leva. There are 60 students quota in public relations master's degree education. Minimum 15 students are required for paid graduate education.

Objectives: While presenting the information of the units specializing in public relations and advertising, it also provides an opportunity to further develop the scientific and theoretical knowledge and professional skills of the experts. In this way, public relations professionals acquire new knowledge and skills about social, socio - psychological and other factors that are required to maintain understanding and trust in a particular college-institute, firm, government service, educational institution or elsewhere. Thus, the program actively supports public relations professionals to carry out more professional and scientific activities in the field of public communication.

Doctorate

In order to get a doctorate degree in Sofia Kliment Ohridski University, it is necessary to undertake a graduate education. The choice of course time in doctorate education is more flexible than other programs, and students are able to determine their time and hours.

On the other hand, when a doctorate education is taken in the university, it is also subject to the Doctorate School program. The main focus of this school is on the department (e.g. Journalism, Mass Communication).

Foreign language requirement in addition to the English language, the candidate student has to fulfill the requirement of success.

Doctorate course curriculum has not been uploaded to official websites.

Public Relations Undergraduate and Graduate Studies at Birmingham City University in England

It is a university founded in Birmingham in 1971. In 2007, he changed his name to the current Birmingham City University. Today, there are over 18,000 university students and over 11,000 postgraduate students.

The University's website says: "focusing on our superior courses, state-of-the-art facilities, first-rate staff and practical skills and professional relevance produces the most employed graduates of the country."

"Public Relations and Media" Undergraduate Education Acceptance Condition and Educational Objectives

Acceptance Condition: For international students it is necessary to have at least 6.0 to 6.5 overall scores in all groups of IELTS. Diploma of International Baccalaureate (or equivalent, including international

Table 13. Undergraduate course curriculum In Sofia University St. Kliment Ohridski

1 YEAR			
1st semester		2nd semester	
Lessons	**Credits**	**Lessons**	**Credits**
Public Relations Theory and History - I	3	Public Relations Theory and History-II	5
Fundamentals of Advertising - I	3	Fundamentals of Advertising-II	6
Sociology	3	World History	5
Social Psychology	7	Fundamentals of Economics Theory	7
History of Bulgarian Journalism	3	Text Editing Theory and Application	7
Media Act	3		
information technologies	4		
Bulgarian Language and Styles	4		
2 YEARS			
3th Semester		**4th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Mass Communication Theory	3	Mass Communication Theory	3
Ethno- Psychology	4	Balkans: Comparative Ethno- Psychology	3
Political Science	4	Ethno -Psychology-II	5
Mass Communication Research Methods	5	Computer Mediated Communication	3
Media and Public Relations (Press)	2	Mass Communication Research Methods	3
Media and Public Relations (Radio)	2	Communication Skills-I (General)	5
Media and Public Relations (TV)	2	Communication Skills-II (Public Relations Writing)	5
Media and Public Relations (Cinema)	2	Social Conflicts ***(Elective Course)***	3
Media and Public Relations (Photography)	2	Public Relations and Criminology ***(Optional lesson)***	3
Social Conflicts ***(Elective Course)***	4	Globalization and Regionalization ***of the***World Economy ***(Elective Course)***	3
Public Relations and Criminology ***(Elective Course)***	4		
Globalization and Regionalization ***of the*** World Economy ***(Elective Course)***	4		
3 YEARS			
5th Semester		**6th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Marketing	4	Brand Management	4
Psychology of Communication	4	Public Relations in Crisis Time	3
Media and Communication Research	4	Communication Skills - 4 (TV)	4

continued on following page

Table 13. Continued

1 YEAR			
1st semester		**2nd semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Persuasive Communication	5	International communication	3
Communication Skills - 3 (Radio)	5	Cultural Theory	3
Advertising Campaign	5	Graphic design	4
Book Publishing in Public Relations ***(Elective Course)***	3	Image Setup	3
Financial Management ***(Elective Course)***	3	Intercultural communication	3
Cultural Tourism in Public Relations ***(Elective Course)***	3	International Organizations Public Relations ***(Elective Course)***	3
		Psycholinguistics ***(Elective Course)***	3
		Financial Management ***(Elective Course)***	3
4 YEARS			
7th Semester		**8th Term**	
Lessons	**Credits**	**Lessons**	**Credits**
Media Management	6	New Media	5
Corporate communications	6	Public Relations Strategies and Tactics	5
Integrated Marketing Communication	6	Business Communication	4
Public Opinion Theory and Study	7	entrepreneurship	5
Public Relations Agency Management	5	Advertising in Media (Seminar)	11
Public Security in Public Relations	5		
Social Prognosis	5		

accredited preparatory courses). It is necessary to gain proficiency in the English Group A - Class 4 or above or in the English B and Ab Initio - Class 5 group.

Objectives: In addition to gaining specific skills in the undergraduate program, you can obtain wider areas through the graduate program, which will help you develop your employment options by helping with career development, employment activities, volunteering and part-time work experience.

Master's Degree

Acceptance Condition: Applicants must have at least a bachelor's degree diploma. They should have good speaking and written English and IELTS must have a score of 6.5.

Candidates must have strong academic skills (research, writing, presentation), an interest in ideas and practices, as well as some basic competencies in IT skills (word processing, internet activities, etc.).

First of all, applicants should have the desire to develop a questioning mind, the ability to conduct research, share and communicate, and as an independent and self-motivation thinker.

Objectives: The Master in Public Relations combines theory and practice, offers real intellectual challenges with a sharp focus on real-world events, and is firmly rooted in comprehensive industry links.

Table 14. Master course curriculum In Sofia University St. Kliment Ohridski

1 YEAR	
1st semester	**2nd semester**
Lessons	**Lessons**
Mass Communication Theory	Methods of Exploring Mass Communication
Public Relations Theory and History	New Media
Persuasive Communication	Marketing
Sociology	Arrangement
Social Psychology	Psychology
Advertising Theory	Creative Communication
2 YEARS	
3rd Semester	
Lessons	
Integrated Marketing Communication	
Public Relations Strategies and Tactics	
Public Relations During Crisis	
Semiotics and Advertising	
Graphic Design	
Image Management	

Table 15. Elective courses In Sofia University St. Kliment Ohridski

1st and 2nd YEAR	
2nd Semester Elective Courses	**3rd Semester Elective Courses**
Advertisement History	Communicative Skills (Newspaper)
Minorities and Public Relations	Communicative Skills (Radio)
Advertising Management in Integrated Marketing Communication	Communicative Skills (TV)
** First Semester Elective Course Not Offered.*	

Table 16. Some Universities providing public relations education ın England

University	Department
Birmingham City University Birmingham - England	Public Relations and Media - Bachelor Public Relations - Master
University of Westminster London - İngiltere	Public Relations and Advertising - Bachelor Public Relations - Master
Manchester Metropolitan University Manchester - England	Public Relations and Marketing - Bachelor Public Relations - Master
University of Greenwich London - England	Public Relations and Communication - Bachelor Public Relations and Corporate Communication - Master
University of West London London - England	Advertising and Public Relations - Bachelor

It looks at techniques of awareness-raising, listening to stakeholders and influencing ethical policies. The strategic plans of the prospective students are being developed and the aim is to create expertise in using various social media platforms and tools.

There is no doctorate program on public relations in the doctorate program of the University. Subcategories (Media and Cultural Studies, Digital Media Technology) are doctorate programs.

Public Relations Undergraduate and Graduate Studies at Ludwig Maximilian University in Germany

Ludwig Maximilian University, founded in 1472, is one of the top five largest universities in Germany. Based on a long history, Ludwig Maximilian University is shown at the beginning of the major universities of the Bavarian state.

Ludwig Maximilian University has 18 faculties and a total of 51.000 students. The university has been awarded 34 Nobel prizes for teaching in 150 academic programs in Bachelor's and master's degrees.

Ludwig Maximilian University offers undergraduate education under the name of "Communication Studies".

Table 17. Undergraduate course curriculum ın Birmingham City University

1 YEAR	
Lessons	**Credits**
Understanding Public Relations	20
Events and Exhibitions	20
Media and Impressive Interaction	20
Global and Social Impact	20
Media and Communication Research	40
2 YEARS	
Lessons	**Credits**
Concepts and Context of Public Relations	20
PR Planning and Delivery	20
Attractive Content Creation	20
Optional lesson: *(Journalism, Photography, Event Management, Media Production, Music Industry courses)*	20
Common Practice *(Joint application work with faculty undergraduate students)*	20
Live Production - Public Relations Agency	40
3 YEARS	
Lessons	**Credits**
Live Production - Public Relations Agency	20
Promotion Culture	20
Professional and Academic Development	20
Great Project	60

Table 18. Master's course curriculum ın Birmingham City University

1 YEAR	
Lessons	**Credits**
Public Relations Theory and Context	20
Communication Planning and Action	20
Research in Practice	20
Major Project (with Thesis) (Thesis Writing Process)	60

Table 18b. It is mandatory to choose one of the following two courses.

Lessons	Credits
Entrepreneurship in Practice	20
Work Placement	20

Table 19. Elective courses In Birmingham City University (Only two courses are selected from the following courses)

Lessons	Credits
Narrative: From Media to Interactive Media	20
Social Media as Culture and Practice	20
Live Events and Festival Management	20
Media Law and Regulation	20
Transmedian Terror	20
Film Festivals, Marketing and Public Relations	20
Strategic Communication for Social Change	20

Table 20. Some universities providing public relations education ın Germany

University	Department
Ludwig Maximilian University Munich - Germany	International Public Relations - Master
Otto Friedrich University Bamberg - Germany	Communication Studies - Bachelor (Public Relations only available in curriculum)
Catholic University Eichstätt - Germany	Journalism - Bachelor / Master (Public relations courses are available in both undergraduate and graduate curricula)
Duisburg University Duisburg - Germany	Communication Sciences – Master (Public Relations only available in curriculum)
Trier University Trier - Germany	Communication Studies - Bahcelor (Public Relations only available in curriculum)

Table 21. Master's course curriculum ın Ludwig Maximilian University

1 YEAR			
1st semester		**2nd semester**	
Lessons	**Credits**	**Lessons**	**Credits**
International Strategic Communication - International Public Relations Practice (Seminar) - International and Intercultural Communication (Theoretical)	9 (6) (3)	International Public Relations Strategic and Target Group Focused Communication (Advanced Seminar) Strategic and Target Group Focused Communication (Seminar)	9 (6) (3)
Public Relations - Business Planning and Project Management (Seminar) - Mediation and Journalism Practices in International Comparison (Seminar)	6 (3) (3)	Impact Research and International Comparative Public Relations Research - Theories, Models, Methods and Issues of Influence and Success Control of Public Relations (Advanced Seminar) - Theories, Models, Methods and Issues in International Comparative Public Relations Research (Seminar)	9 (6) (3)
		Graduate Project (Part 1) Public Relations e Regarding Establishment of a Special Research Project v e Theoretical Foundations (Graduate Seminar) - Research Design (Seminar)	12 (8) (4)
2 YEARS			
3rd semester		**4th semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Master Project (Part 2) - Empirical Application and Data Collection (Seminar) - Method Implementation: Data Analysis (Seminar)	15 (6) (9)	Thesis Process - Master Thesis - Research Colloquium	24 (21) (3)
Internship - Internship in Public Relations Department or Public Relations Agency - Research Internship	15 (9) (6)	Public Relations Theory and Application Linking Process - Special aspects and challenges of applied public relations in public relations theory and research (Seminar) - Special aspects and challenges of public relations theory and research for public relations (Seminar)	6 (3) (3)

Master's Degree

Acceptance Condition: In order to apply to the program, there must be a diploma in the degree of Bachelor's degree.

The university holds candidate students for the talent exam. Quotas are determined as periods.

The training is in English and German. However, students who wish to study abroad will not be able to speak English only. Major lessons are in German.

Objectives: It prepares students to work in the professional field of public relations characterized by complex areas of interest, high internal and external success expectations as well as assumptions of accepted impact. The course content includes the use of research strategies in the social sciences in a targeted way to the questions regarding daily life, as well as the impact models undertaken in the

Table 22. Some Universities providing public relations education In Spain

University	Department
University of Seville Seville - Spain	Publicity and Public Relations - Bachelor
University of Malaga Malaga - Spain	Publicity and Public Relations - Bachelor
University of Cadiz Cadiz - Spain	Advertising and Public Relations - Bachelor
San Pablo CEU University Madrid - Spain	Advertising and Public Relations - Bachelor
Pompeu Fabra University Barcelona - Spain	Advertising and Public Relations - Bachelor

communication and public relations industry as well as the existing approaches. The special features of strategic communication in an international environment and public relations, theoretical and practical knowledge beyond the national and cultural contexts are discussed.

Only one of the elective courses above is chosen.

The Ludwig Maximilian University does not include any training programs within the scope of the doctorate program.

Public Relations Undergraduate and Graduate Studies at University of Seville in Spain

As of 2004, there are around 70,000 students. He started his education in the fifteenth century under the name of Colegio de Santa María de Jesús. His Founder, Archdeacon Maese Rodrigo Fernández de Santaella.

The University of Seville is an institution that provides public services for higher education through education, education and research, as well as the production, development and dissemination of information to serve citizens and society.

"Publicity and Public Relations" Undergraduate Education Acceptance Condition and Educational Objectives

Acceptance Condition: In order to study at universities in Spain, at least B2 level must be known in Spanish. Subsequently, high school diploma must be provided. The institution that will give the approval of equivalence is the erece Spanish Ministry of Education, Sociopolitics and Sports op in Madrid. Students who have confirmed must take the Selectividad (PAU) examination (Spain's university entrance examination).

Objectives: Will be trained to develop the ability to analyze and interpret the customer's communication needs and to provide a creative and convincing solution. All this is done by considering the socio-cultural, political and market reality.

In addition to professional ethics and deontology, it is aimed to enable students to know the order of legal information that affects both professional practice and communicators work, as well as to enable

Table 23. Undergraduate course curriculum ın University of Seville

1 YEAR			
1st semester		**2nd semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Economics Applied in Advertising	6	Social Psychology of Advertising and Public Relations	6
Information Structure	6	Sociology and Social Structure	6
Advertising History and Public Relations	6	Advertising Theory and Structure	6
Spanish Language and Advertising: Grammar and Communication Skills	6	Public Relations Theory and Structure	6
Marketing	6	Communication Theories	6
2 YEARS			
3rd Semester		**4th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Creative Advertising	6	Advertising Regulation	6
Advertising Strategies	6	Advertising Research	6
Social Research Methods and Techniques	6	Copywriting	6
Audiovisual Media Technology	6	Theory and History Propaganda	6
Digital Technologies in Advertising	6	Art Regulation	6
3 YEARS			
5th Semester		**6th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Advertising Media Planning and Management	6	Digital Advertising Design	6
Programming and Techniques of Public Relations	6	Press Office	6
Advertising Photography	6	Advertising Management	6
4 YEARS			
7th Semester		**8th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Advertising in The Sector	6	Brand Management	6
		Senior Project (Graduation Project)	6

students to make decisions through effective creativity and to have the capacity to implement consistent communication practices, and then to measure their results and produce appropriate results.

Only two of the 3rd year elective courses are selected.

Only four of the 4rd year elective courses are selected.

University of Sevilla offers education to students under the name of “communication and culture” as a master education. In the doctorate program, Cádiz, Huelva, Málaga and Sevilla universities offer a joint doctorate program under the name of “Communication” program.

Table 24. Elective Courses In University of Seville

3 YEARS			
5th Semester		**6th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Advertising Discourse Analysis	6	Development of European and Spanish Economy and Their Environment	6
Advertising in Artistic Context	6	History of Communication	6
Image Theory	6	Mass Culture and Cultural Industries	6
The Theory and History of Advertising Boards	6	Advertising and Intercultural Studies	6
4 YEARS			
7th Semester		**8th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Political Communication	6	Account Management	6
Ethics and Social Responsibility in Advertising	6	Contemporary Cultural History	6
Discourse Strategies of Oral Communication in Advertising and Public Relations	6	Business Concept	6
Consumption Theory	6	Literary Trends in the Culture of Contemporary Trends	6
Design Theory and History	6	Direction of Advertising	6
Ceremonies and Protocol	6	Contact Us	6

Public Relations Undergraduate and Graduate Studies at IULM University of Milan in Italy

The IULM University of Milan was founded in 1968 by the Fondazione Scuola Superiore in the Traduttori region, inspired by Senator Carlo Bo and Professor Silvio Baridon. The purpose of the project is to meet the demands of the labor markets based on the analysis of current trends.

Table 25. Some Universities providing public relations education ın Italy

University	Department
IULM University of Milan Milan - Italy	Public Relations and Business Communication - Bachelor
University of Cattolica Brescia - Italy	Corporate Communication - Master (Public Relations only available in curriculum)
IED European Design Institute Milan - Italy	Digital Communication Strategy - Master (Public Relations only available in curriculum)
University of Bari Bari - Italy	Communication Sciences – Master (Public Relations only available in curriculum)
University of Padova Padova - Italy	Communication - Bachelor (Public Relations only available in curriculum)

Table 26. Undergraduate course curriculum ın IULM University of Milan

1 YEAR			
1st semester		**2nd semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Sociology of Media	9	Business Economics	9
Information Systems and Digital Trends	6	Commercial Communication	9
Consumption and Corporate Culture	6	Semiotics	6
Advertising Languages	6	Professional English-I	6
Professional English-I	6		
2 YEARS			
3rd Semester		**4th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Consumer Psychology have to Neuro Marketing	6	Marketing	9
Sociology of Change in the Digital Age	9	Statistics and Market Research	9
Public Communication Theory and Technique	6	Professional English-II	6
Professional English-II	6	Marketing Communication and Digital Media	6
Globalization	3		
3 YEARS			
5th Semester		**6th Semester**	
Lessons	**Credits**	**Lessons**	**Credits**
Public Relations Laboratory	6	Storytelling and Discussant Writing Workshop	6
Political Economy	9	Creativity Workshop - Creativity and Design - Advertising Creativity Techniques	9
Business Organization and Human Resource Management	6	Public and Private Law Institutions	6
Professional English-III	6	Professional English-III	6

IULM University of Milan offers graduate education to students under the name of “Marketing, Consumption and Communication”. There is no doctorate program at the university.

“Public Relations and Business Communication” Undergraduate Education Acceptance Condition and Educational Objectives

Acceptance Condition: Candidates who will apply for Public Relations and Business Communication in Italy must have completed at least 12 years of secondary education and have high school diploma. In addition, “Academic Eligibility and Proficiency Certificate” should be obtained. As the majority of the courses will be in Italian, it is necessary to obtain a good score in the Italian exam.

Objectives: To train professionals who can face challenges and to assess opportunities that arise from international markets and scenarios, but also to shape women and men in awareness of themselves and their own values.

Table 27. Undergraduate level courses similar to the curricula of both Universities In Anadolu University and St. Kliment Ohridski University

Lessons Similar to Name or Content	
Turkey	**Bulgaria**
Sociology (1st Year / 1st Semester)	Sociology (1st Year / 1st Semester)
Basic Information Technologies (1st Year / 1st Semester)	Information Technologies (1st Year / 1st Semester)
Social Psychology (ENG) (2nd Year / 3rd Semester)	Social Psychology (1st Year / 1st Semester)
Persuasive Communication (ENG) (3rd Year / 5th Semester)	Persuasive Communication (3rd Year / 5th Semester)
Introduction to Marketing Management (1st Year / 2nd Semester)	Marketing (3rd Year / 5th Semester)
Corporate Communication Management (TR) (Vocational Elective Course)	Corporate Communication (4th Year / 7th Semester)
Digital Media Applications (TR) (Vocational Elective Course)	New Media (4th Year / 8th Semester)
International Advertising and Public Relations (TR) (Vocational Elective Course)	International Communication (3rd Year / 6th Semester)
Marketing Communication (TR) (Vocational Elective Course)	Integrated Marketing Communication (4th Year / 7th Semester)

CONCLUSION AND DISCUSSION

Public relations in Turkey and The European Union Member Countries is analyzed in the various levels of education it is emerging results. These results were compared and the following results were obtained for public relations undergraduate or graduate education among countries:

Similarities and Differences of Public Relations Education Between Turkey and Bulgaria

When looking at public relations education in Turkey, it is considered as an example of Anadolu University Public Relations undergraduate or graduate education at St. Kliment Ohridski University in Bulgaria. According to the public relations education at the St. Kliment Ohridski University, it is more comprehensive when compared. Public Relations and advertising at Anadolu University, when we look at the public relations department at St. Kliment Ohridski University, we can see that it is also wide in

Table 28. Master's Level Courses similar to the curricula of both Universities In Anadolu University and St. Kliment Ohridski University

Lessons Similar to Name or Content	
Turkey	**Bulgaria**
Content Management and Planning in Marketing Communication (1st Year / 1st Semester)	Marketing (1st Year / 2nd Semester)
Crisis Communication (TR) (Elective Course)	Public Relations During the Crisis (2nd / 3nd Term)
Theoretical Approaches in Public Relations (TR) (Elective Course)	Public Relations Theory and History (1st Year / 1st Semester)

content. The number of elective courses, compared to the possibilities of vocational elective courses, shows that Anadolu University offers students a wider range of opportunities.

The compulsory courses offered at the university are: In the curriculum of the Department of Public Relations at St. Kliment Ohridski University, there are no courses to be considered similar. Some courses at Anadolu University are taught in English. St. Kliment Ohridski University, the lessons are Bulgarian.

When we evaluate the universities of the two countries at the undergraduate level, it is seen that the main courses have only the same or similar qualifications. Similar courses are taught in Anadolu University under the name of Vocational Elective Course. In Bulgaria It is understood that the density of the curricula at St. Kliment Ohridski University is based on public relations and economy. The reason for this is that it is observed that in European Union member countries, undergraduate education is mostly oriented towards the profession. It is understood that undergraduate education in Turkey remains more theoretical level. However, Anadolu University hosts functional courses in order to break this perception. The problem is that there is a problem in the post-graduate vocational education because of the inadequacy of the qualifications required by employers in universities.

With a master's degree at Anadolu University, Bulgaria When compared to St. Kliment Ohridski University, it is seen that the acceptance conditions and the goals are differentiated. The thesis at universities in Turkey should take the necessary exam scores of Ales and to make postgraduate masters like Yds system of international students in Bulgaria are making purchases with direct examination. The similarities of the University of Anatolia. St. Kliment Ohridski University, international students register for a fee.

In the case that there are similar courses in graduate studies in both countries, but the thesis preparation courses are not available in St. Kliment Ohridski University, and the term semester training is 3 semesters, the students are exposed to inadequacies in Master's degree education.

Similarities and Differences of Public Relations Education Between Turkey and England

England is one of the member states of the European Union. However, this process of waiting for approval from the England parliament to leave the European Union membership. Turkey is one of the countries engaged in efforts to become a member of the European Union. However, forward-looking steps did not take place on both sides. Turkey is working to comply in various ways in education. Public Relations and Media section in this chapter of Public Relations and Advertising Department with Birmingham City University in England in Eskişehir Anadolu University in Turkey will be discussed.

There is a serious difference between the two department. Especially when the course contents are examined, the most important factor is that none of the courses are similar. The most important reason for this is that in the departments in universities that offer almost undergraduate education about communication in the England, a course curriculum is set in which vocational orientation and employers are actively involved. The biggest factor here is that public institutions in the public institutions in the England have a wide range of professional relations, and public institutions choose people who will work more specifically. Universities in the England that offer undergraduate education provide a common course content that can meet the demands of both the private sector and the public sphere. This also applies to the Department of Public Relations and Media at the University of Birmingham. A large part of the courses should be practiced, and from the second year, students receive training in various public rela-

Table 29. Master's level courses similar to the curricula of both Universities In Anadolu University and Birmingham City University

Lessons Similar to Name or Content	
Turkey	**England**
Theoretical Approaches in Public Relations (TR) (Elective Course)	Public Relations Theory and Context (Year 1)
Social Media and Corporate Communication (TR) (Elective)	Social Media as Culture and Practice (Elective Course)
Content Management and Planning in Marketing Communication (1st Year / 1st Semester)	Film Festivals, Marketing and Public Relations (Elective Course)

tions agencies as an internship. Theoretical training is given only in the first year, and some universities in the England can only offer theoretical courses to their students in the first semester.

Public relations education at Anadolu University, as discussed in the previous section, is common. This is St. This is not the case in Kliment Ohridski University and University of Birmingham City. In the European Union member universities, public relations undergraduate education is seen to be more practical than theoretical.

Public relations graduate education at Anadolu University and public relations graduate studies at Birmingham City University are examined; She teaches at Anadolu University under the department of Public Relations and Advertising and teaches at Birmingham City University under the title public relations. Among the admission requirements at Birmingham City University, the student requires very good knowledge of English for international student candidates. The resume is requested from the student candidates. Various activities performed during the academic period also offer the opportunity to be accepted. In public relations education, as in the license, there is a training for the profession.

It is seen that 3 courses are similar in terms of the graduate course contents of both universities. However, the master degree in England is limited to only one year. When the general courses are taken into consideration, the courses given in both universities are found to be sufficient to meet the expectations of graduate students.

Similarities and Differences of Public Relations Education Between Turkey and Germany

Public relations training in Germany and Turkey were discussed. At the Ludwig Maximilian University in Germany, master's courses are offered for public relations education. The full name of the program is "International Public Relations". When looking at other public relations education universities, there are very few universities with international names. In the context of graduate education, the reason for giving the name of International Public Relations to the program is to gain a global gain in public relations.

Germany is one of the most comprehensive countries in the European Union. It was observed that the majority of the undergraduate education in Germany was discussed in the context of communication as Journalism, Media and Communication departments. In Germany, where there is a public relations as a name, there is almost no university. Curriculum is not shared in the minority universities that open departments on public relations. It is seen that the trainings given in the universities in Germany are more technical and mathematical.

Table 30. Undergraduate level courses similar to the curricula of both Universities In Anadolu University and University of Seville

Lessons Similar to Name or Content	
Turkey	**Spain**
Introduction to Marketing Management (1st Year / 2nd Semester)	Marketing (1st Year / 1st Semester)
Social and Political Communication Campaigns (TR) (Vocational Elective Course)	Political Communication (4th Year / 7th Semester)
Communication Theories (1st Year / 2nd Semester)	Communication Theories (1st Year / 2nd Semester)
Advertising Photography (TR) (Vocational Elective Course)	Photography in Advertising (3rd Year / 5th Semester)

When the comparison of the public relations master's program between Anadolu University and Ludwig Maximilian University is compared, another important point is that the lectures at Ludwig Maximilian University meet at one point. If expressed as follows, intermediate courses are offered as a sub-section on the main course.

No similarity was found between Anadolu University and Ludwig Maximilian University. The main reason for this is that the lessons in Ludwig Maximilian University are divided into main sections in the main sections. Another factor related to the International Public Relations Program is the International Relations Department. Some of the courses also cover scientific methods and methods.

Considering the similar aspects between Germany and Turkey, there are also courses in universities that provide undergraduate or graduate education in public relations, especially due to the intensity of German citizens of Turkish origin. However, this is not seen in the field of communication.

Similarities and Differences of Public Relations Education Between Turkey and Spain

The number of universities providing public relations training in Spain is extremely high. However, the presence of universities offering postgraduate education for public relations is few in Spain. The reason for this is that public relations training in universities in Spain is carried out jointly by the universities and the name is the name of the programs with the general names such as Media or Communication. As a public relations department, there are many educational institutions in Spain, but graduate education is usually taken in other European Union member states.

Spain's position in other European Union member states is different. The main reason for this is that it contains Latin American culture. There is also an internal policy with countries in South America. This is reflected in education. Spanish citizens studying in Latin American countries are also interested in Spanish.

Anadolu University and Seville University undergraduate departments were named as Public Relations and Advertising department at Anadolu University, while Sevilla University was named as Publicity and Public Relations Department.

When we look at the course content of the University of Seville, it is seen that it is not similar with the European Union member countries. One of the reasons for this is the similarity of the public relations courses given by the graduates of the universities in countries in South America. In particular, the University of Sevilla is also in close contact with universities in North African countries, and therefore

Table 31. Undergraduate level courses similar to the curricula of both Universities In Anadolu University and IULM Milan University

Lessons Similar to Name or Content	
Turkey	**Italy**
Corporate Culture Management (TR) (Vocational Elective Course)	Consumption and Corporate Culture (1 st / 1 st Period)
Economics (ENG) (2nd Year / 3rd Semester)	Business Economics (1st Year / 2nd Semester)
Marketing Communication (TR) (Vocational Elective Course)	Marketing Communication and Digital Media (2nd Year / 4th Semester)

we can say that the course content was created not only for South America but also for universities in North Africa.

When the course contents are examined, it is seen that the basic courses are similar. This is due to the fact that other resources can be added to the basic courses such as marketing and political communication, in terms of content detail. On the other hand, it is also important to have an advertising course, because at the other universities, advertising courses are seen to be less, but here we see similar courses.

Similarities and Differences of Public Relations Education Between Turkey and Italy

Considering the similarities between Turkey and Italy are particularly observed that the similarities in the cultural context. This is because they are the people of the Mediterranean climate. In the context of education in public relations, we can say that this similarity is reflected in the lessons. However, in Italy, undergraduate education is completed in 3 years. It is for the fourth year in Turkey.

IULM Milan University Public Relations and Business Communication Department, as the name suggests, does not only provide trainings for public relations but also offers vocational trainings. It is observed that the courses related to marketing are given as much weight as the public relations and advertising courses. At Anadolu University, the lessons are mostly focused on communication and some theory is observed. IULM University of Milan also teaches some of the courses that it teaches in the workshop.

When the differences between the two universities are examined, as mentioned in the previous section, there are differences between the periods of Education. Apart from this, the quota of the departments is also included in the Department of Public and Business Communication of the University of Milan.

Anadolu University and IULM Milan University have three similar courses. Organizational culture, economics and marketing courses are similar courses in general terms. The common point in these courses should be in the basic course position. It has been observed that the concept of common courses in Italy, just like in universities in Turkey, was introduced as English language courses in Italy.

DISCUSSION

When the general lines of public relations were examined, it was found that public relations were similar both in close and far terms in terms of Public Relations curricula in EU member states. In general, the biggest similarity was found to be almost the same as the basic courses. Since these similar courses are the basis, public relations education is the same in both European Union member states and Turkey. One of the most challenging issues for undergraduate and graduate students is that the application and theoretical aspects of public relations education are not fully gathered in a common set. It is seen that the European Union member states also have a separation within themselves during the implementation trainings. Especially in the context of public relations agencies, the member states of the European Union, which deal with the curriculum in a more intensive way, are weaker in Turkey compared to the institutions that provide public relations education in Turkey.

University in Turkey. It has been observed that the member states of the European Union have also diverged within the framework of the educational curriculum. However, the general principles of the private sector performs qualified employee training. In Turkey and less developed member states of the European Union, it is seen that these trainings are offered to public relations education not only to the private sector but also to the public. Both private and public public relations trainings are not efficient within the period of the training that students will receive within 3 or 4 years. In particular, developed member states of the European Union prefer an education focused on a particular area. Because the student who focuses on a certain area gains expertise in that area. In this way, the employer will work with more qualified and expert public relations.

Universities in Turkey have also presented certain competencies to their students during the public relations education process. These may be considered as internships in the field of practice. European Union member countries, especially the England internship training is very important. In other words, the main purpose of the practice training is to introduce students to the theoretical knowledge of the practice. In Turkey, internship is not compulsory for public relations students and is optional. Many institutions in Turkey do not provide internship opportunities for students.

Another detail that strikes the public relations trainings of some European Union member countries is that they do not usually hold undergraduate or graduate education together. For example, public relations education at Anadolu University undergraduate, graduate and doctorate levels are given in public relations in this similar situation is observed in Turkey in other education institutions. However, in some European Union member countries, public relations education focuses on a particular area and the student can choose his academic career or private sector career before starting his undergraduate and graduate studies. In Turkey, it includes a process which can be judged in this later stage. This situation is reflected in the course content.

Public relations training as well as overall education will be required to evaluate on a cultural and geographical basis. Because the education given can also be determined according to the condition of that environment. The most beautiful example of this is seen in Spain. Spain is a member of the European Union, but it is able to form course content according to the universities that provide education in Latin America. Because some of the students from universities in Spain are students living in Latin American countries. Therefore, it is possible to say that education can vary on a cultural basis. In general, the European Union member countries and Turkey is not seen as a common course content is another reason for the lack of a common share or is very rare. In this study, it is observed that the similarity of course content in the university which provides public relations education in Turkey and Bulgaria is related to the similarity of

Finally, when the public relations curriculum is examined in general, it has been determined that the public relations education varies both on the basis of the term and within the context of the course content, the trainings that students will be given on the basic level are not very common. It has been observed that practice trainings are more intensive in European Union member states and importance is given to internship training seriously. In Turkey, public relations education is more theoretical and it has been determined that the application field is not formed in a widespread way. As a solution proposal, public relations undergraduate or graduate education should be more similar to public relations education of European Union member countries, and it is especially important for Turkey to comply with the criteria on the subject of EU membership. A course content which is especially important for students where students can become more.

REFERENCES

Akagün, S. Y. (2018). *Halkla İlişkiler Bağlamında Yeni Medya Kullanımı*. İstanbul, Turkey: İstanbul Aydın Üniversitesi, Yüksek Lisans Tezi.

Armbrecht, W., & Zabel, U. (1994). *Normative Aspekte der Public Relations*. Opladen, Germany: Westdeutscher Verlag. doi:10.1007/978-3-322-97043-5

Asna, A. (1998). *Halkla İlişkiler - Dünden Bugüne Bir Sanat-Meslek Öyküsü*. İstanbul, Turkey: Sabah Kitapları.

Aykın, C., & Oğuz, S. (2003). *Eğitimde Avrupa Boyutu: Socrates, Leonardo Da Vinci ve Gençlik Programları, AB ve Türkiye*. Bursa, Turkey: Ezgi Yayınevi.

Birmingham City University. (2019). Public relations and media - BA Hons. Retrieved from www.bcu.ac.uk/courses/public-relations-and-media-ba-hons-2019-20

Birmingham City University. (n.d.). Public relations - MA. Retrieved from www.bcu.ac.uk/courses/public-relations-ma-2019-20

Bulgaristanda Eğitim Üniversite. (2019). Sofya St. Kliment Ohridski University. Retrieved from www.bulgaristandaegitimuniversite.com/sofya-st-kliment-ohridski-universitesi

Çelik, V. (2010). *Türk Eğitim Sistemi ve Okul Yönetimi*. Ankara, Turkey: Pegem A Yayıncılık.

Demirbaş, F. İ. (2010). *Avrupa Birliği Eğitim Politikaları ve Türkiye*. Konya: Seluçk Üniversitesi, Yüksek Lisans Tezi.

Erdoğan, İ. (2006). *Teori ve Pratikte Halkla İlişkiler*. Ankara, Turkey: Erk Yayınları.

Fidan, N., & Erden, M. (2001). *Eğitime Giriş*. İstanbul, Turkey: Alkım Yayınları.

Flieger, H., & Ronneberger, F. (1993). Public Relations Anfange in Deutschland. Festschrift zum lOO. Geburtstag von Carl Hundhausen. Wiesbaden, Germany: Verlag fiir deutsche Wirtschaftsbiographien.

Ayla, O. K. A. Y., & Aydemir, O. K. A. Y. (2012). Halkla İlişkiler Kavram, Strateji ve Uygulamaları. İstanbul, Turkey: Der Yayınları.

IULM. (n.d.). Public relations and business communication. Retrieved from www.iulm.it/wps/wcm/connect/iulmit/iulm-it/Studiare-alla-IULM/risorse-per-studenti-iscritti/Relazioni-pubbliche-e-comunicazione-d-impresa

Kalender, A. (2015). *Kavram Olarak Halkla İlişkiler, Dünyada ve Türkiye'de Halkla İlişkilerin Tarihsel Gelişimi*. Eskişehir, Turkey: Anadolu Üniversitesi Açık Öğretim Fakültesi Yayınları.

