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CONTENT

INTRODUCTION

Actuality of the research. The modern economic development of the European Union (EU) is confronted with a range of internal contradictions and problems. Despite the establishment of a common currency, the euro, economic integration within the EU suffers from uneven development among its members. Strong economies such as Germany and France have advantages over less developed countries, which can create inequality and tensions within the EU. Additionally, regional disparities in economic development lead to labor migration from poorer regions to wealthier ones, potentially exacerbating social and economic inequalities. Another problem is the complexity of making common economic decisions in the EU. Diverse national interests and political systems hinder consensus on economic policies, making it challenging to effectively operate the Eurozone and take necessary measures to address economic crises. Moreover, the EU faces challenges from international competition, particularly from Asian countries like China. Declining shares of global GDP and trade for the EU, as well as the loss of certain industries, raise concerns about Europe's future economic status. Finally, there is also an issue of economic imbalance within individual EU countries, characterized by high unemployment rates, low investments, and sluggish productivity growth. These problems can undermine economic stability and prosperity in the region. All these factors highlight the need for enhanced coordination and reforms in EU's economic policies to overcome internal contradictions and ensure sustainable and equitable economic development in Europe.

The aim of research is to research the internal contradictions and problems of the modern economic development of the EU.

– to determine the establishment of the European Union: history and peculiarities;

– to investigate EU Member States and institutions;

– to evaluate the current trends and directions of the European Union's activities;

– to examine the current trends in the activities of the European Union;

– to determine the directions of economic cooperation between the European Union and other countries in the modern stage;

– to analyze the current crisis in the EU: problems and prospective evaluation;

– to study the impact of Brexit on the EU Economy and potential Solutions.

The object of the research is the activities of the European Union.

The subject of the research is the theoretical and practical actions of the European Union in addressing the internal contradictions and problems of the modern economic development of the EU.

Research Methods. The methodological basis of the study was a set of methods of scientific knowledge of the system and mechanism of the functioning of the European Union. General scientific methods contributed to the achievement of the goal: empirical research (measurement, comparison, observation); theoretical studies (analysis and synthesis), as well as the expert survey method; comparative analysis and graphic method.

The information base of the research. The research drew upon various sources including electronic resources from the Internet, monographic literature, and articles authored by both foreign and domestic scholars in periodicals.

Publications: Mohamed Sadok Ben Romdhane, Viktoriia Strilets. Internal contradictions and problems of modern economic development of the EU. *Актуальні проблеми теорії та практики міжнародних економічних відносин в умовах глобальної трансформації* : матеріали наукової конференції здобувачів вищої освіти і молодих учених спеціальності 292 Міжнародні економічні відносини (м. Полтава, 14 квітня 2023 р.) / за заг. ред. доц. В. Ю. Стрілець. Полтава : ПУЕТ, 2023. С. 83-85.

CHAPTER 1
THEORETICAL PRINCIPLES OF THE FUNCTIONING OF THE EUROPEAN UNION

1.1. Formation of the European Union: history and features

The European Union (EU) is a unique economic and political union between 27 European countries. The EU that we know today has its roots in several treaties signed in the aftermath of the Second World War. The first step was to foster economic cooperation, based on the idea that countries that trade with one another become economically interdependent and so are more likely to avoid conflict. The result was the European Economic Community, created in 1958 with the initial aim of increasing economic cooperation between six countries: Belgium, Germany, France, Italy, Luxembourg and the Netherlands. Since then, 22 more countries have joined (the United Kingdom left the EU on 31 January 2020) and a huge single market (also known as the internal market) has been created and continues to develop towards its full potential. What began as a purely economic union has evolved into an organisation spanning many different policy areas – from climate, environment and health to external relations and security, justice and migration.

The EU has delivered more than half a century of peace, stability and prosperity, helped raise living standards and launched a single European currency: the euro. More than 340 million EU citizens in 19 countries now use it as their currency and enjoy its benefits.

Thanks to the abolition of border controls between most EU countries, people can travel freely throughout most of the continent. It has also become much easier to live and work in another country in Europe. All EU citizens have the right and freedom to choose in which EU country they want to study, work or retire. Every EU country must treat EU citizens in exactly the same way as its own citizens when it comes to matters of employment, social security and tax.

The EU's main economic engine is the single market. It enables goods, services, money and people to move freely. The EU aims to follow suit in other areas like energy, knowledge and capital markets to ensure that Europeans also obtain the maximum benefit from these resources.

The EU remains focused on making its governing institutions more transparent and democratic. Decisions are taken as openly as possible and as closely as possible to the citizen. More powers have been given to the directly elected European Parliament, while national parliaments play a greater role than before, working alongside the EU institutions.

The EU is governed by the principle of representative democracy, with citizens directly represented at the EU level in the European Parliament and Member States represented in the European Council and the Council of the European Union.

Citizens are encouraged to contribute to the democratic life of the EU by giving their views on EU policies during their development or by suggesting improvements to existing laws and policies. The European Citizens' Initiative empowers citizens to have a greater say on EU policies that affect their lives. Citizens can also submit complaints and enquiries concerning the application of EU law.

As enshrined in the Treaty on European Union, 'The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.'

These values are an integral part of the European way of life. Human dignity constitutes the basis of fundamental rights; it must be respected and protected. Human rights are protected by the EU Charter of Fundamental Rights. These cover the right to be free from discrimination on the basis of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation, the right to the protection of your personal data and the right to get access to justice.

In 2012, the EU was awarded the Nobel Peace Prize for advancing the causes of peace, reconciliation, democracy and human rights in Europe.

Being an EU citizen also means enjoying political rights. Every adult EU citizen has the right to stand as a candidate for and vote in European Parliamentary elections, whether in their country of residence or country of origin.

The EU is based on the rule of law. All citizens have equal right before the law and everything the EU does is founded on treaties, which are voluntarily and democratically agreed by its member countries. Law and justice are upheld by an independent judiciary. The countries that belong to the EU have given final jurisdiction in matters of EU law to the Court of Justice of the European Union, whose judgments have to be respected by all.

