

RECOMMENDATIONS

EUROPE IN THE FACE OF GROWING SOCIAL INEQUALITY,
RADICALISM AND GEOPOLITICAL THREATS



EFNI

EUROPEAN FORUM
FOR NEW IDEAS

SOPOT | 30 SEPTEMBER – 2 OCTOBER 2015

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**EUROPE IN THE FACE OF GROWING SOCIAL INEQUALITY,
RADICALISM AND GEOPOLITICAL THREATS**

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EUROPEAN FORUM FOR NEW IDEAS

- The **European Forum For New Ideas (EFNI)** is an international congress of business communities, organised by the Polish Confederation Lewiatan in cooperation with BUSINESSEUROPE, the City of Sopot, as well as Polish and international enterprises and institutions. Since 2011, more than 1,100 economists, representatives of business, politics, science, culture, and media have come to Sopot every year.

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- **The objective of EFNI** is to search for innovative solutions to current economic and civilizational challenges facing Europe, and to work out the position of business towards key economic, institutional, social and political changes which affect the business environment. Every year, EFNI ends with a closing session, the pivotal point of which is the **Sopot Declaration**. These **Recommendations** build on the work that culminates in the closing session. We draw them up after each edition of EFNI and present them to the EU authorities, as well as to the governments, institutions, and media of the member states.

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- **This year's congress**, entitled *Europe in the face of growing social inequality, radicalism and geopolitical threats*, was held on 30 September – 2 October in Sopot. Beside the pressing issues now playing out in Europe, such as the refugee crisis, youth unemployment, investments to stimulate growth, the future of the eurozone, the single digital market, or the energy union, we also discussed the risks for business and the economy caused by strong income stratification, escalation of geopolitical conflicts, including the conflict in Ukraine which is particularly worrying for Poland, as well as the increased activity of radical groups. The debates also addressed the reassessments and priorities that the West has to accept to 're-order' the world, methods of fixing capitalism, and trends which are currently changing the economy, such as sharing economy, sustainable development, philanthrocapitalism, and the shared value concept.

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- To date, EFNI events have included the following **panellists**: Leszek Balcerowicz, Zygmunt Bauman, Benjamin R. Barber, Jan Krzysztof Bielecki, Michał Boni, Zbigniew Brzeziński, Jerzy Buzek, Norman Davies, Paul H. Dembiński, Fyodor Lukyanov, Luciano Floridi, Mikhail Gorbachev, Lutz Finger, George Friedman, Hans-Dietrich Genscher, Jerzy Hausner, Danuta Hübner, Michał Kleiber, Bronisław Komorowski, Ivan Krastev, Bernard-Henri Lévy, Emma Marcegaglia, Adam Michnik, Mario Monti, Herman Van Rompuy, Nouriel Roubini, Olivier Roy, Jeffrey Sachs, Peter Schwartz, Maroš Šefčovič, Aleksander Smolar, Hernando de Soto, Magdalena Środa, Donald Tusk, José Ignacio Torreblanca, Günter Verheugen, Oliver E. Williamson, and Lech Wałęsa.

TO EUROPEAN UNION AUTHORITIES AND MEMBER STATE GOVERNMENTS

These recommendations are the result of debates which took place at the European Forum for New Ideas held on 30 September – 2 October 2015.

EFNI is an economic conference, and so the discussions focused on the new single market strategy, energy solidarity, and the process of digitization of the economy, as well as the related threats and opportunities. We talked about the European challenges connected with TTIP and the continuing economic crisis, and about new business models and innovation barriers which hamper economic growth.

However, in Sopot, where we have been meeting annually for five years now, we do not limit our discussions to economic issues alone. We discuss the economy and business in a broad civilizational context. Therefore, we always contemplate the key social and political issues of our continent.

This year, we focused on refugees, social inequality, conflicts and geopolitical change putting the external EU borders at risk, as well as on the growing radicalism and populism, two problems which threaten to shatter the EU from the inside.

We represent the part of the business community which takes its role and responsibility seriously. We follow the trends and watch out for symptoms that are indicative of change. Hence, we are aware of the need to adjust the current free market economy model. We intend to approach this matter in a balanced manner and in the spirit of the key issues worked out as part of the dialogue with the other market participants, representatives of the world of politics and civic society. We are proposing these recommendations in the hope that they will become a significant contribution to this discussion.

Henryka Bochniarz

President of the Polish Confederation Lewiatan
President of BUSINESSEUROPE

SOPOT DECLARATION 2015

The belief that the greatest threat

to the continent's security and welfare is coming from the outside is gaining strength in Europe. The unstoppable tide of refugees threatens to destabilize communities; Russia's offensive policy is subverting the European status quo; global capitalism is aggravating social inequalities, challenging the familiar model of social organization and posing the risk of eroding the democracy. This is all true. Yet we are failing to notice that the biggest threat to Europe is the shortage of European solidarity. By responding in line with their own particular interests, Europeans are undermining the values and accomplishments that made the European project successful. All too often, our political decisions are rooted in fear, selfishness, and prejudice. This approach fails to generate solutions, and instead builds up the voices of populists and confuses the general public.

Social inequalities and the wave of migration

are the most sensitive areas of European policy today. They are also the easiest to appropriate by radicals of any kind. Radicalisms, in their broad variety, are already triumphant in many

EU member states. How the elites approach the challenges of today will determine the future of the European Union.

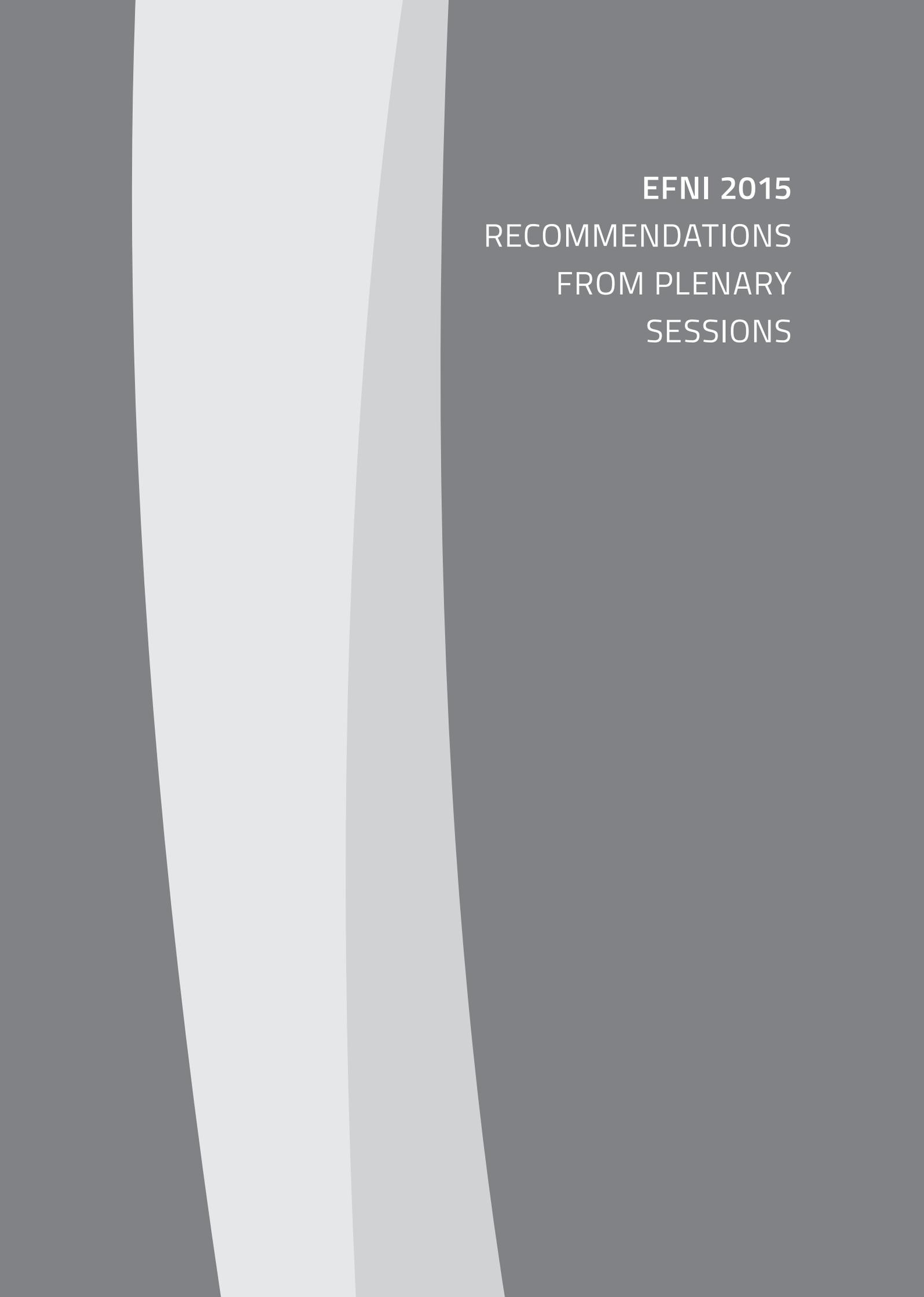
The greatest promise of post-war Europe was capitalism, with its guarantee of affluence and universal participation in the economic boom, along with the protections against hardships, both market-generated and simply resulting from fate. This social contract was founded on inalienable values: freedom, equality, and solidarity. Today more than ever these values must remain our signposts for the future.

We must stand in opposition to those who are seeking solutions to the current problems in taking steps that are in contravention of the European spirit and European values. We must strive to mitigate the inequalities, but protectionism, re-nationalization, and restrictions on economic freedom will not help us achieve this goal. Migration, be it economic or political, always tends to cause tensions, but it also offers an opportunity to Europe. Implementation of the concept of 'fortress Europe' is contrary to the best interest of Europe and its citizens.

Yes, 'more Europe' is not a panacea for all of the problems. Yet today, we should be planning ahead, looking beyond our most immediate actions. We must safeguard the accomplishments of integration against the internal pressures that seek to dissolve it. The European project must go on, growing and developing. Therefore, we fully and wholeheartedly support the efforts to create the Energy Union and a common migration policy, to finalize the creation of the single market, to re-build Europe's industry and to improve its competitiveness, to place more power in the hands of its citizens, and to encourage greater involvement of the European Union as a whole in solving international crises.

Whether the external threats will cause the European Union to crash, and whether they will destabilize the continent, hinges on the success of these projects.

EFNI
Sopot, 2 October 2015

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EFNI 2015
RECOMMENDATIONS
FROM PLENARY
SESSIONS

END OF POST-COLD WAR ILLUSIONS: DOES EUROPE NEED A NEW ORDER?

The new European security setup is here to stay. Russia has turned its back on the West and is looking for a counterbalance. This is not a result of temporary tensions but rather a strategic choice. Today, Russia has no interest in developing a long-term agreement with the West, unless it were a version that would undermine the principles on which the European order was built post-Cold War, i.e. the principles of the territorial integrity and the freedom to enter into alliances of choice.