Kunczik, M. (1993). *Public relations: Konzepte und Theorien*. Koln, Germany: Bohlau.

LMU. (n.d.). Studienfächer und Studiengänge von A bis Z. Retrieved from www.uni−muenchen.de/studium/studienangebot/studiengaenge/studienfaecher/int_pr/master/index.html

Marconi, J. (2004). *Public relations: A complete guide*. NY: South Western Educational Publications.

Peltekoğlu, F. B. (2007). Halkla İlişkiler Nedir. İstanbul, Turkey: Betaş Yayınları.

Sofia University. (2017). Public Relations. Retrieved from www.uni−sofia.bg/index.php/eng/the_university/faculties/faculty_of_journalism_and_mass_communication/degree_programmes/bachelor_s_degree_programmes/faculty_of_journalism_and_mass_communication/public_relations

Sofia University. (2019). Public relations. Retrieved from www.uni−sofia.bg/index.php/eng/the_university/faculties/faculty_of_journalism_and_mass_communication/degree_programmes/master_s_degree_programmes/faculty_of_journalism_and_mass_communication/public_relations

Tortop, N. (2009). *Halkla İlişkiler*. Ankara, Turkey: Nobel Yayınevi.

Universidad, D. Sevilla. (n.d.). Undergraduate degrees. Retrieved from www.us.es/eng/studies/undergraduate/plan_211?p=7&v=1#planes

Universitesi, A. (n.d.a). Department of public relations and advertising. Retrieved from www.anadolu.edu.tr/akademik/fakulteler/228/halkla-iliskiler-ve-reklamcilik-bolumu/dersler

Universitesi, A. (n.d.b). Public relations and advertising US-PHD degree. Retrieved from www.anadolu.edu.tr/akademik/enstituler/1117/halkla-iliskiler-ve-reklamcilik-abd-tezli-yl/dersler

Universitesi, A. (n.d.c). Public relations and advertising US-PHD degree. Retrieved from www.anadolu.edu.tr/akademik/enstituler/1120/halkla-iliskiler-ve-reklamcilik-abd-doktora/dersler

Compilation of References

2019 . Russia-Eu Strategic Partnership. (2019). The Embassy of Russian Federation to United Kingdom of the Great Britain and Northern Ireland. Retrieved from https://www.rusemb.org.uk/resp/

AA. Kızılay Kart'a yeni AB desteği, 23.07.2018. Retrieved from https://www.aa.com.tr/tr/dunya/kizilay-karta-yeni-ab-destegi/1211486

Abowd, J. M., Kramarz, F., & Margolis, D. N. (2000). Minimum wages and employment in France and the United States. *NBER Chapters*. In *Youth Employment and Joblessness in Advanced Countries* (pp. 427–472). National Bureau of Economic Research.

Acquisti, A., & Grossklags, J. (2005). Privacy and rationality in individual decision making. *IEEE Security and Privacy*, *3*(1), 26–33. doi:10.1109/MSP.2005.22

Ada, A. A. (2001). Kümeleme Analizi ile AB Ülkeleri ve Türkiye'nin Sürdürülebilir Kalkınma Açısından Değerlendirilmesi. *Dumlupınar Üniversitesi Sosyal Bilimler Dergisi*, *29*, 319–332.

Adomeit, H. (2012), German-Russian relations: balance sheet since 2000 and perspectives until 2025, *ifri*, Retrieved from https://www.defense.gouv.fr/.../EPS2012-Bilan%20relations

Adonnino, P. (1985). A People's Europe reports from the ad hoc committee. Retrieved from http://aei.pitt.edu/992/1/andonnino_report_peoples_europe.pdf

Ahmadi, H. B., Kusi-Sarpong, S., & Rezaei, J. (2017). Assessing the social sustainability of supply chains using Best Worst Method. *Resources, Conservation and Recycling*, *126*, 99–106. doi:10.1016/j.resconrec.2017.07.020

Ai, W., & Song, W. (2018). China and the European Union's participation in conflict resolution: norm dynamics, convergence and divergence in foreign policy, *Journal of Contemporary China*, (published online in 2018), 1-16.

AICPA (1996). Improving business reporting- a customer focus. *Report of the Special Committee on Financial Reporting* (New York: AlCPA, 3).

Aizenman, J. (2016). Optimal currency area: A 20th century idea for the 21st century? NBER Working Paper, 22097. doi:10.3386/w22097

Ajansı, A. "*Avrupa Komisyonu'ndan TANAP'a 5 Milyon Avro Hibe*". Retrieved from https://www.aa.com.tr/tr/dunya/avrupa-komisyonundan-tanap-a-5-milyon-avro-hibe/1218406

Akagün, S. Y. (2018). *Halkla İlişkiler Bağlamında Yeni Medya Kullanımı*. İstanbul, Turkey: İstanbul Aydın Üniversitesi, Yüksek Lisans Tezi.

Akçadağ Alagöz, E. (2009). Avrupa Birliği ve Grönland. Retrieved from http://www.bilgesam.org/incele/805/-avrupa-birligi-ve-gronland/#.XLubithS-M9

Akdoğan, N. (2003). Avrupa Birliği'ne Üye Ülkeler Arasında Finansal Raporlama Uygulamalarında Uluslararası Standartlara Geçiş-Dördüncü ve Yedinci Yönerge Muhasebe Standartlarının IAS'e Yakınlaştırma Çalışmaları," *Prof. Dr. Yüksel Koç Yalkın'a Armağan,* Ankara: SBF Yayın No.:590; TÜRMOB Yayın No.: 221: 33-36. Akdoğan, N. (2004). Muhasebe Standartlarına Toplu Bakış: Muhasebe Uygulaması Vergi İlişkisi," *Muhasebe Uygulamaları ve Vergi Sempozyumu IV,* Ankara, 01-05 Mart 2004, 12-15.

Akdoğan, M. (2018). Avrupa Birliği'nin Sınırlarına Dayanan Mülteci Krizi ve Yönetimi. *Uluslararası İlişkiler ve Diplomasi Journal*, *1*(1), 48–74.

Akel, V. (2015). Kırılgan Beşli Ülkelerinin Hisse Senedi Piyasaları Arasındaki Eşbütünleşme Analizi. *Uluslararası Yönetim İktisat Ve İşletme Dergisi*, *11*(24), 75–96.

Ak, M. S. (2010). Kontrol Edilen Yabancı Kurum Rejimi Uygulaması. *Vergi Dünyası*, *348*, 44–52.

Akpınar, E. (2005). "Bakü-Tiflis-Ceyhan (BTC) Ham Petrol Boru Hattı ve Türkiye Jeopolitiğine Etkileri", *Gazi Eğitim Fakültesi Dergisi*, C: 25, S:2.

Aksoy, T. (2002). *Tüm Yönleriyle Denetim*. Ankara/Türkiye: Yetkin Yayınları.

Aksoy, Ş. (1999). *Vergi Hukuku ve Türk Vergi Sistemi*. İstanbul, Turkey: Filiz Kitapevi.

Aktuell, M. D. R. (2019). Großbritannien: May bietet Brexit-Verschiebung an. Retrieved from https://www.mdr.de/nachrichten/politik/ausland/may-bietet-verschiebung-von-brexit-an-100.html

Al -Tarawneh, A.H. (2012). The main factors beyond decision making. *Journal of Management Research*, *4*(1), E18.

Alanya, A. ve Swyngedouw, M. (2014). Şehir Bağlamı ve Türk Göçmenlerin Ayrımcılık Algısı: İki Belçika Şehrinin Eğilim Skoru Eşleştirmesiyle Karşılaştırması. *Türk Psikoloji Yazilari*, *17*(34), 53–65.

Albeni, M., & Demir, Y. (2005). The effects of macroeconomics indicators on stock prices of financial sector: An application on Istanbul stock exchange. *Journal of Social Sciences and Humanities Researches*, *1*(14).

Alcidi, C. & Gross, D. (2010). *The European experience with large fiscal adjustments*, VoxEU.org, 28 April.

Alexander, D. (1993). A European true and fair view? *European Accounting Review*, *1*(1), 59–80. doi:10.1080/09638189300000004

Alp, Ö. S., & Kırkbeşoğlu, E. (2015). Sigorta Endeksi Getirisinin Doğrusal OlmayanYapısı. *Finansal Araştırmalar ve Çalışmalar Dergisi*, *7*(13), 245–260.

Altınbaş, H., Kutay, N., & Akkaya, G. C. (2015). Makroekonomik Faktörlerin Hisse Senedi Piyasaları Üzerindeki Etkisi: Borsa İstanbul Üzerine Bir Uygulama. *Ekonomi Ve Yönetim Araştırmaları Dergisi*, *4*(2), 30–49.

Altıner, A., Bozkurt, E., & Toktaş, Y. (2018). Globalization and economic growth: an application for the emerging market economies, *Finans*. *Politik ve Ekonomik Yorumlar Dergisi*, *639*, 117–162.

Altintas, H., & Tombak, F. (2011). The econometric analysis of the relationship between stock prices and macroeconomics variables in Turkey: 1987-2008. *Anadolu International Conference in Economics II*, 1-21.

Andenas, M., & Kenyon-Slade, S. (1993). *Financial market regulation and company law*. London, UK: Sweet & Maxwell.

Anderson, K., & Tyers, R. (1993). Implication of EU expansion for European agricultural policies, trade, and welfare. *CEPR Discussion Paper No. 829*, 15–22.

Andone, I., Scheubel, B., & Once, B. (2019). *New evidence on the link between IMF conditionality and IMF stigma*, ECB Working Paper No. 2262.

Andronaceanu, A., & Ristea, B. (2014). Decision making process in the decentralized educational system. *Procedia: Social and Behavioral Sciences*, *149*, 37–42. doi:10.1016/j.sbspro.2014.08.175

Anlar, A., (2017). Farklı Bakış Açıları İle Enerji Güvenliği Üretici, Tüketici ve Transit Ülkeler: Türkiye Örneği", *UİİİD-IJEAS,* S:19.

Arena, M., Conte, A., & Melacini, M. (2015). Linking environmental accounting to reward systems: The case of the environmental profit and loss account. *Journal of Cleaner Production*, *108*, 625–636. doi:10.1016/j.jclepro.2015.07.068

Argomaniz, J. (2015). European Union responses to terrorist use of the internet. *Cooperation and Conflict*, *50*(2), 250–268. doi:10.1177/0010836714545690

Arıç, K., & Erkekoğlu, H. (2013). Statistical analysis of the EU countries and Turkey's macroeconomics indicators. *Cumhuriyet University Journal of Economics and Administrative Sciences*, *14*(2), 291–306.

Armandon, E. (2011) EU-Ukraine relations: what developments have there been since the election of Viktor Yanukovych? Foundation Robert Schuman. Retrieved from https://www.robert-schuman.eu/en/european-issues/0214-eu-ukraine-relations-what-developments-have-there-been-since-the-election-of-viktor-yanukovych

Armandon, E.(2013) Popular assessments of Ukraine relation's with Russia and European Union under Yanukovych, Demokratizatsiya, *The Journal of Post-Soviet Democratization,* April 2013, 21(2), 289-308

Armbrecht, W., & Zabel, U. (1994). *Normative Aspekte der Public Relations*. Opladen, Germany: Westdeutscher Verlag. doi:10.1007/978-3-322-97043-5

Armingeon, K., & Guthmann, K. (2014). Democracy in crisis? The declining support for national democracy in European countries, 2007–2011. *European Journal of Political Research*, *53*(3), 423–442. doi:10.1111/1475-6765.12046

Armstrong, J. J., Zhu, M., Hirdes, J. P., & Stolee, P. (2012). K-means cluster analysis of rehabilitation service users in the home health care system of Ontario: Examining the heterogeneity of a complex geriatric population. *Archives of Physical Medicine and Rehabilitation*, *93*(12), 2198–2205. doi:10.1016/j.apmr.2012.05.026 PMID:22705468

Arsava, A. F. (2005). Avrupa Temel Haklar Şartı. *Ankara Avrupa Çalışmaları Journal*, *5*(1), 35–63.

Asemi, A., Safari, A., & Asemi Zavareh, A. (2011). The role of management information system (MIS) and decision support system (DSS) for manager's decision making process. *International Journal of Business and Management*, *6*(7), 164. doi:10.5539/ijbm.v6n7p164

Aslan, M. (2008). Avrupa Yatırım Bankası ve Türkiye'ye Yönelik Mali Yardım ve Kredileri ve Vergisel Durumu Üzerine. *Çimento İşveren Dergisi*, 22 (2), 42-51.

Aslund, A. (2015). *Ukraine: What went wrong and how to fix it*. Danvers, MA: Peterson Institute.

Asna, A. (1998). *Halkla İlişkiler - Dünden Bugüne Bir Sanat-Meslek Öyküsü*. İstanbul, Turkey: Sabah Kitapları.

Aspers, P., & Kohl, S. (2015). Economic theories of globalization. In B. S. Turner & R. J. Holton (Eds.), *The Routledge international handbook of globalization studies*. Routledge.

Assi, B., & Valiante, D. (2011). *MiFID implementation in the midst of the financial crisis: Results of an ECMI survey, ECMI Research Report, No. 6, Feb 2011*. Brussels, Belgium: European Capital Markets Institute.

Association of Southeast Asian Nations. (2018). *Joint leaders' statement on the Regional Comprehensive Economic Partnership (RCEP) Negotiations*. Retrieved from https://asean.org/joint-leaders-statement-regional-comprehensive-economic-partnership-rcep-negotiations/

Atkinson, A. B. (1970). On the measurement of inequality. *Journal of Economic Theory*, *2*(3), 244–263. doi:10.1016/0022-0531(70)90039-6

Attri, R., & Grover, S. (2015). Application of preference selection index method for decision making over the design stage of production system life cycle. *Journal of King Saud University-Engineering Sciences*, *27*(2), 207–216. doi:10.1016/j.jksues.2013.06.003

Auf dem Brinke, A. & Enderlein, H. (2017). How to make sense of the structural reform lists for the euro area. Jacques Delors Institut – Berlin, Policy Paper 184.

Avrupa Birliği Official Website. Retrieved from https://www.avrupa.info.tr/tr/goc-politikalari-6892

Avrupa Birliği Türkiye Delegasyonu. Türkiye'deki Mülteci Krizine Avrupa Birliği'nin Müdahalesi. Retrieved from https://www.avrupa.info.tr/tr/turkiyedeki-multeci-krizine-avrupa-birliginin-mudahalesi-710

Avrupa Komisyonu. (2016) Üçüncü Vize Serbestîsi Raporu. Retrieved from http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/proposalimplementation-package/docs/20160504/third_progress_report_on_turkey_visa_liberalisation_roadmap_en.pdf

Axelrod, R., Vig, N., & Schreurs, M. (2005). The European Union as an environmental governance system. In R. Axelrod, D. L. Downie, & N. Vig (Eds.), *The global environment: institutions, law and policy* (2nd ed., pp. 200–224). Washington, DC: CQ Press.

Aydemir, N., ve Keskin, G. (2017). AB - Türkiye İlişkilerinde Göç: İlerleme Raporları Üzerine İçerik İncelemesi, Süleyman Demirel Üniversitesi İktisadi ve İdari Bilimler Fakültesi Journal, 22, Special Number of Göç, p. 1457-1472.

Aydemir, C., & Kaya, M. (2007). The globalization concept and its economical side. *Elektronik Sosyal Bilimler Dergisi*, *6*(20), 260–282.

Aydın, M. "*Küreselleşme Karşısında Ulus Devlet-Ulusal Ekonomi ve Güvenlik*". Retrieved from http://www.mustafaaydin.gen.tr/c/2138/kuresellesme-karsisinda-ulus-devlet-ulusal-ekonomi-ve-guvenlik

Aydın, M., (2004). "Uluslararası İlişkilerin "Gerçekçi" Teorisi: Kökeni, Kapsamı, Kritiği", *Uluslararası İlişkiler*, V:1, N:1.

Aydın, A. H., & Çamur, Ö. (2017). Avrupa Birliği Çevre Politikaları ve Çevre Eylem Programları Üzerine Bir İnceleme. *Bingöl Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, *7*(13), 21–44. doi:10.29029/busbed.310635

Aykın, C., & Oğuz, S. (2003). *Eğitimde Avrupa Boyutu: Socrates, Leonardo Da Vinci ve Gençlik Programları, AB ve Türkiye*. Bursa, Turkey: Ezgi Yayınevi.

Ayla, O. K. A. Y., & Aydemir, O. K. A. Y. (2012). Halkla İlişkiler Kavram, Strateji ve Uygulamaları. İstanbul, Turkey: Der Yayınları.

Babu, S. S., & Datta, S. K. (2015). Revisiting the link between socio-economic development and environmental status indicators—Focus on panel data. *Environment, Development and Sustainability*, *17*(3), 567–586. doi:10.100710668-014-9561-6

Bagci, P., & Perraudin, W. (1997). *Do IMF programs work?* Global Economic Institutions Working Paper.

Bağımsız İletişim Ağı. (2003, Feb. 24). Kamu Yayıncılığı ve TRT Komisyonu Raporu. Retrieved from http://bianet.org

Bakan, S., & Şentürk, M. (2012). A research about capital movements towards Turkey in the axis of financial globalization. *Adıyaman Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, 2012*(9), 45-64.

Bakan, S.,& Şahin, S., (2018). "Uluslararası Güvenlik Yaklaşımlarının Tarihsel Dönüşümü ve Yeni Tehditler", *The Journal of International Lingual, Social and Educational Sciences*, V:4, N:2.

Baker, C. R., & Wallage, P. (2000). The future of financial reporting in Europe: Its role in corporate governance. *The International Journal of Accounting*, *35*(2), 173–187. doi:10.1016/S0020-7063(00)00044-3

Bakırtaş, T., & Karbuz, S. (2004). *Financial globalization and the condition of periphery countries, İktisat İşletme ve Finans*, *19*(215), 92–107.

Balassa, B. A. (1961). *The theory of economic integration*. Homewood, IL: R. D. Irwin, Inc.

Baláž, P., Szokeová, S., & Zábojník, S. (2012). *Čínska ekonomika - nová dimenzia globalizácie svetového hospodárstva (Bude XXI. storočie storočím Číny?)* [Economy of China – the New Dimension of the World Economy Globalization]. Bratislava, Slovakia: Sprint DVA.

Baldwin, R., & Gros, D. (2015). What caused the Euro zone crisis? Retrieved from ohttps://www.ceps.eu/system/files/What%20caused%20the%20EZ%20Crisis%20 RB%20DG%20CEPS%20Commentary.pdf

Baldwin, R., & Gros, D. (2010). The euro in crisis – What to do? In P. Baldwin, D. Gros, & L. Laeven (Eds.), *Completing the Eurozone rescue: What more needs to be done? VoxEU.org Publication* (pp. 1–24).

Balima, W. H., & Amadou, N. R. S. (2019). *The impact of bailouts on the probability of sovereign debt crises: Evidence from IMF-supported programs*, IMF Working Paper, WP/19/2.

Banks, M. (2017, Aug. 12). Breakthrough in Brexit talks paves way for second phase of negotiations. Retrieved from https://www.theparliamentmagazine.eu/articles/news/breakthrough-brexit-talks-paves-way-second-phase-negotiations

Barker, A., & Khan, M. (2018, March 19). UK and EU agree 'decisive step' with 21-month Brexit transition. Retrieved from https://www.ft.com/content/f418a8b2-2b69-11e8-9b4b-bc4b9f08f381

Barro, R. J., & Lee, J. W. (2002). *IMF programs: Who is chosen and what are effects?* NBER Working Paper 8951, May.

Barro, R. J., & Lee, J. W. (2005). IMF programs: Who is chosen and what are the effects? *Journal of Monetary Economics*, *52*(7), 1245–1269. doi:10.1016/j.jmoneco.2005.04.003

Basel Committee on Banking Supervision. (2006, June) *Basel II: International convergence of capital measurement and capital standards (revised framework, comprehensive version)*, Bank for International Settlements, Basel, Switzerland.

Basel Committee on Banking Supervision. (2010). *Basel III: A global regulatory framework for more resilient banks and banking systems*, Bank for International Settlements, Basel, Switzerland.

Bayar, Y. (2015, Summer). Kredi Derecelendirme Kuruluşları ve Yunanistan Borç Krizi. *International Journal of Economic and Administrative Studies. Year*, *8*(15), 41–59.

Bayhan, T. (2010). Avrupa Birliği Ülkelerinde Türk İşçilerinin Serbest Dolaşım ve Aile Birleşimi Hakları, Sorunlar ve Beklentiler. *Çalışma İlişkileri Journal,* 1(1), p. 173-206.

Baylis, J., (2008). "Uluslararası İlişkilerde Güvenlik Kavramı", *Uluslararası İlişkiler*, V: 5, N: 18.

Bayram, H. D. (2006). *Uluslararası Transfer Fiyatlandırması ve Türkiye Uygulaması, (Yüksek Lisans Tezi)*. İstanbul, Turkey: Marmara Üniversitesi Sosyal Bilimler Enstitüsü.

Bayram, T., Altıkat, A., & Torun, F. (2011). Avrupa Birliği ve Türkiye'de Çevre Politikaları. *Iğdır Üniversitesi Fen Bilimleri Enstitüsü Dergisi*, *1*(1), 33–38.

Baysal, B.,& Lüleci, Ç, "Kopenhag Okulu ve Güvenlikleştirme Teorisi", *Güvenlik Stratejileri Dergisi*, V:11, N.22.

BBC. (2013) Ukraine suspends preparations for EU trade agreement, *BBC NEWS*, Nov. 21, 2013. Retrieved from https://www.bbc.com/news/world-europe-25032275

BBC. (2014) Russia's trade ties with Europe. March 4, 2014, Retrieved from https://www.bbc.com/news/world-europe-26436291

Beatty, A. (2014). EU set to grant Ukraine market economy status, Retrieved from https://www.politico.eu/article/eu-set-to-grant-ukraine-market-economy-status/

Bebbington, J., & Song, E. (2004). *The adoption of IFRS in the EU and New Zealand.* Retrieved from www.europe.canterbury.ac.nz/research/pdf/finance_nz_pre- lim_report.pdf

Becker, M. (2018, July 13). Brexit-Debatte: So reagiert Brüssel auf Mays Weißbuch. Retrieved from https://www.spiegel.de/politik/ausland/brexit-weissbuch-eu-reagiert-skeptisch-auf-britischen-plan-a-1218260.html

Beekun, R. I., & Westerman, J. W. (2012). Spirituality and national culture as antecedents to ethical decision-making: A comparison between the United States and Norway. *Journal of Business Ethics*, *110*(1), 33–44. doi:10.100710551-011-1145-x

Beemsterboer, D. J. C., Hendrix, E. M. T., & Claassen, G. D. H. (2018). On solving the Best-Worst Method in multi-criteria decision-making. *IFAC-PapersOnLine*, *51*(11), 1660–1665. doi:10.1016/j.ifacol.2018.08.218

Behles, C. (2019, Jan. 17). American Society of International Law. Retrieved from https://www.asil.org/ILIB/uk-house-commons-rejects-brexit-deal-january-15-2019

Bell, L. A. (1995). The impact of minimum wage in Mexico and Colombia. *Policy Research Working Paper, No. 1514*.

Bellaby, M. D. (2005). EU opens door to Ukraine as a free-market economy. *The Seattle Times*, (December): 2.

Bellucci, P., Lobo, M. C., & Lewis-Beck, M. S. (2012). Economic crisis and elections: The European periphery. *Electoral Studies*, *3*(3), 469–471. doi:10.1016/j.electstud.2012.02.009

Bénassy-Quéré, A., Fontagné, L., & Lahrèche-Révil, A. (2005). How does FDI react to corporate taxation? *International Tax and Public Finance*, *12*(5), 583–603. doi:10.100710797-005-2652-4

Bendiek, A. (2012). *European cyber security policy*. Berlin, Germany: Deutsches Institut für Internationale Politik und Sicherheit.

Bennet, M., Rikhardsson, P., & Schaltegger, S. (2003) Adopting environmental management accounting: EMA as a value-adding activity, *Purpose and Progress,* 1-14.

Bennett, M., & James, P. (1997). Environment-related management accounting: current practice and future trends. *Greener Management International*, *17*(Spring), 32–51.

Benoit, G. (2002). Data mining. *Annual Review of Information Science & Technology*, *36*(1), 265–310. doi:10.1002/aris.1440360107

Bensch, K. (2019, April 15). Brexit-Vertrag, Was ist der "Backstop"? Retrieved from https://www.tagesschau.de/ausland/backstop-101.html

Bensona, D., & Jordan, A. (2010). European Union environmental policy after the Lisbon Treaty: Plus ça change, plus c'est la meme chose? *Environmental Politics*, *19*(3), 468–474. doi:10.1080/09644011003690948

Bento, V. (2018). The Euro Monetary Union with a flawed conceptual framework. In J. Caetano & M. Sousa (Eds.), *Challenges and opportunities for the Euro zone governance*. New York: Nova Science Publishers.

Berger, H., Dell'Ariccia, G., & Obstfeld, M. (2018). Revisiting the economic case for fiscal union in the euro area. Retrieved from https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2018/02/20/Revisiting-the-Economic-Case-for-Fiscal-Union-in-the-Euro-Area-45611

Bescotti, E. (2018). The collective security treaty organisation and its limits on integration, Retrieved from http://greater-europe.org/archives/3965

Beyth-Marom, R., Fischhoff, B., Quadrel, M. J., & Furby, L. (1991). Decision making skills. Retrieved from http://www.performwell.org/index.php/identify-outcomes/social-and-behavioral-development/10-indicators/161-decision-making-skills;1986

Bialas, S. (2009). Power distance as a determinant of relations between managers and employees in the enterprises with foreign capital. *Journal of Intercultural Management*, *1*(2), 105–115.

Bijian, Z. (2005). China's peaceful rise to great power status. *Foreign Affairs*, *84*(5), 18–24. doi:10.2307/20031702

Bilgiç, A., ve Michelle P. (2017). Avrupa Birliği ve mülteciler. Avrupa'nın kaderi için mücadele. *Küresel İlişkiler*, *3*(1), 89–97.

Bingöl, A., ve Özdemir, M. (2014). Almanya ve Hollanda'da Türk Göçmen İşçi Çocuklarına Uygulanan Eğitim Politikaları. *Türk Eğitim Bilimleri Journal*, *12*(2), 134–157.

Bircan, H., & Karagöz, Y. (2003). Box-Jenkıns Modelleri ile Aylık Döviz Kuru Tahmini Üzerine Bir Uygulama. *Kocaeli Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, *6*(2), 49–62.

Bird, G. (1994). The myths and realities of IMF lending. *World Economy*, *15*(5), 759–778. doi:10.1111/j.1467-9701.1994.tb00772.x

Bird, G., & Rowlands, D. (2017). The effect of IMF programmes on economic growth in low income countries: An empirical analysis. *The Journal of Development Studies*, *53*(12), 2179–2196. doi:10.1080/00220388.2017.1279734

Birmingham City University. (2019). Public relations and media - BA Hons. Retrieved from www.bcu.ac.uk/courses/public-relations-and-media-ba-hons-2019-20

Birmingham City University. (n.d.). Public relations - MA. Retrieved from www.bcu.ac.uk/courses/public-relations-ma-2019-20

BIS (Bank for International Settlements). (2001). *Marrying the macro- and micro-prudential dimensions of financial stability, BIS Papers, no.1*. Basel, Switzerland: Bank for International Settlements.

Biyan, Ö., (2007). Transfer Fiyatlandırması Yoluyla Örtülü Kazanç Dağıtımı, *Mali Çözüm Dergisi*, (82). 77-102.

Bıyık, R. (2017). Vergi Güvenlik Önlemi mi, Ek Vergileme mi? *Dünya Gazetesi*. Retrieved from https://www.pwc.com.tr/tr/medya/kose-yazilari/recep-biyik/vergi-guvenlik-onlemi-mi-ek-vergileme-mi.html

Blanden, J., Gregg, P., & Macmillan, L. (2013). Intergenerational persistence in income and social class: The effect of within-group inequality. *Journal of the Royal Statistical Society. Series A, (Statistics in Society)*, *176*(2), 541–563. doi:10.1111/j.1467-985X.2012.01053.x

Blau, F., & Kahn, L. (2002). *At home and abroad: U.S. labor market performance in international perspective*. Russell Sage Foundation.

Bloom, N., Sadun, R., & Van Reenen, J. (2012). The organization of firms across countries. *The Quarterly Journal of Economics*, *127*(4), 1663–1705. doi:10.1093/qje/qje029

Bodur, H. E. (2008). Türkiye-AB İlişkileri ve Din Eleştirel Bir Yaklaşım, *KSÜ İlahiyat Fakültesi Journal*, 11, p. 1-30.

Bonyani, A., & Alimohammadlou, M. (2018). A new approach for evaluating international EPC contractors in Iran's energy sector. *International Journal of Construction Management,* 1-8.

Boratav, K. (2013). Tarımsal Fiyatlar, İstihdam ve Köylülüğün Kaderi. In N. Oral (Ed.), *Türkiye'de Tarımın Ekonomi Politiği (1923-2013)* (pp. 53–67). Ankara, Turkey: NotaBene Yayınları.

Bordo, M. D., & Meissner, C. M. (2015). Growing up to stability? Financial globalization, financial development and financial crises (NBER Working Paper No. 21287). National Bureau of Economic Research.

Bordo, M., Markiewicz, A., & Jonung, L. (2011). A fiscal union for the euro: some lessons from history. NBER Working Paper No. 17380.

Borujeni, M. P., & Gitinavard, H. (2017). Evaluating the sustainable mining contractor selection problems: An imprecise last aggregation preference selection index method. *Journal of Sustainable Mining*, *16*(4), 207–218. doi:10.1016/j.jsm.2017.12.006

Bosch, G. (2009). Le travail faiblement rémunéré dans cinq pays européens et aux Etats-Unis. *Revue internationale du Travail, 148*(4), 365-387.

Bozdağlıoğlu, E. Y., & Özpinar, Ö. (2011). Türkiye'ye Gelen Doğrudan Yabancı Yatırımların Türkiye'nin İhracat Performansına Etkilerinin Var Yöntemi İle Tahmini. *Dokuz Eylul Universitesi Sosyal Bilimler Enstitüsü Dergisi*, *13*(3), 39–63.

Bozkuş, Y. D., "Avrupa Birliğinin Kafkasya Politikalarına Genel Bir Bakış", *International Studies Congress*, *Institute of International Relations and Strategic Research*, May 10, 2018, Ankara, Turkey.

Bozoklu, Ş., & Saydam, İ. M. (2010). BRIC Ülkeleri Ve Türkiye Arasındaki Sermaye Piyasaları Entegrasyonunun Parametrik Ve Parametrik Olmayan Eşbütünleşme Testleri İle Analizi. *Maliye Dergisi*, *159*, 416–431.

Boztosun, D., & Çelik, T. (2011). Türkiye Borsasının Avrupa Borsaları İle Eşbütünleşme Analizi. *Süleyman Demirel Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *16*(1), 147–162.

BPB. (2018). Nettozahler und Nettoempfänger, 16.12.2018, Haushaltssalden der Mitgliedstaaten der Europäischen Union (EU), verschiedene Bezugsgrößen. Retrieved from http://www.bpb.de/wissen/P16RQL,0,Top_5_Nettozahler_und_Nettoempf%E4nger_der_EU.html

Brackney, K., & Witmer, P. (2005). The European Union's role in international standards setting. *The CPA Journal.* Retrieved from www.cpa- journal.com

Brander, J. A., & Spencer, B. J. (1985). Export subsidies and international market share rivalry. *Journal of International Economics*, *18*(1-2), 83–100. doi:10.1016/0022-1996(85)90006-6

Braulke, M. (1983). A note on Kuznets' U. *The Review of Economics and Statistics*, *65*(1), 135. doi:10.2307/1924418

Bret, C. (2016). EU-Russia: Beyond rivalries, Jacques Delors Institute, Retrieved from http://www.institutdelors.eu/wp-content/uploads/2018/01/eurussia-bretparmentier-jdi-july16.pdf?pdf=ok

Breusch, T., & Pagan, A. R. (1980). The Lagrange Multiplier Test and its application to model specifications in econometrics. *The Review of Economic Studies*, *47*(1), 239–253. doi:10.2307/2297111

Brewster, C., HoltLarsen, H., & Trompenaars, F. (1992). Human resource management in Europe: Evidence from ten countries. *International Journal of Human Resource Management*, *3*(3), 409–434. doi:10.1080/09585199200000157

Brexit - Großbritannien verlässt die EU. (n.d.). Retrieved from https://www.lpb-bw.de/brexit.html

Brexit bites. (2017, June 19). Retrieved from https://www.charteredaccountants.ie/News/brexit-bites-19-june-2017

Brinkhorst, L. J. (1993). The road to Maastricht. *Ecology Law Quarterly*, *20*(1), 7–23. doi:10.15779/Z38PG22

Bristow, T. (2014) How important is Russia to Germany? *The Local*. Retrieved from https://www.thelocal.de/20140403/how-important-is-russia-to-germany-as-a-trading-partner

Broeders, D. (2007). The new digital borders of Europe EU databases and the surveillance of irregular migrants. *International Sociology*, *22*(1), 71–92. doi:10.1177/0268580907070126

Broeders, D., & Engbersen, G. (2007). The fight against illegal migration identification policies and immigrants' counterstrategies. *The American Behavioral Scientist*, *50*(12), 1592–1609. doi:10.1177/0002764207302470

Brooks, C. (2008). *Introductory econometrics for finance*. New York: Cambridge University Press. doi:10.1017/CBO9780511841644

Brubaker, R., & Cooper, F. (n.d.). Beyond "Identity" (pp. 1-47). Retrieved from https://works.bepress.com/wrb/2/download/

Buckley, P. J., Pass, C. L., & Prescott, K. (1988). Measures of international competitiveness: a critical survey. *Journal of Marketing Management*, *4*(2), 175–200. doi:10.1080/0267257X.1988.9964068

Budak, S. (2000). *Avrupa Birliği ve Türk Çevre Politikası*. İstanbul, Turkey: Büke Yayınları.

Budak, S. (2004). Uluslararası Çevre Düzenlemeleri Bağlamında Politika Adalet ve Kalkınma. In U. Yıldırım & M. C. Marin (Eds.), *Çevre Sorunlarına Çağdaş Yaklaşımlar* (pp. 385–430). İstanbul, Turkey: Beta Yayınları.

Bugajski, J. (2004). *Cold peace: Russia's new imperialism*. Westport, CT: Praeger.

Bulgaristanda Eğitim Üniversite. (2019). Sofya St. Kliment Ohridski University. Retrieved from www.bulgaristandaegitimuniversite.com/sofya-st-kliment-ohridski-universitesi

Bulut, C., & Bahişov, N. M. (2011). Finansal Küreselleşme ve Ekonomik Etkileri, TASAM, http://www.tasam.org/ tr-TR/Icerik /3162/ finansal_kuresellesme_ ve_ekonomik_etkileri, Erişim tarihi:23.06.2019.

Bulut, S., (2015). Vergide Ülke Sınırlarını Aşmak: FATCA ve BEPS, *Vergi Sorunları Dergisi*, (326). 31-43.

Bulut, Ş., & Özdemir, A. (2012). İstanbul Menkul Kıymetler Borsası ve Dow Jones Industrial Arasındaki İlişki: Eşbütünleşme Analizi. *Yönetim Ve Ekonomi: Celal Bayar Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *19*(1), 211–224.

Bureau international du Travail. (2010). *Rapport mondial sur les salaires 2010-11, Politiques salariales en temps de crise*. Geneva, Switzerland: Bureau international du Travail.