With a population of approximately 450 million people, and a GDP of 13 trillion euros, if the EU was a country it would be the third largest in the world by both of these metrics. The European Union is foremost a political and economic partnership-type institution, with significant international influence, both economically and politically. As the EU has grown, it has expanded its activities in areas such as environmental policy, cultural development, integration policy, and international exchange, as well as the promotion of human rights. The EU has its own currency, the Euro, which is used by 19 member states; it also has a free travel area with limited border controls, known as the Schengen Area, which applies to 22 members; and there are 24 official languages used by the EU [46].

The undeniable fact is that the member countries of the EU exhibit significant heterogeneity. The ability of these countries to mobilize their resources and promote export-oriented growth within the globalized European economy is directly linked to the realization of higher and sustainable rates of economic growth. However, it should be noted that the pursuit of export orientation is a fundamental objective of the European development strategy as a whole.

This strategy, guided by the "strategic navigation" framework (Maastricht criteria), has transformed into a core-periphery development model based on the previously acquired comparative advantages of each country.

Historical evidence has repeatedly demonstrated that this model, serving as the foundation for the development strategy, has led to imbalances in economic development. In fact, the development process of the European area has been characterized by two distinct developmental strategies, both representing different facets of the same phenomenon – the "contradiction of development in the economic structure of capitalist societies." These different development strategies have emerged as a result of the restructuring of Euroland in anticipation of global market competition.

The varying levels of development among countries in the EU can be attributed to the real divergence in performance between core and periphery countries. This divergence stems from the accumulation of capital in the core countries, while debt accumulates in the periphery countries. The accumulation of debt in the periphery is primarily a consequence of their diminishing competitiveness, which in turn has become a destabilizing factor for their economic growth.

The performance of the development model in core countries can be assessed by examining the German economy as a representative of an export-oriented strategy. This strategy serves as the foundation for enhancing the competitiveness of the economy on the global market.

Over the past decade, the focus has primarily been on implementing a restrictive income policy to achieve the nominal inflation target and foster productivity growth. Consequently, this policy has resulted in a decline in the growth of per unit labor costs. The redistribution of income towards saving on labor costs has led to a decrease in private consumption within the German economy. While higher profits have not stimulated an increase in investment in capital stock, they have instead been channeled into nonfinancial institutions.

Every action taken by the EU is founded on treaties that have been approved voluntarily and democratically by all EU countries. The treaties lay down the objectives of the EU and set out the rules on how the EU institutions operate, on how decisions are made and on the relationship between the EU and its Member States.

In certain specific cases, not all Member States participate in all areas of EU policy. For example, while the euro is the single currency of the EU as a whole, the euro area currently comprises only 19 Member States, while Denmark has an opt-out and the remaining countries do not yet meet the criteria for joining. 22 Member States are members of the Schengen area, which means people can cross a border between two of these countries without having to show a passport. Five Member States maintain their own border controls [66]. The EU works in various policy areas (tabl. 1.1).

Table 1.1 –EU policy areas in 2023 [66]

Policy areas	Main aspects	Characteristic
1	2	3
Health	Health COVID-19 response	Health is a major priority for the European Union. The EU's health policy complements Members States' policies to ensure that everyone living in the EU is protected from serious cross-border health threats and has access to quality healthcare. The COVID-19 pandemic has led to human tragedy, lockdowns and economic slowdown. The EU rapidly took action to protect lives and livelihoods and developed a common European response to the public health and economic challenges.
Climate change and the environment	European Green Deal Climate action Environment Energy Transport and travel Food and farming Oceans and fisheries	The European Green Deal is the EU's action plan to make Europe the first climate-neutral continent. It is a growth strategy that aims to create, by 2050, a modern, resource-efficient and competitive European economy with no net emissions of greenhouse gases that leaves no one behind.
A stronger economy, social justice and jobs	Economy, finance and the Euro Employment and social affairs Jobs, growth and Investment Research and innovation Tax and customs Single market Space Consumer protection Fair competition	The Economic and Monetary Union provides a common foundation for stability, jobs and growth across the EU. The EU contributes to the creation of more and better jobs across Europe and aims for fair social standards for all, including through the €99.3 billion European Social Fund Plus for the 2021–2027 period.
EU in the world	International affairs and security Humanitarian aid and civil protection International partnerships EU neighbourhood and enlargement; Trade	The common foreign and security policy enables the EU to speak and act as one in world affairs, allowing Member States to tackle challenges they cannot solve alone and ensuring the security and prosperity of EU citizens.
Values, rights and the rule of law	Fundamental rights LGBTIQ equality Gender equality Over 50s Racism and equality	The EU guarantees a range of fundamental rights. Respect for fundamental rights is a common value for the EU and its Member States, and guides the EU's action both inside and outside its borders. The EU works to ensure the uniform application of EU law, to solve cross-border legal problems for its citizens, and to promote and uphold the rule of law

Cont. table 1.1

1	2	3
Digital transformation	Digital economy and society A safer internet	The EU is determined to make the 2020s Europe's digital decade. It is working to ensure that digital technologies work for everyone, while helping to achieve climate neutrality by 2050, and securing Europe's place as a leader in the digital economy.
European democracy	Citizens and democracy The EU budget	The EU encourages transparency and democratic participation in a just and fair European political system, and actively promotes citizen engagement in the EU decision-making process. The EU budget provides the resources that the EU needs to deliver on its policy agenda. By pooling resources at the EU level, Member States achieve more than by acting alone and can successfully address challenges that know no borders, like climate change or the COVID-19 pandemic.
Migration, borders and security	Migration and asylum The Schengen area Home affairs and citizens' security	The EU's migration and asylum policy helps Europe deal with migration challenges in an effective manner. The EU provides a border-free travel area to more than 425 million people in 26 countries, as well as to non-EU citizens living in the EU or visiting as tourists, exchange students or for business purposes.
Education, culture, youth and sport	Education and training Youth Culture, media and sport	The EU helps improve the quality of education by encouraging and supporting cooperation between Member States and by complementing national measures. Erasmus+ provides opportunities for people of all ages to study, train, gain work experience and participate in exchanges. The EU works to preserve Europe's shared cultural heritage and make it accessible to all. It supports the arts and helps cultural and creative industries in the EU to thrive through the Creative Europe programme, and promotes sport through the Erasmus+ programme.