- This is not a compromise that the West can accept. The western countries must be ready for a long period of discord with Russia.
- The response must go beyond economic sanctions.

The West has failed to fully appreciate the scale of modernization of the Russian military and grasp its potential. Russia is ready and able to deploy its armed forces not only in its immediate neighbourhood, but also in pursuit of foreign policy objectives beyond the former Soviet territory. This is evidenced by the example of Syria.

The increasingly important role of the military (including the nuclear arsenal) in the Russian foreign policy means that NATO and the EU must increase their deterrence potential. This is the only way to eliminate the strategic imbalance that now exists in the relations between Russia and the West.

Russia is a key actor in many regions of the world, in particular where it uses to its advantage the inconsistency and indecisiveness of the West (e.g. in the Middle East). Yet it is also our important economic partner. Therefore:

- Where possible, cooperation and dialogue should continue. The EU member states should however observe a policy that any and all actions must be completely in line with EU laws. This pertains not only to the sanctions, but also to competition and political obligations undertaken jointly by the member states.
- The unity of the EU is its single most valuable asset in its relations with Russia. Breaking the united front would weaken the EU from the inside, and thus must be prevented at all cost.

HOW CAN CAPITALISM BE FIXED?

Growing inequality fuels social and economic unrest. Inequalities of influence and political representation manifest such a bias in favour of the richest that they have distorted competition, the foundational rule of capitalism. Global monopolies, slipping out of control of states and societies, are making wealth and technological leverage work to the detriment of innovation and modernization outside of the hubs that generate them. The crisis of values and the absence of ethical and moral principles have brought about the crisis of trust between societies and institutional pillars of capitalism.

How can these inequalities be mitigated? How can observance of workers' rights and ethical standards be strengthened along the entire global supply chain to foster a positive attitude among employees and people worldwide towards 'the capitalists'?

This crisis of capitalism may, in many aspects, offer an opportunity for important reflection and change. Bringing these about will take commitment of all who believe in this system while noticing its pitfalls and anachronisms. The quality of capitalism reflects the condition of the society, and the entire general public should contribute to the effort of nudging it in the right direction.

- In order to distribute burdens more rationally and to allocate profits more fairly, we need social participation, business ethics, and accountability of the authorities.
- Public administration must work together with business to develop policies that foster entrepreneurship and encourage a responsible approach. Transparency in regulatory processes offers empowerment through knowledge and mitigates the asymmetrical nature of political influence.

Business, aware of its capabilities, may become the real catalyst of change. It has the power to build a modern version of capitalism, for example through self-regulating to mitigate inequalities on a global scale and consistently denouncing unethical conduct. This, however, requires self-awareness and responsibility.

EUROPEAN SINGLE MARKET – HOW TO PUT IT RIGHT AND MAKE IT SINGLE INDEED?

One of the key challenges facing the EU today is how to complete the single market in a manner that preserves its cohesion. The service sector presents the greatest problem.

- The ultimate vision of the single market should arise out of the dialogue between all stakeholders, including in particular the EU authorities, member states, and businesses. This pertains both to the digital single market, the energy union, and the processes of deregulation.
- Europe needs to find the right measure of regulation. An open dialogue between the public and the private sphere is also vital. Its scope should reflect the challenges that neither of these two spheres can handle alone. Dialogue between institutions is not enough; individual citizens must also be involved.
- Social enterprises play an important role in Europe. Their growth should serve as a bridge between business and its stakeholders, particularly those in the public administration and in the third sector.

The trade and investment agreement (TTIP) with the USA offers a promise of opportunities for economic integration of the West. It will also boost its power. Creating a huge zone of cooperation extending from Europe to America may revitalize the businesses that operate on the single market and push them towards innovation. This will however not succeed if specific sectors become vulnerable, drifting on the open waters of free transatlantic trade. This is why it is crucial to ensure full transparency of the negotiations. Furthermore, cooperation is necessary between the European Commission, member states, and all the sectors of EU economy that will be affected by TTIP.

NEW BUSINESS MODELS FOR NEW TIMES

Capitalism today is facing many challenges. There are the social and political changes. There are the long-term consequences of the financial crisis. There is the accelerating scientific and technological revolution, which has deeply changed the perspective of investment processes. It is therefore necessary to develop new business models and management models.

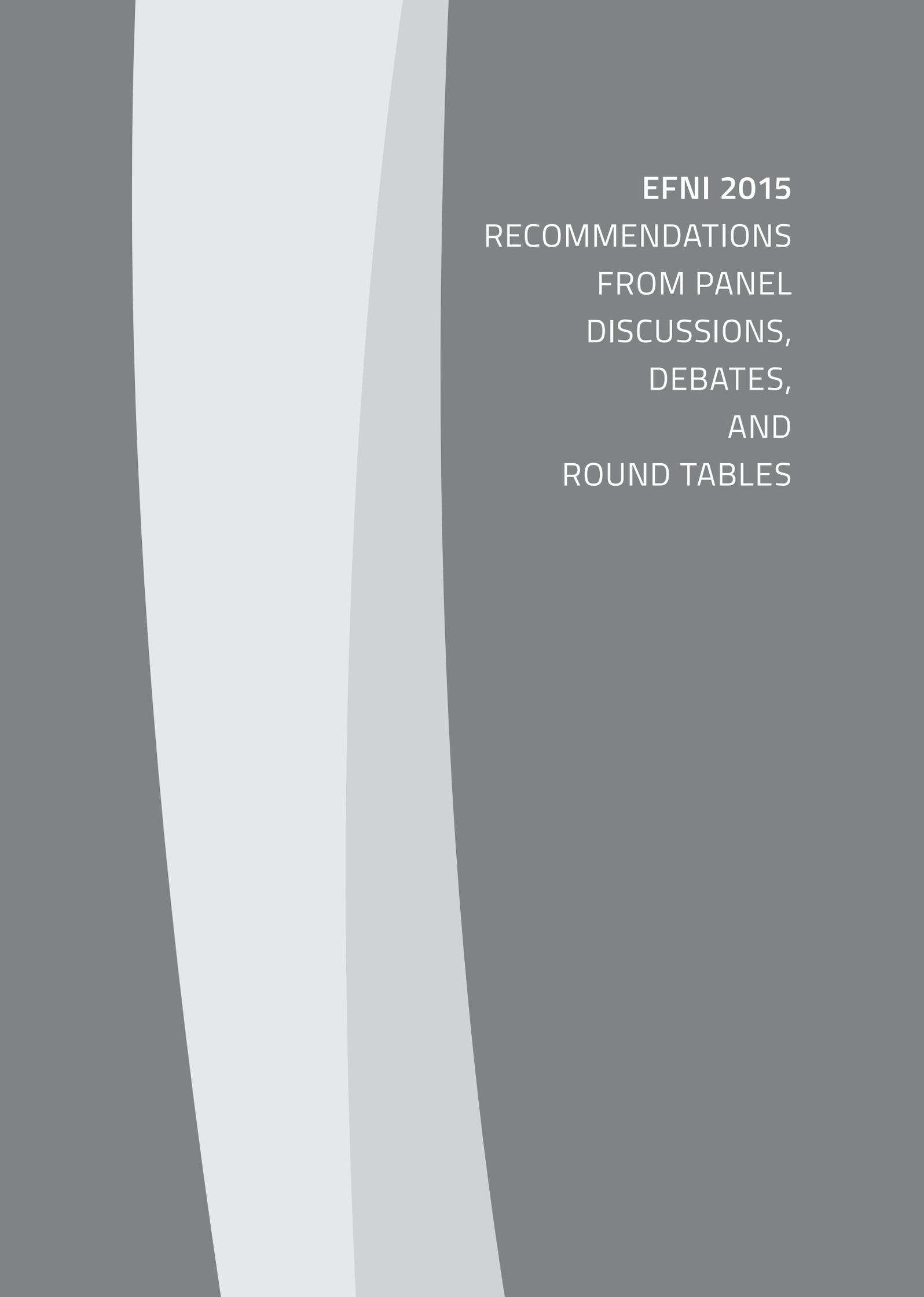
In terms of management, it is necessary to:

- re-structure and re-organize how companies are managed and how managers are compensated. Rewarding managers for the achievement of short-term goals should be supplemented with promoting actions that ensure long-term growth opportunities for the business;
- build organizational culture that promotes innovation understood as the ability to choose and implement solutions, whether generated internally or obtained externally;
- develop a culture of management based on cooperation by promoting managers who come up with new ideas and processes, promoting team work both internally and with regard to outside actors, in order to achieve long-term, high-cost goals.

In terms of public administration involvement, it is necessary to:

- create mechanisms to spread and share some of the risks associated with innovation. DARPA provides a good example here;
- build bridges between science and business in developing innovation in pursuit of a vision proposed by the public authorities;
- promote entrepreneurial thinking among the youth, and promote innovation as the only option for growth;
- develop global solutions for sustainable growth (in particular with reference to the natural environment) and for business transparency. This will help curb unethical conduct.

The European Forum for New Ideas 2015 provided a platform for 20 debates: panel discussions and round tables. Participants included numerous representatives of the European business community, the Polish government and parliament, the European Commission, the European Parliament, and also science, culture, the media, and NGOs. The conclusions they reached form the foundation of these recommendations.

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EFNI 2015
RECOMMENDATIONS
FROM PANEL
DISCUSSIONS,
DEBATES,
AND
ROUND TABLES

BIG DATA: THE DRIVING FORCE BEHIND THE ECONOMY IN THE 21ST CENTURY?

Massive amounts of unfiltered information were once perceived as noise and chaos. At present, we can see the formidable potential of information. It should be moulded into a structure and put to good use. The following steps are necessary to achieve this:

- invest in efficient data sources and a system enabling their use;
- identify the elements of the stream of information that are useful and may provide a basis for making the right decisions and taking the right actions;
- before starting data analysis, determine which purpose it serves. Data measurement should always be preceded by asking precise questions. Without them, no answers will be found, no learning will be accomplished, and no insight will be revealed as to what actions are advisable;
- apply and develop self-learning algorithms. Efficient exploration of Big Data is only possible by putting these algorithms to work;
- make use of Big Data to increase competitiveness, in particular by optimizing production. Companies that will be unable to do so will be left lagging behind. Today, the power is in the hands of those who have access to data;
- public administration should seek to make more efficient use of Big Data in order to deploy smart management of urban resources and services;
- support efforts geared towards educating the public on how to benefit from Big Data resources;
- foster a society that feels at ease using data sets.

COMPANY = IDEA?

The companies of the future will create values on the foundation of their core competencies. For instance, if the company is a tour operator, the values will invoke the emotions related to travelling or respect for local cultures. Profits will be generated by offering these values to the public, along with the product or service. Without values, the company will not win the customers' trust and confidence, and will fail to yield profits. Values are much more difficult to copy than a product or a service. Companies will therefore build their competitive advantage on values.

Creating genuine values is not easy in practice. There is much more to it than just the popular concept of 'added value'. Values are embodied in credible, valuable, and attractive content, and in a brand culture generated consciously by an enterprise. The product is added to the values. In order to generate such values, the 'business is business' model must be rejected to the advantage of social usefulness of the company and the concept of 'brand as culture'.