Burritt, L., Hahn, T., & Schaltegger, S. (2002), Towards a comprehensive framework for environmental management accounting — links between business actors and environmental management accounting tools, *Australian Accounting Review, 12(27), 39-50.*

Burritt, R. (2004). Environmental management accounting: roadblocks on the way to the green and pleasant land. *Business Strategy and the Environment*, *13*(1), 13–32. doi:10.1002/bse.379

Buyens, D., Dany, F., Dewettinck, K., & Quinodon, B. (2007). France and Belgium: language, culture and differences in human resource practices. *HRM in Europe*, 123-159.

Buyukakinci, E. (2004). Bağımsızlık Sürecinde Ukrayna-Rusya İlişkileri, ed. Erhan Buyukakıncı, Değişen Dünyada Rusya ve Ukrayna, Ankara, Turkey: Phoenix Yayınevi pp. 401-436.

Cables, E. H., Lamata, M. T., & Verdegay, J. L. (2018). The Reference Ideal Method and the Pythagorean fuzzy numbers. *Fuzzy Optimization And Modelling*, *1*, 31–40.

Cables, E., Lamata, M. T., & Verdegay, J. L. (2016). RIM-reference ideal method in multicriteria decision making. *Information Sciences*, *337*, 1–10. doi:10.1016/j.ins.2015.12.011

Caetano, J. M., Vaz, E. J., & Caleiro, A. B. (2018). Trends in business cycles synchronization in the EMU. In J. Caetano & M. Sousa (Eds.), *Challenges and opportunities for the Euro zone governance* (pp. 35–60). New York: Nova Science Publishers.

Caetano, J., & Rico, N. (2018). Does the European and economic and monetary union requires a social dimension? In J. Caetano & M. Rocha de Sousa (Eds.), *Challenges and opportunities for the eurozone governance* (pp. 183–202). Nova Science Publishers.

Caetano, J., & Sousa, M. (Eds.). (2018). *Challenges and Opportunities for the Euro zone governance*. New York: Nova Science Publishers.

Çakran, Ş., ve Eren, V. (2017). Mülteci Politikası: Avrupa Birliği ve Türkiye Karşılaştırması, Mustafa *Kemal Üniversitesi Sosyal Bilimler Enstitüsü Journal*, 14(39), p. 1-30.

Calderoni, F. (2010). The European legal framework on cybercrime: Striving for an effective implementation. *Crime, Law, and Social Change*, *54*(5), 339–357. doi:10.100710611-010-9261-6

Can the Czech runoff election impact the country's stance on migration? (2018, Jan. 24). *Migration voter.* Retrieved from https://migrationvoter.com/2018/01/24/can-the-czech-runoff-election-effect-the-countrys-stance-on-migration/

Candan, E. (2014). *Tarımın 1980 Sonrasında "Kalkınmanın" Finansmanına Katkı Kanalları, Köylülükte Sonra Tarım*. Ankara, Turkey: Epos Yayınları.

Canpolat, H., ve Arıner, H. O. (2012). Küresel Göç ve Avrupa Birliği ile Türkiye'nin Göç Politikalarının Gelişimi. ORSAM. Report No: 22.

Çapanoğlu, S. G. (2015). *Avrupa Yatırım Planı ve Geleceği, Eurnewsport,68-69./.* Retrieved from https://www.ikv.org.tr/images/files/Avrupa%20Yatirim%20Plani%20Euronewsport.pdf/

Card, D., & Kreuger, A. (1995). *Myth and measurement: The new economics of the minimum wage*. Princeton, NJ: Princeton University Press.

Cardwell, M., & Rodgers, C. (2006). Reforming the WTO legal order for agricultural trade: Issues for European rural policy in the Doha round. *The International and Comparative Law Quarterly*, *55*(4), 805–838. doi:10.1093/iclq/lei131

Casey, J.-P., & Lannoo, K. (2009). *The MiFID revolution*. Cambridge, UK: Cambridge University Press. doi:10.1017/CBO9780511770470

Castels, M. (n.d.). The construction of European identity (pp. 1-9). Retrieved from http://www.chet.org.za/files/CASTELLS%202004%20European%20Identity.pdf

Cavusgil, S. T., Knight, G., Riesenberger, J. R., Rammal, H. G., & Rose, E. L. (2014). *International business*. Pearson Australia.

Cebeci, M. (2012). European foreign policy research reconsidered: constructing an 'ideal power Europe' through theory. *Millenium: Journal of International Studies*, *40*(3), 563–583. doi:10.1177/0305829812442235

Celasun, O., & Harms, P. (2010). Boon or burden? The effect of private sector debt on the risk of sovereign default in developing countries. *Economic Inquiry*, *49*, 1.

Çelik, İ., Gençtürk, M., & Binici, F. Ö. (2013). İMKB 30 Endeksi İle Avrupa Birliği Üyesi Ülke Borsaları Arasındaki Dinamik İlişkilerin Vektör Otoregresif Model Bağlamında Belirlenmesi. *Muhasebe Ve Finansman Dergisi*, (60), 73-86.

Çelik, S., ve Aydın, A. (2016). Türkiye'de Suriyeli Sığınmacı Krizinin Avrupa Birliği İlişkisine Yansımaları. In Proceedings IMUCO–April 21-22, 2016 Antalya, p. 837-846.

Çelik, İ., Kaya, Ö., & Tunç, Ö. (2013). Uluslararası Portföy Çeşitlendirmesi Açısından Gelişmekte Olan Ülke Borsaları Arasındaki Eşhareketlilik: Brezilya-Türkiye Üzerine Bir Uygulama. *Süleyman Demirel Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *18*(1), 167–180.

Çelikpala, M. (2014). "Enerji Güvenliği: NATO'nun Yeni Tehdit Algısı", *Uluslararası İlişkiler*, V:10, N:40. Demir, E. "*Enerji Şartı Anlaşması*", T. C. Dışişleri Bakanlığı. Retrieved from http://www.mfa.gov.tr/enerji-sarti-anlasmasi.tr.mfa

Çelik, T., & Boztosun, D. (2015). Türkiye Borsası İle Asya Ülkeleri Borsaları Arasındaki Entegrasyon İlişkisi. *Erciyes Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *0*(36), 57–71.

Çelik, V. (2010). *Türk Eğitim Sistemi ve Okul Yönetimi*. Ankara, Turkey: Pegem A Yayıncılık.

CESIFO. (2004). Wage setting institutions. *CESifo DICE Report*, *2*(4), 65–66.

Champernowne, D. G., & Cowell, F. A. (1998). *Economic inequality and income distribution*. Cambridge University Press.

Chang, H. J. (2014). *Economics: The user's guide*. London, UK: Penguin Books.

Chang, J. J., Lu, H. C., & Wang, P. (2013). Search for a theory of organized crimes. *European Economic Review*, *62*, 130–153. doi:10.1016/j.euroecorev.2013.05.004

Chang, T., Gupta, R., Inglesi-Lotz, R., Masabala, L. S., Simo-Kengne, B. D., & Weideman, J. P. (2016). The causal relationship between natural gas consumption and economic growth: Evidence from the G7 countries. *Applied Economics Letters*, *23*(1), 38–46. doi:10.1080/13504851.2015.1047085

Charbit, C. (2011). *Governance of public policies in decentralised contexts: the multi-level approach*. OECD Regional Development Working Papers, 2011/04.

Charter of fundamental rights of the European Union. (2000, Dec. 18). Retrieved from https://www.europarl.europa.eu/charter/pdf/text_en.pdf

Chasek, P. S., Downie, D. L., & Brown, J. W. (2018). *Global environmental governance: dilemmas in world politics* (7th ed.). New York: Routledge. doi:10.4324/9780429495236

Chen, Z. (2016). China, the European Union and the fragile world order. *Journal of Common Market Studies*, *54*(4), 775–792. doi:10.1111/jcms.12383

Cherp, A., & Jewell, J. "*The concept of energy security: beyond the four As*". Retrieved from https://www.sciencedirect.com/science/article/pii/S0301421514004960

China Daily. (2019). *Juncker: EU open to Huawei's 5G business*, Retrieved from https://www.chinadailyhk.com/articles/119/63/211/1556246201057.html

*ChinaDaily . (*2014, Feb. 24). Russia say EU seeking 'sphere of influence' in Ukraine, Retrieved from http://www.chinadaily.com.cn/world/2014-02/14/content_17283928.htm

Chivvis, C. S., & Rid, T.(2009). The roots of Germany's Russia policy. *Survival Global Politics and Strategy,* 51(2), 2009, pp. 105-122.

Christopoulos, D., & McAdam, P. (2017). On the persistence of cross-country inequality measures. *Journal of Money, Credit and Banking*, *49*(1), 255–266. doi:10.1111/jmcb.12374

Christou, G., Croft, S., Ceccorulli, M., & Lucarelli, S. (2010). European Union security governance: Putting the 'security' back in. *European Security*, *19*(3), 341–359. doi:10.1080/09662839.2010.526109

Çiçek, M. (2010). Türkiye'de Faiz, Döviz Ve Borsa: Fiyat Ve Oynaklık Yayılma Etkileri. *Ankara Üniversitesi SBF Dergisi*, *65*(02), 1–28. doi:10.1501/SBFder_0000002170

Ciepiela, K. (2011). From language as an identity marker to language as a toolkit for identity performance. In K. Ciepiela (Ed.), *Identity through a language lens* (pp. 7–20). Frankfurt am Main: Peter Lang.

Çiftçi, Y. (1997). *Türkiye'de ve Dünyada Muhasebe Standartlarının Gelişimi ve Uluslararası Uyumlaştırma Çalışmaları, İstanbul Üniversitesi İşletme Fakültesi Dergisi*, *26*(2), 174.

Cihan, Y., & Salur, M. N. (2017). Comparison of the economic performance between Turkey and BRICS countries using TOPSIS method. *Journal of Current Researches on Business and Economics*, *7*(2), 349–358.

Çilingir, S. (2018). Kriz gündeminde AB göç politikasinin yetkiler, hedefler ve araçlar itibariyle değerlendirilmesi: Sınır yönetimi örneği. *Dokuz Eylül Üniversitesi İşletme Fakültesi Dergisi*, *19*(1), 19–49. doi:10.24889/ifede.334138

CIS. (2019). About Commonwealth of Independent States, Retrieved from http://www.cisstat.com/eng/cis.htm

Çıtak, L., & Gözbaşı, O. (2007). İmkb İle Bazı Önde Gelen Gelişmiş Ve Gelişmekte Olan Ülke Borsaları Arasındaki Bütünleşmenin Temel Endeks Ve Ana Sektör Endeksleri Temelinde Analizi. *Dokuz Eylül Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi,* 22(2). 249-271.

Clapp, J., & Dauvergne, P. (2005). *Paths to a green world: the political economy of the global environment*. Cambridge, MA: MIT Press. doi:10.7551/mitpress/5265.001.0001

Clausing, K. A. (2003). Tax-motivated transfer pricing and U.S. intrafirm trade prices. *Journal of Public Economics*, *87*(9-10), 2207–2223. doi:10.1016/S0047-2727(02)00015-4

CNNTÜRK. (2010). Ukrayna'da Turuncu Devrim'in sonu 08.02.2010. Retrieved from https://www.cnnturk.com/2010/dunya/02/07/ukraynada.turuncu.devrimin.sonu/562698.0/ind x.html

Coates, J. (1998). *The next twenty-five years of technology: Opportunities and risks* (p. 42). OECD.

Çokgezen, J. (2007). Avrupa Birliği Çevre Politikası ve Türkiye. *Marmara Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, *23*(2), 91–115.

Çolak, Ö. F. (2016). EU-Turkey relations discussion. Retrieved from https://www.dunya.com/kose-yazisi/ab-turkiye-iliskileri-tartismasi/338370

Coleman, W. D., & Tangermann, S. (1999). The 1992 CAP reform, the Uruguay round and the commission: Conceptualizing linked policy games. *Journal of Common Market Studies*, *37*(3), 385–405. doi:10.1111/1468-5965.00170

Collier, A. (2018). *China buys the world. Analyzing China's overseas investments*. Singapore: Palgrave Macmillan. doi:10.1007/978-981-10-7494-3

Commission Recommendation (EU) 2017/820 of May 12, 2017 on proportionate police checks and police cooperation in the Schengen area. (2017). *Official Journal of the European Communities,* L122, 79-83.

CommussionE. *TACIS*. Retrieved from http://europa.eu/rapid/press-release_MEMO-92-54_en.htm

Commution, E. "*EU-Russia dialogue*". Retrieved from https://ec.europa.eu/energy/sites/ener/files/documents/2011_eu-russia_energy_relations.pdf

Confederation of British Industry. (2017). Retrieved from http://www.cbi.org.uk/cbi-prod/assets/File/pdf/Brexit%20Briefing%20(Oct%202017)%20-%20Impact%20of%20No%20Deal%20sector%20by%20sector.pdf

Connolly, W. E. (1991). *Identity/difference: Democratic negotiations of political paradox*. New York: Cornell University Press.

Connors, T. (1979). *The apparent effects of recent IMF stabilization programs*, International Finance Discussion Paper 135, Board of Governors of Federal Reserve System, April.

Conradi, P. (2017). *Who lost Russia?* London, UK: Oneworld.

Conway, P. (1994). IMF lending programs: Participation and impact. *Journal of Development Economics*, *45*(December), 365–391. doi:10.1016/0304-3878(94)90038-8

Çörtoğlu, F. S. (2016). *Avrupa Birliği'nde Çevre Politikasının Bütünleşmesi ve Türkiye'de Doğa Koruma Açısından Önemi (Araştırma Dizisi No. 40)*. Ankara, Turkey: Ankara Üniversitesi Avrupa Toplulukları Araştırma Ve Uygulama Merkezi.

Coşkun, M., Kiracı, K., & Muhammed, U. (2016). Seçilmiş Makroekonomik Değişkenlerle Hisse Senedi Fiyatları Arasındaki İlişki: TürkiyeÜzerine Ampirik Bir İnceleme. *Finans Politik & Ekonomik Yorumlar*, *53*(616), 61–74.

Coştu, Y. (2016). Göçmenlerin Kimlik Arayışı -Avrupalı Türkler Örneği-. *Hitit Üniversitesi Sosyal Bilimler Enstitüsü Journal*, *9*(2), 533–546.

Council Implementing Decision (EU) 2016/1989 of Nov. 11, 2016 setting out a recommendation for prolonging temporary internal border control in exceptional circumstances putting the overall functioning of the Schengen area at risk. (2016). *Official Journal of the European Communities,* L306, 13-15.

Council Implementing Decision (EU) 2016/894 of May 12, 2016 setting out a recommendation for temporary internal border control in exceptional circumstances putting the overall functioning of the Schengen area at risk. (2016). *Official Journal of the European Communities,* L151, 8-11.

Council Implementing Decision (EU) 2017/246 of Feb. 7, 2017 setting out a recommendation for prolonging temporary internal border control in exceptional circumstances putting the overall functioning of the Schengen area at risk. (2017). *Official Journal of the European Communities,* L36, 59-61.

Council Implementing Decision (EU) 2017/818 of May 11, 2017 setting out a recommendation for prolonging temporary internal border control in exceptional circumstances putting the overall functioning of the Schengen area at risk. (2017). *Official Journal of the European Communities,* L122, 73-75.

Council Implementing Decision setting out a recommendation on addressing the serious deficiencies identified in the 2015 evaluation of the application of the Schengen acquis in the field of management of the external borders by Greece. (2016). 2016/0035 (NLE). Retrieved from http://data.consilium.europa.eu/doc/document/ST-5985-2016-INIT/en/pdf

Council of the EU. (2010). *Internal security strategy for the European Union: Towards a European security model*. Luxembourg: Publications Office of the European Union, March 2010.

Council of the EU. (2018a). Response to the terrorist threat and recent terrorist attacks in Europe, Nov. 21, 2018, Retrieved from https://www.consilium.europa.eu/en/policies/fight-against-terrorism/foreign-fighters/

Council of the EU. (2018b). Schengen internal border controls: Council agrees negotiating mandate on the amendment of the Schengen borders code. Retrieved from https://www.consilium.europa.eu/en/press/press-releases/2018/06/19/schengen-internal-border-controls-council-agrees-negotiating-mandate-on-the-amendment-of-the-schengen-borders-code/

Council of The European Union, 8635/06 presse 115.

Cowell, F. A. (2011). *Measuring inequality*. Oxford, UK: OUP Oxford. doi:10.1093/acprof:osobl/9780199594030.001.0001

Craig, P., & De Búrca, G. (2003). *EU law. Text, cases and materials*. Oxford, UK: Oxford University Press.

Crawley, H., ve Dimitris, S. (2018). Her ikisi de mülteciler, göçmenler: Kategorik fetişizm ve Avrupa'nın göç krizinde sınırlama politikası. *Etnik ve Göç Çalışmaları Dergisi*, *4*(1), 48–64.

Creel, T.S. (2010). Environmental reporting practices of the largest U.S. companies, *Management Accounting Quarterly,* CMA, CFM, CPA, 12(1).

Cuddy, A. (2018, Nov. 15). UK Brexit Minister Dominic Raab and others resign over deal. Retrieved from https://www.euronews.com/2018/11/15/uk-s-northern-ireland-minister-resigns-over-brexit-deal

Çukurçayır, M. A., & Sipahi, E. (2003). Yönetişim Yaklaşımı ve Kamu Yönetiminde Kalite. *Sayıştay Dergisi*, *50*, 35–66.

Cunningham, B. (2016, Oct. 2). We protect Slovakia. *Politico*. Retrieved from https://www.politico.eu/article/slovakia-fico-migrants-refugees-asylum-crisis-smer-election/

Currie, J., & Fallick, B. C. (1996). The minimum wage and the employment of youth: Evidence from the NLSY. *The Journal of Human Resources*, *31*(2), 404–428. doi:10.2307/146069

CVCE. Declaration on European Identity. (1973, Dec. 14). Retrieved from http://www.cvce.eu/content/publication/1999/1/1/02798dc9-9c69-4b7d-b2c9-f03a8db7da32/publishable_en.pdf

Czech president: migrants should be fighting Isis, not 'invading' Europe. (2015, Dec. 27). *The Guardian*. Retrieved from https://www.theguardian.com/world/2015/dec/27/czech-president-migrants-should-be-fighting-isis-not-invading-europe

D'Alfonso, A., & Stuchlik, A. (2016). A fiscal capacity for the euro area? Options for reforms to counter asymmetric shocks. Retrieved from https://infoeuropa.eurocid.pt/files/database/000060001-000061000/000060063.pdfhttp://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_IDA%282016%29589774

D'Anieri, P. J. (1999). *Economic interdependence in Ukrainian-Russian relations: Descartes to Kant*. Albany, NY: New York University Publishers.

Dabić, M., Tipurić, D., & Podrug, N. (2015). Cultural differences affecting decision-making style: A comparative study between four countries. *Journal of Business Economics and Management*, *16*(2), 275–289. doi:10.3846/16111699.2013.859172

Dabrowski, M. (2019). *The Economic and Monetary Union: Its past, present and future.* Retrieved from http://www.europarl.europa.eu/cmsdata/159703/CASE_final%20publication.pdf

Dabrowski, M. (2010). The global financial crisis: Lessons for European integration. *Economic Systems*, *34*(1), 38–54. doi:10.1016/j.ecosys.2010.01.002

Dadush, U., & Wolff, G. B. (2019). *The European Union's response to the trade crisis*. Retrieved from http://bruegel.org/reader/the-eu-response-to-trade-crisis#

Dadush, U., Aleksashenko, S., Shimelse, A., Eidelman, V., Naim, M., Stancil, B., & Subacchi, P. (2010). *Paradigm Lost: The Euro in Crisis*. Carnegie Endowment for International Peace.

Daniele, G., & Geys, B. (2015). Public support for European fiscal integration in times of crisis. *Journal of European Public Policy*, *22*(5), 650–670. doi:10.1080/13501763.2014.988639

David, M., & Romanova, T. (2016). *Modernisation in EU-Russian relations: Past, present, and future. In M. David (Ed.), Modernisation in EU-Russian relations: past, present and future*. New York: Routledge.

De Grauwe, P. (2006). "On monetary and political union". CESifo Forum, No. 4/2006. Available at http://www.cesifo-group.de/DocDL/forum4-06-focus1.pdf

De Grawue, P. (2016). *Economics of Monetary Union* (11th ed.). Oxford, UK: Oxford University Press.

De Luna Martinez, J. (2002). Globalisierung und Finanzkrisen (Doctoral dissertation). Retrieved from https://refubium.fu-berlin.de/handle/fub188/65

De Maio, F. G. (2007). Income inequality measures. *Journal of Epidemiology and Community Health*, *61*(10), 849–852. doi:10.1136/jech.2006.052969 PMID:17873219

De Resende, C. & Takaji, S. (2018). *Assessing the effectiveness of IMF programs following the global financial crisis: how did it change since the Asian Crisis?* Asian Development Bank Institute, No. 838, April.

Deardorff, A. (1994). The possibility of factor price equalization, revisited. *Journal of International Economics*, *36*(1–2), 167–175. doi:10.1016/0022-1996(94)90063-9

Deflem, M. (2006). Europol and the policing of international terrorism: Counter-terrorism in a global perspective. *Justice Quarterly*, *23*(3), 336–359. doi:10.1080/07418820600869111

Değirmenci, G. (2011). Avrupa Birliği Göç Politikası Kapsamında Fransa'nın Göç Politikası, (Master Thesis), Istanbul University, Institute of Social Sciences, Department of European Union, Istanbul.

Değirmenci, S. (2018). Avrupa ve diğer ülkelerde yaşayan Türk nüfusu 24 Mayıs 2018. Retrieved from https://egezegen.com/yasam/avrupa-ve-diger-yabanci-ulkelerde-yasayan-turk-nufusu/

Delanty, G., & Chris, R. (2005). Is there a European identity?: European self-understanding beyond unity and diversity. In *Rethinking Europe: Social theory and the implications of Europeanization* (pp. 50–68). Oxon, UK: Routledge. doi:10.4324/9780203640050

Deloitte. (2009). 2009 strategy matrix for global transfer pricing staying on top. Retrieved from https://www.iasplus.com/en/binary/dttpubs/0807transferpricing.pdf

Deloitte. (2017). Taxation and investment in Germany 2017. Retrieved from https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-germanyguide-2017.pdf

Delors, J. (2013). Rethinking the EMU and making greater Europe positive again. Tribune, Notre Europe – Jacques Delors Institute. Retrieved from S. Dullien, & F. Fichtner (Eds.), *A common unemployment insurance system for the euro area. DIW Economic Bulletin*, *3*(1), 9–14.

Demir, O. Ö., ve Soyupek, Y. (2015). Mülteci Krizi Denkleminde AB ve Türkiye: İlkeler, Çıkarlar ve Kaygılar. Global Politika ve Strateji Analiz 6, Ankara, Turkey.

Demir, A., & Bakırcı, F. (2014). Measurement of economic activities of OECD member countries by Data Envelopment Analysis. *Atatürk University Journal of Economics and Administrative Sciences*, *28*(2), 109–132.

Demiray, V. (2014). Avrupa Birliği'nde İşçilerin Serbest Dolaşım Hakkı ve Türk İşçilerinin Durumu. T.C. Çalışma ve Sosyal Güvenlik Bakanlığı Avrupa Birliği Koordinasyon Dairesi Başkanlığı Avrupa Birliği, Expertise Thesis, Ankara, Turkey.

Demirbaş, F. İ. (2010). *Avrupa Birliği Eğitim Politikaları ve Türkiye*. Konya: Seluçk Üniversitesi, Yüksek Lisans Tezi.

Demir, E., Saatçioğlu, Ö., & İmrol, F. (2016). Uluslararası dergilerde yayımlanan eğitim araştırmalarının normallik varsayımları açısından incelenmesi. *Current Research in Education*, *2*(3), 130–148.

Den Boer, M. (2001). The fight against organised crime in Europe: A comparative perspective. *European Journal on Criminal Policy and Research*, *9*(3), 259–272. doi:10.1023/A:1011663413661

Denbee, E., Jung, C., & Paterno, F. (2016). Stitching together the global financial safety net. *Bank of England Financial Stability Papers*, *36*, 2016.

Dennison, S., Franke, U. E., & Zerka, P. (2018). The nightmare of the dark: The security fears that keep Europeans awake at night. *European Council on Foreign Relations*, Security Scorecard, 1-42.

Depperu, D., & Cerrato, D. (n.d.). Analyzing international competitiveness at the firm level: Concepts and measures. Retrieved from https://dipartimenti.unicatt.it/dises-wp_azzurra_05_32.pdf

Der IWF-Stab. (2000, April 12). Globalisierung: Bedrohung oder Chance? Retrieved from https://www.imf.org/external/np/exr/ib/2000/deu/041200g.htm

Deresky, H. (2017). *International management: Managing across borders and cultures*. Pearson Education India.

Deresky, H., & Christopher, E. (2015). *International management: Managing cultural diversity*. Pearson Higher Education AU.

DG Agriculture and Rural Development. (2019). Agriculture and rural development. Retrieved from https://ec.europa.eu/agriculture/node/3428

Diamond, J. M., & Ordunio, D. (1999). *Guns, germs, and steel*. Books on Tape.

Dickens, R., Machin, S., & Manning, A. (1999). The effects of minimum wages on employment: Theory and evidence from Britain. *Journal of Labor Economics*, *17*(1), 1–22. doi:10.1086/209911

Dickey, D. A., & Fuller, W. A. (1981). Likelihood ratio statistics for autoregressive time series with a unit root. *Econometrica*, *49*(4), 1057–1072. doi:10.2307/1912517

Dicks-Mireaux, L., Mecagni, M., & Schadler, S. (1997). *Evaluating the effect of IMF lending to low-income countries*, IMF unpublished.

Didero, M., Gareis, K., Marques, P., & Ratzke, M. (2008). *Differences in innovation culture across Europe*. Transform, Germany: Transformative Use of ICT in EU Regions.

Dikov, I. (2019). EU agrees to delay Brexit till day before European Elections if UK parliament adopts deal. Retrieved from https://www.european-views.com/2019/03/eu-agrees-to-delay-brexit-till-day-before-european-elections-if-uk-parliament-adopts-deal/

Dimitratos, P., Petrou, A., Plakoyiannaki, E., & Johnson, J. E. (2011). Strategic decision-making processes in internationalization: Does national culture of the focal firm matter? *Journal of World Business*, *46*(2), 194–204. doi:10.1016/j.jwb.2010.05.002

Dinçer, S. E. (2011). Multi-criteria analysis of economic activity for European Union member states and candidate countries: TOPSIS and WSA applications. *European Journal of Soil Science*, *21*(49), 563–572.

Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation. Market Abuse Directive – MAD.

Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC [Official Journal L 145 of 30.4.2004].

Directive 2014/65/EU on Markets in Financial Instruments (MiFID II) [OJ L 173, 12.6.2014, p. 349–496].

Direktif. (2014). Directive 2014/56/EU of the European Parliament and of the Council amending Directive 2006/43/Ec on statutory audits of annual accounts and consolidated accounts April 16, 2014. Retrieved from http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32014L0056&from=EN

Dışişleri Bakanlığı Avrupa Birliği Başkanlığı, T. C. (2011). BİR BAKIŞTA AB/Üye Devletler. Retrieved from https://www.ab.gov.tr/_233.html

Diskiene, D., Marčinskas, A., & Stankevičienė, A. (2010). Leadership attitudes in Lithuanian business organizations: evidence and perspectives. *International Journal of Leadership Studies, 5*(3), 283-304.

Dobbins, J., Solomon, R. H., Chase, M. S., & Henry, R. (2015). *Choices for America in a turbulent world: strategic rethink* (pp. 90–91). Santa Monica, CA: Rand Corporation.

Donaldson, R. H., & Nogee, J. L. (2009). *The foreign policy of Russia: Changing systems, enduring interests*. New York: M. E. Sharpe.

Dönmez, A., Berberoğlu, P.B,, & Ersoy, A. (2005). Ülkemiz Bağımsız Denetim Standartlarının ABD Genel Kabul Görmüş Denetim Standartları, AB Sekizinci Yönergesi ve Uluslararası Denetim Standartlarıyla Karşılaştırılması. *Akdeniz İ.İ.B.F Dergisi*, 9, 52-78.

Donovan, D. (1981). Real responses associated with exchange-rate action in selected upper credit tranche stabilization programs. *IMF Staff Papers*, *28*(December), 698–727. doi:10.2307/3866817

Donovan, D. (1982). Macroeconomic performance and adjustment under fund-supported programs: the experience of the seventies. *IMF Staff Papers*, *29*(June), 171–203. doi:10.2307/3866850

Dörtbudak, A. (1999). *Türk Cumhuriyetleri-AB İlişkileri*. İstanbul, Turkey: Alfa Yay.

Douch, M., Edwards, T. H., & Soegaard, C. H. (2018). *Estimating the trade effects of the Brexit announcement shock*. Retrieved from https://ukandeu.ac.uk/estimating-the-trade-effects-of-the-brexit-announcement-shock/

DPA. (2017). Chaos im Parlament: Neuer Brexit-Plan der britischen Regierung: Das steht im Weißbuch. Retrieved from https://www.shz.de/deutschland-welt/Neuer-Brexit-Plan-der-britischen-Regierung-Das-steht-im-Weissbuch-id20423372.html

Dreher, A., Gaston, N., & Martens, P. (2008). *Measuring globalization – Gauging its consequences*. Berlin, Germany: Springer.

Dreher, A., & Vaubel, R. (2004). Do IMF and IBRD cause moral hazard and political business cycles? Evidence from panel data. *Open Economies Review*, *15*(1), 5–22. doi:10.1023/B:OPEN.0000009422.66952.4b

Dube, A., Lester, W. T., & Reich, M. (2010). Minimum wage effects across state borders: estimates using contiguous counties. *The Review of Economics and Statistics*, *92*(4), 945–964. doi:10.1162/REST_a_00039

Dubes, R., & Jain, A. K. (1976). Clustering techniques: The user's dilemma. *Pattern Recognition*, *8*(4), 247–260. doi:10.1016/0031-3203(76)90045-5

Dumitriu, E. (2004). The EU's definition of terrorism: The council framework decision on combating terrorism. *German Law Journal*, *5*(5), 585–602. doi:10.1017/S2071832200012700

Dür, A., & Mateo, G. (2010). Choosing a bargaining strategy in EU negotiations: Power, preferences, and culture. *Journal of European Public Policy*, *17*(5), 680–693. doi:10.1080/13501761003748666

Dursun, S. (2011). *Avrupa Birliği'nin Enerji Politikası Ve Türkiye*. Ankara, Turkey: Ankara Üniversitesi Avrupa Toplulukları Araştırma Ve Uygulama Merkezi.

DW. (2018). EU-Austritt: Britisches Kabinett stimmt Brexit-Vertragsentwurf zu. *Deutsche Welle*. Retrieved from https://www.dw.com/de/britisches-kabinett-stimmt-brexit-vertragsentwurf-zu/a-46299383

DW. (2018b). May verschiebt Parlamentsabstimmung über Brexit-Abkommen. *Deutsche Welle*. Retrieved from https://www.dw.com/de/may-verschiebt-parlamentsabstimmung-%C3%BCber-brexit-abkommen/a-46668255

DW. (2019). Britisches Unterhaus stimmt für Brexit-Verschiebung. *Deutsche Welle*. Retrieved from https://www.dw.com/de/britisches-unterhaus-stimmt-f%C3%BCr-brexit-verschiebung/a-48192690

EACEA. (2013). *Media 2007-2013*. Retrieved from https://eacea.ec.europa.eu/creative-europe/actions/media/media-2007-2013_en

EC (European Commission). (2019a). *EU budget*. Retrieved from https://ec.europa.eu/info/about-european-commission/eu-budget_en

EC. (2014). *Horizon 2020 in brief*. Retrieved from https:// ec.europa.eu/programmes/ horizon2020/ sites/horizon2020/files/H2020_inBrief_EN_FinalBAT.pdf

EC. (2019b). *EU expenditures and revenues 2014-2020*. Retrieved from http://ec.europa.eu/budget/graphs/revenue_expediture.html

EC. (2019c). *About EIF*. Retrieved from https://ec.europa.eu/commission/news/investment-plan-europe-eif-and-mutualite-de-cautionnement-sign-first-cosme-agreement-smes-luxembourg-2018-feb-05_en/

EC. (2019d). *EU programme for employment and social innovation (EaSI).* Retrieved from https://ec.europa.eu/social/main.jsp?catId=1081#navItem-2/

EC. (2019e). *A new financial instrument for SMEs*. Retrieved from https://ec.europa.eu/digital-single-market/en/ financial-guarantee-facility-culture-creative/

Echenique, F., & Forteza, A. (2000, January-June). Are stabilization programs expansionary? *Estudos Economicos*, *15*(1), 65–89.

Edison, H. J., Levine, R., Ricci, L., & Sløk, T. (2002). International financial integration and economic growth. *Journal of International Money and Finance*, *21*(6), 749–776. doi:10.1016/S0261-5606(02)00021-9

Edwards, A., & Gill, P. (2002). Crime as enterprise? The case of "transnational organised crime". *Crime, Law, and Social Change*, *37*(3), 203–223. doi:10.1023/A:1015025509582

Edwards, G. (2006). Is there a security culture in the enlarged European Union? *The International Spectator*, *41*(3), 7–23. doi:10.1080/03932720608459424

Efegil, E. (2008). "Avrupa Birliği'nin Orta Asya Politikasının Analizi: Proje Bazlı Yaklaşımdan Stratejik İşbirliği Anlayışına Geçiş", *Akdeniz İ.İ.B.F. Dergisi*, V:16. European Commission, "*Diversification of gas supply sources and routes"*. Retrieved from https://ec.europa.eu/energy/en/topics/energy-security/diversification-of-gas-supply-sources-and-routes

Egilmez, G., Gumus, S., & Kucukvar, M. (2015). Environmental sustainability benchmarking of the US and Canada metropoles: An expert judgment-based multi-criteria decision-making approach. *Cities (London, England)*, *42*, 31–41. doi:10.1016/j.cities.2014.08.006

EIB (European Investment Bank). (2019a). *European investment bank EIB by the numbers*. Retrieved from https://www.eib.org/en/index.htm

EIB. (2019b). European investment bank, sectors. Retrieved from https://www.eib.org/en/projects/sectors/ index.htm

EIB. (2019c). *What is the European fund for strategic investments (EFSI).* Retrieved from https:// www.eib.org /en / efsi /what-is-efsi/index.htm/

EIB. (2019d). *What's the focus of EFSI*? Retrieved from https://www.eib.org/en/efsi/what-is-efsi/index.htm/

Eichengreen, B., & Wyplosz, C. (2017). Europe's fiscal conundrum. In A. Bénassy-Quéré, & F. Giavazzi (Eds.), *Europe's political spring: fixing the Eurozone and beyond* (pp. 61–68). London, UK: CEPR Press.

EIF (European Investment Fund). (2019a). *Regulation (EU) No 1287/2013 of the European parliament and of the counc*il. Retrieved from https://eurlex.europa.eu/legalcontent/ EN/TXT/PDF/?uri=CELEX:32013R1287&from=EN/

EIF. (2019b). *SMEs and innovation at heart join the EIF*. Retrieved from https://www.eif.org/jobs/index.htm/

Ekren, N., & Fındıkçı, M. (2016). The analysis of macroeconomics performance for European countries and Turkey with AHP and VIKOR Method. *Istanbul Commerce University Journal of Social Sciences*, *15*(29), 1–17.

Ela, M., Doğan, A., & Uçar, O. (2018). Comparison of EU countries and Turkey's macroeconomics performances with Topsis Method. *Osmaniye Korkut Ata University Journal of Economics and Administrative Sciences*, *2*(2), 129–143.