The EU's ambition is to ensure accessible, effective and resilient health systems in the EU. The EU's work includes action on vaccination (including against COVID-19), fighting antimicrobial resistance, and preventing and limiting pandemics and other infectious diseases. The EU's role in preparing for and responding to serious cross-border health threats is essential to protecting people in Europe [27].

Solidarity is at the heart of the common EU response to COVID-19. The EU is mobilising all resources available to help Member States coordinate their national responses. This includes providing objective information about the spread of the virus, effective efforts to contain it and action to repair the economic and social damage resulting from the pandemic. The rescEU medical reserve, the first common EU stockpile of emergency medical equipment, has helped Member States facing shortages of equipment. The EU vaccine strategy aims to speed up the development, manufacturing and distribution of COVID-19 vaccines. The EU financed some of the upfront costs faced by vaccine producers to speed up the development and production of promising vaccines as part of its vaccine purchasing strategy. To date, five safe and effective vaccines have been authorised for use in the EU following positive scientific recommendations by the European Medicines Agency. The Commission had secured up to 2.6 billion vaccine doses by April 2021 and negotiations continue for additional doses. In January 2021, the Commission called on Member States to speed up the roll-out of vaccination across the EU. Vaccine deliveries to EU Member States are increasing steadily and vaccination is gathering pace. The Commission is also working with the industry to increase vaccine manufacturing capacity. Work has started to rapidly produce effective vaccines for new variants. In February 2021, the Commission launched the HERA Incubator to prepare for COVID-19 variants of concern and ensure the swift development and production of effective vaccines to counter them. The EU budget for 2021–2027 and NextGenerationEU, the recovery plan, will provide €1.8 trillion to support people, companies and regions, particularly those most affected by the crisis. In addition, the SURE initiative (Support to mitigate Unemployment Risks in an Emergency) helps preserve jobs and support families in 19 Member States. In March 2021, the Commission presented a proposal to create an EU Digital COVID Certificate to facilitate the safe free movement of citizens within the EU during the pandemic. The EU is committed to ensuring that safe vaccines reach all corners of the world. The Commission and EU Member States have pledged over €2.2 billion to COVAX, the global initiative aimed at ensuring fair access to COVID-19 vaccines, and are supporting vaccination campaigns in partner countries [29].

The European Green Deal sets out how to make Europe the first climate-neutral continent by 2050. Reaching this target means creating a clean, circular economy, restoring biodiversity and cutting pollution. It requires action in all sectors of the economy, including:

– investing in environmentally friendly technologies;

– supporting innovation in industry;
– cleaner, cheaper and healthier forms of private and public transport;
– decarbonising the energy sector;
– ensuring buildings are more efficient;
– working with international partners to improve global environmental standards.

The EU is committed to becoming climate neutral by 2050 and has set the target of cutting net greenhouse gas emissions by at least 55 % below 1990 levels by 2030. The first-ever European climate law will set these goals in stone and ensure that all EU policies contribute to meeting them.

Significant investment from both the EU and the national public sector, together with the private sector, will be required. The European Green Deal investment plan will mobilise at least €1 trillion in sustainable investments, while the Just Transition Mechanism will ensure that no region is left behind, providing targeted support to help mobilise at least €55 billion in the most affected regions. Climate action is a part of all the main EU spending programmes, with at least 30 % of the budget for 2021–2027 dedicated to climate-related initiatives.

The Green Deal is underpinned by an ambitious goal to halt and reverse biodiversity loss by transforming our food systems and our forest, land, water and sea use, as well as energy, cities and industry. The new EU industrial strategy will help Europe's industry lead the twin transitions towards climate neutrality and digital leadership. Digital technologies will play an important part in achieving the EU's 2050 climate goal, for example, by optimising energy use in many sectors including agriculture, transport and manufacturing [1].

The Economic and Monetary Union binds the EU's economies together through coordinated economic and fiscal policies, harmonised rules for financial institutions, a common monetary policy and a common currency, the euro. It is a powerful tool to deliver jobs, growth, social fairness and financial stability. However, while there have been important institutional reforms to strengthen the Economic and Monetary Union in recent years, it remains a work in progress.

The EU's economic and financial policies aim to:

–create jobs and boost investment;

–promote economic stability;

–improve the efficient functioning of the Economic and Monetary Union;

–regulate financial institutions and complex financial products;

–preserve financial stability and protect taxpayers in financial crises;

–strengthen the international role of the euro.

While all 27 Member States are a part of the Economic and Monetary Union, many have taken their integration further and adopted the euro as their currency. Together, these countries make up the euro area. Today, the euro is used by more than 340 million people in 19 Member States. Euro notes and coins are a tangible symbol of the freedom, convenience and opportunities that the EU makes possible [21].

The digital policy is implemented by the High Representative of the Union for Foreign Affairs and Security Policy, and supported by the European External Action Service, the EU's diplomatic service. The EU's external actions are guided by the principles that inspired its own creation and development, and which it seeks to promote in the wider world, including peace, democracy, the rule of law, human rights and fundamental freedoms.

Digital technologies have never been more important in our lives. During the COVID-19 crisis, they have kept people connected and businesses working, and have proved essential for education and training. They are also crucial in fighting climate change, including through smart energy and transport systems.

The groundwork for the digital transformation has been established, leading to various benefits facilitated by EU actions, including:

1. Elimination of additional roaming charges within the EU when using mobile devices while traveling.

2. Access to online content while traveling within the EU.

3. Implementation of strict EU regulations for personal data protection.

4. Availability of free public Wi-Fi hotspots throughout the EU.

5. Introduction of rules to improve accessibility to public websites for individuals with disabilities.

6. Measures taken to combat fake news and online disinformation.

The EU's proposed digital strategy aims to continue developing digital solutions that bring advantages to individuals, businesses, and the environment. It focuses on three primary objectives: technology serving people, fostering a fair and competitive economy, and nurturing an open, democratic, and sustainable society.

To protect the fundamental rights of citizens online, address online harm, and encourage innovation, the Commission has put forward a comprehensive set of regulations for online platforms operating within the EU. The strategy also covers various aspects, including cybersecurity, data management, digital education, and democracy. The Digital Compass, a part of the strategy, translates the EU's goals for 2030 into specific targets, with a key emphasis on safeguarding EU values, fundamental rights, and security.