The company's environment has to be included in the process of creating values and sharing benefits. Specifics will differ depending on the sector. To put it simply: if my bank is to become an authority for me when it comes to household budget management, I will expect advice, interesting ideas, and inspiration on how to manage my funds better. In exchange, I will be happy to join in the process of co-creating values by sharing ideas and experiences via social media, contests, or idea banks.

CYBERSECURITY: A PROBLEM ACROSS THE BOARD? STRATEGIES OF EU MEMBER STATES TOWARDS THE CHALLENGES OF ONLINE DATA ACCESS

It is evident that cybersecurity must be approached as a shared responsibility of all the actors who have an impact on data security online. Two categories of these actors have a particularly important role to play here: states and IT firms.

What remains up for debate is the form and manner of cooperation between the public and private sector in this area. Answers to these questions are likely to be articulated as the NIS directive is transposed into the national legislations of the Member States, and as local debates unfold.

While heated debates on the ultimate wording of the provisions of the NIS Directive continue in the EU, in Poland cybersecurity remains a subject reserved for experts. Poland consistently keeps to the side on this issue, and online security is not perceived by the government as a priority. It is high time for the Polish administration to actively join in the search for optimum solutions, e.g. by initiating a public debate on the topic.

Ensuring security online must be achieved by the combined effort of many actors, both private and public. It is important to strive towards a coherent system made up of:

- education and prevention in order to raise awareness of the risks and to disseminate good practices that help to avoid risks associated with the Internet;
- tighter cooperation between the administration and the business community in providing cyberspace security;
- clearly defined powers and responsibilities related to cybersecurity (in terms of advice, consultation and coordination) of the supradepartmental auxiliary body attached to the Council of Ministers;
- guidelines as to how new laws should be developed with regard to secure access to data online.

DIGITAL SECURITY IN SECTORS OF STRATEGIC IMPORTANCE: HOW TO PROTECT CRITICAL INFRASTRUCTURE AND KEY DATA?

Where digital security is concerned, competitors should work as partners. Only broad interindustrial and supranational cooperation may lead to building an efficient system of protection. This is why it is necessary to:

- foster good cooperation at the national and international level with regard to cyberspace, and to move from a 'Wild West' approach to a more civilized one;
- build digital security on a foundation of innovation and prevention.

A key challenge is how to balance the costs of increased protection (which can keep going up *ad infinitum*) with the risk level. This means that risk assessment is vital.

The risks and threats in cyberspace are transborder in nature. Therefore, it is important to carefully monitor the borderlines between war and peace, because they tend to get blurred in cyberspace.

Cybersecurity is a challenge for all players across the board. It cannot be handled by the administration alone. The state should act as the coordinator of actions and moderator of debates. Intersectoral cooperation is crucial.

Users are the weakest link, because they sometimes fail to observe basic cybersecurity principles. This is why it is essential to educate the users and raise their awareness of cybersecurity issues.

THE END OF EUROPEAN SOLIDARITY? HOW CAN ATTITUDES OF NATIONAL PARTICULARISM BE PREVENTED IN THE EU?

The new MiLoG law in Germany, which imposes a minimum wage, may result in lower profitability of the Polish transport, bankruptcies (particularly of smaller businesses), and drivers' layoffs.

- Let us put an end to protectionism inside the European Union. The regulations introduced by Germany are protectionist by all means. They are structured in such a way that they affect transport companies in Poland, and the sanctions and administrative obligations are disproportionately stringent and out of sync with other, similar German regulations. At the same time, they will not improve the situation of Polish drivers, and thus they are not (as claimed in the grounds for their introduction) a way of combating social dumping.
- Let us proceed with building the EU internal market, and let us abolish barriers. The principles of fair competition on the EU internal market, including the four freedoms – the free movement of goods, services, people, and capital – are the pillars of the European Union. The EU internal market is not finished yet, there is still plenty to do especially in the area of services. We must continue to abolish barriers – consistently, and step by step.
- Let us deepen the EU dialogue about the single market. Disputes about the regulations on the single market are part of the battle for a competitive position. It is important to hear out one another's arguments and aim for compromise rather than threaten with counter regulations which might have an adverse impact on companies with German capital in Poland, e.g. the hypermarkets.

ENERGY FOR THE REGION. WHAT DOES ENERGY SOLIDARITY IN CENTRAL AND EASTERN EUROPE MEAN?

The concept of energy union is the response to the need for change on the EU energy market. One of its foundations is cooperation in Central and Eastern Europe, as well as Poland's active engagement.

The following is of uttermost importance from this point of view:

- give up 'energy nationalisms' and extend electric energy system connections with Germany, the Visegrad Group states and the Baltic states. As a result, Poland will no longer be an 'energy island';
- work on further extension of 'virtual reversal' solutions on the gas pipelines, and on building new north-south connections;
- merge regional energy trading markets into a few transborder platforms to improve liquidity and the effect of scale;
- implement changes in a slow but steady manner. Abandon double standards (South Stream vs North Stream 2) and adopt objectives and principles taking account of specific needs and capabilities of the regions and states;
- introduce supranational cooperation for investments in renewable energy sources by sharing responsibility for energy production and transit. This will improve the investment efficiency and reduce the costs of potential subsidies. Such investments may be stimulated by setting regional rather than national objectives in terms of the production volume of the energy coming from renewable sources;
- balance the policy of developing and subsidizing renewable energy sources. Set the time frames for full integration of a specific energy source; after the lapse of the time frame, the subsidies will no longer be available; also, authorize TSOs (transmission system operators) to limit production from renewable energy sources under clearly determined conditions;
- adopt harmonized European standards for the power market;
- initiate the integration of the markets by removing bottlenecks inside and between transmission systems, and offer TSOs adequate fees for redirection and compensation exchange;
- implement innovative solutions in the coal sector;
- support, with relevant legal regulations and economic stimuli, the prosumer-oriented energy market.

EU DIGITAL SINGLE MARKET: HOW SINGLE, HOW COMMON, HOW JOINT?

The fragmentation of the European market must be reduced in respect of access to content, data protection, e-commerce, and security. Moreover, decisions are necessary on the issues that remain unsettled in terms of privacy and security in view of the needs of the information economy. For this process to be efficient, the following elements must be determined:

- the needs and expectations of the European businesses and consumers with regard to access to services online. Equipped with this knowledge, we will be able to determine the optimum scope of harmonized regulation in Europe, and to identify the areas where the particular needs of specific Member States may be taken into account;
- the extent of the conflict(s) of interest and the relevant regulatory strategy, in order to prevent the fragmentation of the Internet and to foster a digital single market by ensuring a level playing field in terms of competition. This will provide a basis for preventing innovation inertia, creating the economies of scale in digital investments, and re-building the value and potential of the European digital market internationally;
- the principles of how support and incentives are offered to all market players along the Internet value chain;
- these principles should specify when hard regulations are needed and when more flexibility is the best solution (e.g. as is the case with the telemedical code of conduct, now under development);
- the areas in digital economy and cyberspace which are located outside European jurisdiction, to make European regulatory efforts more effective;
- the proper rules of operations and of global Internet management in view of its role as part of the 'natural capital' of the societies in the 21st century.

EUROPEAN TRANSPORT CORRIDORS AS AN OPPORTUNITY TO CONNECT THE BALTIC SEA REGION WITH EUROPE AND THE REST OF THE WORLD

In Poland, the share of road transport in transport overall is one of the highest in Europe. This is despite having 3600 km of unexploited water routes. Inland navigation only accounts for a minimal part of the Polish sections of transport corridors.

To make full use of the potential of European Transport Corridors, improve the competitiveness of Poland and the entire Baltic Sea region, protect the ecosystem, and preserve biodiversity, Poland ought to:

- ratify the AGN Agreement and render usable for transport purposes three waterways of international significance which cross the country: E-30, E-40, and E-70;
- render usable for transport purposes the Polish section of the transport corridors Baltic Sea – Adriatic and North Sea – Baltic Sea within the Trans-European Transport Network (TEN-T);
- strive to develop the transport connections between the Baltic Sea and the Black Sea (so called Via Carpathia);
- extend the hinterland connections, develop port and terminal infrastructure, and construct logistics platforms and centres. These are the principal challenges related to the growing demand for sea transport, which is currently handling 80% of the global trade volume;
- in view of the demand for renewable energy sources, exploit the huge energy potential of Polish rivers (the Vistula alone amounts to approx. 6.5 TWh).

The recommendations are a result of a discussion which took place during the Baltic Initiative event. It was a meeting accompanying EFNI, attended by Polish public administration representatives, ambassadors of countries interested in the development of transport corridors in the Baltic Sea region, EU coordinators of European Transport Corridors, and experts on transport and ecology.

HOW CAN A MODERN APPROACH TO THE EXTRACTIVE INDUSTRY TRANSFORM CONTEMPORARY ECONOMIES?

It has not been controversial for some time now to suggest that the economy should be reindustrialized. On the contrary, this idea has become a popular mantra in the debates on the future of the Community.

There is a widespread belief that a modern extractive industry may serve as a growth engine of the European Union. However, it is crucial to properly articulate the policy and guide the economy with regard to raw materials, both at the national level and EU-wide. Limited access to domestic capital and cutting-edge technologies means that the states compete to attract investors, and try to create optimum conditions for the extractive industry.

Poland was until recently a much sought-after location for new projects in the industry. However, unfortunate decisions in the last few years have caused it to remain behind.

The following factors are of critical importance in this context:

- a stable, coherent and predictable legal system. This ensures that investors are able to rationally make long-term plans;
- conditions for businesses that are comparable with those found in other countries with a developed extractive industry. Incentives that lower or suspend fiscal burdens on investors
- in the initial stages of project implementation;
- ongoing debate under the aegis of the Ministry of the Environment. The debate should produce a comprehensive raw material policy at the state level.

The private sector plays a vital role in creating healthy conditions for the development of the sector. The role of the government should be limited to monitoring and regulating.

HOW TO REVITALIZE THE EUROZONE?

In order to fully recover, the eurozone must change the functioning of the EU institutions, giving them the ability to implement anti-crisis measures fast and well in advance. It is the only approach that can reduce to a minimum the negative consequences of shocks.

Experts' recommendations concern four domains: economic, financial, fiscal, and political.

- Following fiscal integration, the eurozone ought to aim for political integration. Without deeper political cooperation, the economic, financial, and fiscal integration will be nothing more than shallow veneer. Yet some Europeans are against the loss of independence by the member states and their fiscal responsibility for the errors made by others. Therefore it is crucial to develop solutions facilitating the eurozone's revival in a way which would be acceptable for the voters.
- Responsibility and competencies within the eurozone ought to be more centralized. However, the European Union should not accept the postulates to establish a common ministry of finance, to earmark a separate budget for the eurozone, or to form a parliament in charge of these institutions. Such ambitions may lead to divisions within the EU.
- Rich states should have a greater sense of responsibility for poorer members of the Economic and Monetary Union.
- Mutual supervision of the budgets is not enough to generate growth in the eurozone; permanent stagnation should be avoided at any cost.
- The European Monetary Union ought to offer its members an exit option.
- The monetary union needs new instruments and mechanisms such as European unemployment insurance.
- Poland has to decide which fiscal union model is more beneficial from the point of view of its own economic development, and foster this reform path. There are two fiscal union options to choose from: a union oriented towards the joint comfort of the member states, i.e. practically a transfer union, or a union focused on competitiveness towards other economic powers.