Eldring, T., & Alsos, K. (2012). *European minimum wage: A Nordic outlook*. Norway: Fafo.

Elliott, T. (1994). Confronting the future: choices for the attest function. *Accounting Horizons*, (8/9): 106–124.

Elmas, F. Y. (2016). Avrupa Birliği Göç-Dış Politika İlişkisinde Paradigma Değişimi, [Published PhD Thesis], Ankara Üniversitesi, Institute of Social Sciences Department of European Union and International Economic Relations, Ankara, Turkey.

Emanuela, O. (2013). The evolution of EU policy and law in the environmental field: achievements and current challenges. *Transworld*, Working Paper 21.

Emirmahmutoglu, F., & Kose, N. (2011). Testing for Granger causality in heterogeneous mixed panels. *Economic Modelling*, *28*(3), 870–876. doi:10.1016/j.econmod.2010.10.018

Engels, F., & Marx, K. (1969). *Die Deutsche Ideologie. MEW 3*. Berlin, Germany: DietzVerlag.

England, C. (1991). *Governing banking's future: markets vs. regulation*. Boston, MA: Kluwer.

Engle, R. F., & Granger, C. W. J. (1987). Co-integration and error correction: representation, estimation, and testing. *Econometrica*, *55*(2), 251–276. doi:10.2307/1913236

Erdal, G., Erdal, H., & Esengün, K. (2008). The causality between energy consumption and economic growth in Turkey. *Energy Policy*, *36*(10), 3838–3842. doi:10.1016/j.enpol.2008.07.012

Erdemir, G. D. (2013). Türkiye'nin Avrupa Birliği Entegrasyon Sürecinde Yasa Dışı Göç Ve Mülteci Sorunları, T. R. Trakya University Institute of Social Sciences Department of International Relations Master Thesis, Edirne.

Erdem, M. S., & Yenilmez, F. (2017). Türkiye'nin Avrupa Birliği Çevre Politikalarına Uyum Sürecinin Değerlendirilmesi. *Optimum Ekonomi ve Yönetim Bilimleri Dergisi*, *4*(2), 91–119. doi:10.17541/optimum.292768

Erdoğan, M. (2016). İlkeler-Çıkarlar İkileminde Türkiye-AB Mülteci Uzlaşısı, İktisadi Kalkınma Vakfı. Mülteci Krizi Ekseninde Türkiye-AB İşbirliği. Editörler: Demir, O.Ö. ve Soyupek,Y.İktisadi Kalkınma Vakfı Publications, Publication No. 289, İstanbul, Turkey.

Erdoğan, S. (2007). İngiltere'de Yaşayan Türk Sığınmacılar, Sığınma Arayanlar İltica Etme Nedenleri ve Karşılaştıkları Güçlükler, *Hacettepe Üniversitesi Sosyolojik Araştırmalar E-Journal,* Retrieved from http://www.sdergi.hacettepe.edu.tr/makaleler/serdogan.pdf

Erdoğan, S. (2017). A study on macroeconomics determinants of foreign direct investment: A comparison of Latin America – Turkey. *Marmara University Journal of Economic & Administrative Sciences, 39*(1).

Erdoğan, İ. (2006). *Teori ve Pratikte Halkla İlişkiler*. Ankara, Turkey: Erk Yayınları.

Erdoğan, M. M. (2015). Avrupa'da Türkiye Kökenli Göçmenler ve 'Euro-Turksbarometre' Araştırmaları. *Göç Araştırmaları Journal, 1*(1), 108–148.

Eren, S. (2007). Göç, Toplumsal Değişme ve Din: Avrupa'ya Göç eden Türkler Bağlamında Bir Değerlendirme. *Cumhuriyet Üniversitesi İlahiyat Fakültesi Journal*, *11*(2), 267–288.

Erken, H., Hayat, R., Heijmerikx, M., Prins, C., & deVreede, I. (2017). The permanent damage of Brexit. *Rabobank Special. Utrecht: Rabobank/Raboresearch*. Retrieved from https://economics.rabobank.com/publications/2017/october/the-permanent-damage-of-brexit/

Erol, E. (2013). Turkey and the European Union Member States Comparative Analysis of Socio-Economic Development Levels. *Journal of Social Sciences and Humanities*, *5*(1), 198–208.

Ersan, T. (2010). *Avrupa Yatırım Bankası ve Türkiye, Ekonomik Forum*, 58-61. Retrieved from https://www.tobb.org.tr/AvrupaBirligiDairesi/Dokumanlar/Raporlar/AYBveTurkiye.pdf/

Ersoy, E., & Bayrakdaroğlu, A. (2013). İMKB 30 endeksi ile VOB-İMKB 30 endeks vadeli işlem sözleşmeleri arasındaki öncül-ardıl ilişkisi. *İstanbul Üniversitesi İşletme Fakültesi Dergisi*, 42(1), 26-40.

Ertürk, H. (2009). *Çevre Bilimleri*. Bursa, Turkey: Ekin Yayınları.

Eser, L. Y., & Ela, M. (2015). European debt crisis: How, why and where? *Eskişehir Osmangazi University Journal of Economics and Administrative Sciences*, *10*(1), 209–232.

Essers, D., & Ide, S. (2019). The IMF and precautionary lending: An empirical evaluation of the selectivity and effectiveness of the flexible credit line. *Journal of International Money and Finance*, *92*(April), 25–61. doi:10.1016/j.jimonfin.2018.12.007

EU leaders debate value of mandatory refugee relocation. (2015, Sept. 9). DW. Retrieved from https://www.dw.com/en/eu-leaders-debate-value-of-mandatory-refugee-relocation/a-18703817

EU. (2019a). *About COSME*. Retrieved from https://ec.europa.eu/easme/en/cosme/cosme-funding-opportunities

EU. (2019b). *Europe Union funds*. Retrieved from https:// europa.eu/youreurope/ business/finance-funding/ getting-funding/access-finance/index_en.htm#shortcut-4-eu-funds/

EU. (2019c). *Creative growth*. Retrieved from http://www.creative-growth.eu/Portals/10/ Creative_Growth_ Recommendations_Final_20111006.pdf/

EU. (2019d). *How the EU budget is spent*. Retrieved from https://europa.eu/european-union/about-eu/eu-budget/expenditure_en

Euroasian Economic Commission. (2019). Retrieved from http://www.eurasiancommission.org/en/Pages/default.aspx

Eurofound. (2015). *Collective bargaining in Europe in the 21st century*. Luxembourg: Publications Office of the European Union.

Eurofound. (2018). *Statutory minimum wages 2018.* Luxembourg: Publications Office of the European Union.

Euronews. (2019). *EU leaders give Theresa May a Brexit delay until October 31.* Retrieved from https://www.euronews.com/2019/04/10/eu-summit-brexit-showdown-as-may-seeks-article-50-delay

Euronews. (2019). UK MPs say they want a new Brexit deal. EU says 'No', 29.01.2019. Retrieved from https://www.euronews.com/2019/01/29/watch-live-uk-parliament-votes-on-brexit-amendments

European Chamber of Commerce. (2018). *European Business in China Business Confidence Survey Report,* Retrieved from http://www.europeanchamber.com.cn/en/pressreleases/2633/european_chamber_report_highlights_gulf_between_china_s_dynamic_economy_and_its_burdensome_regulatory_environment

European Commission. (2003). *EU-China: Commission adopts new strategy for a maturing partnership*, Retrieved from http://europa.eu/rapid/press-release_IP-03-1231_en.htm#file.tmp_Ref_1

European Commission. (2006). Towards a common European Union immigration policy. Retrieved from http://www.europa.eu.int/comm/justice_home/fsj/immigration/fsj_immigration_intro_en.htm

European Commission. (2010). COM(2010) 672 final. Retrieved from https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0672:FIN:en:PDF

European Commission. (2011). Common agricultural policy towards 2020. Retrieved from http://ec.europa.eu/transparency/regdoc/rep/2/2011/EN/SEC-2011-1153-1-EN-MAIN-PART-4.PDF European Commission. (2013). Agricultural policy perspectives brief No.5. Overview of CAP reform 2014-2020. Retrieved from https://ec.europa.eu/agriculture/sites/agriculture/files/policy-perspectives/policy-briefs/05_en.pdf

European Commission. (2011). *Schengen governance - strengthening the area without internal border control*. COM (2011) 561.

European Commission. (2012a). *Report on the Alert Mechanism Report 2013*, COM(2012) 751 final, 28 November.

European Commission. (2012b). *Statistical annex, accompanying the document Report of the Commission on the Alert Mechanism Report 2013*, SWD(2012) 421 final, 28 November.

European Commission. (2013). *Cybersecurity strategy of the European Union: An open, safe and secure cyberspace*, Retrieved from https://eeas.europa.eu/archives/docs/policies/eu-cyber-security/cybsec_comm_en.pdf

European Commission. (2014). European Commission press release database, Retrieved from http://europa.eu/rapid/press-release_MEMO-14-523_en.htm

European Commission. (2014). *Living well, within the limits of our planet: 7th Environmental Action Programme*. The new general Union Environment Action Programme to 2020. doi:10.2779/57220

European Commission. (2014). *MiFID II: FAQ*, Press Release Database, 15/4/2014, Brussels, Belgium.

European Commission. (2014, January-March). Special Eurobarometer 413 – Report Future of Europe. Retrieved from http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/SPECIAL/surveyKy/2038

European Commission. (2015). *Completing Europe's Economic and Monetary Union*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/5-presidents-report_en.pdf

European Commission. (2015, May 13). European agenda on migration. Retrieved from https://ec.europa.eu/home-affairs/what-we-do/policies/european-agenda-migration_en

European Commission. (2015a). *Eighth biannual report on the functioning of the Schengen area: May 1 - Dec. 10, 2015*. COM (2015) 675.

European Commission. (2015b). *Seventh bi-annual report on the functioning of the Schengen area: Nov. 1, 2014 - April 30, 2015*. COM (2015) 236.

European Commission. (2015c). *The European agenda on security*. COM (2015) 185.

European Commission. (2016). *Back to Schengen: A roadmap*. COM (2016) 120.

European Commission. (2016). *Elements for a new EU strategy on China*, Retrieved from http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf

European Commission. (2016). Fact sheet implementing the EU-Turkey statement – questions and answers, Dec. 8, 2016. Retrieved from https://www.avrupa.info.tr/sites/default/files/2017-09/MEMO-16-4321_EN_0.pdf

European Commission. (2016, Aug. 9). Managing the refugee crisis: the facility for refugees in Turkey. Retrieved from https://ec.europa.eu/homeaffairs/ sites/homeaffairs/files/what-we-do/policies/european-agendamigration/ background-information/ docs/20160420/factsheet_financing_of_the_facility_for_refugees_in_ turkey_en.pdf

European Commission. (2016, October-December). Special Eurobarometer 451 – Report Future of Europe. Retrieved from http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/SPECIAL/surveyKy/2131

European Commission. (2017). European neighbourhood policy and enlargement negotiations. Ukraine. Retrieved from .https://ec.europa.eu/neighbourhood enlargement/neighbourhood/countries/ukraine_

European Commission. (2017). *Reflection paper on the deepening of the economic and monetary union*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-emu_en.pdf

European Commission. (2017). *Report from the commission to the parliament and the council on trade and investment barriers Jan. 1, 2017- Dec. 31, 2017*, Retrieved from http://trade.ec.europa.eu/doclib/docs/2018/june/tradoc_156978.pdf

European Commission. (2017, November). Relocation: EU Solidarity between Member States. Retrieved from https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20171114_relocation_eu_solidarity_between_member_states_en.pdf

European Commission. (2017a). Appendix 1: A roadmap for deepening Europe's Economic and Monetary Union. Retrieved from https://ec.europa.eu/commission/news/deepening-europes-economic-and-monetary-union-2017-dec-06_en

European Commission. (2017a). *On preserving and strengthening Schengen*. COM (2017) 570.

European Commission. (2017b). Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/399 as regards the rules applicable to the temporary reintroduction of border control at internal borders. COM (2017) 571.

European Commission. (2017b). *Reflection paper on the deepening of the Economic and Monetary Union*. Brussels, Belgium: European Commission.

European Commission. (2017c). *White paper on the future of Europe: Reflections and scenarios for the EU27 by 2025*. COM (2017) 2025.

European Commission. (2018). *Deepening Europe's Economic and Monetary Union*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/euco-emu-booklet-june2018_en.pdf

European Commission. (2018). Integration of immigrants in the European Union, Special Eurobarometer, April 2018.

European Commission. (2018, October-November). Special Eurobarometer 479 – Report Future of Europe. Retrieved from http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/survey/getsurveydetail/instruments/special/surveyky/2217

European Commission. (2018a). *COM(2018) 392 final*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-cap-strategic-plans_en.pdf

European Commission. (2018a). *Overview of FTA and other trade negotiations*, Retrieved from http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf

European Commission. (2018b). COM(2018) 393 final. Retrieved from https://eur-lex.europa.eu/resource.html?uri=cellar:6cb59a1e-6580-11e8-ab9c-01aa75ed71a1.0003.03/DOC_1&format=PDF

European Commission. (2018b). *Cybersecurity act*, Retrieved from https://ec.europa.eu/commission/news/cybersecurity-act-2018-dec-11_en

European Commission. (2018c). COM(2018) 394 final. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-agri-products-common-organisation_en.pdf

European Commission. (2019). Countries and regions. Russia, Retrieved from http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/

European Commission. (2019). *EU position in world trade*. Retrieved from http://ec.europa.eu/trade/policy/eu-position-in-world-trade/

European Commission. (2019). *EU-China summit: Rebalancing the strategic partnership*. Retrieved from http://europa.eu/rapid/press-release_IP-19-2055_en.htm

European Commission. (2019). *European Commission and HR/VP contribution to the European Council EU-China – A strategic outlook*, Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf

European Commission. (2019, March). EU – Turkey Statement Three years on. Retrieved from https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/background-information/docs/communication_on_the_european_agenda_on_migration_en.pdf

European Commission. (2019a). EU budget. Retrieved from https://ec.europa.eu/info/about-european-commission/eu-budget_en

European Commission. (2019a). Internal security fund – police. Retrieved from https://ec.europa.eu/home-affairs/financing/fundings/security-and-safeguarding-liberties/internal-security-fund-police_en

European Commission. (2019a). *Towards a sustainable Europe by 2030*. Reflection Paper; doi:10.2775/676251

European Commission. (2019b). Key policy objectives of the future CAP. Retrieved from https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap/key-policy-objectives-future-cap_en

European Commission. (2019b). Report from the commission to the European parliament, the council, the European economic and social committee and the committee of the regions. On the evaluation of the 7th Environment Action Programme, Brussels, Belgium.

European Commission. (2019b). Temporary reintroduction of internal border control. Retrieved from https://ec.europa.eu/home-affairs/what-we-do/policies/borders-and-visas/schengen/reintroduction-border-control_en

European Commission. “Energy Union and Climate”. Retrieved from https://ec.europa.eu/commission/priorities/energy-union-and-climate_en

European Commission. Brussels, “A policy framework for climate and energy in the period from 2020 to 2030”, European Union Law, 22.01.2014. Retrieved from https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52014DC0015

European Commission. Temporary reintroduction of border control. Retrieved from https://ec.europa.eu/home-affairs/what-we-do/policies/borders-and-visas/schengen/reintroduction-border-control_en

European Community Commission. (2000).Charter of Fundamental Rights of the European Union. *Official Journal of the European Communities,* 2000/C 364/01. Retrieved from http://www.europarl.europa.eu/charter/pdf/text_en.pdf?

European Community Commission. (2003). Greenpaper on services of general interest (COM(2003) 270 final). Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52003DC0270&from=EN

European Community Commission. (2005). Directive of the European Parliament and of the Council amending Council Directive 89/552/EEC (COM(2005) 646 final). Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005PC0646&from=EN

European Community Commission. (2007). Commission staff working document on media pluralism in the member states of the European Union (SEC(2007)32). Retrieved from http://ec.europa.eu/information_society/media_taskforce/doc/pluralism/media_pluralism_swp_en.pdf

European Community Commission. (2010). Audiovisual Media Services Directive. *Official Journal of the European Union,* 53, 95/1-95/24. Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2010:095:FULL&from=EN

European Community Commission. (2018). Komisyon Tarafından Avrupa Parlamentosuna, Konseye, Ekonomik ve Sosyal Komiteye ve Bölgeler Komitesine Sunulan Bilgilendirme (SWD(2018) 153). Retrieved from https://www.ab.gov.tr/siteimages/pub/komisyon _ulke_raporlari/2018_turkiye_raporu_tr.pdf

European Council. (2012). Towards a genuine Economic and Monetary Union - Report by President of the European Council Herman Van Rompuy. Retrieved from https://www.consilium.europa.eu/media/33785/131201.pdf

European Council. (2019). *Multiannual financial framework for 2014-2020.* Retrieved from https://www.consilium.europa.eu/en/policies/eu-budgetary-system/multiannual-financial-framework/mff-2014-2020/

European Environment Agency. (2018). *Environmental Indicator Report 2018: In support to the monitoring of the seventh environment action programme* (EEA Report No. 19). Luxembourg, Publication Office of the European Union. doi:10.2800/180334

European Parliament. (2015). EU-Russia energy relations – stuck together? Retrieved from http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/551343/EPRS_ATA(2015)551343_EN.pdf

European Parliament. (2018). Energy as a tool of foreign policy of authoritarian states, in particular Russia, Policy Department for External Relations, pp. 15-17. Retrieved from http://www.europarl.europa.eu RegData/etudes/STUD/2018/603868/EXPO_STU(2018)603868_EN.pdf

European Parliament. (2018). European Parliament resolution of May 30, 2018 on the annual report on the functioning of the Schengen area. 2017/2256(INI), Retrieved from http://www.europarl.europa.eu/doceo/document/A-8-2018-0160_EN.html

European Parliament. (2018). *Report on the implementation of the 7th Environment Action Programme* (Report No. A8-0059). Committee on the Environment Public Health and Food Safety.

European Parliament. (2019). *5G in the EU and Chinese telecoms suppliers*, Retrieved from http://www.europarl.europa.eu/RegData/etudes/ATAG/2019/637912/EPRS_ATA(2019)637912_EN.pdf

European Parliament. (2019). European Parliament legislative resolution of April 4, 2019 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/399 as regards the rules applicable to the temporary reintroduction of border control at internal borders. P8_TA-PROV(2019)0356.

European Parliament. (2019). *The budgetary procedure*. Retrieved from http://www.europarl.europa.eu/factsheets/en/sheet/10/the-budgetary-procedure

European Union (2019). Enhanced cooperation. Retrieved from https://eur-lex.europa.eu/summary/glossary/enhanced_cooperation.html

European Union. (2016). European economic forecast autumn 2016. European Economy Institutional Papers, No. 038.

Europen Financial Reporting Advisory Group. (n.d.). EFRAG. Retrieved from http://www.efrag.org/(X(1)S(wtbnbcnwaunmdbuk513fiefh))/?AspxAutoDetectCookieSupport=1

Eurostat. (2013). Record levels for trade in goods between EU27 and Russia in 2012, Retrieved from https://ec.europa.eu/eurostat/documents/2995521/5165358/6-03062013-AP-EN.PDF/33db85e7-252a-4a59-a7f3-3a01093abf18

Eurostat. (2018). Current account balance – 3 year average. Retrieved from http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tipsbp10&tableSelection=1

Eurostat. (2018). *Statistics explained. International trade in goods.* Retrieved from https://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods#The_three_largest_global_players_for_international_trade:_EU.2C_China_and_the_USA

Eurostat. (2018a). *China: EU's largest partner for imports*, Retrieved from https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180522-1?inheritRedirect=true

Eurostat. (2018b). *China-EU international trade in goods statistics*, Retrieved from https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU_-_international_trade_in_goods_statistics

Eurostat. (2019). *Gross domestic product at market prices*. Retrieved from https://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tec00001&language=en

Eurostat. (2019). *World trade in goods and services - an overview*, Retrieved from https://ec.europa.eu/eurostat/statistics-explained/index.php?title=World_trade_in_goods_and_services_-_an_overview&oldid=414018

Eurostat. (2019a). *International trade in goods*. Retrieved from https://ec.europa.eu/eurostat/web/international-trade-in-goods/data/main-tables

Eurostat. (2019b). *Food price monitoring tool*. Retrieved from https://ec.europa.eu/eurostat/data/database

Evrensel, A. (2002). Effectiveness of IMF-supported stabilization programs in developing countries. *Journal of International Money and Finance*, *21*(5), 565–587. doi:10.1016/S0261-5606(02)00010-4

Eyraud, F., & Saget, C. (2005). *The fundamentals of wage fixing*. Geneva, Switzerland: ILO.

Eyüboğlu, K. (2017). Comparison of macro performance of the countries in the Turkish world. *Bilig*, *83*, 331–350.

Fairclough, N. (2003). *Analysing discourse: Textual analysis for social research*. London, UK: Routledge. doi:10.4324/9780203697078

Fakier, S., Stephens, A., Tholin, J., & Kapelus, P. (2005). Environmental Governance, Background Research Paper: Environmental Governance. *South Africa Environment Outlook*.

Falcone, P. M., Tani, A., Tartiu V. E., & CesareI, I. (2019) Towards a sustainable forest-based bioeconomy in Italy: Findings from a SWOT analysis. *Forest Policy and Economics*.

Falkner, R. (2011). *Global governance- the rise of non-state actors: A background report for the SOER 2010 assessment of global megatrends* (European Environment Agency Technical Report No. 4). Luxembourg, Publications Office of the European Union. doi:10.2800/7633

Farley, W., & Williams. (2018). German Ant I - Treaty/Dırectıve Shoppıng Rule Breaches EU Law. Retrieved from http://www.wfw.com/wp-content/uploads/2018/07/WFWBriefing-German-Limitation-of-Benefits.pdf

Federal Foreign Office. (2014). Speech by Foreign Minister Frank Walter Steinmeier at the 50th Munich Security Conference. Retrieved from https://www.auswaertiges-amt.de/en/newsroom/news/140201-bm-muesiko/259556

Feldstein, M. (1997). *EMU and international conflict.* Foreign Affairs, November/December. Available at https://www.foreignaffairs.com/articles/europe/1997-11-01/emu-and-internationalconflict

Feldstein, M. (2012). *The failure of the euro.* Foreign Affairs, January/February. Available at https://www.foreignaffairs.com/articles/europe/2011-12-13/failure-euro

Ferenczy, Z. A. (2019). *Europe, China, and the limits of normative power*. Cheltenham, UK: Edward Elgar Publication. doi:10.4337/9781788975827

Fidan, N., & Erden, M. (2001). *Eğitime Giriş*. İstanbul, Turkey: Alkım Yayınları.

Figueira-de-Lemos, F., Johanson, J., & Vahlne, J. E. (2011). Risk management in the internationalization process of the firm: A note on the Uppsala model. *Journal of World Business*, *46*(2), 143–153. doi:10.1016/j.jwb.2010.05.008

Finamore, S. (2017). Normative differences in Chinese and European discourses on global security: obstacles and opportunities for cooperation, *Chinese Political Scientific Review (Singapore)*, *2*(2), 159–178.

Fink, G., & Meierewert, S. (2004). Issues of time in international, intercultural management: East and Central Europe from the perspective of Austrian managers. *Journal for East European Management Studies*, 61–84.

Fischer, S. (1997). Applied economics in action: IMF programs, *American Economic Review*, (Paper and Proceedings) 87, pp. 23-27.

Fischler, F. (2003). CAP reform. Retrieved from http://europa.eu/rapid/press-release_SPEECH-03-356_en.htm

Fishburn, P. C. (1988). Normative theories of decision making under risk and under uncertainty. In D. Bell, H. Raiffa, & A. Tversky (Eds.), *Decision making: Descriptive, normative and prescriptive interactions* (pp. 78–98). New York, NY: Cambridge University Press. doi:10.1017/CBO9780511598951.006

Flieger, H., & Ronneberger, F. (1993). Public Relations Anfange in Deutschland. Festschrift zum lOO.Geburtstag von Carl Hundhausen. Wiesbaden, Germany: Verlag fiir deutsche Wirtschaftsbiographien.

Forced migration is enslavement: Polish president. (2018, Aug. 22). *Polandin.* Retrieved from https://polandin.com/38606869/forced-migration-is-enslavement-polish-president

Forsberg, T. (2016). From Ostpolitik to 'frostpolitik'? Merkel, Putin and German foreign policy towards Russia, International Affairs, Chatham House, 92, 1, January 2016, pp. 21-42. doi:10.1111/1468-2346.12505

Forster, T., Kentikelenis, A. E., Reinsberg, B., Stubbs, T. H., & King, L. P. (2019). How structural adjustment programs affect inequality: A disaggregated analysis of IMF conditionality, 1980–2014. *Social Science Research*, *80*, 83–113. doi:10.1016/j.ssresearch.2019.01.001 PMID:30955563

Frankfurter Allgemeine (2017, Dec. 4). Brexit-Gespräche. Kein Schöner Tag für May. Retrieved from https://www.faz.net/aktuell/wirtschaft/brexit-gespraeche-zwischen-theresa-may-und-jean-claude-juncker-am-montag-15323452.html

Frankfurter Allgemeine (2017, June. 6). Wahl in Grossbritanien. Schlappe für May. Retrieved from https://www.faz.net/aktuell/politik/wahl-in-grossbritannien/wahl-in-grossbritannien-2017-theresa-may-verliert-mehrheit-15053185.html

Franks, J., Barkbu, B., Blavy, R., Oman, W., & Schoelermann, H. (2018). Economic convergence in the euro area: coming together or drifting apart? IMF Working Papers, WP18/10.

Frontex. Migratory map. Retrieved from https://frontex.europa.eu/along-eu-borders/migratory-map/

Frontex. Migratory routes. Retrieved from https://frontex.europa.eu/along-eu-borders/migratory-routes/eastern-mediterranean-route/

Frontex. Migratory routes. Retrieved from https://frontex.europa.eu/along-eu-borders/migratory-routes/western-balkan-route/

Gaies, B., Goutte, S., & Guesmi, K. (2019). What interactions between financial globalization and instability?—Growth in developing countries. *Journal of International Development*, *31*(1), 39–79. doi:10.1002/jid.3391

Gancheva, M., Sarah, O., Catarina, M., & Alessia, V. (2018). *Towards an 8th environmental action programme: local and regional dimensions report*. European Committee of Regions; doi:10.2863/70733

Gander, W., Petit, A., Berry, G., Demo, B., Vahrenhold, J., McGettrick, A., ... & Meyer, B. (2013). Informatics education: Europe cannot afford to miss the boat. *Report of the Joint Informatics Europe & ACM Europe Working Group on Informatics Education*.

Gatzke, M., & Schulz, B. (2018, Oct. 15). 585 Seiten Brexit, *Zeit.* Retrieved from https://www.zeit.de/politik/ausland/2018-11/brexit-grossbritannien-europaeische-kommission-vertragsentwurf-handelsabkommen

Gautié, J. (2018). D'un siècle à l'autre, salaire minimum, science économique et débat public aux États-Unis, en France et au Royaume-Uni (1890-2015). *Revue Economique*, *69*(1), 67–109. doi:10.3917/reco.pr2.0109

Gautié, J., & Schmitt, J. (Eds.). (2010). *Low wage work in the wealthy world*. New York: Russell Sage Foundation.

Gazier, B. (2013). Labour market institutions. Employment targeting and sectoral approaches to job creation. Genève, Switzerland.

Gedik, G. (2012). *Kontrol Edilen Yabancı Kurumların Vergilendirilmesi, (Yayımlanmamış Doktora Tezi)*. Marmara Üniversitesi Sosyal Bilimler Enstitüsü.

Gençler, A. (2005). Avrupa Birliği'nin Göç Politikası, *Sosyal Siyaset Konferansları Journal,* 2005, 49, pp. 173-197.

Genç, T., & Masça, M. (2013). The comparison of the outranking results of TOPSIS and PROMETHEE methods. *Afyon Kocatepe University Journal of Economics and Administrative Sciences*, *15*(2), 539–567.

Gercke, M. (2009). Europe's legal approaches to cybercrime. *ERA Forum, 10*, 409-420.

Ghaffari, S., Arab, A., Nafari, J., & Manteghi, M. (2017). Investigation and evaluation of key success factors in technological innovation development based on BWM. *Decision Science Letters*, *6*(3), 295–306. doi:10.5267/j.dsl.2016.12.001

Gielen, F., Cristina, A., & Barros, H. (2005). Corporate sector accounting and auditing within the Acquis Communautaire. Advanced program in accounting and auditing regulation, WB. *Reparıs*, *31*(May), 5–6.

Gil-Alana, L. A., Škare, M., & Pržiklas-Družeta, R. (2019). Measuring inequality persistence in OECD 1963-2008 using fractional integration and cointegration. *The Quarterly Review of Economics and Finance*, *72*, 65–72. doi:10.1016/j.qref.2018.12.006

Ginevičius, R., Gedvilaitė, D., Stasiukynas, A., & Šliogerienė, J. (2018). Quantitative assessment of the dynamics of the economic development of socioeconomic systems based on the MDD method. *The Engineering Economist*, *29*(3), 264–271.

Göçmen, İ., ve Tezcan, N. (2014). Avrupa Birliği'ndeki Türk Vatandaşları ve Aile Birleşimi, *Ankara Barosu Journal,* 4, pp. 607-622.

Göçmen, İ. (2014). Türkiye Avrupa Birliği Arasındaki Geri Kabul Anlaşmasının Hukuki Yönden Analizi. *Ankara Avrupa Çalışmaları Journal*, *13*(2), 21–86.

Gökdeniz, Ü. (2004). 2005 Yılına Doğru Türkiye ve Avrupa Birliği Muhasebe Standartlarının Uluslararası Finansal Raporlama Standartlarına Entegrasyonu ve Bir Yaklaşım. *Muhasebe Finansman Dergisi*, 2004. *Ekim Dönemi*, *24*, 166–180.

Göker, G. ve Meşe, G. (2011). Türk Göçmenlerin İtalyanlara Bakış Açısı: Bir Kültürlerarası İletişim Araştırması. *Selçuk Üniversitesi İletişim Fakültesi Akademik Journal*, *7*(1), 65–82.

Gökmen, O., & Çömlekçi, İ. Turizm Endeksleri Arasındaki Eşbütünleşme İlişkisi. Seyahat ve Otel İşletmeciliği Dergisi, 15(2), 273-286.

Gold, R., Kawachi, I., Kennedy, B. P., Lynch, J. W., & Connell, F. A. (2001). Ecological analysis of teen birth rates: Association with community income and income inequality. *Maternal and Child Health Journal*, *5*(3), 161–167. doi:10.1023/A:1011343817153 PMID:11605721

Goldstein, L. J. (2018). The Russian-German relationship is in free fall. *National Interest*, (May): 2018.

Goldstein, M., & Montiel, P. (1986). Evaluating fund stabilization programs with multicountry data: Some methodological pitfalls. *IMF Staff Papers*, *33*(June), 304–344. doi:10.2307/3867072

Gomez-Muñoz, V. M., & Porta-Gándara, M. A. (2002). Local wind patterns for modeling renewable energy systems by means of cluster analysis techniques. *Renewable Energy*, *25*(2), 171–182. doi:10.1016/S0960-1481(01)00013-1

Gotkowska, J. (2010) The GermanRussian Modernisation Partnership – failing to meet great expectations, Retrieved from https://www.osw.waw.pl/en/publikacje/analyses/2010-07-21/german-russian-modernisation-partnership-failing-to-meet-great

Gözbaşı, O. (2015). İmkb İle Gelişmekte Olan Ülkelerin Hisse Senedi Piyasalarının Etkileşimi: Eşbütünleşme ve Nedensellik Yaklaşımı. *Erciyes Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, *0*(35), 99–118.

Granger, C. W. J., & Newbold, P. (1974). Spurious regressions in economics. *Journal of Econometrics*, *2*(2), 111–120. doi:10.1016/0304-4076(74)90034-7

Greuning van H. Brajovic-Bratanovic S. (2003). Analyzing and Managing Banking Risk: A Framework for Accessing Corporate Governance and Financial Risk, The World Bank, Washington, DC.

Groenendijk, L., Rezaei, J., & Correia, G. (2018). Incorporating the travellers' experience value in assessing the quality of transit nodes: A Rotterdam case study. *Case Studies on Transport Policy*, *6*(4), 564–576. doi:10.1016/j.cstp.2018.07.007

Grohe, S. S., & Uribe, M. (2010). The optimal rate of inflation. Handbook of monetary economics, Vol. 3. pp. 653-722.

Großbritannien. Amtliches Endergebnis des EU-Referendums (Brexit) aufgeschlüsselt nach Landesteilen vom 23. Juni 2016. Das Statistik-Portal. Retrieved from https://de.statista.com/statistik/daten/studie/566936/umfrage/brexit-ergebnisse-des-eu-referendums-in-grossbritannien/

Grubić-Nešić, L., Mitrovic, S., Melovic, B., & Milisavljevic, S. (2016). Differences between the state/public and private sectors in organizations in Serbia regarding the functionality of managers' decision making. *JEEMS Journal of East European Management Studies*, *21*(1), 82–102. doi:10.5771/0949-6181-2016-1-82

Güç, Y. (2015). *Refah Devletinin Gelişimi ve Türkiye'de Refah Devleti Algısı*. İstanbul İlinde Bir Alan Araştırması. İstanbul Üniversitesi, Sosyal Bilimler Enstitüsü, Doktora Tezi.

Guess, C. D. (2004). Decision making in individualistic and collectivistic cultures. *Online Readings in Psychology and Culture*, *4*(1), 3. doi:10.9707/2307-0919.1032

Guisan, M. C., Aguayo, E., & Carballas, A. D. (2004). Human capital, industry, tourism and economic development of EU25 Regions.

Guiso, L., Herrera, H., Morelli, M., & Sonno, T. (2019). Global crises and populism: The role of Eurozone institutions. *Economic Policy*, *34*(97), 95–139. doi:10.1093/epolic/eiy018

Gujarati, D. N. (1999). *Temel Ekonometri, (Çev. Ü. Şenesen ve G.G. Şenesen)*. İstanbul, Turkey: Literatür Yayınları.

Gül, A. A. (2013). *Görsel-İşitsel Politikasıyla AvrupaBirliği: Televizyon Yayıncılığından Yöndeşen Medya*. İstanbul, Turkey: Beta.

Güleç, C. (2015). Avrupa Birliği'nin Göç Politikaları ve Türkiye'ye Yansımaları. *Journal of TESAM Akademy*, *2*(2), 81–100.

Güler, H. (2018). The impact of financial globalization on the social expenditures in Turkey and OECD Countries, Maliye Dergisi. *Ocak-Haziran*, *174*, 219–239.

Güloğlu, B., & Kaya, P. (2019). Latin Amerika Ve Abd Hisse Senedi Piyasaları Arasında Risk Yayılımı: Momentlerde Nedensellik Testlerinden Yeni Bulgular. *Marmara Üniversitesi İktisadi Ve İdari Bilimler Dergisi*, *40*(2), 230–254.

Gülten, U. (2010). Avrupa Birliği Üyesi Ülkelerde Kaçak İşgücü Göçü ve Türkiye. Dokuz Eylül University Institute of Social Sciences Department of Labor Economics and Industrial Relations Labor Economics and Industrial Relations Program Master Thesis, Izmir.

Gündoğan, A. O. (2002). Çoğulculuk ve Değer Bunalımı. *Muğla Üniversitesi SBE Dergisi*, Bahar (8), 1-9.

Güngör, D. (2014). İkinci Kuşak Avrupalı Türklerde Psikolojik Entegrasyon ve Uyum: Çift Boyutlu Kültürleşme Temelinde Karşılaştırmalı Bir Derleme, *Türk Psikoloji Yazıları*, Dec. 17(34), pp. 16-31.