The Digital Europe program, backed by a funding allocation of over €7.5 billion between 2021 and 2027, will promote investments in areas such as supercomputing, artificial intelligence, and digital skills. It aims to ensure widespread utilization of digital technologies across the economy and society, including through the establishment of digital innovation hubs.

Furthermore, other programs will support the digital transition, such as Horizon Europe, which focuses on research and technological development, and the digital aspects of the Connecting Europe Facility. Additionally, under the NextGenerationEU recovery fund, Member States are expected to allocate 20% of their financial support from the Recovery and Resilience Facility to advance the digital transformation [62].

Building upon the progress achieved since 2016, the European Commission's proposal in 2020 for a new pact on migration and asylum aims to establish an effective system for managing migration and addressing irregular arrivals, even during times of crisis. The new framework seeks to ensure fair burden-sharing and solidarity among Member States while providing certainty for individual applicants.

The pact guarantees that individuals with genuine needs will have the right to stay in the EU. Simultaneously, the EU's first strategy on voluntary return and reintegration aims to assist individuals who do not have the right to stay in the EU in voluntarily returning to their home countries and seizing opportunities there.

A new policy on legal migration aims to attract individuals with new skills and talents that will benefit the EU economy. It also seeks to strengthen cooperation with non-EU countries and enhance overall migration management in the long run. Integration and inclusion are crucial for individuals arriving in Europe, local communities, the long-term well-being of societies, and the stability of economies. While integration policies are primarily the responsibility of Member States, the EU is intensifying its efforts in this area. The 2021-2027 action plan on integration and inclusion strives for comprehensive inclusion through improved access to employment, healthcare, housing, and education.

Responding more effectively to migrant smuggling is a shared challenge for the EU, its Member States, and partner countries. Since 2015, EU and Member State operations have saved over 650,000 lives at sea. The renewed EU action plan against migrant smuggling outlines measures to counter and prevent smuggling in collaboration with partner countries.

The EU provides a safe haven for individuals escaping persecution or serious harm in their countries of origin. Following Russia's invasion of Ukraine in February 2022, the EU promptly offered immediate support to those fleeing the war, including temporary protection within the EU. The temporary protection scheme grants individuals rights such as residence permits, access to the labor market, housing, healthcare, and education for children [56].

EU countries are responsible for their own education and training systems, but the EU helps them achieve quality education through the exchange of good practice, setting targets and standards, and providing funding and expertise.

The EU is working to create a European education area that will remove barriers to learning and improve access to quality education for all. Covering all levels of education, the initiative focuses on:

– improving quality and equity in education and training;
– supporting teachers, trainers and school leaders;
– promoting the development of digital skills for all citizens;

– encouraging green education initiatives;
– strengthening cooperation with countries around the world [44].

The European Union continues to evolve, with ongoing discussions and debates on issues such as further integration, economic reforms, migration, climate change, and global cooperation.

1.2. EU Member States and institutions

The European Union (EU) is a unique project that brings together 27 European countries in the pursuit of peaceful cooperation, prosperity, and the protection of shared values. Each EU member state contributes to the formation and development of the European Union, while EU institutions play a crucial role in ensuring the efficiency and coherence of decision-making.

EU Member States and institutions are key elements of European integration, forming the foundation for cooperation and interaction within the EU. They create an institutional structure that enables member states to collaborate in various areas and make collective decisions that promote the well-being and sustainable development of Europe.

EU Member States are sovereign nations that have voluntarily joined the European Union, sharing common goals and accepting obligations under European legislation. They invest their resources, economic power, and political will in creating a unified European community. Member states collaborate in areas such as economy, security, social policies, culture, and others, striving to ensure stability and prosperity for their citizens.

EU institutions are organizations established by the member states to manage and make decisions within the framework of the European Union. They include the European Commission, the European Parliament, the Council of the European Union, the European Court, and others. Each institution plays its role in the decision-making process, promoting democratic participation, representation, and effectiveness in policy-making.

The interaction between EU member states and EU institutions forms the basis for developing and implementing policies that reflect the interests and needs of European citizens. Through ongoing collaboration and the exchange of ideas, the EU seeks to create a united and integrated Europe capable of effectively addressing modern challenges and ensuring the well-being of its citizens.

In the following discussion, we will explore the key EU member states and their roles in European integration, as well as the major EU institutions and their functions in creating and advancing a unified European community.

At the core of the EU are its 27 Member States and their citizens (tabl. 1.2). It was created in the aftermath of the Second World War. The first steps were to foster economic cooperation: the idea being that countries who trade with one another become economically interdependent and so more likely to avoid conflict.

In 1951, six countries founded the European Coal and Steel Community, and later, in 1957, the European Economic Community and the European Atomic Energy Community:

– Belgium;
– Germany;
– France;
– Italy;
– Luxembourg;
– the Netherlands.

A further 22 countries have since joined the EU, including a historic expansion in 2004 marking the re-unification of Europe after decades of division.

The unique feature of the EU is that although the Member States all remain sovereign and independent states, they pool together some of their sovereignty in areas where this has an added value.

In practice, this means that the Member States delegate some of their decision-making powers to the shared institutions they have created, so that decisions on specific matters of common interest can be made democratically at the EU level.