HOW TO RESCUE EUROPE FROM THE RISE OF RADICALISM AND INEQUALITIES? HOW SHOULD THE MEDIA PARTICIPATE IN THIS DEBATE?

Europe will most probably continue to struggle with the migration crisis for decades to come. To stand up to this challenge and prevent the radicals from using it to fuel nationalisms and xenophobia, a long-term strategy needs to be developed in order to handle this problem and receive the migrants in a way that will not put the stability of the European integration at risk.

- The refugee issue ought to become part of the common foreign and defence policy. In order to solve the problem of receiving the refugees, we must change the method of determining the migrants' identity. The only way out may be to create a EU citizenship, just like the British citizenship, that would enable the migrants to participate in political life.
- A new integration model must be worked out to include the migrants in the everyday life in Europe. At the same time, the values and cultural traditions of the receiving country must not be lost in the process.
- The media are responsible for promoting integration of the newcomers and discouraging ghettoization. Providing the public with reliable information is of paramount importance.
- The media ought to provide information about Islam and the differences between specific groups within Muslim communities. They should also address the migrants' potential and the contribution that they are capable of making to the society of the receiving country.
- What Europe is lacking, as opposed to Australia or the US, is an immigration system. A pan-European debate must be organized to give some thought to whether such a system ought to be developed, and if so, within what parameters.

A part of the European Forum for New Ideas is the European Publicists' Forum. Representatives of opinion-making European media are invited to participate, adding their voice to the debates about the key challenges facing the continent. This year, participants in this event represented twenty media outlets.

HOW WILL MODERN TECHNOLOGIES INFLUENCE THE HEALTH CARE SYSTEMS?

The technological and digital revolution in the healthcare system is proceeding apace. It brings along change at many levels: management, bedside care, and legal regulations, to name a few. The following elements are of crucial importance for the development of a modern medical services system:

- consistent steps towards the creation of a telemedicine market;
- legal regulations that promote high quality in telemedicine;
- infrastructural solutions that give priority and security to medical data;
- interoperability to ensure proper integration of medical diagnostic devices and IT systems;
- legal solutions to provide healthcare by means of ICT systems, and to charge for such services;
- intensive education of senior citizens, promotion and implementation of telecare;
- higher quality of life for seniors by supporting senior-focused accommodation solutions and e-health solutions;
- support for the development of innovative healthcare solutions, home care, transportation, and Internet access solutions to give seniors as much self-sufficiency as possible;
- development of forms of cooperation that make it possible not only to handle the new challenges and limited budgets, but also to create new areas for growth and new jobs for the ageing society;
- education and dissemination of new telemedicine technologies;
- production and design of ICT technologies in cooperation with doctors and patients. Technology must not de-humanize the healthcare and welfare systems. The systems and devices may not become an end in themselves. Rather, they should serve to improve diagnostics, therapy, and rehabilitation. They should increase the quality of life, provide added safety, and help both doctors and patients.

INVESTMENT IN INNOVATION: WHO TAKES THE RISKS, AND FOR WHOM?

The states that are building competitive economies actively invest in risky technologies. If their funds are limited, they often deploy the 'problem driven' method, focusing on solving specific problems.

Yet even when funding is sufficient, financial instruments alone are not a solution to the innovation issue. Innovation is simply not only about money. An innovative country requires an entire ecosystem: physical (buildings, infrastructure), legal (intellectual property protection), and fiscal. Poland is the only country in Europe which imposes double taxation on venture capital activities. What we need is change, a system of investment incentives, an end to ad hoc actions, and a holistic look at high-risk investments.

The following are the five prerequisites for the development of innovation:

- science and education, which should be the driving force behind innovation and foster talent rather than produce 'worker bees' with academic titles;
- financing of research projects under the formula: 'a private investor commissions the project, while the state subsidizes it';
- tolerance of and openness to difference and otherness;
- technology transfer;
- focus on specializations in which the country is a leader. In Poland, these include chemistry and machinery-related areas.

In the process of creating an ecosystem conducive to innovation, it is not necessary to make constant comparisons with Israel or the Silicon Valley. In many countries, including Poland, the venture capital (VC) market is smaller than in the US. We ought to strive to change the GDP structure and increase the share of enterprises putting intellectual property to good use.

It is also worthwhile to utilize knowledge and experience in the commercialization of innovation on experienced markets and to combine the local technological concepts with international financing and governance.

MIGRATION: THE END OF EUROPE AS WE KNOW IT OR A NEW CHANCE FOR THE OLD CONTINENT?

The introduction of migration quotas is not the right solution to the current migration crisis. Ideas how to solve this problem must be created through reliable and fact-based public debate. It is the task of the political leaders to initiate the debate. It should be divided into several threads: a thread related to short-term measures intended to put an end to the current migration crisis, a thread aimed at modification of the asylum and migration policy, as well as a thread focusing on the long-term EU policy towards migrants holding specialist qualifications.

Immediate steps in response to the ongoing crisis should include:

- financial assistance for member states receiving the growing number of migrants and refugees (food, shelter);
- assistance for countries bordering Syria and strengthened cooperation with Turkey in the area of migration management;
- implementation of readmission agreements concluded with the illegal migrants' countries of origin;
- pursuing the readmission policy solely with states which have stable governments;
- initiating a debate about the EU border guard and customs service.

Long-term migration policy ought to be based on labour market demand. Hence, the business community should participate in the migrants' recruitment process and receive the necessary support in this respect.

- It is important to modify migrant employment procedures and lift the ban prohibiting them from taking up work in the first months of their stay in the EU.
- It is necessary to adjust the education systems to accommodate pupils of different ethnic origin.
- The visa issuance system requires simplification, and more multi entry visas ought to be issued to support entrepreneurs' mobility.
- Cities should initiate their own migration procedures and proactively participate in creating a local migration policy.
- EU member states ought to begin a debate on the potential integration policy of the European Union.

MOBILITY AND LOW EMISSION TRANSPORT. TRENDS AND SOLUTIONS FOR URBAN DEVELOPMENT

In the longer run, e-mobility and other changes implemented in the transport sector will have a positive impact not only on the natural environment, but also on the European energy security, contributing e.g. to lower spending on imported oil.

- In order to make e-mobility a more real and not just declarative change, local and state governments could introduce incentives for the citizens, e.g. in terms of taxes.
- Increased popularity of electric or hybrid vehicles is of utmost importance to the improvement of the quality of life in European cities. This is not only a matter of cleaner air, but also of noise level reduction. These are the factors that will play an ever more significant role in the cities' efforts to attract investment, as well as the best and the most creative workers.
- Some European cities (e.g. Copenhagen) are already quite experienced when it comes to the transformation of urban mobility in accordance with the new trends. The aforementioned examples clearly demonstrate that transformation occurs owing to a change in the residents' mindsets rather than owing to stringent regulations. Hence, the activities of local authorities ought to be focused on creating appropriate conditions and popularizing new forms of transport (bicycles, the underground, carpooling, low-emissions cars etc.), and not necessarily on banning the use of private cars.
- Automotive manufacturers are facing serious challenges too. Although a car is still the desired form of transport, it no longer plays a key role in several cities. Hence, automotive manufacturers have to initiate the transformation process from being car makers to becoming suppliers of comprehensive services in the area of mobility.

MORE DIGITAL, LESS TRADITIONAL ECONOMY. HOW CAN EUROPE AVOID BECOMING A ‘DIGITAL COLONY’?

Imitating solutions developed in the US will not give us a competitive advantage. Europe must watch for niches in which it will have no competition. The niches may include:

- personal data security and privacy protection;
- sustainable development. Although innovations are generated more slowly at the outset, they are better adapted to economic and social goals, the market of innovation consumption is larger, the changes are more permanent and long-term, as well as more resilient to economic, social and political crises;
- dispersed generation, energy Internet, and environmental protection.

In order to benefit from these niches, Europe must set straight its institutional and regulatory order. For the time being, Europe is proving unable to catch up with technological change.

The so-called end of work is also a challenge for Europe. As a consequence of market change, the demand for numerous occupations will soon disappear.

- It is necessary to come up with a sustainable (equipped with varying and complementary instruments) tax system or basic income solutions.
- It is crucial to continue the development of the digital infrastructure, i.e. the extension of fibre-optic communication and universal access to broadband Internet. This provides a basis for other steps in the area of entrepreneurship, education, consumption etc.

Infrastructure alone, even at its best, is by no means sufficient. Hence, digital competencies must be improved. As a result, they will have an impact on employability, and will drive innovation. They will also make it possible to move around in a world full of technology. Cooperation must be taught to this end. Cooperation will strengthen entrepreneurship, in particular when it comes to innovation.

OPPORTUNITIES AND CHALLENGES OF THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP)

TTIP covers a number of different sectors, but it is also a product of negotiations between partners whose mandates and positions differ considerably. Geopolitically, TTIP would be a counterbalance to the Trans-Pacific Partnership Agreement (TPP), an alternative to EU's dependence on Russian gas, and a guarantee ensuring that commercial standards correspond to European principles.

There are obstacles to impartial, fact-focused debate on TTIP: the immense protests, and the media reports that are often biased. Therefore:

- responsible, impartial and fact-focused debate on the economic impact of the proposed solutions is necessary in order to carefully consider all the pros and cons of TTIP;
- the European Commission should provide proper communications on the issues surrounding TTIP and ensure that there is no room for accusations of lacking transparency. These communications must reach all the stakeholders, from national administrations, the business community, and consumers, to the public as a whole. The effort to communicate should cover both the expected scope of the Partnership and the progress of the negotiations. These are the first major negotiations in history to be reported practically in real time online on a special public website. This should be put to good use. Social media should also play a part in communicating the issue; so far, they have been mainly employed by the opponents of TTIP;
- communications should focus on the impact of the potential Partnership on EU's economy, which will gain a global dimension and meet global standards. They should also highlight the consequences for SMEs, such as the fact that TTIP gives them opportunities in the form of lower non-tariff barriers and easier access to the American market.