Güngör, D., ve Baysu, G. (2014). Önsöz: 50 Yılın Ardından Avrupa'daki Türkiyeli Göçmenler: Psikolojik ve Sosyolojik Yaklaşımlar. *Türk Psikoloji Yazilari*, *17*(34), 1–2.

Gupta, H., & Barua, M. K. (2016). Identifying enablers of technological innovation for Indian MSMEs using best-worst multi criteria decision making method. *Technological Forecasting and Social Change*, *107*, 69–79.

Gupta, P., Anand, S., & Gupta, H. (2017). Developing a roadmap to overcome barriers to energy efficiency in buildings using Best Worst Method. *Sustainable Cities and Society*, *31*, 244–259. doi:10.1016/j.scs.2017.02.005

Gvosdev, N. K. (2013). Ukraine: Why Yanukovych said no to Europe. *National Interest*, *26*(November), Retrieved from https://nationalinterest.org/commentary/ukraine-why-yanukovych-said-no-europe-9453

Gygli, S., Haelg, F., Potrafke, N., & Sturm, J. E. (2019). The KOF globalisation index–revisited. *The Review of International Organizations*, 1–32. doi:10.100711558-019-09344-2

Gylfason, T., (1987). Credit policy and economic activity in developing countries with IMF stabilization programs, *Princeton Studies in International Finance,* 60, August.

Habertürk. (2019). Hangi ülkede kaç Türk vatandaşı yaşıyor?, Retrieved from https://www.haberturk.com/hangi-ulkede-kac-turk-vatandasi-yasiyor-2346034

Hahn, G. M. (2018). *Ukraine over the edge: Russia, the West and the "New Cold War"*, Jefferson, NC: McFarland Co.

Hamilton, D. (2008). The United States: A normative power. In N. Tocci (Ed.), *Who is a normative foreign policy actor?* (pp. 76–155). Brussels, Belgium: Center for European Policy Studies.

Hamner, W. Clay, dan Schmidt, Fank, L. (1977). Contemporary problems in personal. Chicago, IL: St. Clair Press.

Hamurcu, Ç., & Aslanoğlu, S. (2013). New York Menkul Kıymetler Borsası (NYSE) İle İstanbul Menkul Kıymetler Borsası (İMKB) Arasındaki Etkileşim Ve Her İki Borsada İşlem Gören Turkcell Hisse Senetleri Arasındaki İlişki. *Manas Sosyal Araştırmalar Dergisi*, *2*(3), 27–48.

Handley, K. (2014). Exporting under trade policy uncertainty: Theory and evidence. *Journal of International Economics*, *94*(1), 50–66. doi:10.1016/j.jinteco.2014.05.005

Haque, N. U. & Mohsin, S. K. (1998). *Do IMF-supported programs work? a survey of the cross-country empirical evidence*, IMF Institute, WP/98/169, December.

Haran, O., & Zolkine, M. (2014). Ukraine's long road to European integration. Retrieved from http://www.ponarseurasia.org/memo/ukraine%E2%80%99s-long-road-european-integration

Hard, G. P. (2005). Russia and the "Orange Revolution" response, rhetoric, reality? *Connections*, *4*(2), 15–28. doi:10.11610/Connections.04.2.04

Harger, K., Young, A. T., & Hall, J. C. (2017). Globalization, institutions, and income convergence. *The Journal of Regional Analysis & Policy*, *47*(2), 110–125.

Harman, N. (2006). *Finansal piyasalarda küreselleşme* [Globalization in financial markets]. Basılmamış Yüksek Lisans Tezi.

Harper, C. (2017). The British election: After the terror. *Pursuit*. Retrieved from https://pursuit.unimelb.edu.au/articles/the-british-election-after-the-terror

Hartung, P. J., Fouad, N. A., Leong, F. T., & Hardin, E. E. (2010). Individualism-collectivism: Links to occupational plans and work values. *Journal of Career Assessment*, *18*(1), 34–45. doi:10.1177/1069072709340526

Hayes, J., & Allison, C. W. (1988). Cultural differences in the learning styles of managers. *Management International Review*, 28, 75-80.

Hayter, S. (2011) Bargaining in the global economy – Negotiating for social justice. Cheltenham, UK: Edward Elgar. Geneva, Switzerland: ILO International Labor Organization.

Helpman, E., & Krugman, P. R. (1985). *Market structure and foreign trade*. Cambridge, MA: The MIT Press.

Hernández, E., & Kriesi, H. (2016). The electoral consequences of the financial and economic crisis in Europe. *European Journal of Political Research*, *55*(2), 203–224. doi:10.1111/1475-6765.12122

Herr, H., & Ruoff, B. (2015). Labour and financial markets as drivers of inequality. In A. Gallas, H. Herr, F. Hoffer, & C. Scherrer (Eds.), *Combating inequality: The global north and south* (pp. 77–95). Routledge.

Herz, John H., (1950). “Idealist internationalism and the security dilemma”, *World Politics*, 2, 2.

Heusgen, C. (2004). The European security strategy as a response to new challenges in EU foreign and security policy. In *Civilian perspective or security strategy? European development policy confronting new challenges in foreign and security policy*. Berlin, Germany: World Economy, Ecology and Development.

He, Y., & Xu, Z. (2018). Multi-attribute decision making methods based on reference ideal theory with probabilistic hesitant information. *Expert Systems with Applications*, *118*, 459–469. doi:10.1016/j.eswa.2018.10.014

Heyes, J. (2013). Flexicurity in crisis: European labour market policies in a time of austerity. *European Journal of Industrial Relations*, *19*(1), 71–86. doi:10.1177/0959680112474749

Hillman, A. L. (2008). Globalization and social justice. *The Singapore Economic Review*, *53*(02), 173–189. doi:10.1142/S0217590808002896

Hirschman, A. O. (1986). *Rival views of market society and other recent essays*. New York: Viking.

Hofstede, G. (2010). *Cultures and organizations: Software of the mind*. London, UK: McGraw-Hill UK.

Holmes, L. (2009). Crime, organised crime and corruption in post-communist Europe and the CIS. *Communist and Post-Communist Studies*, *42*(2), 265–287. doi:10.1016/j.postcomstud.2009.04.002

Holt, A. D. (2005). The role of management accounting within the development of environmental management systems. (*Theses of Doctor of Philosophy London School of Economics and Political Science)*.

Hooghe, L., & Marks, G. (2001). *Multi-level governance and European integration*. Boston, MA: Rowman & Littlefield Publisher.

Hooghe, L., & Marks, G. (2003). Unraveling the central state, but how? Types of multi-level governance. *The American Political Science Review*, *97*(2), 233–243. doi:10.1017/S0003055403000649

Hoover, E. M., Jr. (1936) *The measurement of industrial localization*, Review of Economics and Statistics, 18, No. 162–71

Hopf, T. (1998). The promise of constructivism in international relations theory. *International Security*, *23*(1), 171–200. doi:10.1162/isec.23.1.171

Hopyar, Z. (2016). Avrupa’nın Mülteci Politikası. *Uluslararası Politik Araştırmalar Journal*, *2*(3), 59–67.

Hout, W. (2010). Between development and security: The European Union, governance, and fragile states. *Third World Quarterly*, *31*(1), 141–157. doi:10.1080/01436590903557462

Howitt, D., & Cramer, D. (2011). *Introduction to SPSS statistics in psychology: For version 19 and earlier* (5th ed.). London, UK: Pearson Education Limited.

https://calculator.carbonfootprint.com/calculator.aspx?tab=4

Huawei. (2019). *Huawei cyber security transparency centre opens in Brussels*, Retrieved from https://www.huawei.com/en/press-events/news/2019/3/huawei-cyber-security-transparency-centre-brussels

Hudson, A. (2002). *The law on financial derivatives*. London, UK: Sweet & Maxwell.

Hungarian prime minister says migrants are ‘poison’ and ‘not needed’. (2016, July 27). *The Guardian.* Retrieved from https://www.theguardian.com/world/2016/jul/26/hungarian-prime-minister-viktor-orban-praises-donald-trump

Hungary P. M. Orban: Europe borders threatened by migrants. (2015, Sept. 21). *BBC*. Retrieved from https://www.bbc.com/news/world-europe-34311254

Huseynov, F. (2001). "Avrupa Birliği-BDT Ülkeleri İlişkilerinin Hukuki Çerçevesi", *Ankara Üniversitesi Hukuk Fakültesi Dergisi*, 2, 50.

Hutchison, M. M. (2001). *A cure worse than the disease? currency crises and the output costs of IMF-supported stabilization programs*, National Bureau of Economic Research, Inc, NBER Working Papers: 8305.

Hyde, M., Jappinen, P., Theorel, T., & Oxenstierna, G. (2006). Workplace conflict resolution and the health of employees in the Swedish and Finnish units of an industrial company. *Social Science & Medicine*, *63*(8), 2218–2227. doi:10.1016/j.socscimed.2006.05.002 PMID:16782255

İbicioğlu, M., & Kapusuzoğlu, A. (2011). İmkb İle Avrupa Birliği Üyesi Akdeniz Ülkelerinin Hisse Senedi Piyasalarının Entegrasyonunun Ampirik Analizi. *Anadolu Üniversitesi Sosyal Bilimler Dergisi*, *11*(3), 85–102.

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü T. C. (n.d. e), Göç Projeleri. Retrieved from http://www.goc.gov.tr/icerik3/goc-projeleri_363_378_10095

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, T. C. (n.d. a), Geçici Koruma. Retrieved from http://www.goc.gov.tr/icerik6/gecici-koruma_363_378_4713_icerik

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, T. C. (n.d. b), Geçici Korumanın Unsurları, Feb. 2, 2015. Retrieved from http://www.goc.gov.tr/icerik6/gecici-korumanin-unsurlari_409_558_1095_icerik

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, T. C. (n.d. c), Genel Bilgi, June 3, 2015. Retrieved from http://www.goc.gov.tr/icerik6/genel-bilgi_409_558_1094_icerik

İçişleri Bakanlığı Göç İdaresi Genel Müdürlüğü, T. C. (n.d. d), Geri Alım. Retrieved from http://www.goc.gov.tr/icerik6/geri-alim_363_378_10093_icerik

İktisadi Kalkınma Vakfı. (2014). *Avrupa 2020 Stratejisi*. İstanbul, Turkey: İktisadi Kalkınma Vakfı Yayınları.

İktisadi Kalkınma Vakfı. (2016). Mülteci Krizi Ekseninde Türkiye-AB İşbirliği. İktisadi Kalkınma Vakfı Publications, Publication No. 289, Istanbul.

ILO. (2017). Inequalities and the World of Work: What role for industrial relations and social dialogue? Retrieved from https://www.ilo.org/brussels/press/press-releases/WCMS_545476/lang--en/index.htm Curbing inequalities in Europe – How can social dialogue and industrial relations help to close the gap?

Ilves, L. K., Evans, T. J., Cilluffo, F. J., & Nadeau, A. A. (2016). European Union and NATO global cybersecurity challenges: A way forward. *Prism*, *6*(2), 126–141.

IMD World Competitiveness Center. (2019). *IMD World Competitiveness Ranking 2018*. Retrieved from https://www.imd.org/wcc/world-competitiveness-center-mission/Overview/

IMF. (2008). IMF executive board approves € 1.68 billion (US$ 2.35 billion) stand-by arrangement for Latvia. *Press Release No.*, *08/345*(December), 23.

IMF. (2009). IMF announces staff-level agreement with Romania on € 12.95 billion loan as part of coordinated financial support. *Press Release No.*, *09/86*(March), 25.

IMF. (2011). *Hungary: Ex post evaluation of exceptional access under the 2008 stand-by arrangement*, IMF Country Report No. 11/145, June, p. 4.

IMF. (2013). *World Economic Outlook: Hopes, realities, and risks*, April.

Indicators, E. U. R. O. (2007). Selected readings, focus on: Measuring globalisation, December 2007. Retrieved from https://ec.europa.eu/.../2b535cd7-edf0-4e66-a9de-ddaa4121

International Energy Agency. What is energy security?, Retrieved from https://www.iea.org/topics/energysecurity/whatisenergysecurity/

International Labour Organization. (2019). ILOSTAT database. Retrieved from https://www.ilo.org/ilostat/faces/wcnav_defaultSelection;ILOSTATCOOKIE=Ufr_jubEyBGs7CDR_Fgun8Nzo-GDb_b0undaT3rEKupyZ8IDj-n3o!-284456621?_afrLoop=379153018871662&_afrWindowMode=0&_afrWindowId=null#!%2540%2540%253F_afrWindowId%253Dnull%2526_afrLoop%253D379153018871662%252Kazgan, G. (2003). *Tarım ve Gelişme*. İstanbul, Turkey: Bilgi Üniversitesi Yayınları.Larson, D., Martin, W., Şahin, Ş., & Tsigas, M. (2016). Agricultural policies and trade paths in Turkey. *World Economy*, *39*(8), 1194–1224. doi:10.1111/twec.12294

International Organization for Migration. Key migration terms. Retrieved from https://www.iom.int/key-migration-terms

Introduction. (2001). InChristiansen, T., Jorgensen, K. E., & Wiener, A. (Eds.), *The social construction of Europe* (pp. 1–21). London, UK: Sage. doi:10.4135/9781446221105.n1

Iser, J. C., Klaus, J., Zacharakis, Z., & Schulz, B. (2019, March 27). Britisches Parlament lehnt alle Brexit-Varianten ab, *Zeit.* Retrieved from https://www.zeit.de/politik/ausland/2019-03/brexit-alternativen-abstimmung-britisches-unterhaus-liveblog

Işık, H. (2005). *Çok Uluslu İşletmelerde Örtülü Kazanç ve Örtülü Sermaye*. Ankara, Turkey: Maliye Bakanlığı Araştırma, Planlama ve Koordinasyon Kurulu Başkanlığı.

Islam, M. R., & Madsen, J. B. (2015). Is income inequality persistent? Evidence using panel stationarity tests, 1870–2011. *Economics Letters*, *127*, 17–19.

Ismayil, E. (2016). Rusya'nın Avrasya Birliği Politikası, *Avrasya Etüdleri,* 49, 1, January 2016, pp. 125-151.

IULM. (n.d.). Public relations and business communication. Retrieved from www.iulm.it/wps/wcm/connect/iulmit/iulm-it/Studiare-alla-IULM/risorse-per-studenti-iscritti/Relazioni-pubbliche-e-comunicazione-d-impresa

Jahan, A., Mustapha, F., Sapuan, S. M., Ismail, M. Y., & Bahraminasab, M. (2012). A framework for weighting of criteria in ranking stage of material selection process. *International Journal of Advanced Manufacturing Technology*, *58*(1-4), 411–420. doi:10.100700170-011-3366-7

Jandl, M. (2007). Irregular migration, human smuggling, and the eastern enlargement of the European Union. *The International Migration Review*, *41*(2), 291–315. doi:10.1111/j.1747-7379.2007.00069.x

Jaumotte, F., Lall, S., & Papageorgiou, C. (2013). Rising income inequality: technology, or trade and financial globalization? *IMF Economic Review*, *61*(2), 271–309. doi:10.1057/imfer.2013.7

Jenkins, R. (2014). *Social identity* (4th ed.). New York: Routledge. doi:10.4324/9781315887104

Jian, S., & Ying, S. (2017). Preference selection index method for machine selection in a flexible manufacturing cell. *In MATEC Web of Conferences (Vol. 139, p. 00167). EDP Sciences.*

Johansen, S. (1988). Statistical analysis of cointegration vectors. *Journal of Economic Dynamics & Control*, *12*(2-3), 231–254. doi:10.1016/0165-1889(88)90041-3

Johnson, J. P., Lenartowicz, T., & Apud, S. (2006). Cross-cultural competence in international business: Toward a definition and a model. *Journal of International Business Studies*, *37*(4), 525–543. doi:10.1057/palgrave.jibs.8400205

Jones, M. J. (2010). Accounting for the environment: Towards a theoretical perspective for environmental accounting and reporting. *Accounting Forum*, *34*(2), 123–138. doi:10.1016/j.accfor.2010.03.001

Jones, R. W. (1979). A three-factor model in theory, trade and history. In R. W. Jones (Ed.), *International Trade: Essays in Theory* (pp. 85–101). Amsterdam, The Netherlands: North-Holland.

Jordan, A. (1999). Editorial introduction: The construction of a multilevel environmental governance system. *Environment and Planning. C, Government & Policy*, *17*(1), 1999. doi:10.1068/c170001

Jorra, M. (2010). *The effect of IMF lending on the probability of sovereign debt crises*, October 14, Working Paper.

Jorry, H. (2007). Construction of a European institutional model for managing operational cooperation at the EU's external borders: Is the FRONTEX agency a decisive step forward? *Challenge*. *Liberty and Security*, *6*, 1–35.

Joseph, O. A., & Sridharan, R. (2011). Ranking of scheduling rule combinations in a flexible manufacturing system using preference selection index method. *International Journal of Advanced Operations Management*, *3*(2), 201–216. doi:10.1504/IJAOM.2011.042141

Juncos, A. E. (2017). Resilience as the new EU foreign policy paradigm: A pragmatist turn. *European Security*, *26*(1), 1–18. doi:10.1080/09662839.2016.1247809

Kahlweit, C. (2018, April 26). Unterhändler einigen sich auf Brexit-Erklärung, *Süddeutsche*. Retrieved from https://www.sueddeutsche.de/politik/brexit-grossbritannien-eu-1.4222312 (26.04.2019).

Kahneman, D., & Lovallo, D. (2000). *Timid choices and bold forecast: Cognitive perspective on risk taking*. California: University of California.

Kaim, M. (2017). Germany: A lynchpin ally?, In M. Wesley (Ed.), Global allies: Comparing US alliances in the 21st century. Australia: Australian National University Press.

Kalender, A. (2015). *Kavram Olarak Halkla İlişkiler, Dünyada ve Türkiye'de Halkla İlişkilerin Tarihsel Gelişimi*. Eskişehir, Turkey: Anadolu Üniversitesi Açık Öğretim Fakültesi Yayınları.

Kaminski, M. (2015, Nov. 23). All the terrorists are migrants. *Politico*. Retrieved from https://www.politico.eu/article/viktor-orban-interview-terrorists-migrants-eu-russia-putin-borders-schengen/

Kang, J. S., & Shambaugh, J. C. (2016). The rise and fall of European current account deficits. *Economic Policy*, *31*(85), 153–199. doi:10.1093/epolic/eiv018

Kanık, C. (2018). Türk Kökenli Göçmenlerin Kimlik Yönelimi. *Hitit Üniversitesi Sosyal Bilimler Enstitüsü Journal*, *11*(1), 227–246.

Kaplan, N. A. (2014). AB Ülkelerinde Mesleki Eğitim Uygulamaları ve Göçmenlerin Entegrasyonuna Etkileri. Yurtdışı İşçi Hizmetleri Çalışma ve Sosyal Güvenlik Bakanlığı Dış İlişkiler ve Yurtdışı İşçi Hizmetleri Genel Müdürlüğü. Expertise Thesis, Ankara.

Kapusuzoğlu, T. (1999). Transfer Fiyatlandırmasına İlişkin Olarak ABD'de Yapılan Yasal Düzenlemeler (I), *Vergi Dünyası*, (214).

Karabulut, K., Ersungur, Ş. M., & Polat, Ö. (2008). European countrıes and comparison of Turkey's economıc performance: Data Analysıs Envelopment. *Atatürk University Journal of Economics and Administrative Sciences*, *22*(1), 1–11.

Karaca, O. (2003). Türkiye'de Enflasyon-Büyüme İlişkisi: Zaman Serisi Analizi. *Doğuş Üniversitesi Dergisi*, *4*(2), 247–255. doi:10.31671/dogus.2019.322

Karamfilova, E. (2017). *Implementation of the 7th environment action programme: Mid-term review*. Brussels, Belgium: European Parliamentary Research Service; doi:10.2861/069953

Karapınar, A., Zaif Ayıkoğlu, F., & Bayırlı, R. (2008). *Convergence and harmonization with international financial reporting standards: A perspective of Turkey.* Retrieved from http://www.mufad.org/journal/attachments/article/465/22.pdf

Kashfi, M. (n.d.). Iran yields to Russia in talks over Caspian resources. *Gas and Oil Journal*. Retrieved from https://www.ogj.com/articles/print/volume-113/issue-2/general-interest/iran-yields-to-russia-in-talks-over-caspian-resources.html

Kašťáková, E., Drieniková, K., Zubaľová, Ľ., Kittová, Z., & Barinková, N. (2019). *Impact of the geopolitical changes on the EU Foreign Trade Relations with the Countries of the Western Balkans, Ukraine, Russia, and Kazakhstan (with the implication for the Slovak economy)*. St. Petersburg, Russia: Publishing House St. Petersburg State University.

Kauder, B., & Potrafke, N. (2015). Globalization and social justice in OECD countries. *Review of World Economics*, *151*(2), 353–376. doi:10.100710290-015-0213-1

Kavalski, E. (2013). The struggle for recognition of normative powers: normative power Europe and normative power China in context. *Cooperation and Conflict*, *48*(2), 247–267. doi:10.1177/0010836713485386

Kavalski, E. (2017). Normative power Europe and normative power China compared: Towards a relational knowledge-production in international relations, *Korean Political Scientific Review (Singapore)*, *51*(6), 147–170.

Kavalski, E., & Chul Cho, Y. (2018). Wording the study of normative power: assessing European and Chinese definitions of the normal. *Uluslararası İlişkiler*, *15*(57), 49–65. doi:10.33458/uidergisi.518042

Kawachi, I., & Kennedy, B. P. (1997). The relationship of income inequality to mortality: Does the choice of indicator matter? *Social Science & Medicine*, *45*(7), 1121–1127. doi:10.1016/S0277-9536(97)00044-0 PMID:9257403

Kaya, A. (2015). Euro-Türkler, Kuşaklararası Farklılıklar, İslam ve Entegrasyon Tartışmaları. *Göç Araştırmaları Journal, 1*(1), 44–79.

Kaya, E. (2015). Borsa Istanbul (BIST) 100 Endeksi İle Zimni Volatilite (VIX) Endeksi Arasindaki Es-Bütünlesme ve Granger Nedensellik. *Sosyal ve Ekonomik Arastırmalar Dergisi*, *17*(28), 1–6.

Kaya, G. (2017). AB'de yeni bir ortak sığınma sistemine doğru: Dublin sisteminin reformu. In Y. Gülcan, S. Akgüner, & Y. Kuştepeli (Eds.), *Türkiye-AB ilişkilerinde yeni bir konu: mülteci sorunu ve Türkiye-AB işbirliği* (pp. 92–133). İstanbul, Turkey: İktisadi Kalkınma Vakfı Yayınları.

Kaya, İ. (2011). Avrupalı Türkler: Misafir İşçilikten Avrupa Vatandaşlığına. *Doğu Coğrafya Journal*, *13*(19), 149–166.

Kaya, Y. (2013). Çevre Politikası İlkeleri Aktörleri ve Araçları: Söylemden Pratiğe Bir Süreç Analizi. In M. Yıldız & M. Z. Sobacı (Eds.), *Kamu Politikası: Kuram ve Uygulama* (pp. 466–497). Ankara, Turkey: Adres Yayınları.

Kazi, S. (2012). Managerial decision-making style: India, Bangladesh, and Finland: Cultural side of the game. *Creating a sustainable business: managerial implications and challenges*.

Keller, E. (2018). From Meseberg to nowhere? A Franco-German impetus for the Eurozone. Visions franco-allemandes, 29, Ifri, November.

Kelly, R. (2014). The 'pivot' and its problems: American foreign policy in Northeast Asia. *The Pacific Review*, *27*(3), 479–503. doi:10.1080/09512748.2014.909526

Keohane, D. (2005). *The EU and counter-terrorism*. London, UK: Centre for European Reform.

Kesbiç, C., Y.,& Şimşek, H., (2001). "Avrupa Birliği Ortak Enerji Politikası", Muğla Üniversitesi, *SBE Dergisi*, S:5.

Ketels, C. H. M. (2006). Michael Porter's competitiveness framework - recent learnings and new research priorities. *Journal of Industry, Competition and Trade*, *6*(2), 115–136. doi:10.100710842-006-9474-7

Khan, M. S., & Knight, M. (1985*). Fund-supported programs and economic growth*, International Monetary Fund Occasional Paper 41, 1985.

Khan, M. S. (1990). The macroeconomic effects of fund-supported adjustment programs. *IMF Staff Papers*, *37*(June), 195–231. doi:10.2307/3867289

Khan, M. S., & Knight, M. (1981). Stabilization programs in developing countries: a formal framework. *IMF Staff Papers*, *28*(March), 1–53.

KharchenkoI. (n.d.). Russia and the PfP, http://www.rozenbergps.com/books/future_role_of_russia/kharchenko.pdf

Khorshidi, R., & Hassani, A. (2013). Comparative analysis between TOPSIS and PSI methods of materials selection to achieve a desirable combination of strength and workability in Al/SiC composite. *Materials & Design* (1980-2015), 52, 999-1010.

Kıbrıs Gazetesi. Güney Kıbrıs'ta nüfus yaşlanıyor. Retrieved from https://www.kibrisgazetesi.com/haber/guney-kibrista-nufus-yaslaniyor/31796

Kılıç, Ö. (2005). Classification of EU member states and candidate countries according to some basic macroeconomics criteria: Estimation of a model based on multi criteria decision making analysis. *Çukurova University Journal of the Institute of Social Sciences, 14*(2), 339-351.

Killick, T. (1984). *The quest for economic stabilization: The IMF and the Third World*. New York, NY: St. Martin's Press.

Killick, T. (1995). *IMF programmes in developing countries: design and impact*. London, UK: Routledge.

Killick, T., Malik, M., & Manuel, M. (1995). What can we know about the effects of IMF programmes? *World Economy*, *15*(September), 575–597.

Kim, B. (2001). Social constructivism. Emerging perspectives on learning, teaching, and technology, 1(1), 16.

Kıncal, A., & Utkulu, U. (2018). The political economy of the mega-regional trade agreements and the future of the global trading system. In B. Tunçsiper & F. Sayın (Eds.), *Critical debates in social sciences* (pp. 320–342). London, UK: Frontpage.

Kirby, J. (2019, Jan. 3). UK Parliament fails to agree on a new Brexit plan — again. Retrieved from https://www.vox.com/world/2019/4/1/18290766/brexit-news-parliament-indicative-votes-common-market

Kiska, A. (2015, Sept. 7). Kiska: Attitude to refugees will define the heart and soul of Slovakia. Retrieved from https://www.prezident.sk/en/article/vyhlasenie-prezidenta-kisku-k-teme-utecencov/

Kıvılcım, İ. (2014). Avrupa Birliği Yedinci Çevre Eylem Programı. *İktisadi Kalkınma Vakfı Değerlendirme Notu*, No. 82.

Kıvılcım, F. (2013). Globalization and evaluation of globalization process in developing country Turkey. *Sosyal ve Beşeri Bilimler Dergisi*, *5*(1), 219–230.

Kızılkaya, E., & Engin, C. (n.d.). "Enerjinin Jeopolitiği: Dünya Üzerindeki Jeoekonomik Mücadele", *Kırgızistan-Türkiye Manas Üniversitesi Sosyal Bilimler Dergisi*.

Kızılot, O., (2003). Amerika Birleşik Devletleri'nde Vergi Oranları ve En Az Geçim İndirimi, *Yaklaşım Dergisi*, (123), 67-72.

Klein, G. (2008). Naturalistic decision making. *Human Factors*, *50*(3), 456–460. doi:10.1518/001872008X288385 PMID:18689053

Kneafsey, M., L. Venn, U. Schmutz, B. Balázs, L. Trenchard, T. Eyden-Wood, Bos, E., Sutton, G., & Blackett, M. 2013. Short food supply chains and local food systems in the EU. A state of play of their socio-economic characteristics. *European Commission Report.*

Koç, M. (2013). Diasporada Dindarlık ve Umutsuzluk: Fransalı Müslüman-Türk Azınlık Grup Üzerine Ampirik Bir Araştırma, *Atatürk Üniversitesi İlahiyat Fakültesi Journal,* 39, p. 415-441.

Koçak, K. A., "*Hazar Denizi'nin Statüsüne Dair Anlaşma ve Olası Yansımaları", TASAV*. Retrieved from https://www.tasav.org/hazar-denizinin-statusune-dair-anlasma-ve-olasi-yansimalari.html#_ftnref12

Koçak, O., & Gündüz, R. D. (2016). Avrupa Birliği Göç Politikaları ve Göçmenlerin Sosyal Olarak İçirilmelerine Etkisi. *Yalova Sosyal Bilimler Journal*, *6*(12), 66–91. doi:10.17828/yalovasosbil.288377

Kodaman, T. (2002). *"Azerbaycan Petrollerinin Uluslararası Politikadaki Önemi ve Türkiye"*, (Unpublished Doctoral Dissertation). Ankara Bakü-Tiflis-Ceyhan Proje Direktörülüğü. Retrieved from http://www.btc.com.tr/proje.html

KOF. 2019. Retrieved from https://kof.ethz.ch/en/news-and-events/media/press-releases/2018/12/kof-globalisation-index-globalisation-lull-continues.html

Kohlscheen, E. (2009). Sovereign risk: Constitutions rule. *Oxford Economic Papers*, *62*(1), 62–85. doi:10.1093/oep/gpp005

Kokko, A., Mathä, T., & Tingvall, P. G. (2005). *Regional integration and trade diversion in Europe*. EIJS Working Paper Series 231, Stockholm School of Economics, The European Institute of Japanese Studies.

Kose, M. A., Prasad, E. S., & Terrones, M. E. (2009a). Does financial globalization promote risk sharing? *Journal of Development Economics*, *89*(2), 258–270. doi:10.1016/j.jdeveco.2008.09.001

KOSGEB. (2019a). *AB'deki Kobi Tanımı*. Retrieved from http://www.kobi.org.tr/index.php/tanimi/abde

KOSGEB. (2019b). *COSME Programı-Avrupa Birliği İşletmelerin ve KOBİ'lerin Rekabet Edebilirliği Programı 2014-2020.* Retrieved from http://cosme.kosgeb.gov.tr/Components/ Component1/

Kostis, P. C., Kafka, K. I., & Valsamis, D. G. (2016). The decoupling of the Greek Economy. In P. E. Petrakis (Ed.), *A new growth model for the Greek economy: The long-term view and the growth requirements*. Palgrave MacMillan. doi:10.1057/978-1-137-58944-6_3

Koyuncu, F. T. (2010). The effects of some macroeconomics variables on FDI in Turkey: A structural vector autoregression analysis between the period 1990-2009. *Journal of Economics Sciences*, *2*(1), 55–62.

Královičová, M. (2018). *Zahraničnoobchodná expanzia Číny a jej dosahy na presadzovanie ekonomických záujmov Európskej únie (na príklade vybraného odvetvia)* [Consequences of China's Foreign Trade Expansion on European Union Economic Interests (on Example of Selected Sector)] (Unpublished doctoral dissertation), University of Economics in Bratislava, Slovakia.

Kreiser, P. M., Marino, L. D., Dickson, P., & Weaver, K. M. (2010). Cultural influences on entrepreneurial orientation: The impact of national culture on risk taking and proactiveness in SMEs. *Entrepreneurship Theory and Practice*, *34*(5), 959–984. doi:10.1111/j.1540-6520.2010.00396.x

Krugman, P. (1993). Lessons of Massachusetts for EMU. In F. Torres & F. Giavazzi (Eds.), *Adjustment and growth in the European Monetary Union* (pp. 241–266). London, UK: Cambridge University Press. doi:10.1017/CBO9780511599231.016

Krugman, P. (1994). Competitiveness: A dangerous obsession. *Foreign Affairs*, *73*(2), 28–44. doi:10.2307/20045917

Krylovas, A., Dadeliene, R., Kosareva, N., & Dadelo, S. (2019). Comparative evaluation and ranking of the european countries based on the interdependence between human development and internal security indicators. *Mathemetics*, *7*(3), 293.

Kudelia, S. (2014, July). The maidan and beyond: the house that Yanukovych built. *Journal of Democracy*, *25*(3), 19–34. doi:10.1353/jod.2014.0039

Kuepper, J. (2018). The impact of globalization on economic growth. Retrieved from https://www.thebalance.com/globalization-and-its-impact-on-economic-growth-1978843

Kula, S., & Çakar, B., (2015). "Maslow İhtiyaçlar Hiyerarşisi Bağlamında Toplumda Bireylerin Güvenlik Algısı ve Yaşam Doyumu Arasındaki İlişki" *Bartın Üniversitesi-İİBF Dergisi*,, C:6, S:2.

Kunczik, M. (1993). *Public relations: Konzepte und Theorien*. Koln, Germany: Bohlau.

Kurban, D., & Sözeri, C. (2012). *İktidarın Çarkında Medya: Türkiye'de Medya Bağımsızlığı ve Özgürlüğü Önündeki Siyasi, Yasal ve Ekonomik Engeller. (Rapor No:3)*. İstanbul, Turkey: TESEV.

Kusi-Sarpong, S., Gupta, H., & Sarkis, J. (2018). A supply chain sustainability innovation framework and evaluation methodology. *International Journal of Production Research*, 1–19.

Kütük, B. Ş. (2017). Hollanda'ya Gerçekleştirilen Türk Göçü ve Ulusötesi Faaliyetler, *Sosyoloji Konferansları*, 55, p. 85-106.

Kuyucu, M. (2013).Türkiye'de Çapraz Medya Sahipliği: Medya Ekonomisine Olumsuz Etkileri ve Bu Etkilerin Önlenmesine Yönelik Öneriler. *Selçuk İletişim.* 8,1, 2013, 144-163.

Lallement, M. (2011). Europe and the economic crisis: Forms of labour market adjustment and varieties of capitalism. *Work, Employment, and Society*, *25*(4), 627–641. doi:10.1177/0950017011419717

Lamba, M., & Ozdasli, K. (2015). Influence of social culture on decision-making manner: an analysis with the structural equation model. *The Anthropologist*, *19*(2), 341–353. doi:10.1080/09720073.2015.11891667

Lämsä, T. (2010). Leadership styles and decision-making in Finnish and Swedish organizations. *Review of International Comparative Management*, *11*(1), 139–149.

Lang, V. F. (2016). *The economics of the Democratic deficit: The effect of IMF programs on inequality,* University of Heidelberg Department of Economics Working Paper No. 617.

Lang, V. F., & Tavares, M. M. M. (2018). The distribution of gains from globalization. IMF Working Paper 18/54, International Monetary Fund. Retrieved from https://www.imf.org/en/Publications/WP/Issues/2018/03/13/The-Distribution-of-Gains-from-Globalization-45722

Lang, M., Aigner, H.-J., Scheuerle, U., & Stefaber, M. (2004). *CFC legislation, tax treaties and EC law, EUCOTAX series on European taxation, Vol. 8*. Kluwer Law International.

Larrabee, S., Wilson, P. A., & Gordon, J., IV. (2015). The Ukrainian crisis and European Security, Santa Monica, CA: RAND Corporation.

Latan, H., Jabbour, C. J. C., Jabbour, A. B. L. S. J., Wamba, S. F., & Shahbaz, M. (2018). Effects of environmental strategy, environmental uncertainty and top management's commitment to corporate environmental performance: The role of environmental management accounting. *Journal of Cleaner Production*, *180*, 297–306. doi:10.1016/j.jclepro.2018.01.106

Lavenex, S. (2011). Concentric circles of flexible 'EUropean' integration: A typology of EU external governance relations. *Comparative European Politics*, *19*(4-5), 372–393. doi:10.1057/cep.2011.7

Leamer, E. E. (1995). The Heckscher-Ohlin model in theory and practice. Princeton studies in international finance, no. 77). Retrieved from https://pdfs.semanticscholar.org/1251/13a392441a1238e5e0d8369292d1fa54bc06.pdf

Lebrun, B. (2005). *Accounting directives, advanced program in accounting and auditing regulation*. WB, 7.6.2005, s.1-17. Retrieved from http://europa.eu.int/comn market/accounting en.htm

Lee, D. S. (1999). Wage inequality in the United States during the 1980s: Rising dispersion or falling minimum wage? *The Quarterly Journal of Economics*, *114*(3), 977–1023.