Table 1.2 – The list of countries of European Union (EU) with the accession dates [30]

Country	EU accession date	Schengen Area member	Eurozone member
Austria	January 1, 1995	Yes	Yes
Belgium	March 25, 1957	Yes	Yes
Bulgaria	January 1, 2007	No	No
Croatia	July 1, 2013	No	Yes
Cyprus	May 1, 2004	No	Yes
Czechia	May 1, 2004	Yes	No
Denmark	January 1, 1973	Yes	No
Estonia	May 1, 2004	Yes	Yes
Finland	January 1, 1995	Yes	Yes
France	March 25, 1957	Yes	Yes
Germany	March 25, 1957	Yes	Yes
Greece	January 1, 1981	Yes	Yes
Ireland	January 1, 1973	No	Yes
Italy	March 25, 1957	Yes	Yes
Latvia	May 1, 2004	Yes	Yes
Lithuania	May 1, 2004	Yes	Yes
Luxembourg	March 25, 1957	Yes	Yes
Malta	May 1, 2004	Yes	Yes
Netherlands	March 25, 1957	Yes	Yes
Poland	May 1, 2004	Yes	No
Portugal	January 1, 1986	Yes	Yes
Romania	January 1, 2007	No	No
Slovakia	May 1, 2004	Yes	Yes
Slovenia	May 1, 2004	Yes	Yes
Spain	January 1, 1986	Yes	Yes
Sweden	January 1, 1995	Yes	No

At the EU level, decision-making involves multiple institutions, namely:

1. The European Parliament, which represents and is directly elected by EU citizens.

2. The European Council, consisting of the Heads of State or Government of EU Member States.

3. The Council of the European Union (also known as the Council), representing the governments of EU Member States.

4. The European Commission, representing the interests of the entire EU (fig.).

Additionally, the national parliaments of Member States, along with two advisory bodies, also play a role in decision-making:

1. The European Committee of the Regions, comprised of representatives from regional and local governments.

2. The European Economic and Social Committee, consisting of representatives from employees' and employers' organizations, as well as stakeholders' groups.

There are three key political institutions that possess the executive and legislative authority of the European Union (fig.1.1). The Council of the European Union represents the governments of member states, the European Parliament represents the citizens, and the European Commission represents the overall European interest. When a request for legislation is made by the Council, Parliament, or another party, the Commission takes the responsibility of drafting the legislation and presenting it to the European Parliament and the Council of the European Union. In most cases, both institutions must give their approval for the legislation to become law. The specific legislative procedure employed determines the exact nature of this process. Once approved and signed by both bodies, the legislation is enacted.

The Commission's primary duty is to ensure the implementation of these laws by managing the day-to-day operations of the Union and taking legal action against those who fail to comply.

The European Parliament, which consists of 705 members, shares the legislative and budgetary authority of the Union with the Council of the European Union, composed of relevant national government ministers. Every five years, the members of the European Parliament are elected through universal suffrage and are seated based on their political affiliations. Representing nearly 500 million citizens, the European Parliament is the world's second-largest democratic electorate and is the only directly elected body in the Union. While it serves as one of the two legislative chambers of the Union, it has less authority than the Council in certain sensitive areas and lacks legislative initiative. However, the European Parliament does possess powers over the Commission that the Council does not have. Its democratic nature and increasing powers have established it as one of the most influential legislatures globally [52].

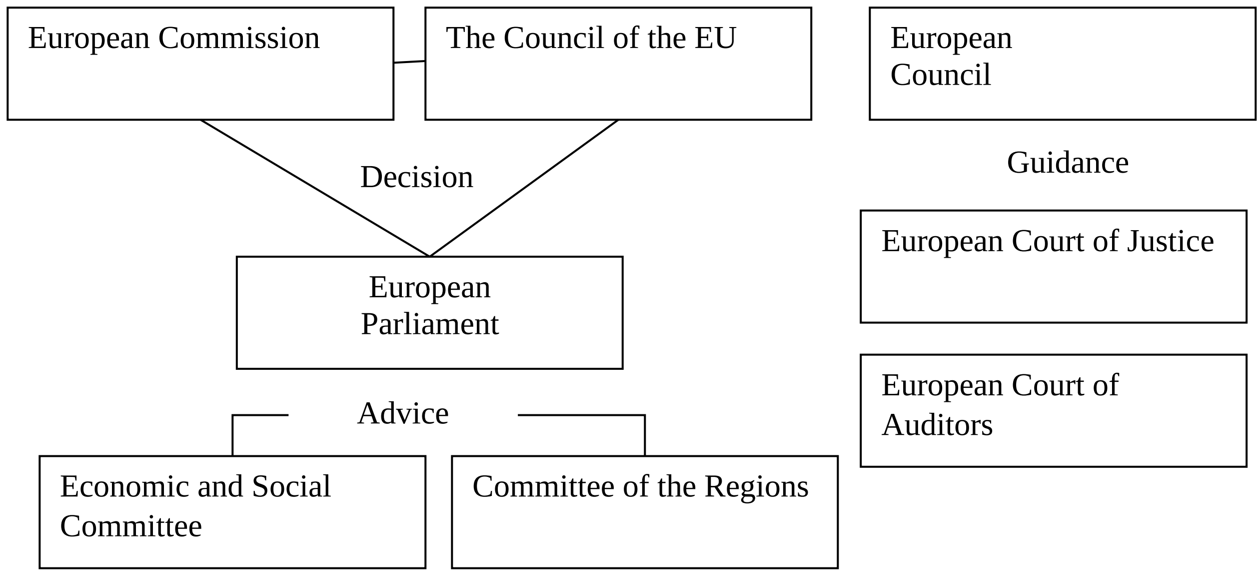


Figure 1.1 – EU Institutions [66]

Typically, the Commission proposes new laws, and the Parliament and the Council adopt them.

The advisory bodies and national parliaments participate in the decision-making process by providing their opinions on proposals, primarily considering the principles of subsidiarity and proportionality. Subsidiarity means that the EU acts only when its intervention is more effective at the EU level than at the national level, except in areas where it has exclusive powers. Proportionality requires the EU's actions to be limited to what is necessary to achieve the objectives of the EU treaties.

Once EU laws are adopted, the Member States and relevant EU institutions implement them. Further details on the EU decision-making process and its implementation can be found in the third section of this publication.

The founding treaties of the European Union, namely the Treaty on the Functioning of the European Union (1957) and the Treaty on European Union (1992), establish the powers, responsibilities, and procedures of the EU's institutions. These treaties have been supplemented by the Lisbon Treaty (2007), which introduced certain changes and additions to their competencies.

The EU has four main institutions that work closely together to shape the EU's agenda, initiate, and coordinate the creation of EU laws. These institutions have distinct functions and roles.

While the European Council primarily determines the EU's political direction, it does not have the authority to create laws. However, it can reach agreements on amendments to the Treaty on the Functioning of the EU. On the other hand, the European Parliament, the Council of the European Union, and the European Commission are primarily responsible for developing policies and legislation that are applicable across the EU. This process is known as the Ordinary Legislative Procedure.