THE PUBLIC MEDIA: BETWEEN QUALITY AND MEETING TARGETS

What is the future of the public media? Can the 'mission' of the public media be reconciled with large audience reach? Should it? The following conclusions were reached during the discussion:

- For the public media to operate properly, their management must be able to work in a stable, predictable atmosphere. Politicians should support these efforts by ensuring that personnel in the managing bodies of the public media organizations is selected based on merit.
- Public television should make quality its number one priority, regardless of the cost. This is necessary in order for these media to offer to the public good explanations of the reality around us.
- For the public media to become a beacon of culture and an instrument of increased social awareness, they must be given a budget that corresponds in scale to the goals they are expected to achieve. The financing could come e.g. out of a national tax.
- The system of public media financing should meet the criteria of social justice. It may not be contingent on the number of devices owned by a person, and paying it should be obligatory and not left to individual decision.
- People should pay for the public media, but at the same time they have to feel that they have an impact on how these media are run.
- Financed by audiovisual fees, the public media should be involved in the type of productions that commercial media shy away from. All programming should be directed towards the 'mission', ensure high quality, and reach the entire spectrum of the audience.
- Public television should offer high quality children's programming, regional content, historical insights, but also showcase TV series and sports.
- Commercials should be mostly eliminated from all programming, and completely eliminated from some of its forms, e.g. from shows for children.
- The content should foster civic engagement and the civic society.
- As an excellent platform and a creator of culture, the public media should be much more involved than they are now in pursuing their public 'mission', not only via dedicated channels, but across all of their programming.
- Citizens should be actively engaged in the debate about the future of the public media.

WHAT TURNS US ON? TRENDS AND IMPLICATIONS OF CHANGE IN MEDIA CONSUMPTION

The panellists considered the type of content that today's media consumers are searching for, and tried to discover how to meet their expectations. Following the debate, several conclusions and recommendations were formulated for contemporary authors and broadcasters of audiovisual content.

- Television is a unique medium in that it satisfies the needs stemming from people's natural fondness of stories. The advantage of television over the Internet should consist in the television's ability to attach the viewer to selected content, and to deliver new content in a more selective manner than the Internet.
- Today's audiences no longer consume 'either this or that', but rather 'both this and that'. Hence, they should not be forced to make choices. Simultaneously, they need to be protected from an excessive amount of random information by only being served content of the highest quality.
- Although curiosity is a very strong stimulus, the need for safety is an even stronger one. Hence, access to audiovisual content must protect the consumers' privacy.
- In the era of the mobile Internet, curiosity has to be satisfied at once. Therefore, television ought to offer a response to the dynamically evolving demand for new content.
- The viewers become broadcasters of their own content in the times of the Internet. The needs they actually communicate must be met by the top quality medium, i.e. television.
- In response to the consumers' increasing need for participation, it is important to engage them not only via ready-made audiovisual products, but also earlier, at the stage of its creation.
- As viewers prefer professionally generated content when recommended by content guardians (curators) or recognizable brands, brand and reputation building on the market will be of key importance both for TV and Internet broadcasters.

WHAT REFORMS DOES UKRAINE NEED TO FULFIL ITS ASPIRATIONS TO BECOME AN EU MEMBER STATE?

The fundamental challenge for Ukraine on its way to European integration is a system overhaul. First and foremost, reform is needed in the civilian security sector due to its pivotal character.

- Ukraine's central problem is the dysfunctionality of the state. To regain social trust, public institutions must undergo a revival. This should be accomplished by introducing a transparent vetting process, recruiting new public service staff, and creating new institutions based on European standards. Ukraine has to introduce the rule of law.
- The key role belongs here to law enforcement authorities and the judiciary, specifically the public prosecutors and the courts. Until recently, they served above all as a repressive state apparatus, carrying out corrupt orders and following the political will of the ruling elites. They barely occupied themselves with law enforcement at all, which led to the common impunity of culprits as well as wide-spread demoralisation.
- What Ukraine needs is not only legislative adjustments, but also real implementation of statutory law and genuine respect for its provisions.
- Another element of great importance is constitutional reform and, as a consequence, decentralisation of power following the Polish model. Yet the latter should not impair the independence and territorial integrity of the country.
- Poland, as well as other post-Communist countries in Central and Eastern Europe, should serve to Ukraine as models of successful transformations which resulted in their accession to the EU.
- We cannot ignore the objective hindrances faced by Ukrainian authorities, including the public finance crisis and the conflict with Russia. However, these should not become an excuse for abandoning the reforms.
- In helping Ukraine, the EU and the entire international community have to carefully monitor the progress and assertively demand the fulfilment of Ukraine's obligation to carry out reforms.

The recommendations are a result of a debate which accompanied EFNI and was attended by the highest representatives of the governments and parliaments of Poland and Ukraine, and by the head of the EU Advisory Mission for Civilian Security Sector Reform Ukraine.

WORLD ECONOMY IN TIMES OF UNCERTAINTY

The authors of economic regulations on an international and local level should be able to offer a faster response to technological innovation. This will facilitate the abolishment of barriers to entrepreneurship that are rooted in obsolete legal solutions.

In the present circumstances, the availability and price of energy matter more for the economy than innovation, hence the energy sector will be of key importance for the global economic stability. At the same time, climate change requires an urgent response from the international community in order to halt the progress of the global warming. This, in turn, means that the following is required:

- the search for and use of new energy sources;
- taking account of the growing role of gas in the economy and the extension of gas transmission corridors on a global scale;
- tightened cooperation between the states in order to work out more transparent and efficient legal solutions as regards environmental protection.

As a result of armed conflicts in various regions of the world, the economies of the involved states have slowed down, and investors have been demonstrating less interest in capital investments there. As the threats are growing in intensity, we expect more diplomatic engagement from the West in overcoming the crises in the Middle East and thus in curbing the processes causing economic instability in the region.

The growing financial inequality on a global scale poses one of the most serious challenges both in socio-economic and political terms. To chart a long-term strategy intended to solve the inequality issue, it is necessary to:

- strengthen the dialogue between the major global political and economic institutions (i.a. the UN, the European Union, OECD, WTO, G20);
- tighten cooperation between politics, business, the academia, and experts.

THE YOUTH AND THE MARKET. NO JOB, NO EDUCATION, NO FUTURE? FACTS AND MYTHS

The fundamental challenge of today is to curtail the dualism of the labour market so that the employees themselves could choose the type of their employment contract.

However, it is not the enterprises that can solve this issue. Solving it requires a change in the institutional order which has to consist in increased protection of temporary workers and higher flexibility as regards termination of employment contracts. What is more:

- Government programmes should remain the foundation of effective occupational activation.
- The education system ought to focus on the development of vocational education.
- Technical education and career counseling must be developed so young people can find out more about viable alternatives to university education.
- Young people ought to learn how to be open and humble. They should be made aware that a demanding attitude when applying for their first job may put the prospective employer off.
- Companies must proactively support young people in their development. They should offer young people long-term professional traineeships and clearly set the career development paths.
- Spending mechanisms for public funding must be created, taking into account the interests of small businesses and young people.
- More flexible labour law must be adopted and the flexibility of the labour market should be improved.
- Young people cannot suffer discrimination from collective bargaining agreements which tend to overprotect permanent employees who are usually older and belong to trade unions.
- Employment under temporary contracts and civil law contracts should be restricted because this is how young people are exposed the most to the economic ups and downs.

Every year, the European Forum for New Ideas hosts public presentations of reports and analyses. In 2015, four reports were presented during EFNI: 'The Baltic Sea for All' and 'Inland Sailing – The Vistula River,' authored by UN Global Compact Poland; 'Where is the European Single Market Heading? Impact of German MiLoG Laws on the Road Transport Sector in Poland,' drafted by Deloitte; and 'Ukrainians are Looking West – Policy Evaluation in Terms of Expectations,' prepared by the Institute of Public Affairs.

The cover features a dark grey background on the right and a white-to-light grey gradient on the left. The text is positioned in the upper right quadrant.

EFNI 2015
SPECIAL
REPORTS

THE BALTIC SEA FOR ALL

/ SUMMARY /

'Maritime transport is of great importance to the world (...) the inland waterways and sea shipping play an essential role in the global supply chain, a complex mechanism without which today's interdependent global economy could not exist,' said Koji Sekimizu, Secretary-General of the International Maritime Organization (IMO).

Due to its location, the Baltic Region to a large extent is dependent on the international exchange of goods and services. An effective, smart, and sustainable transportation system that would combine various transport branches as part of the multimodal logistic chains is central to the development, economic growth, and greater competitive advantage of the region.

At the same time, the transportation system produces a large amount of pollutant emissions, which can have negative environmental impacts.

As a relatively shallow marine environment with a slow water exchange process and precious ecosystem, the Baltic Sea is very susceptible to pollution and difficult to navigate for ships. The International Maritime Organization that is a specialized agenda of the United Nations responsible for seas and oceans called the Baltic Sea a specially protected area and designated the region as a Particularly Sensitive Sea Area.

Europe today faces a number of challenges to build a uniform and environmentally-friendly transportation system. Optimal in terms of energy use, emission, and negative

environmental impacts, the concept of European transport corridors addresses the need to create a competitive, innovative, and cost-effective transportation system.

The transport corridors are also an ideal opportunity to connect the Baltic Sea with Central Europe and strengthen the importance of the region globally.

The Baltic Sea ports are important connectors and transshipment hubs.

In the report, senior government officials, high-rank local government representatives, ambassadors of the Scandinavian Region, Baltic countries' representatives as well as representatives of Polish and European public institutions, science, business and financial sectors discuss the issues that are central to the sustainable development of the Baltic Sea and its natural environment.

The authors of the report stress the benefits related to the social and economic development of the region, including the transport infrastructure and tourism. At the same time, they point out the importance of the international cooperation in the region to eliminate the growth gaps, in particular between the Central and Eastern Europe countries and the Scandinavian Region, including its neighbours such as Germany. There is also a need for the countries to work together to improve the condition of the Baltic Sea. The report defines the major challenges that the Baltic Region faces today, including the energetic safety, eutrophication,

chemical weapons at the bottom of the sea, shipping safety, safe use of the sea resources, and the absence of a link between the ports and other transportation branches.

The study also focuses on the challenges and obstacles faced by the Baltic Region, including, for example, innovation challenges, removal of bottlenecks, Polish tax system, navigation risk management system, and Polish maritime education.

The report contains a number of recommendations and suggestions to develop the Baltic Sea transport

corridors, enhance the competitive advantage of the region, provide greater safety of the sea transport, and protect the Baltic Sea ecosystem as well as combat eutrophication. The report also includes financing proposals regarding the research projects, the initiatives aiming at the improvement and protection of the Baltic Sea environment, and legal solutions ensuring the Baltic Sea protection. Additionally, it provides insight into the best practices of the Scandinavian Region and the Baltic countries.

Author: **Global Compact Network Poland**

Full version of this report is available at:
<http://ungc.org.pl/portfolio-items/program-baltyk/>

INLAND SAILING – THE VISTULA RIVER

/ SUMMARY /

Inland waterways play a vital role in the transport of goods in Europe and worldwide. They are also an increasingly important part of the tourism industry. Combined with multimodal transport, they supplement other means of transport, and their use in the economy reduces air pollutant emission, energy use, and transport costs, while also providing greater safety and enabling transportation of large freight volumes.

A well-functioning transport system requires seamless interaction of several transport aspects such as, for example, multimodal platforms and logistic centers. The development of ports as important transshipment hubs is closely linked to the development of the land and inland waterway transport infrastructure. Unfortunately, today's waterway transport in Poland is not used to its full capacity and plays an insignificant role in Europe.