LeFebvre, R., & Franke, V. (2013). Culture matters: Individualism vs. collectivism in conflict decision-making. *Societies (Basel, Switzerland)*, *3*(1), 128–146. doi:10.3390oc3010128

Legatum Institute. Retrieved from https://www.prosperity.com/rankings

Lemos, S. (2009). Minimum wage effects in a developing country. *Labour Economics*, *16*(2), 224–237. doi:10.1016/j.labeco.2008.07.003

Lenschow, A. (2002). New regulatory approaches in greening EU policies. *European Law Journal*, *8*(1), 19–37. doi:10.1111/1468-0386.00140

Léonard, S. (2010). EU border security and migration into the European Union: FRONTEX and securitisation through practices. *European Security*, *19*(2), 231–254. doi:10.1080/09662839.2010.526937

Lewis, R. (2010). *When cultures collide*. Nicholas Brealey Publishing.

Liang, T. P., & Hung, S. Y. (1997). DSS and EIS applications in Taiwan. *Information Technology & People*, *10*(4), 303–315. doi:10.1108/09593849710194687

Liesch, P. W., Welch, L. S., & Buckley, P. J. (2014). Risk and uncertainty in internationalisation and international entrepreneurship studies. In *The Multinational Enterprise and the Emergence of the Global Factory* (pp. 52–77). London, UK: Palgrave Macmillan.

LIFE Environmental Governance and Information: Guidelines for applicants (2018). https://ec.europa.eu/easme/sites/easmesite/files/life_2018_environmental_governanceand_information_application_guide.pdf

Lind, D. A., Marchal, W. G., & Wathen, S. A. (2006). *Basic statistics for business and economics* (5th ed.). United States: McGraw-Hill Companies.

Linkov, I., Satterstrom, F. K., Kiker, G., Batchelor, C., Bridges, T., & Ferguson, E. (2006). From comparative risk assessment to multi-criteria decision analysis and adaptive management: Recent developments and applications. *Environment International*, *32*(8), 1072–1093. doi:10.1016/j.envint.2006.06.013 PMID:16905190

Lipsey, R. G., & Lancaster, K. (1956). The general theory of second best. *The Review of Economic Studies*, *24*(1), 11–32. doi:10.2307/2296233

Liru, C. (2012). Peaceful rise: China's modernisation trajectory. *The International Spectator*, *47*(2), 14–17. doi:10.1080/03932729.2012.683272

Li, Y., Ashkanasy, N. M., & Ahlstrom, D. (2014). The rationality of emotions: A hybrid process model of decision-making under uncertainty. *Asia Pacific Journal of Management*, *31*(1), 293–308. doi:10.100710490-012-9341-5

Li, Z., & Liu, L. (2018). Financial globalization, domestic financial freedom and risk sharing across countries. *Journal of International Financial Markets, Institutions and Money*, *55*, 151–169. doi:10.1016/j.intfin.2018.04.003

LMU. (n.d.). Studienfächer und Studiengänge von A bis Z. Retrieved from www.uni‒muenchen.de/studium/studienangebot/studiengaenge/studienfaecher/int_pr/master/index.html

Lobosco, K. (2019). Trump dangles auto tariffs in Europe trade talks, but carmakers aren't happy. *CNN*. Retrieved from https://edition.cnn.com/2019/02/20/politics/trump-commerce-auto-tariffs-report/index.html

Locatelli, C. (2013) Security challenges in EU-Russian gas relations CAIRN INFO, Retrieved from https://www.cairn-int.info/article-E_REI_143_0035--the-issue-of-gas-security-in-eu-russian.htm

Lök, H. (2018). *Avrupa Yatırım Bankası Kaynaklı Özel Sektör Proje Kredileri ve Türkiye Uygulaması Selçuk Üniversitesi Sosyal Bilimler Meslek Yüksekokulu Dergisi.*, *21*(2), 313–322.

Lorenz, M. O. (1905). Methods of measuring the concentration of wealth. *Publications of the American Statistical Association*, *9*(70), 209–219. doi:10.2307/2276207

Loxley, J. (1984). *The IMF and the poorest countries*. Ottawa, Canada: North-South Institute.

Lugna, L. (2006). Institutional framework of the European Union counter-terrorism policy setting. *Baltic Security & Defence Review*, *8*, 101–127.

Lund, S., Windhagen, E., Manyika, J., Härle, P., Woetzel, J., & Goldshtein, D. (2017). *The new dynamics of financial globalization*. McKinsey Global Institute Executive Summary.

Luptáková, S., Vargic, B., & Kincel, I. (2005). National culture dimension of power distance in the Baltic States. *Journal of Business Economics and Management*, *6*(2), 61–69. doi:10.3846/16111699.2005.9636094

Luthans, F., & Doh, J. P. (2012). *International management: Culture, strategy, and behavior* (p. 110). New York: McGraw-Hill.

Lütkepohl, H. (1991). *Introduction to multiple time series analysis*. Berlin, Germany: Springer-Verlag. doi:10.1007/978-3-662-02691-5

Madić, M., Antucheviciene, J., Radovanović, M., & Petković, D. (2017). Determination of laser cutting process conditions using the preference selection index method. *Optics & Laser Technology*, *89*, 214–220. doi:10.1016/j.optlastec.2016.10.005

Maher, R. (2016). The elusive EU–China strategic partnership. *International Affairs*, *92*(4), 959–976. doi:10.1111/1468-2346.12659

Malak-Rawlikowska A., et al. (2019) Strengthening European food chain sustainability by quality and procurement policy, *European Union's Horizon 2020 research and innovation Programme Report*.

Malmstörm, C. (2019). *Speech by Cecilia Malmström, European commissioner for trade at the Atlantic Council,* Retrieved from https://ec.europa.eu/info/news/trade-trends-2019-2019-jan-10_en

Maly, M. (2014). Decision making style in companies (case of Austrian and Czech companies). *Journal of International Scientific Publications*, *8*, 10–16.

Manço, A. (2000). Belçika'da Türklerin 40 Yılı (1960-2000) Sorunlar, Gelişmeler, Değişmeler. *Muğla Üniversitesi SBE Journal*, *1*(1), 119–133.

Maniya, K. D., & Bhatt, M. G. (2011). The selection of flexible manufacturing system using preference selection index method. *International Journal of Industrial and Systems Engineering*, *9*(3), 330–349. doi:10.1504/IJISE.2011.043142

Maniya, K., & Bhatt, M. G. (2010). A selection of material using a novel type decision-making method: preference selection index method. *Materials & Design*, *31*(4), 1785–1789. doi:10.1016/j.matdes.2009.11.020

Manners, I. (2002). Normative power Europe: A contradiction in terms. *Journal of Common Market Studies*, *40*(2), 235–258. doi:10.1111/1468-5965.00353

Manning, A. (2010). Imperfect competition in the labour market. In D. Card & O. Ashenfelter (Eds.), *Handbook of labor economics* (pp. 973–1041). Elsevier.

Manrai, L. A., & Manrai, A. K. (2010). The influence of culture in international business negotiations: A new conceptual framework and managerial implications. *Journal of Transnational Management*, *15*(1), 69–100. doi:10.1080/15475770903584607

Marconi, J. (2004). *Public relations: A complete guide*. NY: South Western Educational Publications.

Mardanov, S. (2006). Avrupa Birliği'nin Kafkasya Politikası, Ankara Üniversitesi Sosyal Bilimler Enstitüsü. Maastricht Treaty, EU-Russia Dialogue, Trans. İktisadi Kalkınma Vakfı. Retrieved from https://ec.europa.eu/energy/sites/ener/files/documents/2011_eu-russia_energy_relations.pdf

Marion, N. E. (2010). The council of Europe's cyber crime treaty: An exercise in symbolic legislation. *International Journal of Cyber Criminology*, *4*(1&2), 699–712.

Marquardt, J.-P. (2019, Feb. 26). Brexit-Verschiebung Mays Drei-Stufen-Strategie. Tagesschau. Retrieved from https://www.tagesschau.de/ausland/brexit-821.html

Marx, K., & Engels, F. (1848). *Manifesto of the Communist Party.* Retrieved from https://www.marxists.org/archive/marx/works/download/pdf/Manifesto.pdf

Masca, M. (2017). Economic performance evaluation of European Union countries by TOPSIS method. *North Economic Review*, *1*(1), 83–94.

Massot, A. (2018). The common agricultural policy – instruments and reforms. Retrieved from http://www.europarl.europa.eu/factsheets/en/sheet/107/the-common-agricultural-policy-instruments-and-reforms

Matthes, J., & Iara, A. (2017). On the future of the EMU: Is more fiscal integration indispensable. *European View*, *16*, 3–22.

Maurice, E. (2015, Sept. 4). Refugee quotas 'unacceptable' for Visegrad states. *Euobserver*. Retrieved from https://euobserver.com/migration/130122

McGranahan, D. V., Richard-Proust, C., Sovani, N. V., & Subramanian, M. (1972). *Contents and measurement of socioeconomic development, a staff study of the United Nations Research Institute for Social Development (UNRISD)* (pp. 3–136). New York: Praeger.

McKillup, S. (2012). *Statistics explained: an introductory guide for life scientists* (2nd ed.). United States: Cambridge University Press.

McNamara, K. R. (2014). The EU after Ukraine, *Crisis in Ukraine Foreign Affairs*, March/April 2014, pp. 104-108.

Meade, J. E. (1953). *Problems of Economic Union*. London, UK: G. Allen & Unwin Ltd.

Meade, J. E. (1955). *The theory of customs union*. Amsterdam, The Netherlands: North Holland Publishing Company.

Mead, G. H. (1934). Play, the Game, and the Generalized Other. In G. H. Mead & C. W. Morris (Eds.), *Mind self and society from the standpoint of a social behaviorist* (pp. 152–164). Chicago, IL: University of Chicago.

Mearsheimer, J. J. (2014). Why the Ukraine crisis is the West's fault. *Foreign affairs, 93*(5).

Meer, J., & West, J. (2016). Effects of the minimum wage on employment dynamics. *Journal of Human Resources, University of Wisconsin Press*, *51*(2), 500–522.

Meier, A. (2017, Oct. 11). Ultimatum bei Brexit-Verhandlungen EU gibt Briten zwei Wochen. Retrieved from https://www.tagesspiegel.de/politik/ultimatum-bei-brexit-verhandlungen-eu-gibt-briten-zwei-wochen/20568584.html

Member States' notifications of the temporary reintroduction of border control at internal borders pursuant to Article 25 *et seq.* of the Schengen Borders Code. Retrieved from https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/borders-and-visas/schengen/reintroduction-border-control/docs/ms_notifications_-_reintroduction_of_border_control_en.pdf

Memmedli, E. (2017). Azerbaycan-Avrupa Birliği İlişkilerinde Enerji Faktörü. *Akademik Bakış Dergisi*, *V*, 61.

Mercator Institute for China Studies. (2018). *EU-China FDI: Working towards reciprocity in investment relations*, Retrieved from https://www.merics.org/sites/default/files/2018-08/180723_MERICS-COFDI-Update_final_0.pdf

Merkel, W., & Giebler, H. (2009). Measuring social justice and sustainable governance in the OECD. In B. Stiftung (Ed.), *Sustainable governance indicators 2009, policy performance and executive capacity in the OECD* (pp. 187–215). Gütersloh, Germany: Bertelsmann Stiftung.

Mertzanis, H. (2007). The European Directive for the Markets in Financial Instruments 2004/39/EC 9MiFD): Fundamental reforms and adjustment practices of the Investment Services Firms. European Integration and MiFID, Research Study, Feb 2007, Hellenic Capital Market Committee, Athens.

Mesran, K. T., Sianturi, R. D., Waruwu, F. T., & Siahaan, A. P. U. (2017). Determination of education scholarship recipients using preference selection index. *International Journal of Scientific Research in Science and Technology*, *3*(6), 230–234.

Metcalf, D. (2008). Why has the British National Minimum Wage had little or no impact on employment? *The Journal of Industrial Relations*, *50*(3), 489–512. doi:10.1177/0022185608090003

Meunier, S. (2014). Beggars can't be choosers: The European crisis and Chinese direct investment in the European Union. *Journal of European Integration*, *36*(3), 283–302. doi:10.1080/07036337.2014.885754

Michael, J., & College, W. (1997). A conceptual framework for aligning managerial behaviors with cultural work values. *International Journal of Commerce and Management*, *7*(3/4), 81–101. doi:10.1108/eb047357

Michalopoulos, S. (2018). *Short food supply chains in Europe's North, Special Report*. EURACTIV.

Migration crisis is a problem of entire EU. (2015, Oct. 9). *president.pl.* Retrieved from https://www.president.pl/en/news/art,44,migration-crisis-is-a-problem-of-entire-eu.html

Mihaila, M. (2014). Managerial accounting and decision making, in energy industry. *Procedia: Social and Behavioral Sciences*, *109*, 1199–1202. doi:10.1016/j.sbspro.2013.12.612

Milczarek, D. (2006). *Eastern dimension of the European Union's foreign policy, Yearbook of Polish European Studies, Vol. 10, 2006*, 9–26.

Miller, R., Michalski, W., & Stevens, B. (1998). *The promises and perils of 21st century technology: an overview of the issues* (p. 9). OECD.

Milner, H. (1991). The assumption of anarchy in international relations theory: a critique, *Review of International Studies*, 17(1).

Ministry of EU (Avrupa Birliği Bakanlığı). (2014). *Avrupa Birliği Programları 2014-2020*. Retrieved from https://www.ab.gov.tr/files/SBYPB/birlik%20programlari/ab_birlik_programlari.pdf/

Ministry of EU (Avrupa Birliği Bakanlığı). (2019). *Avrupa Birliği Horizon 2020 Programı.* Retrieved from https://www.ab.gov.tr/files/SBYPB/birlik%20programlari/horizon_2020_programi.pdf/

Ministry of foreign affairs of the People's Republic of China. (2016). *Xi Jinping attends opening ceremony of Second World Internet Conference and delivers keynote speech*, Retrieved from https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1325603.shtml

Ministry of Foreign Affairs Presidency of the EU (Dışişleri Bakanlığı AB Başkanlığı). (2019a). *Avrupa Yatırım Bankası.* Retrieved from https://www.ab.gov.tr/avrupa-yatirim-bankasi_45638.html:7/

Ministry of Foreign Affairs Presidency of the EU (Dışişleri Bakanlığı AB Başkanlığı). (2019b). *İstihdam ve Sosyal Yenilik (EaSI) Programı*. Retrieved from https://www.ab.gov.tr/

Minkov, M., & Hofstede, G. (2014). A replication of Hofstede's uncertainty avoidance dimension across nationally representative samples from Europe. *International Journal of Cross Cultural Management*, *14*(2), 161–171. doi:10.1177/1470595814521600

Mirfendereski, G. (2001). *A diplomatic history of the Caspian Sea: treaties, diaries, and other stories*. New York: Palgrave.

Mirza, A. A., Holt, G. J., & Orrel, M. (2006). *IFRS: Workbook and guide*. USA: John Wiley & Sons.

Mission of Ukraine to the European Union. (2017). Ukraine: EU Relations; Retrieved from http://ukraine-eu.mfa.gov.ua/en/ukraine-eu/relations

Mitchell, R. (2002). International environment. In W. Carlsnaes, T. Risse, & B. Simmons (Eds.), *Handbook of international relations* (pp. 660–681). London, UK: Sage Publications. doi:10.4135/9781848608290.n26

Mitrovic, S., & Melovic, B. (2013). *The principles of modern management*. Novi Sad: Faculty of Technical Sciences.

Mockaitis, A. I. (2005). A cross-cultural study of leadership attitudes in three Baltic Sea region countries. *International Journal of Leadership Studies*, *1*(1), 44–63.

Mohaghar, A., Sahebi, I. G., & Arab, A. (2017). Appraisal of humanitarian supply chain risks using Best-Worst Method. *International Journal of Social, Behavioral, Educational, Economic Business and Industrial Engineering*, *11*(2), 309–314.

Moktadir, M. A., Ali, S. M., Kusi-Sarpong, S., & Shaikh, M. A. A. (2018). Assessing challenges for implementing Industry 4.0: Implications for process safety and environmental protection. *Process Safety and Environmental Protection*, *117*, 730–741. doi:10.1016/j.psep.2018.04.020

Moloney, N. (2002). *EC securities regulation*. Oxford, UK: Oxford University Press.

Momaya, K. S. (1998). Evaluating international competitiveness at the industry level. *Vikalpa*, *23*(2), 39–46. doi:10.1177/0256090919980206

Morrison, W. M. (2018). *China's economic rise: History, trends, challenges, and implications for the United States*. Retrieved from https://fas.org/sgp/crs/row/RL33534.pdf

Moser, M. (2014). *Language policy and the discourse on languages in Ukraine under President Viktor Yanukovych (Feb. 25, 2010-Oct. 28, 2012)*, Stuttgart, Germany: Ibidem Press.

Moshes, A. (2013). Will Ukraine join (and save) the Eurasian customs union. Retrieved from http://www.ponarseurasia.org/memo/will-ukraine-join-and-save-eurasian-customs-union

Motyl, A. J. (2013). Yanukovych must go, *Crisis in Ukraine Foreign Affairs*, December 2013, pp. 52-58.

Mueller, G. G., Gernon, H., & Meek, G. (1994). *Accounting an international perspective*. New York: Business One Irwin.

Müller, R., Spang, K., & Ozcan, S. (2009). Cultural differences in decision making in project teams. *International Journal of Managing Projects in Business*, *2*(1), 70–93. doi:10.1108/17538370910930527

Mülteciler Derneği. Avrupa Birliğinden 3 milyar Euro geldi mi? Retrieved from https://multeciler.org.tr/avrupa-birliginden-3-milyar-euro-geldi-mi/

Munter, P. (2001). World stock markets: the battle over reporting continues. *Journal of Corporate Accounting & Finance*, *12*(September-October), 51–54. doi:10.1002/jcaf.1108

Murphy, D. (2013). *OTC derivatives, bilateral trading and central clearing: an introduction to regulatory policy, market impact and systemic risk (global financial markets)*. Global Financial Market Series. doi:10.1057/9781137293862

Musgrave, R. A. (1939). The voluntary exchange theory of public economy. *The Quarterly Journal of Economics*, *53*(2), 213–237. doi:10.2307/1882886

Muslim migrants are 'threat' to European Civilization- Czech PM. (2018, Sept. 2). Sputniknews. Retrieved from HTTPS://SPUTNIKNEWS.COM/EUROPE/201809021067689690-MUSLIM-MIGRANTS-EUROPEAN-CIVILIZATION/

Nas, Ç. (2016). Türkiye-AB Vize Serbestliği Diyaloğunun Üyelikle Paralel Hikâyesi,-Mülteci Krizi Ekseninde Türkiye-AB İşbirliği. Editörler: Demir, O.Ö. ve Soyupek,Y. İktisadi Kalkınma Vakfı Publications, Publication No: 289, Istanbul, Turkey.

Nas, Ç. (2015). Türkiye-AB İlişkilerinde Geri Kabul ve Vize Serbestliği: Hareketliliğin Yönetimi. Marmara Üniversitesi Avrupa Topluluğu Enstitüsü Avrupa Araştırmaları. *Journal*, *23*(2), 169–186.

Naumescu, V. (2015). Introduction: The new "Eastern Europe" and Cold War II. In V. Naumescu, & D. Dungaciu (Eds.), The European Union's Eastern Neighbourhood Today. London, UK: Cambridge Scholars Publishing.

Nazalı, E. (2007). Transfer Fiyatlandırması I, *Yaklaşım Dergisi*, (175), 115-125.

Necdet P. (2003). Dünyada ve Türkiye'de Enerji: Türkiye'nin Enerji Kaynakları ve Enerji Politikaları,

Necdet, P. (2003). *Dünyada ve Türkiye'de Enerji: Türkiye'nin Enerji Kaynakları ve Enerji Politikaları*.

Nel, P. (2010). Redistribution and recognition: What emerging regional powers want. *Review of International Studies*, *36*(04), 951–971. doi:10.1017/S0260210510001385

Neto, D. G., & Veiga, F. J. (2013). Financial globalization, convergence and growth: The role of foreign direct investment. *Journal of International Money and Finance*, *37*, 161–186. doi:10.1016/j.jimonfin.2013.04.005

Neumark, D., & Wascher, W. (1992). Employment effects of minimum and subminimum wages: Panel data on state minimum wage laws. *Industrial & Labor Relations Review*, *46*(1), 55–81. doi:10.1177/001979399204600105

News, B. B. C. (2017). Brexit: EU leaders agree to move talks to next stage. *BBC News*. Retrieved from https://www.bbc.com/news/uk-politics-42368096

News, B. B. C. (2018a). Brexit: Dominic Raab and Esther McVey among ministers to quit over EU agreement, *BBC News*. Retrieved from https://www.bbc.com/news/uk-politics-46219495

News, B. B. C. (2018b). EU leaders agree UK's Brexit deal at Brussels summit, *BBC News.* Retrieved from https://www.bbc.com/news/uk-46334649 (26.04.2019).

News, B. B. C. (2019a). Brexit march: Million joined Brexit protest, organisers say. *BBC News.* Retrieved from https://www.bbc.com/news/uk-politics-47678763

News, B. B. C. (2019b). Brexit: UK and EU agree delay to 31 October. *BBC News*. Retrieved from https://www.bbc.com/news/uk-politics-47889404

Nielsen, B. B., & Nielsen, S. (2011). The role of top management team international orientation in international strategic decision-making: The choice of foreign entry mode. *Journal of World Business*, *46*(2), 185–193. doi:10.1016/j.jwb.2010.05.003

Niemann, A. (2008). Dynamics and countervailing pressures of visa, asylum and immigration policy treaty revision: Explaining change and stagnancy from the Amsterdam IGC to the IGC 2003/2004. *Journal of Common Market Studies*, *46*(3), 559–591. doi:10.1111/j.1468-5965.2008.00791.x

Nishimura, S., Nevgi, A., & Tella, S. (2008). Communication style and cultural features in high/low context communication cultures: A case study of Finland, Japan, and India. *Teoksessa A. Kallioniemi (toim.), Uudistuva ja kehittyvä ainedidaktiikka. Ainedidaktinen symposiumi, 8*(2008), 783-796.

Nitoiu, C. (2016). *The Ukraine crisis and the conflict/cooperation dichotomy in EU-Russia relations* (p. 16). Southeast European Studies and Black Sea Studies; doi:10.1080/14683857.2016.1193305

Nordemann, H. J. (1992). Avrupa Muhasebe Mesleği, Muhasebe ve Denetimin Düzenlenmesi- Eğilimler ve Beklentiler," (Ankara: XV. Türkiye Muhasebe Kongresi, çev.: Selçuk Uslu): 87.

NTV. (2018). Einigung auf Austrittsabkommen: London verkündet Brexit-Durchbruch. Retrieved from https://www.n-tv.de/politik/London-verkuendet-Brexit-Durchbruch-article20720313.html

Nurbayev, D., Azerbaycan Ve Avrupa Birliği Arasında Son Dönemde Yaşanan Gelişmeler, Eurasian Research Institute E-Bulletin, No. 122, Ahmet Yesevi University.

Nygren, B. (2008). *The rebuilding of Greater Russia: Putin's foreign policy towards the CIS countries*. Abingdon, UK: Routledge.

Oates, W. (1972). *Fiscal federalism*. New York: Harcourt Brace Jovanovich.

Oates, W. (1999). An essay on fiscal federalism. *Journal of Economic Literature*, *37*(3), 1120–1149. doi:10.1257/jel.37.3.1120

OECD. (2000), OECD Economic Studies No. 31, 2000/II

OECD. (2005). *OECD SME and entrepreneurship outlook: 2005*. OECD Paris.

OECD. (2011). *Evaluation of agricultural policy reforms in the European Union*. OECD Publishing.

OECD. (2012). *OECD Employment Outlook 2012*. Paris, France: OECD Publishing.

OECD. (2016). The economic consequences of Brexıt: A taxing decision, OECD Economıc Polıcy Paper No. 16. Retrieved from https://www.oecd-ilibrary.org/docserver/5jm0lsvdkf6k-en.pdf?expires=1554928940&id=id&accname=guest&checksum=20BA46DD3C0FABD0A25875D2A3FC6D7B

OECD. (2017). *OECD Employment Outlook 2017*. Paris, France: OECD Publishing.

Ohanyan, G., & Androniceanu, A. (2017). Evaluation of IMF programmes on employment in the EU. *Acta Oeconomica*, *67*(3), 3. doi:10.1556/032.2017.67.3.2

Öner, H. (2018). Kırılgan Beşli Ülkelerin Borsa Endeksleri Arasında Nedensellik İlişkisi: Ampirik Bir Analiz. *İktisat Politikası Araştırmaları Dergisi*, 5(2), 152-166.

Öniş, Z., & Kutlay, M. (2012). Ekonomik Bütünleşme/Siyasal Parçalanmışlık Paradoksu: Avro Krizi ve Avrupa Birliği'nin Geleceği. *Uluslararası İlişkiler*, *9*(33), 3–22.

Osnago, A., Piermartini, R., & Rocha, N. (2015). *Trade policy uncertainty as barrier to trade*. WTO Staff Working Papers ERSD-2015-05, World Trade Organization (WTO), Economic Research and Statistics Division.

Ova, N. (2018).Azınlıklar ve Medya. Bünyamin Ayhan (Ed.) in İletişim Sosyolojisi (p.317-338). Konya: Literatürk.

Oxford University Press. (2006). Social constructivism. In R. Jackson & G. Sorensen (Eds.), Introduction to international relations theories and approaches (3rd ed., pp. 161–177). Retrieved from http://e-edu.nbu.bg/pluginfile.php/147644/mod_resource/content/0/jackson_sorensen_Intro_in_IR_chap06.pdf

Özay, B. (2008). Avrupa Birliği Göç ve İltica Paktı" tartışılıyor, 27.11.2008. Retrieved from https://www.dw.com/tr/avrupa-birli%C4%9Fi-g%C3%B6%C3%A7-ve-iltica-pakt%C4%B1-tart%C4%B1%C5%9F%C4%B1l%C4%B1yor/a-3827099

Öz, B., Taban, S., Kar, M., Taban, S., & Muhsin, K. A. R. (2009). Kümeleme Analizi İle Türkiye ve AB Ülkelerinin Beşeri Sermaye Göstergeleri Açısından Karşılaştırılması. *Eskişehir Osmangazi Üniversitesi Sosyal Bilimler Dergisi*, *10*(1), 1–29.

Özçatalbaş, O. (2014). Current status of advisory and extension services for organic agriculture in Europe and Turkey. In V. Pilipavicius (Ed.), *Organic agriculture towards sustainability*. IntechOpen. Retrieved from https://www.intechopen.com/books/organic-agriculture-towards-sustainability/current-status-of-advisory-and-extension-services-for-organic-agriculture-in-europe-and-turkey

Özdal, B. (2008). Türkiye'nin Avrupa Birliği'ne Üyelik Süreci Bağlamında Avrupa Birliği'nin Göç Politikası ve İstihdam Stratejisi. *ISGUC The Journal of Industrial Relations and Human Resources*, *10*(3), 89–121. doi:10.4026/1303-2860.2008.0080.x

Özdaşlı, E. (n.d.). *Avrupa Komşuluk Politikası Çerçevesinde Avrupa Birliği- Ermenistan İlişkileri"*. Retrieved from https://www.academia.edu/35446890/Avrupa_Kom%C5%9Fuluk_Politikas%C4%B1_%C3%87er%C3%A7evesinde_Avrupa_Birli%C4%9Fi-_Ermenistan_%C4%B0li%C5%9Fkileri

Özden, Ü. H. (2011). TOPSIS method with the European Union member states of the candidate and mapping of economic indicators. *Trakya University Journal of Social Science*, *13*(2), 215–236.

Özden, Ü. H. (2012). EU member states and Turkey's economic performance sorting according to the VIKOR method. *Istanbul Commerce University Journal of Social Sciences*, *11*(21), 455–468.

Özer, Y. Y. (2010). Yasadışı Göçün Kontrolünde Destekleyici Düzenlemelerin Rolü: Avrupa Birliği ve Türkiye Örnekleri. Örgütlü Suçlar ve Yeni Trendler, Demir, O.Ö. ve Sever, M. (Ed.), Polis Akademisi, Ankara, Turkey.

Özerim, G. (2014). Avrupa'da Göç Politikalarının Ulusüstüleşmesi ve Bir Güvenlik Konusuna Dönüşümü: Avrupa Göç Tarihinde Yeni Bir Dönem Mi?, *Ege Stratejik Araştırmalar Journal,* 1, p. 11-48.

Özkan, M., & Terzi, S. (2010). Avrupa Birliği'nde Finansal Raporlama: İngiltere, Fransa ve Almanya Örnekleri Fınancıal Reportıng In European Unıon: England, France and Germany Samples, *Mali Çözüm Dergisi*. *Temmuz-Ağustos*, *2010*, 21–45.

Özşahin, Ş. (2017). Yükselen Piyasa Ekonomilerinde Menkul Kıymetler Borsalarının Entegrasyonu: Türkiye ve BRICS Ülkeleri Üzerine Çoklu Yapısal Kırılmalı Eş-Bütünleşme Analizi. *Yönetim Ve Ekonomi Dergisi*, *24*(2), 601–619.

Panagopoulos, A. (2007). *The harmonization of the EC directives and regulations in the European and Greek Legislation Systems regarding the Market Abuse Directive and the use of Financial Tools*, research paper, published on the Internet site of Association of Greek Institutional Investors, May 2007. Retrieved from (www.agii.gr/Forum.asp), http://www.agii.gr/repository/upload/panagopoulos_sort.pdf

Papadaki, G. (2012). European environmental policy and the strategy: Europe 2020. *Regional Science Inquiry Journal*, *4*(1), 151–158.

Papagianni, G. (2006). *Institutional and policy dynamics of EU migration law*. Leiden, The Netherlands: Martinus Nijhoff Publishers. doi:10.1163/ej.9789004152793.i-393

Papi, L., Presbitero, A. F., & Zazzaro, A. (2015). IMF lending and banking crises. *IMF Economic Review*, *63*(3), 644–691. doi:10.1057/imfer.2015.16

Park, G. Y., Kim, H., Jeong, H. W., & Youn, H. Y. (2013, March). A novel cluster head selection method based on k-means algorithm for energy efficient wireless sensor network. In 2013 27th International Conference on Advanced Information Networking and Applications Workshops (WAINA), *(pp. 910-915). IEEE.*

Parlak, B. (2011). *Kamu Yönetimi Sözlüğü*. Bursa, Turkey: MKM Yayıncılık.

Parra, X., Tort-Martorell, X., Ruiz-Viñals, C., & Álvarez-Gómez, F. (2019). A maturity model for the information-driven SME. *Journal of Industrial Engineering and Management*, *12*(1), 154–175. doi:10.3926/jiem.2780

Pastor, L., & Veronesi, P. (2018). *Inequality aversion, populism, and the backlash against globalization (No. w24900)*. National Bureau of Economic Research. doi:10.3386/w24900

Pastor, M. Jr. (1987). The effects of IMF programs in the Third World: Debate and evidence from Latin America. *World Development*, *15*(February), 249–262. doi:10.1016/0305-750X(87)90080-5

Paterson, S. (2018). *China, trade and power: Why the west's economic engagement has failed*. London: London Publishing Partnership.

Paul, A. (2010). Ukraine under Yanukovych: Plus ça change? *European Policy Centre.* Retrieved from http://www.epc.eu/documents/uploads/731850014_Ukraine%20under%20Yanukovych.pdf

Pehlivan, S. (2010). *Transfer Fiyatlandırması Yoluyla Örtülü Kazanç Dağıtımında Vergi Denetiminin Etkinliği, (Yayımlanmamış Yüksek Lisans Tezi)*. Manisa, Turkey: CBÜ Sosyal Bilimler Enstitüsü.

Pekkaya, M. & Bayramoğlu, M. F. (2008). Hisse senedi fiyatları ve döviz kuru arasındaki nedensellik ilişkisi: YTL/USD, İMKB 100 ve S&P 500 Üzerine Bir Uygulama. *Muhasebe ve Finansman Dergisi*, (38), 163-176.

Pelleg, D., & Moore, A. W. (2000, June). X-means: Extending k-means with efficient estimation of the number of clusters. In Icml (Vol. 1, pp. 727-734).

Peltekoğlu, F. B. (2007). Halkla İlişkiler Nedir. İstanbul, Turkey: Betaş Yayınları.

Pesaran, M. H. (2004). General diagnostic tests for cross section dependence in panels, CESifo Working Paper Series.

Pesaran, M. H. (2007). A simple panel unit root test in the presence of cross-section dependence. *Journal of Applied Econometrics*, *22*(2), 265–312. doi:10.1002/jae.951

Pesaran, M. H., Smith, L. V., & Yamagata, T. (2013). Panel unit root test in the presence of a multifactor error structure. *Journal of Econometrics*, *175*(1), 94–115. doi:10.1016/j.jeconom.2013.02.001

Pezaros, P. (1999). *The Agenda 2000 CAP reform agreement in the light of the future EU enlargement. Discussion Paper, European Institution of Public Administration*. Retrieved from http://aei.pitt.edu/603/1/99W02.pdf

Phillips, P. C. B., & Perron, P. (1988). Testing for unit root in the time series regression. *Biometrica*, *5*(2), 335–340. doi:10.1093/biomet/75.2.335

Picard, R. G. (2017). The Sisyphean pursuit of media pluralism: European efforts to establish policy and measurable evidence. *Communication Law and Policy*, *22*(3), 255–273. doi:10.1080/10811680.2017.1331644

Piketty, T. (2014). *Capital in the 21st century*.

Pisani-Ferry, J., Sapir, A. & Wolff, B. G. (2013). *EU-IMF assistance to Euro-area countries: an early assessment*, Bruegel Institute, May.

Pisani-Ferry, J., Sapir, A. & Wolff, G. (2013). EU-IMF assistance to euro-area countries: an early assessment. Blueprints, Bruegel, number 779.

Podrug, N. (2011). Influence of national culture on decision-making style. *South East European Journal of Economics and Business*, *6*(1), 37–44. doi:10.2478/v10033-011-0004-0

Polish PM draws link between London attack and EU migrant policy. (2017, March 13). *Reuters.* Retrieved from https://www.reuters.com/article/us-europe-migrants-poland/polish-pm-draws-link-between-london-attack-and-eu-migrant-policy-idUSKBN16U0TO

Pollack, A. M. (2001). International relations theory and European integration. *Journal of Common Market Studies*, *39*(2), 221–244. doi:10.1111/1468-5965.00286

Pop, V., & Rettman, A. (2014). Merkel: Ukraine can go to Eurasian Union, *Observer,* Aug. 25, 2014, Retrieved from https://euobserver.com/foreign/125331

Popeanga, V. (2013). Envıronmental action programmes in the European Union: Evolution and Specific. *University Of Targu Jiu Letter And Social Science Series*, *3*, 24–33.

Porter, M. E. (1990). *The competitive advantage of nations*. New York: The Free Press. doi:10.1007/978-1-349-11336-1

Potrafke, N. (2015). The evidence on globalization. *World Economy*, *38*(3), 509–552. doi:10.1111/twec.12174

Prasad, D. & Jayswal, S. C. (2017). Reconfigurability consideration and scheduling of products in a manufacturing industry. International Journal of Production Research, 1-20, doi:10.1080/00207543.2017.1334979

Prasad, D., & Jayswal, S. C. (2019). Assessment of a reconfigurable manufacturing system. *Benchmarking*. *International Journal (Toronto, Ont.)*.