Typically, the Commission proposes new laws, and the Parliament and Council of the European Union adopt them. Once adopted, member countries implement these laws, and the Commission ensures their proper application [].

The European Parliament is part of the legislative, or law making, process in the EU. Most proposed laws must be approved by the European Parliament and the Council of the European Union before they can become law.

The Parliament has 705 seats and elections to fill these seats are held in all member states every 5 years. The European Parliament is the only directly elected body within the EU.

The Parliament elects its own president, along with 14 vice-presidents for a term of 2.5 years. The president represents the Parliament to other EU institutions.

The European Parliament has 3 roles:

– It debates legislation. It can pass or reject laws, and it can also make amendments (but not in all cases). Laws must also be passed by the Council of the EU in order to become law. If the law is about EU budgets, the Parliament can only advise on it – it does not have the power to reject the law.

– It supervises EU institutions and budgets. The president of the EU Commission must be approved by Parliament, and the Commission must answer written or oral questions during Question Time.

– It establishes an EU budget (along with the Council of the EU). Unlike most national parliaments, the European Parliament cannot initiate legislation. The European Commission is the only EU institution with the power to initiate (or start) new laws. The Parliament can ask the Commission to initiate laws.

The Council of the European Union shares decision-making power with the European Parliament, particularly in the areas of law-making and budget approval.

The Council consists of the government minister of each state who is responsible for whichever topic the Council is discussing. For example, if agriculture is being discussed, the Council will be made up of the ministers with responsibility for agriculture of each member state (the council of ministers).

The Council has the following functions:

– Legislative– The Council has the power to pass laws. This is a power that it shares with the European Parliament. In many cases, legislation must be passed by both the Council and the Parliament to become law.

– Economic – Every year, the Council drafts guidelines for the economic policies of member states.

– Policies – the council develops the EU’s foreign and security policies.

– Negotiation – the Council has a supervisory role and the final say when the EU is negotiating international agreements with other countries and international organisations.

– Budget – The Council adopts the EU budget together with the Parliament.

The European Commission is the executive of the EU. This means that it is responsible for initiating laws, enforcing the laws of the EU and managing the EU’s policies. It is made up of 27 commissioners (one from each member state) and is based in Brussels. Each member state nominates a commissioner, but the nominated candidates must be approved by the European Parliament. The Parliament must also approve the President of the European Commission.

The Commission has the following functions:

–Legislation – The Commission initiates legislation. It makes proposals for laws that are sent to the European Parliament and Council of the European Union for approval.

–Upholding EU law – The Commission can take action against businesses or states that are failing to comply with EU law.

–Policy – The Commission is the executive of the EU. It manages policies and drafts budgets.

–Representation – The Commission represents the EU in negotiations with other countries or organisations.

The European Council is a separate institution to the Council of the European Union. The European Council consists of the heads of government of each EU member state, the European Council President (currently Charles Michel) and the President of the European Commission (Ursula von der Leyen).

The Council meets at least twice every 6 months in Brussels. It does not have the power to initiate or pass laws. Instead, it decides on strategies and policies. The European Council appoints the president, vice-president and executive members of the European Central Bank.

The Court of Justice of the European Union (CJEU) is the judicial institution of the EU. This means that it deals with disputes between parties that involve EU law. It is made up of the European Court of Justice, the General Court and some specialised courts. The General Court is the court of first instance. The European Court of Justice is the highest court of the EU.

The Court of Auditors audits the accounts and oversees the budgets of EU institutions. It aims to improve financial management of EU money and to report to EU citizens on how EU money is used. Its annual report is published in the Official Journal of the European Union.

The Court of Auditors is based in Luxemburg and is composed of one member from each EU country. Each member state suggests a candidate who is appointed by the Council of the European Union in consultation with the European Parliament for a renewable term of 6 years.

The European Central Bank (ECB) is the central bank for the euro area and is responsible for conducting monetary policy for the euro area. The ECB is part of the European System of Central Banks, which also includes the national central banks of all EU member states, whether they have adopted the euro or not. It is also part of the Eurosystem, along with the central banks of the countries from the euro area.

The current president of the European Central Bank is Christine Lagarde. The ECB has the following functions:

–It maintains price stability in the euro area by setting interest rates;

–It manages the euro area’s foreign currency reserves;

–It manages the regulation of financial services by national central banks;

–It authorises the production of euro banknotes by countries in the euro area.

Other EU institutions. There are a number of other EU institutions that have more specialised roles. They include:

– The European Ombudsman – Investigates complaints about poor administration by EU institutions.

– European External Action Service – Manages the EU’s diplomatic relations with countries outside the EU and conducts EU foreign and security policy.

– European Economic and Social Committee – This is an advisory body that represents worker and employer organisations.

– European Committee of the Regions - Advisory body that represents local authorities of regions and cities in the EU.

– European Investment Bank – Provides funding for projects within the EU.

– European Data Protection Supervisor – Oversees the processing of personal data by EU institutions.

Each of the institutions plays an important role in the functioning of the European Union. All institutions work harmoniously to achieve a single goal - ensuring the development of member countries and achieving balanced interaction with other countries.

Chapter 1 conclusions

In the Chapter 1 «Theoretical principles of the functioning of the European Union» the establishment of the European Union: history and peculiarities determined, and the EU Member States and institutions investigated.

The European Union (EU) is a distinctive economic and political union that encompasses 27 European countries. Its inception can be traced back to the establishment of the European Economic Community in 1958, initially comprising six countries: Belgium, Germany, France, Italy, Luxembourg, and the Netherlands. Subsequently, an additional 22 countries joined the EU (with the United Kingdom departing on January 31, 2020), leading to the creation of a vast single market, also known as the internal market. This market has been continually evolving towards its full potential. Over the course of more than half a century, the EU has been instrumental in fostering peace, stability, and prosperity, contributing to the improvement of living standards. One of its notable achievements is the introduction of a unified European currency, the euro, which is utilized by over 340 million citizens in 19 countries who benefit from its advantages.