The sustainable development of inland waterways as part of the European transport corridors is of uttermost importance to Poland. One cargo vessel can replace hundreds of trucks, cut down on the intensity of inland transport, and reduce noise and pollution levels as well as other environmentally negative impacts. Notably, transport ranks among the industry sectors which produce the largest amount of greenhouse gas emissions in the EU, which can negatively impact climate change.

Furthermore, by reducing the number of vehicles on roads, inland waterway

transport can significantly reduce the number of road traffic crashes across the EU.

There are 3 inland waterways of international importance coming through Poland: the first one connecting the Baltic Sea with the Black Sea through the Vistula river (E40 waterway), the second one coming through the Oder Waterway (E30 waterway), and the third one being part of the European East-West route that connects the Oder river with the Vistula Lagoon (E70 waterway). The waterways have been established under the AGN Convention (European Agreement on Main Inland Waterways of International Importance made in Geneva in 1996 during the meeting of the UN European Economic Commission). Poland, as one of very few Central and Eastern European countries, has not ratified the Convention.

Rivers are used in the economy not only for transport of goods but also to produce hydropower, a renewable and environmentally-friendly source of energy. When planning for inland waterways, hydrotechnical facilities should be designed in such a way as to include all aspects of the economic potential of rivers, channels, and navigable lakes. It is also important to remember about the natural environment. Polish rivers, including in particular the Vistula river, constitute sensitive ecosystems of extensive biodiversity.

In the report Inland Sailing – the Vistula River, senior government officials, high-rank local

government representatives, ambassadors of the Baltic countries, the Netherlands, and Central and Eastern Europe, European states' representatives, as well as representatives of local and European public institutions, science, business and financial sectors discuss the importance of the inland waterway transport's sustainable development in Poland.

The authors of the report refer to the issues related to the building, modernizing or expanding of the inland waterway transport and energy infrastructure as well as environmental safety. They stress the benefits of incorporating Poland's inland waterway transport system into the European one, including the social and economic development of Polish cities, districts, and regions.

The study showcases a number of obstacles and challenges faced by the inland waterway transport in Poland today.

The main obstacles include lack of funding and no investments, which results in the port, water transport, and inland shipping infrastructure being decapitalized. Investments in the inland waterway transport are of much less priority in Poland than building new highways or modernizing railways.

Author: **Global Compact Network Poland**

Full version of the report is available at: <http://ungc.org.pl/portfolio-items/program-zegluga-srodladowa/>

The authors point out that due to negligent omissions by the public administration authorities in charge of the inland waterway transport in Poland, the navigable conditions have deteriorated, which is reflected by lower exploitation parameters of the inland waters. This in turn results in most of Poland's inland waterways not meeting the international requirements regarding the exploitation parameters of internationally important inland waterways, excluding Poland from the Trans-European Transport Network (TEN-T) in terms of water transport corridors.

Another important obstacle is that water management competences are too widely scattered. Lack of a single person responsible for the water management is considered to be a major reason of poor inland waterway transport development in Poland.

The report contains a number of recommendations and suggestions on how to restore the inland waterway transport, including the hydropower solutions for Polish rivers. The financing institutions present possible forms in which they could support the waterway investments, and the lawyers lay out how the legal issues that hinder the growth of the sector can be solved.

UKRAINIANS LOOK TO THE WEST – POLICY ASSESSMENT AND EXPECTATIONS

/ SUMMARY /

MAIN CONCLUSIONS

- Ukrainian society is in favour of a pro-European course for its country. Just like three years ago, currently (in 2015) half of Ukrainians (51%) support their country's accession to the European Union. However, the percentage of people who are more favourably disposed towards the model of integration proposed by Russia – the Eurasian Union – has decreased by half. This integration direction is currently supported by 17% of respondents.
- Half of Ukrainians rate the policies of Western countries towards the Russia-Ukraine conflict highly. Positive opinions clearly outweigh the negative ones, but there is also a relatively large percentage of persons who are undecided (about one-fifth of respondents). Polish activity (57%) is most favourably perceived, followed by that of Germany (52%), the EU (51%), and the United States (46%).
- The type of support that is expected most from the EU and its member states (by respondents) is humanitarian aid for refugees (75%) and economic aid (73%). Over half of respondents also expect the lifting of visas (56%) and the sending of military equipment to eastern Ukraine and the training of the Ukrainian army (55%). Only one in three respondents would like Western countries to send their troops to Ukraine.
- Ukrainians strongly support sanctions imposed on Russia by Western countries. In total, two-thirds of respondents want a tightening (50%) or maintenance (15%) of the current sanctions. A clear minority are in favour of easing (6%) or lifting sanctions (8%), but as many as one-fifth of respondents do not have an opinion on this matter (21%).

INTRODUCTION

For over two years, Ukrainian society has grappled with a deep political, economic, and social crisis evoked by the policies of the Russian government aimed at cancelling out Ukraine's European choice, which took place at Euromaidan, and was

then confirmed as a result of democratic presidential and parliamentary elections. The annexation of Crimea and the military activities in the eastern part of Ukraine carried out by separatists supported by Russia, have met with condemnation on the part of Western

democracies. The EU and the United States imposed economic sanctions on Russia, and at the same time international institutions and individual countries are trying to support Ukrainian reforms, to enable Ukraine to emerge from the crisis and have closer ties with the EU and Western democracies and defend its sovereignty and territorial integrity.

The aim of the study – which is the basis of this report – was to determine how Ukrainian society evaluates the policies of the most important Western partners supporting Ukraine’s path to democracy and economic development, and to find out what the expectations are as to further actions by the international community. A further aim of the study was to check whether popular support for integration with European structures remains firm.

The Institute of Public Affairs conducted studies in Ukraine in 2000, 2010, and 2013. On this basis, it is possible to observe the dynamics of changes and indicate how the current conflict has influenced the views of Ukrainian residents. At the beginning of 2015, the Institute of Public Affairs together with the German Bertelsmann

Stiftung also examined the opinions of Poles, Germans, and Russians concerning the conflict. The results presented in the publication: *Razem czy osobno? Polacy, Niemcy i Rosjanie o konflikcie rosyjsko-ukraińskim* (Close Together or Far Apart? Poles, Germans and Russians on the Russia-Ukraine Crisis), which revealed many similarities between Poles and Germans in their perceptions of the current situation and the need to undertake action by their countries, as well as showing the scepticism of Russians about sending Russian troops to Eastern Ukraine.

The latest research – commissioned by the Institute of Public Affairs and the Bertelsmann Foundation in Ukraine – was conducted by the Ilko Kucheriv Democratic Initiatives Foundation and the Olexander Razumkov Ukrainian Centre for Economic and Political Studies from 22 to 27 July 2015, on a representative sample of 2011 adult Ukrainians by the *face to face* method¹.

This report analyses some of the posed questions. A full analysis of all results will be presented in a publication issued in October 2015 and will be available on the website: www.isp.org.pl.

¹ The study did not encompass the Autonomous Republic of Crimea or the occupied territories of the Donetsk and Lugansk regions. Before the outbreak of the Russian-Ukrainian conflict (as at 2014) these regions (parts of which are currently in a state of conflict) were inhabited by the following numbers of people: Autonomous Republic of Crimea – 1,967,000, the city of Sebastopol – 386,000, the Donetsk Oblast – 4,344,000, the Lugansk Oblast – 2,240,000. The total population of Ukraine at that time was 42,837,000. (source: https://ukrstat.org/operativ/operativ2015/ds/kn/kn_r/kn0515_r.html). The conflict contributed to a huge wave of migration – according to UN calculations, almost 1,300,000 inhabitants have already moved from the occupied territories to another part of Ukraine: from the Donetsk, and Lugansk Oblasts and Crimea. Many people from these regions have also migrated to other countries – including the EU and Russia.

A PRO-EUROPEAN COURSE FOR UKRAINE

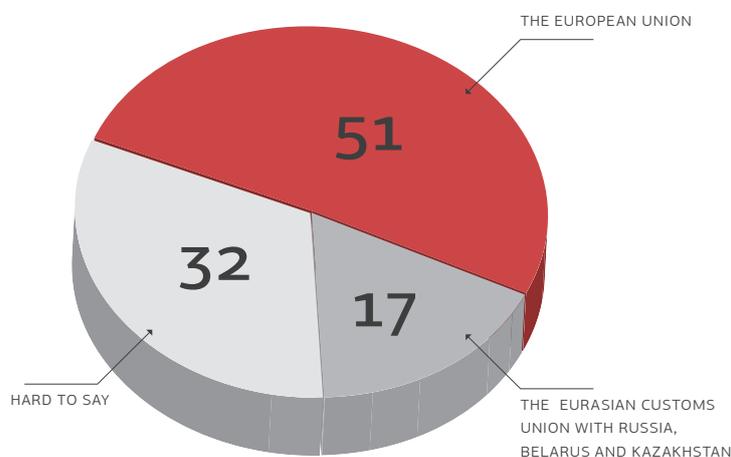
Ukrainian society has never been uniform in its opinions about the direction in which the country should go – towards integration with the EU or with Russia. Studies conducted at the Institute of Public Affairs since 2000 have confirmed this division – in both 2000 and 2010, surveys indicated that – simultaneously – part of society was in favour of acceding to the EU and part was in favour of joining the Union of Belarus and Russia. However, the group of people that favoured acceding to the EU was always half or somewhat more of the respondents. In 2013, just before Euromaidan started, when choosing between the two possible options, 50% of respondents favoured

Ukraine joining the EU, whereas 33% favoured the Customs Union of Russia, Belarus and Kazakhstan, and 12% did not want their country to join either of these two communities.

Similarly, in 2015, half of Ukrainians (51%) are in favour of accession to the EU. However, the proportion of people who are more favourably inclined towards the model of integration proposed by Russia – the Eurasian Union – has decreased by half. This direction of integration is currently supported by only 17% of respondents. At the same time, currently, the percentage of respondents who do not have a defined opinion in this matter is relatively large (32%). The above data show firstly that Russian policy towards Ukraine engenders amongst a large section

Figure 1.. **Which union should Ukraine join?** Replies by Ukrainians in 2015 (%)

Source: the Institute of Public Affairs and the Bertelsmann Stiftung, 2015.



of Ukrainians reluctance towards integration projects proposed by Moscow. At the same time, the large percentage of undecided people points to the uncertainty of parts of Ukrainian society as to which solution would be best for their country. The Russian direction of integration is losing support, as Ukrainians have been successfully discouraged from it by Russian policy. At the same time, support for integration with the EU has not grown, which may be linked with disillusionment amongst part of Ukrainian society, as a result of hitherto relations with the EU (e.g., lack of an offer of membership, insufficient help – in the opinion of Ukrainians – from the EU, or scepticism towards the pro-EU elite currently governing Ukraine). Those who earlier supported cooperation with Russia do not believe that integration with the EU would be a better choice for Ukraine.