Prasad, E., Rogoff, K., Wei, S. J., & Kose, M. A. (2003). *Effects of financial globalization on developing countries: some empirical evidence. Occasional paper; no. 220*. Washington, D.C.: International Monetary Fund.

Prasad, E., Rogoff, K., Wei, S. J., & Kose, M. A. (2005). Effects of financial globalization on developing countries: some empirical evidence. In W. Tseng & D. Cowen (Eds.), *India's and China's recent experience with reform and growth. Procyclicality of Financial Systems in Asia*. London, UK: Palgrave Macmillan.

Prasch, R. E. (2007). Professor Lester and the Neoclassicals: The marginalist controversy and the postwar academic debate over minimum wage legislation, 1945-1950. *Journal of Economic Issues*, *41*(3), 809–825. doi:10.1080/00213624.2007.11507062

President Ader. (n.d.). Tackling migration is about sovereignty. *Hungary Journal.* Retrieved from https://thehungary-journal.com/2017/09/16/president-ader-tackling-migration-is-about-sovereignty/

Pure Dummheit. (n.d.). *Der Spiegel*. Retrieved from https://www.spiegel.de/spiegel/print/d-14347973.html

Qian, W., Hörisch, J., & Schaltegger, S. (2018). Environmental management accounting and its effects on carbon management and disclosure quality. *Journal of Cleaner Production*, *174*, 1608–1619. doi:10.1016/j.jclepro.2017.11.092

Raby, N. (2009). International Transfer Pricing, Pricewaterhousecoopers. Retrieved from https://www.pwc.com/gx/en/international-transfer-pricing/assets/itp-2009.pdf

Radyo ve Televizyonların Kuruluş ve Yayın Hizmetleri Hakkında Kanun. (2011). T. C. Resmi Gazete, 6112, Feb. 15, 2011.

Rahman, M. S. (2017). The advantages and disadvantages of using qualitative and quantitative approaches and methods in language" testing and assessment" research: a literature review. *Journal of Education and Learning*, *6*(1), 102–112. doi:10.5539/jel.v6n1p102

Rai, R. K. (2011). Knowledge management and organizational culture: A theoretical integrative framework. *Journal of Knowledge Management*, *15*(5), 779–801. doi:10.1108/13673271111174320

Raitano, M. (2016). Income inequality in Europe since the crisis. *Intereconomics, 51*(2), 67-72. Retrieved from https://link.springer.com/article/10.1007%2Fs10272-016-0579-x

Rajulton, F. (2011). *Logit, Probit and Tobit: Models for categorical and limited dependent variables*. Presentation at PLCS/RDC statistics and data series at Western, March 23.

Rama, M. (2001). The consequences of doubling the minimum wage: the case of Indonesia. *Industrial & Labor Relations Review*, *54*(4), 864–881. doi:10.1177/001979390105400407

Ramani, S.(2016). Interview with Kiev International Democracy Institute Director and Ukraine expert, Sergiy Taran, *HUFFPOST,* July 7, 2016.

Ravallion, M. (2018). Inequality and globalization: A review essay. *Journal of Economic Literature*, *56*(2), 620–642. doi:10.1257/jel.20171419

Reegaard, S. (2011). Strengthen labor market institutions over big finance. In *Priorities for a new political economy: Memos to the left*. London, UK: Policy Network.

Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on "Credit Rating Agencies".

Regulation 600/2014 on Markets in Financial Instruments (MiFIR).

Reichert, C. (2017). *Trump dumping Trans-Pacific Partnership*. Retrieved from https://www.zdnet.com/article/trump-dumping-trans-pacific-partnership/

Reichmann, T., & Stillson, R. (1978). Experience with programs of balance of payments adjustment: Stand-by arrangements in the higher credit tranches, 1963-72. *IMF Staff Papers*, *25*(June), 119–139.

Reinsberg, B., Stubbs, T., Kentikelenis, A., & King, L. (2019). The political economy of labor market deregulation during IMF interventions. *International Interactions*, *45*(3), 532–559. doi:10.1080/03050629.2019.1582531

Republic of Azerbaijan Trans Anatolian Natural Gas Pipeline (TANAP) Project, Project Document of The Asian Infrastructure Investment Bank, Sept. 7, 2016. Retrieved from https://www.aiib.org/en/projects/approved/2016/_download/trans-anatolian/document/tanap-project-document.pdf

Republic of Turkey Ministry of Foreign Affairs. (2019). Retrieved from http://www.mfa.gov.tr/birlesmis-milletler-cevre-programi.tr.mfa

Republic of Turkey, Ministry of Foreign Affairs, Directorate for EU Affairs. Retrieved from https://www.ab.gov.tr/3.html

Resulaj, P. (2013). Does financial globalization promote economic growth for developing countries: case of Albania as an economy in transition. *International Journal of Business and Management Studies*, *2*(1), 215–229.

Rezaei, J., & Fallah Lajim, H. (2018). Segmenting supplies and suppliers: bringing together the purchasing portfolio matrix and the supplier potential matrix. *International Journal of Logistics Research and Applications,* 1-18.

Rezaei, J. (2015). Best-worst multi-criteria decision-making method. *Omega*, *53*, 49–57. doi:10.1016/j.omega.2014.11.009

Rezaei, J. (2016). Best-worst multi-criteria decision-making method: some properties and a linear model. *Omega*, *64*, 126–130. doi:10.1016/j.omega.2015.12.001

Rezaei, J., Hemmes, A., & Tavasszy, L. (2017). Multi-criteria decision-making for complex bundling configurations in surface transportation of air freight. *Journal of Air Transport Management*, *61*, 95–105. doi:10.1016/j.jairtraman.2016.02.006

Rezaei, J., van Roekel, W. S., & Tavasszy, L. (2018). Measuring the relative importance of the logistics performance index indicators using Best Worst Method. *Transport Policy*, *68*, 158–169. doi:10.1016/j.tranpol.2018.05.007

Ricardo, D. (1970). *On the principles of political economy and taxation*. Cambridge, UK: Cambridge University Press.

Ricci, A. (2000). Measuring information society: Dynamics of European data on usage of information and communication technologies in Europe since 1995. *Telematics and Informatics*, *17*(1-2), 141–167. doi:10.1016/S0736-5853(00)00002-2

Rickard, S. J., & Caraway, T. L. (2019). International demands for austerity: Examining the impact of the IMF on the public sector. *The Review of International Organizations*, *14*(1), 35–57. doi:10.100711558-017-9295-y

Risse, T. (2004). European institutions and identity change: what have we learned? In R. Hermann, T. Risse, & M. Brewer (Eds.), *Transnational identities: Becoming European in the EU* (pp. 247–271). New York: Rowman & Littlefield Pub.

Robbins, S., & Coulter, M. (2005). *Management* (8th ed.). Upper Saddle River, NJ: Prentice Hall.

Robson, P. (1998). *The economics of international integration*. London, UK: Routledge.

Rode, D. (1997). *Managerial decision making: Normative and descriptive interactions*. Carnegie Mellon University.

Rodrik, D. (2018). Populism and the economics of globalization. *Journal of International Business Policy*, 1-22. Retrieved from https://drodrik.scholar.harvard.edu/publications/populism-and-economics-globalization

Rodrik, D. (2011). *The globalization paradox: Democracy and the future of the world economy*. New York, London: W. W. Norton & Company.

Rohatgi, R. (2007). *Basic international taxation, 2. Edition, Volume: II: Practise*. Taxmann.

Romanova, E. (2011). Russia–EU relations, or How the Russians really view the EU. *Journal of Communist Studies and Transition Politics*, *27*(March), 120–141.

Rovnick, N., Noble, J., & Thomas, D. (2019, March 14). Brexit vote: MPs debate delay to UK exit – as it happened, *Financial Times.* Retrieved from https://www.ft.com/content/5605c7ee-5436-3f3f-9af5-e0d17a57f365

Rubio, A. (2013). Which financial instrument to facilitate structural reforms in the euro area? Jacques Delors Institut – Berlin, Policy Paper 104.

Rughinis, C., & Rughinis, R. (2014). Nothing ventured, nothing gained. Profiles of online activity, cyber-crime exposure, and security measures of end-users in European Union. *Computer & Security, 43*, 111-125.

Rumer, E. (2016). Russia and the security of Europe, *Carnegie Endowment for International Peace,* Retrieved from https://carnegieendowment.org/2016/06/30/russia-and-security-of-europe-pub-63990

Rutkowski, J. (2003). *The minimum wage: Curse or cure?* Human Development Economics Europe and Central Asia Region The World Bank.

Ružeková, V., & Kašťáková, E. (2018). Comparison of the Visegrad group and Baltic countries in terms of multi-criteria competitiveness indicators. *Studia commercialia Bratislavensia, 11*(39), 91-106.

Saaty, T. L. (2008). Decision making with the analytic hierarchy process. *International Journal of Services Sciences*, *1*(1), 83–98. doi:10.1504/IJSSCI.2008.017590

Sadaghiani, S., Ahmad, K. W., Rezaei, J., & Tavasszy, L. (2015). Evaluation of external forces affecting supply chain sustainability in oil and gas industry using Best Worst Method. In *2015 International Mediterranean Gas and Oil Conference (MedGO)* (pp. 1-4). IEEE. 10.1109/MedGO.2015.7330322

Saez, E. (2018). Striking it richer: The evolution of top incomes in the United States. In D. Grusky (Ed.), *Inequality in the 21st century: A reader* (pp. 39–42). Routledge. doi:10.4324/9780429499821-8

Sağlam, F. (1982). Temel Hakların Sınırlanması ve Özü, Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları: 506, S.B.F. İnsan Hakları Merkezi Yayınları: 4, Ankara, Turkey.

Sağlam, N. (2004). Avrupa Birliği'nde Muhasebe Standartlarının Oluşum Süreci, *Muhasebe Finansman Dergisi*, 2004. *Ocak Dönemi*, *21*, 51–52.

Şahin, B. (2010). Almanya'daki Türk Göçmenlerin Sosyal Entegrasyonunun Kuşaklar Arası Karşılaştırması: Kültürleşme, *Bilig Journal,* (Fall) 55, pp. 103-134.

Şahin, G. (2015). *"Soğuk Savaş Sonrası Değişen Güvenlik Anlayışı Bağlamında NATO*", (Doctoral Thesis, Trakya Üniversitesi). Technical Assistance to the Commonwealth of Independent States and Georgia, European Commission. Retrieved from http://europa.eu/rapid/press-release_MEMO-92-54_en.htm

Salimi, N., & Rezaei, J. (2016). Measuring efficiency of university-industry Ph.D. projects using Best Worst Method. *Scientometrics*, *109*(3), 1911–1938. doi:10.100711192-016-2121-0 PMID:27942084

Salimi, N., & Rezaei, J. (2018). Evaluating firms' R&D performance using Best Worst Method. *Evaluation and Program Planning*, *66*, 147–155. doi:10.1016/j.evalprogplan.2017.10.002 PMID:29091790

Salman, F., & Ergün, A. (2017, Ocak 9). *Kapatılan Basın, Yayın, Radyo, Televizyon ve Haber Ajansları.* Retrieved from http://m.bianet.org/bianet/medya/182458-kapatilan-basin-yayin-radyo-televizyon-ve-haber-ajanslari

Samuelson, P. A. (1971). Ohlin was right. *The Swedish Journal of Economics*, *73*(4), 365–384. doi:10.2307/3439219

Samur, H. (2008). Avrupa Birliği'nde Göçe Yönelik Global Yaklaşım. *Uluslararası İnsan Bilimleri Journal*, *5*(2), 1–16.

Sánchez-Lozano, J. M., Fernández-Martínez, M., & Lamata, M. T. (2019). Near-Earth asteroid impact dates: A Reference Ideal Method (RIM) approach. *Engineering Applications of Artificial Intelligence*, *81*, 157–168. doi:10.1016/j.engappai.2019.02.010

Sandıklı, A., & Emeklier, B. (2012). "Güvenlik Yaklaşımlarında Değişim ve Dönüşüm", *Teoriler Işığında Güvenlik, Savaş, Barış Ve Çatışma Çözümleri*, İstanbul, *Bilgesam Yay*. Retrieved from http://www.bilgesam.org/Images/Dokumanlar/0-81-2014021736teorilerisiginda.pdf

Sargan, J. D., & Bhargava, A. (1983). Testing residuals from least squares regression for being generated by the gaussian random walk. *Econometrica*, *51*(1), 153–174. doi:10.2307/1912252

Şaşmaz, M. Ü., & Yayla, Y. E. (2018). The causality relationship between taxes and economic growth and human development: example of European Union Transition Economies. *Journal of Turkish Court of Accounts/Sayistay Dergisi*, (111).

Şavlı, T. (2011). Uluslararası Denetim Standartları Kapsamında Bağımsız Denetim Süreci. İ.S.M.M.M.O., *Uluslararası Muhasebe Sempozyumu - Muhasebe Denetimi Sempozyumu.* Retrieved from http://archive.ismmmo.org.tr/ docs/Sempozyum/10/TR/TUBASAVLI.pdf

Sawant, V. B., Mohite, S. S., & Patil, R. (2011). A decision-making methodology for automated guided vehicle selection problem using a preference selection index method. In *Technology Systems and Management* (pp. 176–181). Berlin, Germany: Springer. doi:10.1007/978-3-642-20209-4_24

Schadler, S., Rozwadowski, F., Tiwari, S., & Robinson, D. (1993). *Economic adjustment in low-income countries—Experience under the enhanced structural adjustment facility*, International Monetary Fund Occasional Paper 106.

Schaefer, S., Austin, G., & Parker, K. (2005). *Turks in Europe: Why are we afraid?* London, UK: The Foreign Policy Centre.

Schaub A. (2005). The Lamfalussy process four years on, *Journal of Financial Regulation and Compliance,* Emerald Group Publishing Ltd, Vol. 13, Iss. 2.

Scheubel, B., Tafuro, A., & Vonessen, B. (2018). *Stigma? What stigma? A contribution to the debate on the effectiveness of IMF lending,* CESifo Working Paper Series No. 7036.

Schimmelfennig, F. (2017, May). *European integration (theory) in times of crisis: Why the Euro crisis led to more integration but the migrant crisis did not*. Paper presented at EUSA Conference, Miami.

Schlögel, K. (2006). *Russian-German relations in the 20th century*. New York: Berg Publishers.

Schmidt, O. H. (2016, April 7). 8 Gründe, Warum die Briten für den Austritt aus der EU gestimmt haben, und ein Zwischenfazit. Retrieved from https://thefutureoftheeuropeanunion.blogactiv.eu/2016/07/04/8-grunde-warum-die-briten-fur-den-austritt-aus-der-eu-gestimmt-haben-und-ein-zwischenfazit/

Schmutz, U., Kneafsey, M., Kay, C. S., Doernberg, A., & Zasada, I. (2017). Sustainability impact assessments of different urban short food supply chains: Examples from London, UK. *Renewable Agriculture and Food Systems*, 1–11.

Schulten, T., Muller, T., & Eldring, L. (2016). Pour une politique de salaire minimum européen: Perspectives et obstacles. *La Revue de l'IRES*, *89*(2), 89–117. doi:10.3917/rdli.089.0089

Scitovsky, T. (1962). *Economic theory and Western European integration*. London, UK: G. Allen & Unwin Ltd.

Scott, A. (2000). *Strategic planning*. Edinburg, UK: Business school.

Scott, B. R., & Lodge, G. C. (Eds.). (1985). *U.S. competitiveness in the World Economy*. Boston, MA: Harvard Business School Press. doi:10.1002/tie.5060270112

Segal, A. (2017). *Chinese cyber diplomacy in a new era of uncertain*ty, AEGIS Paper Series No 1703. A Hoover Institution Essay. pp. 1-2. Retrieved from https://www.hoover.org/sites/default/files/research/docs/segal_chinese_cyber_diplomacy.pdf

Seitz, F., & Jost, T. (2012). The role of the IMF in the European debt crisis, *HAW im Dialog – Weidener Diskussionspapiere*, No. 32. Retrieved from http://hdl.handle.net/10419/56452

Şen, Y. F., ve Özkorul, G. (2016). Türkiye – Avrupa Birliği İlişkilerinde Yeni Bir Eşik: Sığınmacı Krizi Bağlamında Bir Değerlendirme. *Göç Araştırmaları Journal,* 2, 2, (July-December), pp. 86-119.

Serrai, W., Abdelli, A., Mokdad, L., & Serrai, A. (2017). Dealing with user constraints in MCDM based web service selection. In *2017 IEEE Symposium on Computers and Communications (ISCC),* (pp. 158-163). IEEE. 10.1109/ISCC.2017.8024522

Sertic, M., Ceh Casni, A., & Vuckovic, V. (2017). The impact of China's imports on European Union industrial employment. *Economics of Transition*, *25*(1), 91–109. doi:10.1111/ecot.12113

Setyono, R. P., & Sarno, R. (2018). Vendor track record selection using Best Worst Method. In *2018 International Seminar on Application for Technology of Information and Communication* (pp. 41-48). IEEE.

Sever, H., ve Sever, M. (2013). Avrupa Birliği ve Türkiye Ekseninde Yasadışı Göç ve İltica Paradoksu: Domino Etkisi Sonrası Yaşananlar. *Polis Bilimleri Journal*, *15*(2), 85–108.

Sevgin, H., & Kundakçı, N. (2017). Ranking of European Union member countries and Turkey according to the economic indicators with TOPSIS and MOORA methods. *Anadolu University Journal of Social Sciences*, *17*(3), 87–107.

Sharma, Y. K., Mangla, S. K., & Patil, P. P. (2019). Analyzing challenges to transportation for successful sustainable food supply chain management ımplementation in Indian Dairy Industry. In *Information and communication technology for competitive strategies* (pp. 409–418). Singapore: Springer. doi:10.1007/978-981-13-0586-3_41

Shelburne, R. C. (2010). The global financial crisis and its ımpact on trade: The world and the European emerging economies. *UNECE Discussion Paper Series*, No.2, 1-28.

Shorrocks, A. F. (1980). The class of additively decomposable inequality measures. *Econometrica*, *48*(3), 613–625. doi:10.2307/1913126

Siddi, M. (2018). 2018 The role of power in EU–Russia energy relations: the interplay between markets and geopolitics. *Europe-Asia Studies*, *70*(10), 1552–1571. doi:10.1080/09668136.2018.1536925

Sipahi, E. B. (2010). Küresel Çevre Sorunlarına Kolektif Çözüm Arayışları. *Selçuk Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, *24*, 331–344.

Sirkeci, İ. (2017). Türkiye'nin mültecileri, Suriyelileri ve Türkiye'den gelen mülteciler: Güvensiz bir ülke. *Göç Mektupları*, *14*(1), 127–144.

Siruk, M., & Shevtsova, L. (2013). Orange Revolution and Putin's overturn, *Carnegie Moscow Center,* Retrieved from https://carnegie.ru/2013/02/21/orange-revolution-and-putin-s-overturn-pub-51063

Skidmore, T. E. (2004). Brazil's persistent income inequality: Lessons from history. *Latin American Politics and Society*, *46*(2), 133–150.

Sliwinski, K. F. (2014). Moving beyond the European Union's weakness as a cyber-security agent. *Contemporary Security Policy*, *35*(3), 468–486. doi:10.1080/13523260.2014.959261

Slovic, P. (2000). *The perception of risk*. Sterling, VA: Earth.

Smith, A. (1937). *The wealth of nations* (p. 423). New York: Modern Library.

Smith, A. (1976). *An inquiry into the nature and causes of the wealth of nations*. Oxford, UK: Clarendon Press.

Smith, M. P. (2005). *States of liberalization: redefining the public sector in integrated Europe*. Albany, NY: State University of New York Press.

SOCAR. "*Asrın Anlaşması 2050'ye Kadar Uzatıldı*". Retrieved from http://www.socar.com.tr/kurumsal-iletisim/haberler/2017-haberler/2017/09/15/asrin-anlasmasi-2050-ye-kadar-uzatildi

Sofia University. (2017). Public Relations. Retrieved from www.uni–sofia.bg/index.php/eng/the_university/faculties/faculty_of_journalism_and_mass_communication/degree_programmes/bachelor_s_degree_programmes/faculty_of_journalism_and_mass_communication/public_relations

Sofia University. (2019). Public relations. Retrieved from www.uni–sofia.bg/index.php/eng/the_university/faculties/faculty_of_journalism_and_mass_communication/degree_programmes/master_s_degree_programmes/faculty_of_journalism_and_mass_communication/public_relations

Sofuoğlu, M. A., Arapoğlu, R. A., & Orak, S. (2017b). Multi objective optimization of turning operation using hybrid decision making analysis. *Anadolu University of Sciences & Technology-A: Applied Sciences & Engineering, 18*(3).

Sofuoğlu, M. A. (2017a). Hybridizing Taguchi Algorithm with Reference Ideal Method to solve machining problems. *International Journal of Intelligent Systems and Applications in Engineering*, *5*(2), 64–69. doi:10.18201/ijisae.2017528730

Solchanyk, R. (1995). Crimea: Between Ukraine and Russia. In M. Drohobcky (Ed.), CRIMEA Dynamics, Challenges, and Prospects. Maryland: Rowman & Littlefield Publishers. Published by: Partnership for Peace Consortium of Defense Academies and Security Studies Institutes.

Soytürk, M. (2012). Türkiye'den Avusturya'ya İşgücü Göçü, Turkish Studies, 7/3, Summer, p. 2313-2328.

Sözeri, C. (2015). *Türkiye'de Medya-İktidar İlişkileri Sorunlar ve Öneriler*. İstanbul, Turkey: İstanbul Enstitüsü.

Sparrow, A. (2017). Barnier: UK must offer concessions within two weeks to ensure Brexit progress – as it happened, *The Guardian,* Oct. 10, 2017, https://www.theguardian.com/politics/blog/live/2017/nov/10/david-davis-and-michel-barnier-to-hold-brexit-talks-press-conference-politics-live?page=with:block-5a059174c0cdb10716cc10f9

Special Eurobarometer 371 on "Internal security" (2015). Special Eurobarometer 432 on "Europeans' attitudes toward security".

Special Eurobarometer 464b on "Europeans' attitudes towards security" (2017).

Speck, U. (2014). How the EU sleepwalked into a conflict with Russia, *Carnegie Europe*, Retrieved from https://carnegieeurope.eu/2014/07/10/how-eu-sleepwalked-into-conflict-with-russia-pub-56121

Speth, J. G., & Haas, P. M. (2006). *Global environmental governance*. Washington, DC: Island Press.

Spiegel Online. (2019). Britisches Parlament lehnt Mays Brexit-Vertrag erneut ab, *Der Spiegel.* Retrieved from https://www.spiegel.de/politik/ausland/brexit-britisches-parlament-lehnt-mays-brexit-vertrag-erneut-ab-a-1260367.html

SRF. (2019). Kein No-Deal-Brexit: Das Protokoll zum Entscheid im britischen Unterhaus. Retrieved from https://www.srf.ch/news/international/kein-no-deal-brexit-das-protokoll-zum-entscheid-im-britischen-unterhaus

Staden, C. V., Kern, T., McGuigan, N., & Wild, S. (2011). Social and environmental accounting and accountability. *Accounting Forum*, *35*(3), 127–129. doi:10.1016/j.accfor.2011.07.003

Starr, G. (1982). *La fixation des salaires minima: Objet, méthodes et problèmes, Une étude internationale*. Genève, Switzerland: BIT.

Staszak, J. F. (2008). Other/otherness. *In International Encyclopaedia of Human Geography.* Elsevier. Retrieved from https://www.unige.ch/sciences-societe/geo/files/3214/4464/7634/OtherOtherness.pdf

State Veterinary Administration. (2019). *Nařízení Státní Veterinární Správy č. J. SVS/2019/024898-G* [State Veterinary Administration Regulation No. J.SVS/2019/024898-G]. Retrieved from https://www.svscr.cz/uredni-deska/

State Veterinary and Food Administration of the Slovak Republic. (2019). *Mimoriadne núdzové opatrenie* [Extraordinary Emergency Measure]. Retrieved from https://www.svps.sk/zvierata/mno_01_19.asp

Stegniy, O. (2012). Ukraine and the eastern partnership lost in translation? In E. Korosteleva (Ed.), *Eastern partnership: A new opportunity for the neighbours?* New York: Routledge.

Stent, A. E. (2001). *Russia and Germany reborn: Unification, the Soviet Collapse, and the New Europe*. New Jersey: Princeton University Press.

Stiglitz, J. E. (2016, June 6). Stiglitz, Brexit sonrasını yazdı..., *Dünya.* Retrieved from https://www.dunya.com/gundem/stiglitz-brexit-sonrasini-yazdi-haberi-322553

Stiglitz, J. E. (2002). *Globalization and its discontents*. New York: W. W. Norton & Company.

Stiglitz, J. E. (2006). *Making globalization work*. New York: W. W. Norton & Company.

Stiglitz, J. E. (2017). The overselling of globalization. *Business Economics (Cleveland, Ohio)*, *52*(3), 129–137. doi:10.105711369-017-0047-z

Stoian, A. V. (2014). Measuring the evolution of the financial globalization. *Network Intelligence Studies*, *2*(04), 273–285.

Stubb, A. (2002). *Negotiating flexibility in the European Union. Houndsmill*. Palgrave Macmillan. doi:10.1057/9781403907615

Szabo, S. F. (2015). *Germany, Russia, and the rise of geo-economics*. New York: Bloomsbury Academic.

Szelągowska-Rudzka, K. (2017). Employee direct participation in organizational change process–pilot study report. business and non-profit organizations facing increased competition and growing customers'demands. In *Proceedings of the 16th conference "Business and non-profit organisations facing increased competition and growing customers' demands",* Tomaszowice, Poland, June 19-20, 2017.

Tabachnick, B. G., & Fidell, L. S. (2013). *Using multivariate statistics* (6th ed.). United States: Pearson Education.

Tagesschau. (2019a). Abstimmung im Unterhaus: Mays Brexit-Abkommen scheitert klar. Retrieved from https://www.tagesschau.de/ausland/brexit-abstimmung-111.html

Tagesschau. (2019b). Britisches Parlament May übersteht Misstrauensvotum. Retrieved from https://www.tagesschau.de/ausland/may-misstrauensvotum-105.html

Tagesschau. (2019c). Mays Brexit-Konzept: "Plan B" ist wie "Plan A". Retrieved from https://www.tagesschau.de/ausland/brexit-775.html

Tangermann, S. (1998). An ex-post review of the 1992 MacSharry Reform. In R. C. Hine, K. A. Ingersent, & A. J. Rayner (Eds.), *The reform of the common agricultural policy* (pp. 12–35). London, UK: Palgrave Macmillan. doi:10.1007/978-1-349-26101-7_2

Tayyar, N., Yapa, K., Durmuş, M., & Akbulut, İ. (2018). Financial performance analysis with Reference Ideal Method: An application on BIST insurance companies. *Journal of the Human and Social Science Researches*, *7*(4), 2490–2509.

Tehrani, P. M., Manap, N. A., & Taji, H. (2013). Cyber terrorism challenges: The need for a global response to a multi-jurisdictional crime. *Computer Law & Security Review*, *29*(3), 207–215. doi:10.1016/j.clsr.2013.03.011

The consolidated version of the treaty of the functioning of the European Union. (2012, Oct. 26). Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12012E/TXT

The EU internal security strategy in action: Five steps towards a more secure Europe. (2010). *European Commission*, MEMO/10/598, Brussels, Belgium.

The EU must maintain unity and justice in its approach to the issue of migration. (2018, June 25). premier.gov.pl. Retrieved from https://www.premier.gov.pl/mobile/en/news/news/prime-minister-mateusz-morawiecki-the-eu-must-maintain-unity-and-justice-in-its-approach.html

The Single European Act. (1987, June 29). Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:1987:169:FULL&from=EN

The State Council Information Office of the People's Republic of China. (2016). *China adopts law on cybersecurity*, Retrieved from http://english.gov.cn/news/top_news/2016/11/08/content_281475486222054.htm

The state council information office of the People's Republic of China. (2017). *Full Text: Xi Jinping's keynote speech at the World Economic Forum*, Retrieved from http://www.china.org.cn/node_7247529/content_40569136.htm

The State Council of People's Republic of China. (2015). *Action plan on the Belt and Road Initiative*, Retrieved from http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm

Theurer, M. (2016). Mögliche wirtschaftliche Folgen des Brexit. Retrieved from https://www.bpb.de/internationales/europa/brexit/228809/wirtschaftliche-folgen

Tiley, J. (2005). *Revenue Law, 5*. Hart Publishing.

Tinbergen, J. (1954). *International Economic Integration*. Amsterdam, The Netherlands: Elsevier.

Tindemans, L. (1976). European Union report by Mr. Leo Tindemans to the European Council. Retrieved from https://publications.europa.eu/en/publication-detail/-/publication/86474a24-ccae-462b-8de4-00aacde62c65

Tocci, N., & Manners, I. (2008). Comparing normativity in foreign policy. In N. Tocci (Ed.), *Who is a normative foreign policy actor?* (pp. 300–329). Brussels, Belgium: Center for European Policy Studies.

Tolksdorf, D. (2014). The European Union to Ukraine's rescue, I. F. R. I. Retrieved from https://www.cairn-int.info/article-E_PE_143_0109--the-european-union-to-ukraine-s.htm

Torabi, S. A., Giahi, R., & Sahebjamnia, N. (2016). An enhanced risk assessment framework for business continuity management systems. *Safety Science*, *89*, 201–218. doi:10.1016/j.ssci.2016.06.015

Tortop, N. (2009). *Halkla İlişkiler*. Ankara, Turkey: Nobel Yayınevi.

Townsend, R. (1970). *Up the organization; how to stop the corporation from stifling people and strangling*. San Francisco, CA: Jassey-Bass.

TransA. D. G. B. H. P. Retrieved from https://www.tanap.com/tanap-projesi/tanap-nedir/

Transnational Institute. (2018, Nov. 9). Building walls. Retrieved from https://www.tni.org/en/publication/building-walls

Traynor, I., & Grytsenko, O. (2013) Ukraine suspends talks on EU trade pact as Putin wins tug of war, *The Guardian,* November 21, 2013.

TreatiesE. U. (n.d.). Retrieved from https://europa.eu/european-union/law/treaties_en

Treaty of Amsterdam amending the treaty on European Union. The treaties establishing the European communities and certain related acts. (1997, Nov. 10). Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:11997D/TXT&from=EN

Treaty of Lisbon amending the treaty on European Union and the treaty establishing the European Community. (2007, Dec. 17). Retrieved from http://publications.europa.eu/resource/cellar/688a7a98-3110-4ffe-a6b3-8972d8445325.0007.01/DOC_19

Treaty of Lisbon, Amending the Treaty on European Unıon and the Treaty Establıshıng the European Communıty. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12007L%2FTXT

Treaty on European Union. (1992). Retrieved from https://europa.eu/european-union/sites/europaeu/files/docs/body/treaty_on_european_union_en.pdf

Trenin, D. (2018). Russia and Ukraine: From brothers to neighbors, *Carnegie Moscow Center,* Retrieved from https://carnegie.ru/commentary/75847

TUBİTAK. (2019). *Avrupa Birliği Ufuk2020 Programı*. Retrieved from https://www.tubitak.gov.tr/tr/ destekler/kamu/uluslararasi-destek-programlari/icerik-ab-ufuk2020-programi

Tucker, C. S., Kim, H. M., Barker, D. E., & Zhang, Y. (2010). A reliefF attribute weighting and x-means clustering methodology for top-down product family optimization. *Engineering Optimization*, *42*(7), 593–616. doi:10.1080/03052150903353328

Tüfekçi, I. ve Fidan, N., (2014). Yabancı Hesaplar Vergi Mevzuatına Uyum Yasası (FATCA) Genel Bakış, *Vergide Gündem*, FATCA Özel Sayısı.

Tünal, S. S. (1993). Genel Hatları ile Amerikan Kurumlar Vergisi Sistematiği, *Vergi Dünyası*, (145), 77-89.

Turanlı, M., Özden, Ü. H., & Türedi, S. (2006). Avrupa Birliği'ne aday ve Üye Ülkelerin Ekonomik Benzerliklerinin Kümeleme Analiziyle Incelenmesi. *İstanbul Ticaret Üniversitesi Sosyal Bilimler Dergisi*, 9, 95-108.

Türk Dil Kurumu. Retrieved from http://www.tdk.gov.tr/index.php?option=com_gts&arama=gts&guid=TDK.GTS.5cd5d97be37919.36392758

Türk, B., & Erciş, A. (2017). Türkiye'de Çevre Politikası ve Uluslararası Çevre Sözleşmeleri. *The Journal of Academic Social Science Studies*, *54*, 351–362.

Türkiye Cumhuriyeti Avrupa Birliği Bakanlığı. (2013). Türkiye-AB Vize Muafiyeti Süreci ve Geri Kabul Anlaşması Hakkında Temel Sorular ve Yanıtları. Retrieved from https://www.ab.gov.tr/files/pub/turkiye_ab_vize_muafiyeti_sureci_ve_geri_kabul_anlasmasi_hakkinda_temel_sorular_ve_yanitlari.pdf

Türkiye Cumhuriyeti Dışişleri Bakanlığı. (n.d.). Vatandaşlarımızın Schengen Alanına Vizesiz Seyahati, Geri Kabul Anlaşması ve Göç Eylem, Planı. Retrieved from http://www.mfa.gov.tr/soru-cevap.tr.mfa

Türkiye Delegasyonu, A. B. (a), Türkiye'deki Mülteciler için AB Mali Yardım Programı Taahhüt edilen / karar verilen, sözleşmeye bağlanan ve ödemeleri yapılan projelerin listesi. Retrieved from https://www.avrupa.info.tr/sites/default/files/uploads/1801_facility_table_tr_final.pdf

Türkiye Delegasyonu, A. B. (b), Türkiye'deki Mülteci Krizine Avrupa Birliği'nin Müdahalesi. Retrieved from https://www.avrupa.info.tr/tr/turkiyedeki-multeci-krizine-avrupa-birliginin-mudahalesi-710

Türköne, M. (2008). *Siyaset*. İstanbul, Turkey: Lotus.

U4 Anti-Corruption Resource Centre. (2008). International Experience with Asset Declarations. Retrieved from https://www.right2info.org/resources/publications/asset-declarations/u4-anti-corruption-resource-centre_international-experience-with-asset-declarations

Ultan, M. Ö. (2016). *Avrupa Birliği'nde yasa dışı göçün önlenmesi ve ülke uygulamaları (The prevention of illegal migration in the European Union and country applications)*. Ankara, Turkey: Nobel Yayıncılık.

Ulukent, A. N. (2010). *Avrupa Birliği Çevre Politikaları ve Türkiye* (Postgraduate Dissertation). Available from Republic Of Turkey Council Of Higher Education Thesis Center. (No. 309024)

Ulusoy, A., & Ela, M. (2015). *Turkey and the macroeconomics effects of the European debt crisis.* Paper presented at the International Conference on Eurasian Economies, Sept. 9-11, 2015, Kazan, Russia. Retrieved from https://www.avekon.org/papers/1363.pdf

UNHCR. (2017). Yearbook 2016. Retrieved from https://www.unhcr.org/en-us/statistics/country/5a8ee0387/unhcr-statistical-yearbook-2016-16th-edition.html

UNHCR. BM Mülteci Örgütü, Mülteci Kimdir?, 14 Ocak 2009. Retrieved from https://www.unhcr.org/tr/multeci-kimdir

United Nations Convention on the Law of the Sea. Retrieved from https://www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf

United Nations. (2013). *Confronting inequality in developing countries*. UN Development Programme Bureau for Development Policy.