The EU works in various policy areas: health; climate change and the environment; a stronger economy, social justice and jobs; EU in the world; values, rights and the rule of law; digital transformation; european democracy; migration, borders and security; education, culture, youth and sport.

The EU institutions are the key governing and decision-making bodies within the European Union (EU). They include the European Commission, the European Parliament, the Council of the European Union, the European Court of Justice, the European Court of Auditors, and the European Data Protection Board. The European Commission serves as the executive body of the EU and is responsible for proposing and developing legislation, managing the EU budget, and handling external relations. The European Parliament represents EU citizens and participates in the legislative process by approving or rejecting Commission proposals. The Council of the European Union consists of representatives from the governments of member states and makes decisions on major EU issues. The European Court of Justice interprets EU law and resolves disputes between member states or EU institutions. The European Court of Auditors monitors the financial management of the EU, while the European Data Protection Board oversees compliance with data protection rules in the EU. Together, these institutions play a crucial role in the governance and development of the European Union.

CHAPTER 2
STUDY OF MODERN TRENDS AND ACTIVITIES OF THE EUROPEAN UNION

2.1 Modern trends of the European Union

The European Union remains constantly in the spotlight as a political, economic, and socio-cultural union of countries. In the face of rapidly changing geopolitical and economic environments, the development of the European Union holds great significance for Europe and the world at large. Changes in the political landscape, including Brexit and the impact of populist movements, have prompted reflection on the future direction of the European Union. Additionally, the expansion of the Union, the growing role of cryptocurrencies, green energy, and the digital economy, as well as challenges related to migration and security, are key aspects of the current trends of the European Union. Understanding these trends will facilitate better analysis and forecasting of the future directions of the European Union and their impact on global politics and the economy.

In 2022, the European Union recorded a gross domestic product (GDP) of approximately 15.8 trillion euros (fig. 2.1). GDP represents the total value of goods and services produced within a country in a year, serving as a significant indicator of a country's economic strength. However, the European Union, composed of 28 member states, including some of the world's largest economies, experienced the repercussions of the 2008 global financial crisis and subsequent Eurozone crisis. These events had a profound and enduring impact on the overall European economy. The close interconnectedness of European countries resulted in the closure of numerous banks across the region. During the peak of these economic crises, around 2009, the standard of living in the EU notably declined, causing widespread doubt and uncertainty among European families and consumers. However, as the global economic situation gradually improved, consumer confidence and optimism for the future also began to increase.

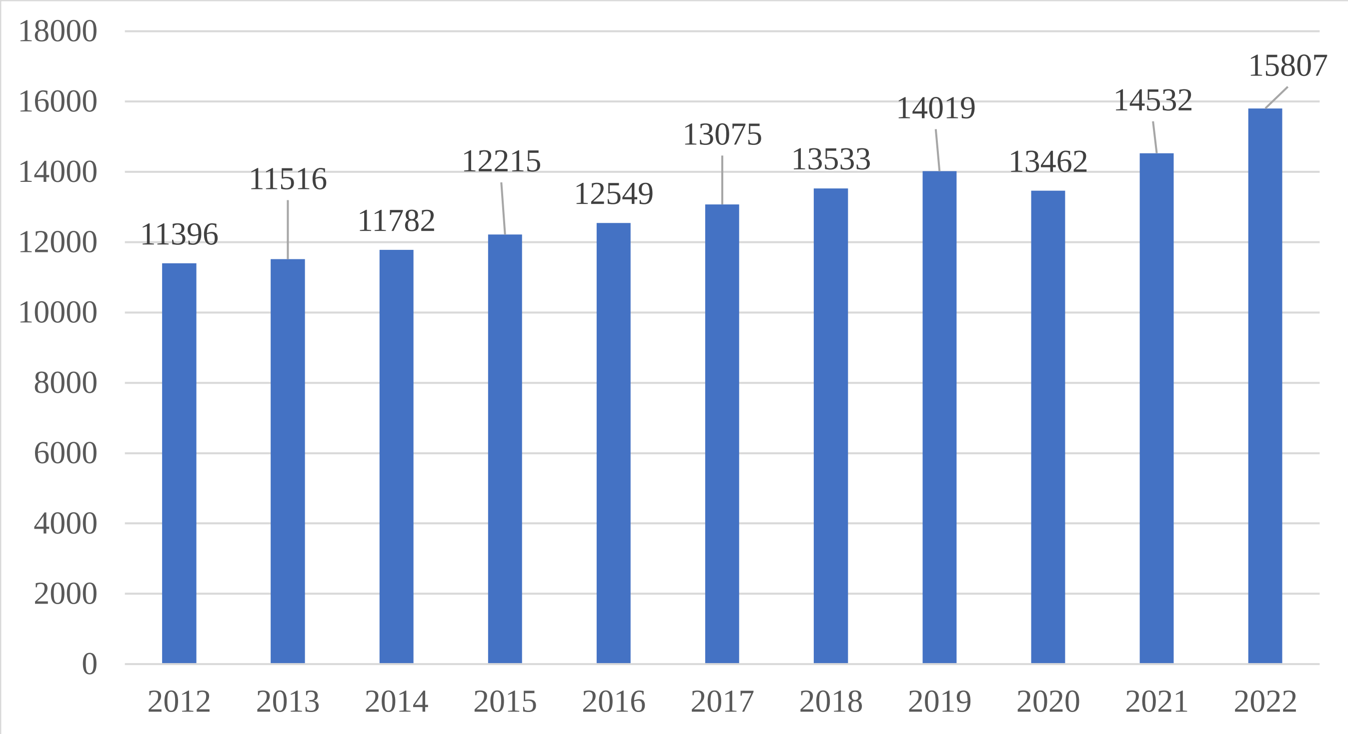


Figure 2.1 – Gross domestic product of the European Union (EU27) from 1995 to 2022 (in billion euros) [46]

The struggles faced by various countries in Europe necessitated measures to stimulate the economy, leading to increased borrowing and spending. Consequently, national debt levels soared. Furthermore, economically stronger countries had to provide financial assistance to crisis-stricken nations, such as Greece, in order to stabilize their economies.