Half of Ukrainians are in favour of their country's accession to the European Union. Those in favour of joining the Eurasian Union are in the minority. Their percentage has halved in relation to 2013.

POSITIVE ASSESSMENT OF WESTERN POLICY

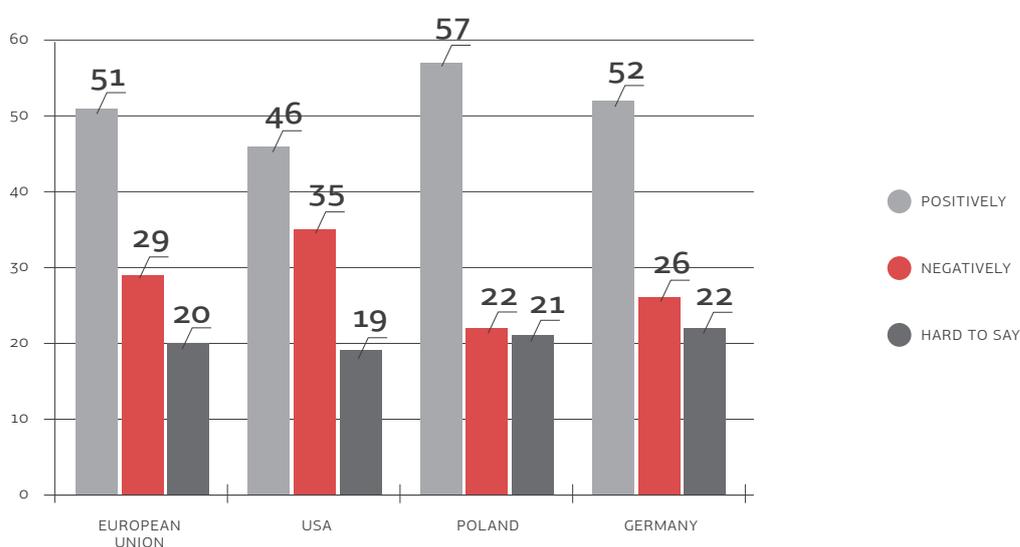
Support for European integration depends directly on the activities undertaken by the EU and its member states towards Ukraine and in relation to the whole Ukraine-Russia conflict. These include political initiatives and political attitudes, and the material or military support offered. Such activities can encourage or discourage a closing of ties with Western states and strengthen or weaken the trust that Ukrainians have in the Western world, including the EU.

Half of Ukrainians rate the policy of Western countries towards the conflict highly. Positive opinions prevail over negative ones. Poland's activities (57%) are perceived best, then those of Germany (52%), the EU (51%) and the United States (46%). The policy of the United States garners the worst opinions (35%). Negative assessments of the EU, Germany, and Poland are held by: 29%, 26%, and 22% of respondents respectively. As in earlier questions, a relatively high proportion of respondents – one-fifth – does not have an opinion on this matter.

Half of Ukrainians rate the policy of the West towards the Ukraine-Russia conflict highly. Polish policy garners the most praise.

Figure 2. How do you assess the policies of the European Union, United States, Poland and Germany towards the Ukrainian-Russian conflict? Replies by Ukrainians in 2015 (%)

Source: the Institute of Public Affairs and the Bertelsmann Stiftung, 2015.



EXPECTATION TOWARDS WESTERN PARTNERS – HUMANITARIAN AID FOR REFUGEES AND ECONOMIC SUPPORT

Having found itself in a state of war with Russia, Ukraine expects concrete support – which meets its real needs – from the international community, especially from its closest neighbours. The most expected support – indicated by three-quarters of respondents – is humanitarian aid for refugees (75%) and economic aid (73%). Over half of respondents also indicate: lifting visas (56%) and sending military equipment to Eastern Ukraine and training the Ukrainian army (55%).

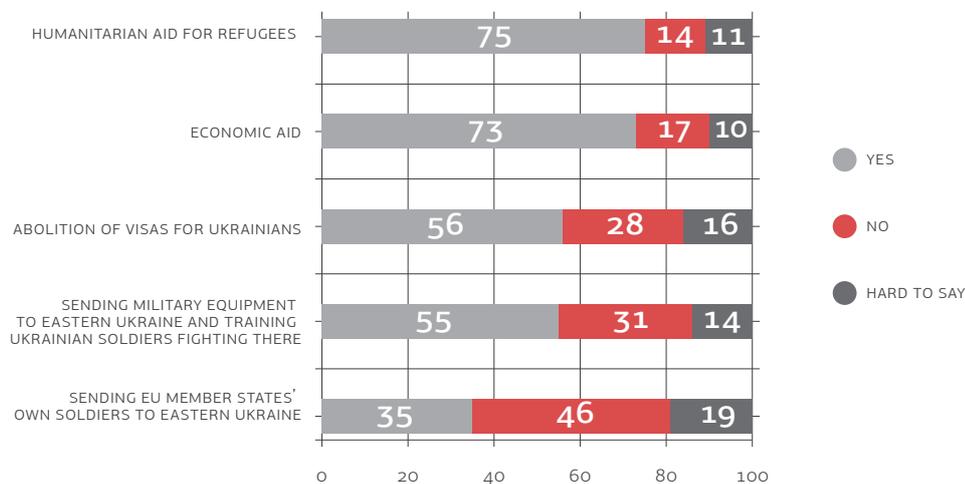
However, every third respondent would like EU states to send their troops to Ukraine.

Ukrainians above all expect humanitarian aid for refugees and economic aid from the European Union. They less frequently point to lifting visas and sending military equipment and training the Ukrainian army. One-third would like troops from EU countries to be sent to Ukraine.

The high percentage of people who expect help for refugees should not come as a surprise.

Figure 3. What kind of support would you expect for Ukraine from the European Union and its member states, including Poland and Germany? Replies by Ukrainians in 2015 (%)

Source: the Institute of Public Affairs and the Bertelsmann Stiftung, 2015.



According to data presented by the United Nations from May 2015, the annexation of Crimea and the war in the Donbas have led to a situation where about 1,300,000 people have already decided – or been forced – to migrate to other regions of Ukraine that are not affected by the war².

Answers indicating the need for economic help in the current disastrous state of the Ukrainian economy are also understandable. In the course of last year (2014), Ukraine's GDP fell by 6.8%, and in the first three months of 2015 by 18% in comparison with the

first three months of 2014. Inflation in April reached 61% in relation to the previous year, which resulted in a clear impoverishment of society³. In February 2015, the minimum wage fell to 1218 hryven (approximately 50 euros), in other words, less than it is in Bangladesh, Ghana, and Zimbabwe⁴.

What is surprising, however, is that only almost half of Ukrainians consider that the lifting of visas would be a form of support for their country (although twice the number of people support this solution than oppose it). This may be due to several factors. Respondents may not perceive

² http://zn.ua/UKRAINE/v-ukraine-chislo-vnutrennih-bezhencev-dostiglo-1-3-mln-chelovek-oon-176231_.html

³ <http://www.osw.waw.pl/pl/publikacje/komentarze-osw/2015-06-16/okret-na-mieliznie-poglebiajace-sie-problemy-ukrainskiej>

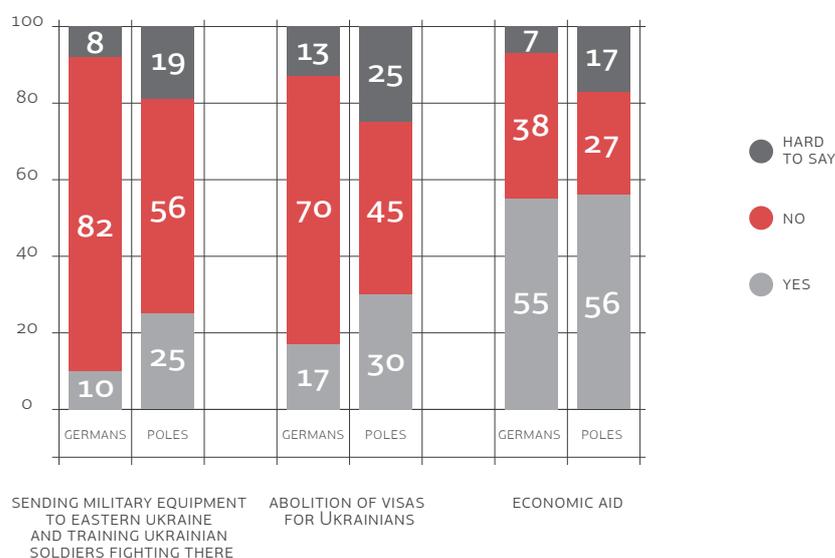
⁴ <http://www.ekonomia.rp.pl/artykul/1197569.html>

the link between the lifting of visas and support for Ukraine as a country – on the contrary, some may even judge that if some inhabitants go abroad, this may be detrimental for their country. In Ukraine, anxious voices can be heard saying that too many people are already leaving and there won't be anyone left to rebuild the country. Respondents may at the same time relate the question to their own personal situation (as this issue directly concerns citizens). In this case, no opinion – or not recognising the sense of such help – may be linked to the fact that many Ukrainians still do not go abroad (and do not even move within their own country), and, furthermore, do not even possess a passport. Surveys conducted by

the Institute of Public Affairs in 2013 show that barely 31% of Ukrainians possessed a passport entitling them to travel abroad. At the same time, 40% emphasised that they had never been abroad. Thus, for a large part of Ukrainian society, the lifting of visas is a purely hypothetical act. The relatively low support for the demand to send armies from other countries to help Ukraine suggests that some Ukrainians may fear that their territory will be transformed into an area of wider confrontation between the West and Russia. It seems that they prefer to make use of equipment and face the attackers themselves, without relying on the armed forces of EU countries.

Figure 4. **What kind of support should your country give Ukraine?** Replies by Poles and Germans in February 2015 (%)

Source: the Institute of Public Affairs and the Bertelsmann Stiftung, 2015.



Comparing the opinions of Ukrainian society, which expects support, with the opinions of inhabitants of Poland and Germany, which would provide this support, one can perceive certain differences. Although the percentage of Poles and Germans in favour of (their country) imparting economic aid to Ukraine is relatively high, amounting to over half of respondents, it is decidedly lower than the percentage of Ukrainians who expect such aid. Whereas half of Ukrainians would like Ukraine to gain support for their army from EU countries, only one-tenth of Germans and one-quarter of Poles in February 2015 were in favour of the sending of military equipment to Ukraine or the training of the Ukrainian army by their country. Scepticism in Poland and Germany is also prevalent regarding the lifting of visas.

The expectations of over half of Ukrainians in this matter are supported by only 30% of surveyed Poles and 17% of surveyed Germans.

From a comparison of the above data it transpires that significant differences exist between the level of expectations of residents of Ukraine regarding foreign help for their country and the readiness to impart such aid on the part of societies of two key EU countries, i.e. Germany and Poland.