Universidad, D. Sevilla. (n.d.). Undergraduate degrees. Retrieved from www.us.es/eng/studies/undergraduate/plan_211?p=7&v=1#planes

Universitesi, A. (n.d.a). Department of public relations and advertising. Retrieved from www.anadolu.edu.tr/akademik/fakulteler/228/halkla-iliskiler-ve-reklamcilik-bolumu/dersler

Universitesi, A. (n.d.b). Public relations and advertising US-PHD degree. Retrieved from www.anadolu.edu.tr/akademik/enstituler/1117/halkla-iliskiler-ve-reklamcilik-abd-tezli-yl/dersler

Universitesi, A. (n.d.c). Public relations and advertising US-PHD degree. Retrieved from www.anadolu.edu.tr/akademik/enstituler/1120/halkla-iliskiler-ve-reklamcilik-abd-doktora/dersler

Urfalıoğlu, F., & Genç, T. (2013). Comparison of the economic performance between Turkey and the European Union members with multi criteria decision making methods. *Marmara University Journal of Economic & Administrative Sciences, 35*(2).

Uslu, N. (n.d.). *"Türkiye'nin Orta Asya ve Kafkasya Politikası Üzerinde Etkili Olabilecek Faktörler"* Retrieved from https://www.tarihtarih.com/?Syf=26&Syz=354886&/T%C3%BCrkiyenin-Orta-Asya-ve-Kafkasya-Politikas%C4%B1-%C3%9Czerinde-Etkili-Olabilecek-Fakt%C3%B6rler-/-Do%C3%A7.-Dr.-Nasuh-Uslu-

Utku, T. (n.d.). AB Çevre Müzakerelerinde Türkiye. *TEPAV*.

Uyanık, N. K. (2004). *Muhasebe ve Denetim Standartları Kurulları Alanındaki Bazı Gelişmeler. Yaklaşım Dergisi.* Retrieved from http://www.yaklasim.com/mevzuat/dergi/makaleler/2004125077.htm

Uzun, M., ve Özer, M. A. (2016). Avrupa Birliği'nin Göç Politikalarına Dair Değerlendirmeler. 2nd International Congress on Applied Sciences: Migration, Poverty and Employment - UUBK'2016, pp .77-85.

van de Kaa, G., Fens, T., & Rezaei, J. (2019). Residential grid storage technology battles: A multi-criteria analysis using BWM. *Technology analysis and strategic management*, *31*(1), 40–52. doi:10.1080/09537325.2018.1484441

van de Kaa, G., Janssen, M., & Rezaei, J. (2018). Standards battles for business-to-government data exchange: Identifying success factors for standard dominance using the Best Worst Method. *Technological Forecasting and Social Change*, *137*, 182–189. doi:10.1016/j.techfore.2018.07.041

van de Kaa, G., Scholten, D., Rezaei, J., & Milchram, C. (2017). The battle between battery and fuel cell powered electric vehicles: A BWM approach. *Energies*, *10*(11), 1707. doi:10.3390/en10111707

van Dijk, T. A. (2001). Critical discourse analysis. In D. Schiffrin, D. Tannen, & H. E. Hamilton (Eds.), *The handbook of discourse analysis* (pp. 352–371). Malden, MA: Blackwell Publishing Ltd.

Van Duyne, P. C., & Vander Beken, T. (2009). The incantations of the EU organised crime policy making. *Crime, Law, and Social Change*, *51*(2), 261–281. doi:10.100710611-008-9153-1

Vardon, M., Castaneda, J.-P., Nagy, M., & Schenau, S. (2018). How the system of environmental-economic accounting can improve environmental information systems and data quality for decision making. *Environmental Science & Policy*, *89*, 83–92. doi:10.1016/j.envsci.2018.07.007

Vaughan, A. (2019). Nord Stream 2 Russian gas pipeline likely to go ahead after EU deal, Feb. 25, 2019, The Guardian. Retrieved from https://www.theguardian.com/business/2019/feb/25/nord-stream-2-russian-gas-pipeline-likely-to-go-ahead-after-eu-deal

Vaughan-Whitehead, D. (Ed.). (2010). *The minimum wage revisited in the enlarged EU*. Cheltenham, UK: Edward Elgar. doi:10.4337/9781781000571

Vaughan-Whitehead, D. (Ed.). (2012). *Work inequalities in the crisis: Evidence from Europe*. Cheltenham, UK: Edward Elgar.

Vecht, B. V., Dignum, F., & Meyer, J. J. (2009, September). Autonomy and coordination: Controlling external influences on decision making. In *Proceedings of the 2009 IEEE/WIC/ACM International Joint Conference on Web Intelligence and Intelligent Agent Technology-Volume 02* (pp. 92-95). IEEE Computer Society. 10.1109/WI-IAT.2009.134

Viceré, M. G. A. (2018). *The high representative and EU foreign policy integration: A comparative study of Kosovo and Ukraine*. Rome, Italy: Palgrave Macmillan.

Vieira, C., & Vieira, I. (2018). The endogeneity of OCA conditions and macroeconomic imbalances in EMU. In J. Caetano & M. Rocha de Sousa (Eds.), *Challenges and opportunities for the eurozone governance* (pp. 19–34). Nova Science Publishers.

Viner, J. (1950). *The customs union issue*. New York: Carnegie Endowment for International Peace.

Visegrad Group. (2016). Joint statement of heads of governments of the V4 Countries. Retrieved from http://visegradgroup.eu/calendar/2016/joint-statement-of-the-160919

Visser, J. (2015). Data Base on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts, 1960–2014 (ICTWSS). Version 5.0, Institute for Advanced Labour Studies AIAS. October 2015. Amsterdam, The Netherlands.

Von, H. I., & Withana, S. (Eds.). (2011), Final Report for the Assessment of 6th Environmental Action Programme.

Vote Watch Europe. (2019). Amendment of the Schengen Borders Code as regards the use of entry/exit system. Retrieved from http://www.votewatch.eu/

Vries, G. (2005). The European Union's role in the fight against terrorism. *Irish Studies in International Affairs*, *16*(-1), 3–9. doi:10.3318/ISIA.2005.16.1.3

Vuran, B. (2010). IMKB 100 Endeksinin Uluslararası Hisse Senedi Endeksleri ile İlişkisinin Eşbütünleşim Analizi ile Belirlenmesi. *Istanbul University Journal of The School of Business Administration, 39*(1). 154-168.

Waever, O. (2009). Discursive approaches. In A. Wiener & T. Diez (Eds.), *European ıntegration theory* (2nd ed., pp. 163–180). Oxford, UK: Oxford University Press. doi:10.1093/hepl/9780199226092.003.0009

Wagner, M. & Brinkmann, C. (2005). Global Environmental Governance: A European Perspective. *European Essay*, No. 36.

Walker, P. (2019). MPs reject all alternative Brexit options. *The Guardian.* Retrieved from https://www.theguardian.com/politics/2019/mar/27/mps-reject-all-alternative-brexit-options

Wallerstein, I. (1974). Capitalist agriculture and the origins of the European world-economy in the sixteenth century, vol. 1 of The Modern World-System, New York: Academic Press.

Wallerstein, M. (1999). Wage-setting institutions and pay inequality in advanced industrial societies. *American Journal of Political Science*, *43*(3), 649–680. doi:10.2307/2991830

Weatherill, G., & Burton, P. W. (2009). Delineation of shallow seismic source zones using k-means cluster analysis, with application to the Aegean Region. *Geophysical Journal International*, *176*(2), 565–588. doi:10.1111/j.1365-246X.2008.03997.x

Weber, E. U., & Morris, M. W. (2010). Culture and judgment and decision making: The constructivist turn. *Perspectives on Psychological Science*, *5*(4), 410–419. doi:10.1177/1745691610375556 PMID:26162187

Weber, Y., & Yedidia Tarba, S. (2012). Mergers and acquisitions process: The use of corporate culture analysis. *Cross Cultural Management*, *19*(3), 288–303. doi:10.1108/13527601211247053

Weeks, J. (2014). Euro crises and Euro scams: Trade not debt and deficits tell the tale. *Review of Political Economy*, *26*(2), 171–189. doi:10.1080/09538259.2014.881009

Weiss, M. (2015). Recent developments in the German tax treatment of CFCs, *European Taxatıon*, 439-444.

Wendt, A. (1999). *Social theory of international politics*. Cambridge, UK: Cambridge University Press. doi:10.1017/CBO9780511612183

White House. (2018). *Presidential proclamation on adjusting imports of steel into the United States*, Retrieved from https://www.whitehouse.gov/presidential-actions/presidential-proclamation-adjusting-imports-steel-united-states/

Wiener, A. (2006). Constructivist approaches in international relations theory: puzzles and promises, *ConWEB*, 5, 1-27, Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1939758

Wiener, A., Börzel, T. A., & Risse, T. (2018). European integration theory (3rd ed.). Oxford, UK: Oxford University Press. doi:10.1093/hepl/9780198737315.001.0001

Wilcox, R. R. (2012). *Modern statistics for the social and behavioral sciences: A practical introduction*. United States: Chapman & Hall/CRC Press.

Williams, C. (2012). *Principles of management*. South-Western College Publishing.

Wilson, A. (2014). *Ukraine crisis: What it means for the West.* New Haven, CT: Yale University Press.

Winters, J. C., Groenier, K. H., Sobel, J. S., Arendzen, H. H., & Meyboom-de Jongh, B. (1997). Classification of shoulder complaints in general practice by means of cluster analysis. *Archives of Physical Medicine and Rehabilitation*, *78*(12), 1369–1374. doi:10.1016/S0003-9993(97)90312-9 PMID:9421993

Wolczuk, K. (2004). Ukraine's policy towards the European Union: A case of 'declarative Europeanization, p. 4'

Wolczuk, K. (2005) Ukraine after the Orange Revolution. Retrieved from https://www.cer.eu/sites/default/files/publications/attachments/pdf/2011/policybrief_ukraine_feb2005-852.pdf

Wolf, G. (2017) Eurozone or EU budget? Confronting a complex political question. Retrieved from http://www.worldcommercereview.com/html/wolff-eurozone-or-eu-budget-confronting-a-complex-political-question.html

Wolfers, A. (n.d.). National security as an ambiguous symbol, *Political Science Quarterly, 67*(4). Retrieved from https://www.jstor.org/stable/2145138?seq=4#metadata_info_tab_contents

Wolff, G. B. (2012): A budget capacity for Europe's Monetary Union. Bruegel Policy Contribution, Issue 22/2012, December. Available at http://bruegel.org/wpcontent/uploads/imported/publications/pc_2012_22_EA_budget_final.pdf

Wolf, S. A., & Ghosh, R. (2019). A practice-centered analysis of environmental accounting standards: Integrating agriculture into carbon governance. *Land Use Policy*, *81*, 1–10.

Womack, B. (2008). China as a normative foreign policy actor. In N. Tocci (Ed.), *Who is a normative foreign policy actor?* (pp. 265–300). Brussels, Belgium: Center for European Policy Studies. doi:10.2139srn.1337618

Wong, D., & Koty, A. C. (2019). *The US-China trade war: a timeline*, Retrieved from https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/

World Bank Group. (2019). *Doing business 2018. Reforming to create jobs*. Retrieved from http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf

World Bank. (2019). Agriculture, forestry, and fishing, value added (% of GDP). Retrieved from https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=TR&view=chart

World Economic Forum. (2005). *Growth Competitiveness Index rankings 2005 and 2004 comparisons*. Retrieved from http://web.worldbank.org/archive/website00818/WEB/OTHER/GROWTH_C.HTM

World Economic Forum. (2019). *The Global Competitiveness Report 2018*. Retrieved from http://reports.weforum.org/global-competitiveness-report-2018/the-global-competitiveness-report-2018/

World Trade Organization. (2019). *WTO Data. International Trade Statistics*. Retrieved from https://www.wto.org/english/res_e/statis_e/merch_trade_stat_e.htm

Worldbank. (2012). World integrated trade solution, Russian Federation trade summary. Retrieved from https://wits.worldbank.org/CountryProfile/en/Country/RUS/Year/2012/Summary

Wyplosz, C. (2010). *And now? A dark scenario*, VoxEU.org, 3 May.

Xu, L., & Yang, J. B. (2001). *Introduction to multi-criteria decision making and the evidential reasoning approach* (pp. 1–21). Manchester, UK: Manchester School of Management.

Xu, R., & Wunsch, D. (2008). *Clustering* (Vol. 10). John Wiley & Sons. doi:10.1002/9780470382776

Yalçın, N. (2019). AB Denetim Reformu Çerçevesinde zorunlu Rotasyon; Üye Ülkelerin Rotasyon Uygulamaları. Retrieved from https://www.researchgate.net/publication/332863833_AB_DENETIM_REFORMU_CERCEVESINDE_ZORUNLU_ROTASYON_UYE_ULKELERIN_ROTASYON_UYGULAMALARI_1_MANDATORY_ROTATION_WITHIN_THE_SCOPE_OF_EU_AUDIT_REFORM_MANDATORY_ROTATION_APPLICATIONS_OF_MEMBER_STATES_2

Yilanci, V., & Öztürk, Z . (2015). Türkiye İle En Büyük Beş Ticaret Ortağinin Hisse Senedi Piyasalari Arasindaki Entegrasyon İlişkisinin Analizi: Yapisal Kirilmali Birim Kök ve Eşbütünleşme Analizi. *Erciyes Üniversitesi İktisadi Ve İdari Bilimler Fakültesi Dergisi*, (36), 261-279.

Yıldırım, H., & Kesebir, M. (2019). Farklı Büyüklükteki Ekonomi Ve Finansal Piyasalara Sahip Ülkelere Ait Borsa Endeksleri Arasındaki Nedensellik İlişkisi. *Fırat Üniversitesi Sosyal Bilimler Dergisi*, *29*(1), 249–259. doi:10.18069/firatsbed.538690

Yıldız, A., ve Uzgören, E. (2016). Geçici korumanın sınırları: İzmir'de kamp olmayan Suriyeli mülteciler. *Güneydoğu Avrupa ve Karadeniz Çalışmaları*, *16*(2), 195–211.

Yıldız, A., & Aksoy, E. (2014). Morgan Stanley Gelişmekte Olan Borsa Endeksi İle Bist Endeksi Arasındaki Eşbütünleşme İlişkisinin Analiz Edilmesi. *Atatürk Üniversitesi İktisadi Ve İdari Bilimler Dergisi*, *28*(1), 1–23.

Yılmaz, S. "Güçsüz Güç", *Güvenlik Stratejileri Dergisi*, V:5 Retrieved from http://dergipark.ulakbim.gov.tr/guvenlikstrtj/article/view/5000098934/5000092190

Yılmaz, G. (2005). Emek Göçünün Tarihsel Arka Planı AB'deki Göçmen İşçilerin Durumu, *Türk Tabipleri Birliği Mesleki Sağlık ve Güvenlik Journal*. *July-August-September*, *2005*, 2–7.

Yontar, İ. G., ve Savut, E. (2016) Seçilmiş Avrupa Ülkeleri ve Türkiye'de Göçmenlerin Siyasi Katılımı, *Yönetim Bilimleri Journal,* 14, 28, p. 251-288.

Yoon, H. J. (2012). Predicting employee voice behavior: an exploration of the roles of empowering leadership, power distance, organizational learning capability, and sense of empowerment in Korean organizations.

Yorulmaz, M. (2014). "Değişen" Uluslararası Güvenlik Algılamaları Bağlamında Türkiye-Yunanistan İlişkilerinde "Değişmeyen" Güvenlik Paradoksu", *Balkan Araştırma Enstitüsü Dergisi*, 3(1).

Youtube. (2014). Breaking: Estonian Foreign Minister Urmas Paet and Catherine Ashton discuss Ukraine over the phone. Retrieved from https://www.youtube.com/watch?v=kkC4Z67QuC0

Yücel, A. (2015). Batı Avrupa'da Göçmenliğin Değişen Algısı ve Türkiye Kökenli Göçmenler, *İdealkent,* 6(15), pp. 66-99.

Yunus, M. (2017). *A world of three zeros: the new economics of zero poverty, zero unemployment, and zero net carbon emissions*. Hachette UK. Retrieved from https://www.uh.edu/engines/epi2744.htm

Zaiotti, R. (2011). *Cultures of border control: Schengen and the evolution of European frontiers*. Chicago, IL: University of Chicago Press. doi:10.7208/chicago/9780226977881.001.0001

Zeit Online. (2018). Britisches Parlament: Theresa May bleibt Premierministerin. *Zeit*. Retrieved from https://www.zeit.de/politik/ausland/2018-12/britisches-parlament-theresa-may-gewinnt-misstrauensvotum

Zeit Online. (2019a). Brexit: Theresa May verliert weitere Abstimmung im Unterhaus. *Zeit*. Retrieved from https://www.zeit.de/politik/ausland/2019-02/brexit-theresa-may-grossbritannien-abstimmung-parlament-unterhaus

Zeit Online. (2019b) Großbritannien: Britisches Parlament lehnt Brexit-Deal erneut ab. Retrieved from https://www.zeit.de/politik/ausland/2019-03/britisches-parlament-lehnt-brexit-abkommen-erneut-ab

Zeng, J., Stevens, T., & Chen, Y. (2017). China's solution to global cyber governance: unpacking the domestic discourse of internet sovereignty. *Politics & Policy*, *45*(3), 432–464. doi:10.1111/polp.12202

Zeren, F., & Ergün, S. (2013). Trade openness and government size relationship: panel causality test. *Atatürk Üniversitesi İktisadi ve İdari Bilimler Dergisi, 27*(4).

Zeren, A. G. Ö., Konuk, F., & Zeren, F. (2015). Ülke Borsalari Arasinda Portföy Çesitlendirmesi: Türkiye İle Bes OECD Ülkesi Arasindaki Iliskinin Analizi. *Journal of Accounting*. *Finance And Auditing Studies*, *1*(2), 22–33.

Zhai, L. Y.-K., Pheng-Zhong, L., & Wei, Z. (2009). Design Concept Evaluation in Product Development Using Rough Sets and Grey Relational Analysis. *Expert Systems with Applications*, (36): 7072–7079.

Zhang, X., & Xu, Z. (2014). Extension of TOPSIS to multiple criteria decision making with Pythagorean Fuzzy Sets. *International Journal of Intelligent Systems*, *29*(12), 1061–1078. doi:10.1002/int.21676

Zimmermann, D. (2006). The European Union and post-9/11 counterterrorism: A reappraisal. *Studies in Conflict and Terrorism*, *29*(2), 123–145. doi:10.1080/10576100500522215

Zirhama, Z., & Palomba, R. (2016). Female agriculture in the short food supply chain: A new path towards the sustainability empowerment. *Agriculture and Agricultural Science Procedia*, *8*, 372–377. doi:10.1016/j.aaspro.2016.02.032

Zulu, J., & Nsouli, S. (1985). *Adjustment programs in Africa: The recent experience*, International Monetary Fund Occasional Paper 34.

About the Contributors

Yilmaz Bayar awarded the PhD degree in the field of Economics in Istanbul University Institute of Social Sciences in 2012. He worked as an Assistant Professor in the Faculty of Business Administration, Karabuk University during the period September 2012-March 2015 and now working as an Associate Professor in the Faculty of Economics and Administrative Sciences, Usak University, since March 2015.

* * *

Naib Alakbarov works as an academician at Uşak University/Turkey. After graduating from Dokuz Eylul University in Turkey, he was in Germany for doctoral studies. They mainly make publications in macroeconomic and international economics.

Ayşenur Altınay works in the accounting and finance department at Usak University, Turkey as a assistant professor after completing her doctorate, to do academic work in the relevant field and gives lessons. Finance, alternative financial sources, accounting and finance education, financial analysis and cost analysis with algorithms of interest.

Gürdal Aslan holds a MS and a PhD in Economics at Paris 1 Panthéon Sorbonne University in France. He is currently an assistant professor at the Department of Economics, İzmir Katip Çelebi University. His research focuses on minimum wage, labour economics, political economy and economic development.

Neriman Hocaoğlu Bahadır is an Assistant Professor of International Relations in Kırklareli University. She received her doctorate in EU Politics and International Relations from Marmara University. Her research interests include the EU, identity, language policy, migration policy and Turkey – EU relations.

Ferdi Bayoğlu is a graduate student with thesis in Public Relations and Advertising program. Completed her undergraduate degree at Uşak University, Faculty of Communication, Department of Public Relations and Advertising. He completed the faculty and public relations and advertising department with second place. His interests include sports, cinema and advertising.

Elif Cemre Beşgür is currently a PhD candidate in the Department of European Union at Dokuz Eylul University. She completed her BA degree in International Relations and the European Union at Izmir University of Economics which included an exchange in European Studies programme at Maastricht University. Besides, she obtained her Master's Degree in European Union at Dokuz Eylul University which included an exchange in Political Science at Universita Degli Studi di Genova. She has a particular interest in European studies. Her research interests cover EU-Turkey relations, European politics, EU institutions, EU external relations and enlargement.

Ibrahim Budak received his B.S. degree in business administration from Anadolu University, Eskişehir, Turkey, in 2009 and the M.S. degree in business administration from Suleyman Demirel University, Isparta, Turkey, in 2016. He is currently pursuing the Ph.D. degree in business administration at Denizli, Pamukkale University, Turkey.

José Caetano holds a PhD in Economics in the University of Évora (Portugal) and currently is Associate Professor in the Department of Economics (University of Évora) and is a collaborator of the Centre for Advanced Studies in Management and Economics (CEFAGE-UE). His research interests are international economics and European economic integration. In the last years he was focused on the determinants of intra-industry trade and Foreign Direct Investment and on the process of European Monetary Integration, on which he published several articles in international journals and books. He was vice-rector of University of Évora and Head of the Scientific Council of Departmental Area of Economic and Business Sciences in that University.

Vedat Çakır was born in 1969 in Konya.He graduated from Gazi University Faculty of Communication, Radio, TV and Cinema department in 1993. He completed his master's degree in 2000 and his doctorate in 2005.Between the years of 2009-2013 he worked in Fırat University Faculty of Communication, Radio, TV and Cinema Department and between 2013-2017 he worked as an associate in Uşak University Faculty of Communication, Radio, TV and Cinema Department. In 2017, he was appointed as a lecturer in Selçuk University, Faculty of Communication, Department of Radio, TV and Cinema. Professor Dr. Vedat Çakır has studies on media politics, television broadcasting and communication research.

António Bento Caleiro has been an assistant professor in the Economics Department of the University of Évora (Portugal) since 2001, after having earned a PhD in Economics from the European University Institute (Florence, Italy). A simple query on his curriculum vitae shows that his research interests are of multidisciplinary nature.

Metin Çalik works as an assistant professor at Kutahya Dumlupinar University, Kutahya Voc Vocational School of Social Sciences, Department of Accounting and Tax Applications.

Sevgi Çilingir is specialized in EU politics, international migration, immigrant integration and securitization. She works as Research Assistant at the Department of International Relations at Dokuz Eylül University.

Dragana Cirovic has received Bachelor's degree in Economics at University of Montenegro in 2016. In the 2017 she has been hired by the same university as a teaching assistant at Faculty of Economics, for several subject in the area of marketing and management. Currently she is hired as a marketing assistant by a private distribution company. Also, she is a student of Master studies on Economics and is working on her master thesis. Her research interests are mostly related to specificities of marketing and management practices in growing markets and developing economies.

Diren Doğan was born on 4 December 1994 in Mersin. He completed his primary and secondary education in Alanya, Antalya. In 2012,she started to study at the International Relations Department of Süleyman Demirel University. After completing his undergraduate studies, she started her master's degree in International Relations Department of Süleyman Demirel University in 2016. After the master education she studies phD education there. In addition to her academic work, she is a folk dance instructor at the Ministry of National Education, camp leader at the Ministry of Youth and Sports, Isparta Coordinator of the Co-Brotherhood Project and a volunteer PM at the Habitat Development Agency. She is interested in World History, Political History, Leading Psychology, Countries and Nations History, Terrorism, International Law, Turkish Foreign Policy, Caucasus and Turkish World.

Sedef Eylemer is currently an Associate Professor in the Department of International Relations at Izmir Katip Çelebi University where she has been working since 2013. She received her BA degree in International Relations with the highest honor degree and MA in European Studies at Dokuz Eylul University in Izmir. She was also awarded an MA degree in Mediterranean Studies from King's College, University of London as the recipient of a Jean Monnet Scholarship granted by the European Commission. She completed her PhD in European Studies in 2010 at Dokuz Eylul University where she worked as a Research Assistant and then as an Assistant Professor until 2013. Her main research interests include EU external relations and foreign policy analysis, theories of European integration, EU-Turkey relations and European neighborhood policies.

Murat Gündüz graduated from Mugla University, Department of Statistics and Computer Science. He holds a PhD in numerical methods. His main research interests are econometrics and statistical applications. His research interests include Time Series Analysis, Panel Data Analysis, Causality Analysis, Cointegration Analysis, Total Factor Productivity, Financial Development and Financial Globalization. He is an assistant professor in the Department of Econometrics at Usak University.

Günay Kilic received the B.S. degree in Computer Enginering from Pamukkale University, Denizli, Turkey, in 2007 and the M.S. degree in Computer Enginering Pamukkale University, Denizli, Turkey, in 2015. He is currently pursuing the Ph.D. degree in business administration at Denizli, Pamukkale University, Turkey. He is lecturer and working as software developer at IT depertmant of Pamukkale University since 2007.

Mustafa Kılıç graduated in economics in 2009 from METU(Middle East Tech. Uni.) Master degree on economics completed in 2012 İnonu University PhD degree on economics completed in 2017 İnonu University Research Assistant between years 2011-2017 in İnonu University Economics Department Assistant Professor since 2017 in İnonu University Economics Department

Zuzana Kittová graduated at the Faculty of Commerce of the University of Economics in Bratislava, Slovakia (1998) where she also completed her post-graduate studies and defended her PhD thesis titled: Integration of Slovakia into the EU – effects of the trade liberalization on Slovak economy (2002). In 2004, she gained the Executive Master of European and International Business Law M.B.L.- HSG degree at the University in St. Gallen, Switzerland. Additionally, she successfully completed the Program of Instructions for Layers at the Harvard Law School, USA (2004), the EU – Trainer Programme of the Carl Duisberg Gesellschaft e.V., Germany (2001) and the EU Project Cycle Management of the Danish

School of Public Administration, Denmark (2003). Since 2007 she works at the Faculty of Commerce of the University of Economics in Bratislava as an Associate Professor. In her academic career, she deals mainly with economic integration within the EU, the EU internal market and trade within the EU member states. She supervises Bachelor, Master and PhD theses on related topics. She is an author of several monographs, university textbooks and numerous articles in scientific journals. She participated in 18 research projects as a project coordinator or as a member of the research team.

Furkan Korkmaz is a Research Assistant, Bursa Uludag University, Faculty of Economic and Administrative Sciences, Political Science and Public Administration.

Pantelis C. Kostis is an Adjunct Lecturer in the Department of Economics of the National and Kapodistrian University of Athens (NKUA) as well as in the School of Social Sciences -Department of Public Administration- of the Hellenic Open University. He also works on a post-doc research program in the NKUA, while simultaneously he is a scientific coordinator of the Research Committee of University of Athens since 2008. He is the author of three books on European Economics and Politics and on Economic Development and Growth, as well as the Editor of two other books both regarding the developments in the Greek economy. He is also the author of many scientific articles published in academic journals such as the Journal of Business Research, the Journal of Socio-Economics, and the Economic Modelling, as well as of many chapters included in Edited Volumes published by publication houses such as Palgrave MacMillan and Springer. His main research interests include European economics and politics, macroeconomics, entrepreneurship, innovation, institutions, cultural economics and economic development and growth.

Boban Melovic is Associate Professor and Vice Dean at the Faculty of Economics Podgorica, University of Montenegro. He holds a PhD in Brand management. Professor Melović teaches the subjects: *Strategic marketing, Business, Entrepreneurship, Management, Principles of marketing, Brand Management* and *Marketing metrics.* Dr Boban Melovic participated in many national and international professional conferences, seminars and meetings from various economic topics. He has published five books and more than 80 specialized papers and articles in the area of marketing, management, business, entrepreneurship and brand management.

Serdar Ögel is an Assistant Professor at Business Administration Department of Faculty of Economics and Administrative Sciences in Afyon Kocatepe University. His main interest areas are finance, stock markets, and financial institutions

Azize Ökten has Bachelor's degree from Süleyman Demirel University (SDU), department of public finance. She completed her master's degree in public finance at SDU. Master's degree in public finance thesis subject is financing sources of higher education institutions in Turkey: financing structure of universities established with SDU. She is Ph.D. student in the department of political science and public administration in SDU. The subject of Ph.D. studies will be within the scope of urbanization and urban transformation. Azize Ökten's interests include; new developments in the fields of finance and economics, local governments, sustainability, sustainable development, environment, urbanization, urban transformation, governance issues, migration, computer and information technologies, internet and internet-based technologies, topics related to healthy living and personal development tissues.

Serkan Ökten is an Communication Specialist and head of Organizations Department in Turkish Presidency Directorate of Communications. Within the scope of its administrative duties public institutions working in the fields of media and humanitarian diplomacy, Turkish media, communication faculties, academia and media in the field of civil society organizations more effectively and accurately reflecting the state activities on the media, strengthening the local media, producing information in the field of media and communication is engaged in the task. In this context; he is carrying out planning and conducting of media-related organizations, participation in national and international meetings, development and execution of internal and external projects, local media analyzes, field researches, publication of academic publications and publications, and working with the Provincial Directorates of Communication Directorate in cooperation with project, organization and accreditation procedures. His personal academic studies are predominantly carried out within the framework of public broadcasting, media communication, public administration and public relations with the help of postmodern public administration and new public opinion on accountability and transparency in public administration.

Arzu Organ received the B.S. degree in business administration (in English) from Çukurova University, Adana, Turkey, in 1993 and the M.S. degree in Numerical methods from Gazi University, Ankara, Turkey, in 1997 and Ph.D degree in business administration from Ankara University, Ankara, Turkey in 2004 . She is associate prof since 2015 in business administration at Denizli, Pamukkale University, Turkey. She is working as head of department in Numerical methods at Pamukkale University.

Esma Özdaşlı completed her primary and secondary education in Ankara and graduated from Karadeniz Technical University, Department of International Relations in 2005. In 2008, he completed his master's degree at the Department of International Relations of Süleyman Demirel University, Institute of Social Sciences with his dissertation entitled eri Relations between the Russian Federation and the Turkic Republics of Central Asia (1991-1999) Temel Temel within the framework of the fundamental dynamics shaping Russian Foreign Policy. He completed his PhD in 2012 at Süleyman Demirel University, Institute of Social Sciences, Department of History with his dissertation titled 'Strategic Partnership Concept and Israel's Azerbaijan Policy'.

Seda Sonmez Ozekicioglu has a Public Finance PhD degree from Istanbul University in 2012. Her interest areas are taxation, education finance, financial institutions, auditing and asymmetric information. From 2019 January, she has been working as an Assistant Professor Dr in Akdeniz University, Department of Banking and Finance in Antalya/Turkey.

Sibel Ozkan was born in 1989, in Bulgaria. She graduated undergraduate degree at Ege University Communication Faculty in 2011. She received the master's degree from Selçuk University, Radio, Tv and Cinema Department in 2017. She is studying for PhD in Radio and Television department at Selcuk University and working as a research assistant at the same university.

Athanasios Panagopoulos has a BSc in Mathematics, MBA in Finance, MSc in European Economic Studies and he is certified with CFA I, Certified "Investment Consultant", "Portfolio Manager" and "Secondary Market Analyst" by the Hellenic Capital Market Committee. He has cooperated for the Athens Stock Exchange in Financial projects and EU Programs. He has performed as a financial consultant in ALPHA Bank and then as a Capital Market Representative and investment consultant at EUROBANK

Equities for the adoption of the EC Directives in the Greek legislation system. He has cooperated with EUROBANK Bank SA as an International contracts negotiator for International financial institutions and authorities regarding banking legislation and regulation. Athanasios, has a remarkable experience in operations of banking financial OTC instruments, and as a banking business/Treasury products contracts' negotiator, Europe's business & strategic projects coordinator and with investing and accounting surveillance. He has experienced banking business in Serbia, Turkey, Romania, Luxembourg and Cyprus regarding banks' SPVs financial planning, analysis, investing and accounting surveillance. He has also cooperated with CISI, London, for EU financial regulations developments. Currently, he is a EU Programs' evaluator and works as Employment Counsellor at the Hellenic Manpower Employment Organization (OAED). His interests and PhD thesis lay on the development of a Global Regulated Framework for the surveillance of all financial instruments, regarding the protection of the global economy and the employment environment.

Bekir Parlak is a Professor at Bursa Uludag University, Faculty of Economic and Administrative Sciences, Political Science and Public Administration

Ivana Djakovic Radojicic is a Ph.D student at the Departmant of Industrial Engineering and Management. Occupational field: Managerial decision making.

Murat Sezgin is an associate professor in Public Relations and Advertising at the Faculty of Communication at Uşak University. In 1994, he was appointed as an instructor at Beyşehir Ali Akkanat Vocational School of Selçuk University. In 2010, he was appointed as Assistant Professor to Beyşehir Ali Akkananat Business School. In 2014, he was appointed Public Relations and Advertising at the Faculty of Communication as and still works in the same department. His main research interests are political communication, public relations and strategic public relations.

Nezih Tayyar is an associate professor of quantitative methods at Usak University, Turkey. He received his PhD in Management Science/Operations Research from Lancaster University in 2002. He has taught operations research and statistics at Usak University. His research interests include statistics, operational research and machine learning.

Mehlika Özlem Ultan was born in 1984 in Istanbul and graduated from the Department of International Relations, Faculty of Political Sciences, at Istanbul University in 2007. She was awarded M.A. degree at Social Sciences Institute, International Quality Management in 2009, and awarded PhD degree in Istanbul University, from Department of European Union in 2015. In 2010 she began her academic life as a research assistant in Kocaeli University. She is still working as an associate professor at Kocaeli University, the Economic and Administrative Sciences Faculty, European Union Politics and International Relations Department. Her primary research interests are situated in European Union politics, EU integration, and EU law.

Utku Utkulu has a PhD graduate of Leicester University, Economics Department. He is now a Professor at the Economics Department, Dokuz Eylül University, İzmir. His research interests are international economics, debt issue, trade related issues, and the European economics. He has published widely in the fields of international economics such as Trade Liberalisation, Trade and Growth, Debt and Solvency, and European Economic Integration.

Slavica Mitrović Veljkovic is an associate professor at the University of Novi Sad – Faculty of Technical Sciences. She teaches the following courses: Principles of engineering management, Managerial decision making, Decision making and Change Management, Entrepreneurship and Managerial skills.

Carlos Vieira studied at the Universidade de Évora (Portugal), ISEG (Portugal) and Loughborough University (UK). He is currently a professor of Economics at the Universidade de Évora and a member of the research centre CEFAGE. His main areas of interest are economic and financial integration, monetary and financial economics, education policies and regional development.

Isabel Vieira studied at the Universidade de Évora (Portugal), ISEG (Portugal) and Loughborough University (UK). She is a Professor of Economics at the Universidade de Évora and a researcher at CEFAGE. Her areas of interest are economic and financial integration, education policies and regional development.

Filiz Yetiz has an Economics PhD degree from Cukurova University in 2015. She has experience in Turkiye Halkbank as a bank expert between 2007-2016 in Adana city. Her interest areas are banking sector and instruments, financial systems, foreign exchange rate regimes and economic growth. From 2018 February, she has been working as an Assistant Professor Dr in Akdeniz University, Department of Banking and Finance in Antalya/Turkey.

Index

E

F

G

H

I

J

L

M

N

O

P

Q

R

S

T

U

V

W

X

Y