SUPPORT FOR THE TIGHTENING OF SANCTIONS

As a result of the annexation of Crimea and military involvement in eastern Ukraine,

Figure 5. **The current sanctions imposed on Russia by the EU should be:** Replies by Ukrainians in 2015 (%)

Source: the Institute of Public Affairs and the Bertelsmann Stiftung, 2015.

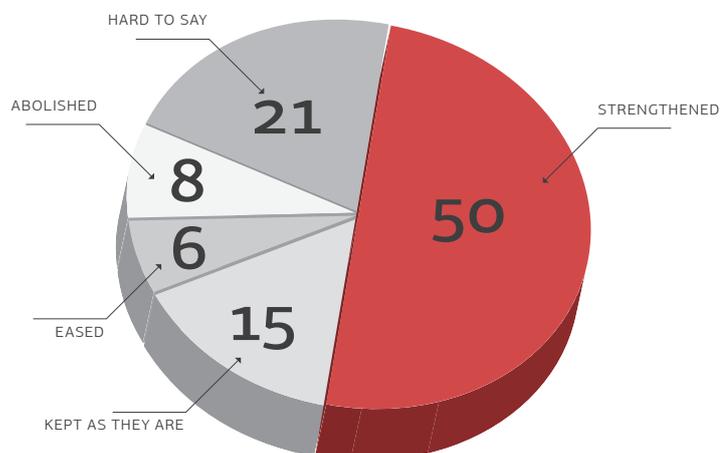
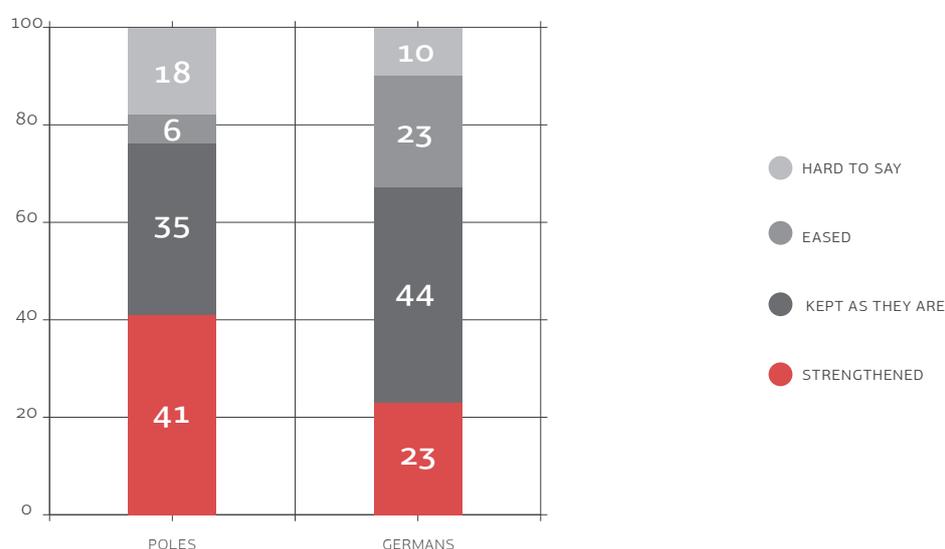


Figure 6. **The current sanctions imposed on Russia by the EU should be:** Replies by Poles and Germans in February 2015 (%)

Source: the Institute of Public Affairs and the Bertelsmann Stiftung, 2015.



the EU imposed political and economic sanctions on Russia, the main purpose of which was to support Ukraine and force Russia to stop its aggressive policy towards this country. Although sanctions are having a negative effect on the Russian economy, they have not significantly changed the Kremlin's policy towards Ukraine.

Sanctions enjoy strong support in Ukraine. Two-thirds of respondents are in favour of maintaining or tightening them, with 15% of respondents in favour of maintaining them in their current form, but 50% consider that the current sanctions are insufficient and need

to be tightened. These people probably not only think that tightening sanctions is a legitimate step (as Russian troops are intensively involved in the conflict), but also that additional sanctions will encourage the Russian government to stop its aggressive actions.

A clear minority of surveyed Ukrainians wants sanctions to be relaxed (6%) or lifted (8%), and the remainder are undecided (21%), which in this case is relatively high. Such a large percentage of undecided respondents may indicate that many people do not understand what link they have with the situation in Ukraine.

Half of Ukrainians are in favour of tightening sanctions against Russia

When asked about the preferred future of sanctions in February 2015⁵, Poles and Germans were in favour of tightening them or leaving them at current levels, with Polish responses, in particular, being close to Ukrainian ones in the matter of the possibility of tightening sanctions. A small minority of Poles were in favour of the easing of sanctions in February 2015, and this percentage is identical with the current percentage of Ukrainians sharing this opinion. One should note, however, these results are not fully comparable, because in the research in Ukraine, respondents also had the possibility of answering that sanctions should be lifted.

CONCLUSIONS

The data presented here clearly show that in spite of significant costs borne by Ukrainian society, the European choice still enjoys support among most of society, whilst support for closer political and economic ties with Russia is falling. Ukrainians also generally positively assess the policies of their Western allies. They support the economic sanctions imposed on Russia and would like them to be tightened. At the same time, they expect clear support from EU countries, with the priority for them being economic and humanitarian aid. For Poland and other Western countries involved in the Ukrainian transformations, the challenge is to continue to meet these expectations in such a way that the process of democratic and market reforms in Ukraine becomes a success.

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Full version of the report is available at: <http://isp.org.pl/uploads/pdf/472812760.pdf>

⁵ And, thus, at a time when the decision in the EU about a successive prolongation of sanctions in their existing form had not yet been taken

WHERE IS THE EUROPEAN SINGLE MARKET HEADING? IMPACT OF GERMAN MILOG LAWS ON THE ROAD TRANSPORT SECTOR IN POLAND

/ SUMMARY /

The transport sector accounts for about 6.6% of Poland's gross domestic product (GDP) and hence is a key element of the country's economy. The sector plays a significant role at home, and also in Europe, because a seamless flow of goods determines the extent to which advantages that ensue from the EU internal market can be explored.

At the same time international road carriage is gaining more and more importance in the transport sector, especially in EU member states. The sector is an example of Polish entrepreneurs' success in the EU market. In recent years Polish companies have also managed to regain their position after a downturn caused by the global economic crisis. Because of the country's geographical location and size of the market, the most significant amount of carriage within the European Union is conducted to, from and via Germany.

The transport market has now become a consumer market and carriers are largely competing on price to win customers over. Available analyses show that the sector is fragmented and dominated by microenterprises, yet recently larger companies have been gaining in importance. **Analysis of financial statements from major companies conducted as part of this report shows that sales are going up, although the dynamics of the growth are lower and lower. Also, margins are relatively low and debt is relatively high.**

The financial situation makes the sector strongly dependent on external factors, particularly on the cost side. The sector is considerably influenced by legislation risks (both on the EU and national levels), but also the overall economic situation in Poland and EU member states, fuel prices, and a variety of employee-related expenses.

The minimum wage law introduced in Germany (Mindestlohngesetz in German, MiLoG in short) has also affected Polish transport sector employees temporarily working in that country. The law sets out the minimum hourly wage of EUR 8.5, severe administrative requirements and control measures, and heavy fines for failing to comply with the regulation amounting to up to EUR 500,000.

As part of this report, an analysis was carried out into the direct and indirect impact that the implementation of the MiLoG has had on the Polish road transport sector in economic and social terms. **The direct impact will vary for individual companies and depend on the number of man-hours worked in Germany. In the worst case scenario a rise in salaries paid by Polish transport companies for work in Germany will amount to 113% compared to the current level.** A simulation that was conducted shows that 42% of the transport companies in the study will have a negative net margin following the rise in salaries, which is likely to put them out of business in a situation in which other circumstances remain the same.

The regulation will also have an indirect effect on companies that do not provide services in Germany, and on road transport-related industries. The negative consequences may be felt mainly in the financial sector, since some companies may stop paying off their debts and leasing installments. The implementation of the MiLoG may also have an indirect adverse impact on exporters, wholesale companies, and the automotive industry.

In the boundary scenario according to which companies do not conduct adaptation activities, 14,000 people in 1,074 studied companies may lose their jobs and as many as 53,000 people may be made redundant in the entire sector. This will have particularly negative consequences in regions with high unemployment rates and local job markets which have a high concentration of companies providing international transport services. Most such enterprises can be found in Dolnośląskie, Wielkopolskie, Śląskie and Mazowieckie regions.

Owners of transportation companies will try and raise their efficiency, which may result in consolidation and better performance in the sector in the long run. Market experience shows that some entrepreneurs may resort to unfair competition and seek savings by for example extending the drivers' working hours, which is illegal and disadvantageous to the workers. In addition, if the transport market served by Polish transport companies shrinks, given the drivers' high mobility, they may find employment abroad. This will have an indirect

negative influence on public finances, since personal income tax revenues are going to fall.

The MiLoG is also associated with non-tariff barriers. Analysis of the regulation proves that the administrative requirements it defines for companies are out of proportion to the objectives set, which may violate EU law. The same can be said for fines that the law sets out because the fines greatly exceed those for similar violations under German national law. Entrepreneurs themselves mainly pay attention to the following factors:

- lack of access to reliable information as to whether various remuneration elements are covered by the MiLoG (legal uncertainty);
- contracting parties providing them with annexes to contracts or including clauses in newly concluded ones according to which carriers should take full responsibility for complying with the MiLoG and possible litigations, where in many cases failure to accept the new conditions means termination of cooperation;
- costs of translating documents;
- costs of changes to HR systems;
- costs of changes to the manner in which hours are calculated.

In addition, the German law has become a model for other European regulations, the most

important of which is the French Macron act (loiMacron), which also introduces minimum wages and severe administrative requirements. Similar laws concerning drivers have been implemented in Norway and they are going to be introduced in Belgium, the Netherlands, Luxembourg, and Italy. As a result of subsequent laws, the consequences of the MiLoG may escalate.

The implementation of the minimum wage law in Germany was also analyzed in the context of the tendency to depart from the fundamental principles of the European Union that has been observed in recent years, namely concerning the free flow of people, goods, services, and capital.

Economists say that free trade contributes to a rise in overall prosperity. Liberating trade has a variety of advantages: it enables creating new trade streams, shaping specializations that ensure an increase in management efficiency, achieving economies of scale, and raising levels of investment, also foreign.

For the last hundred years there has been a decrease in excise duties and other trade barriers, and the World Trade Organization has been established. Economic integration within the European Union has also progressed, based on an internal market operating on the four above-mentioned freedoms. According to recent estimates, with no internal market in place, average GDP per capita in EU countries would have been 12% lower than it is now.

For the last decade the European Union has been increasingly troubled with processes that tend to inhibit trade from being liberated further. These tendencies translate into specific solutions: diluting the services directive and proposals to limit the free flow of people. A recent example of this trend is the MiLoG and similar regulations in other EU countries. In some areas such tendencies may lead to the fragmentation of the internal market that forms the basis of European prosperity.

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Full version of this report is available at:

https://www2.deloitte.com/content/dam/Deloitte/pl/Documents/Reports/pl_Deloitte_MiLoG_ENG.pdf



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