Overall, while the European Union has demonstrated the advantages of uniting multiple countries, it has also experienced the challenges and consequences of economic crises. The recovery process involved concerted efforts to revive economies, manage debts, and provide support to countries facing severe financial difficulties.

The following data (fig. 2.2) presents the inflation rate in the European Union and the Euro area from 2018 to 2022, with projections extending until 2028. Inflation, also known as currency devaluation or a decline in the value of money, refers to a sustained increase in prices for consumer goods and capital goods. It is measured using the consumer price index, which tracks price trends in private consumption expenditure and indicates the current level of inflation. In 2022, the inflation rate in the EU rose by approximately 9.32 percent compared to the previous year. The European Union and the euro area have been significantly impacted by the ongoing Eurozone crisis that originated in 2009. This crisis has hindered many countries within the EU from refinancing their debts independently, leading to a slowdown in economic growth across the entire region. Consequently, both the euro area and the EU have experienced a consistent increase in gross debt levels, with the total debt expected to continue rising due to the current global economic situation and the struggling European economy. This struggle is particularly evident in the EU's budget balance, which has remained negative throughout the eurozone crisis period, although the balances have shown gradual improvement over the years.

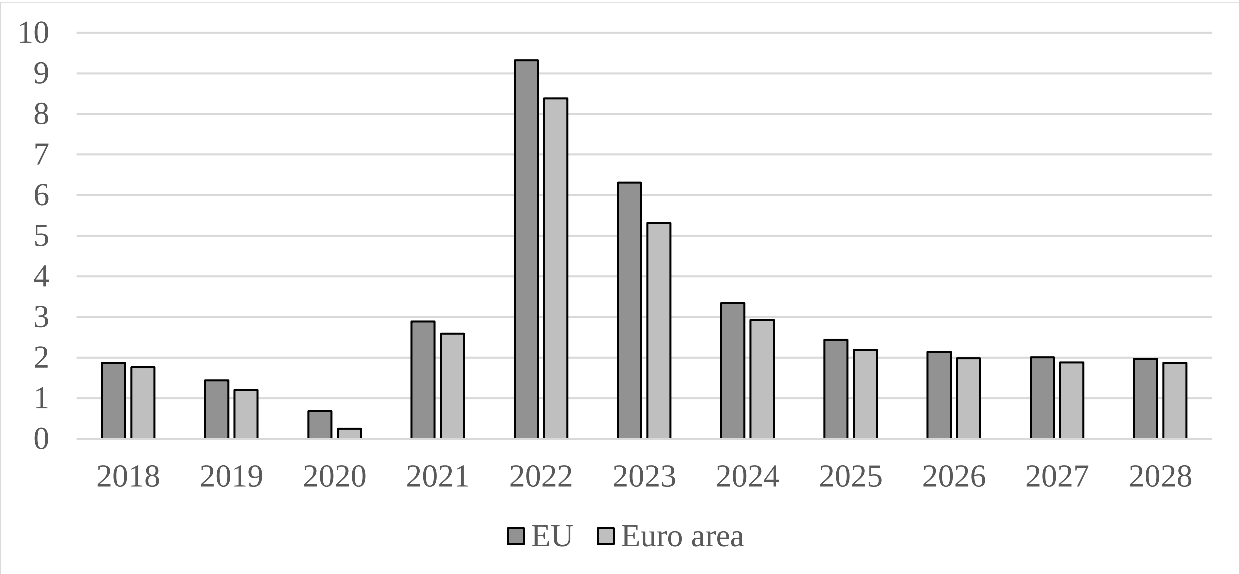


Figure 2.2 – Inflation rate in the European Union and the Euro area from 2018 to 2028* (compared to the previous year) [65]

* Forecast

A country’s national debt, also known as government debt or public debt, is defined as all borrowings owed by the government of a country. It usually comprises internal debt – owed to other governmental departments – and external debt, which is held by the public and is owed to government bond owners. National debt can be caused by a struggling economy in general, or by low tax income, which usually leads to money being borrowed from other governments for support, which in turn cannot be paid back right away. At first glance, a high national debt is not always a sign of a struggling economy – but since increasing debt can slow down economic growth significantly, it is imperative for the respective government to seek a steady reduction in the long run.

Greece has been in the red for years now, and ever since it was the poster child for the financial crisis in 2008/2009, the country has been struggling to pay back its creditors. It was granted a rescue package by the IMF and loans by several major European banks. But even ten years later, Greece still struggles to keep its national debt under control, which surpassed its GDP and still has not recovered – on the contrary, it has increased again over the last few years (tabl. 2.1).

Table 2.1 – National debt in EU countries in the 4th quarter 2020 in relation to gross domestic product, % [66]

Country	National debt
Greece	205,6%
Italy	155,8%
Portugal	133,6%
Spain	120,0%
Cyprus	118,2%
France	116,3%
Belgium	114,1%
Croatia	88,7%
Euro area	85,8%
Austria	83,9%
Slovenia	80,8%
Hungary	80,4%
EU	75,9%

Despite economic challenges, the EU has witnessed population growth almost every year in the past decade. This growth can be attributed to factors such as a high standard of living and ample job opportunities within the EU, which have been more favorable compared to many neighboring countries. The global population in EU is rapidly increasing. Between 1990 and 2015, the global population has increased by around 2 billion people, and it is estimated to have increased by another 1 billion people by 2030.

Asia is the continent in the world with the largest population, followed by Africa and Europe. Asia has the two most populous nations in the world: China and India. In 2014, the combined population in China and India amounted to more than 2.6 billion people. The total population in Europe is around 741 million people. As of 2014, about 10.2 percent of the global population lived in Europe.

Europe is the continent with the second highest life expectancy at birth in the world. Born in 2013, the average European was estimated to live for around 78 years. Stable economies as well as developing and emerging markets in Europe provide for good living conditions for foreign nationals; seven of the top twenty countries in the world with the largest gross domestic product in 2015 are located in Europe.

The statistic (fig. 2.3) shows the total population of the European Union from 2010 to 2022. The population is based on data from the most recent census adjusted by the components of population change produced since the last census, or based on population registers. At the beginning of 2022, the total population of the European Union amounted to approximately 446.83 million inhabitants. See figures for the total population by continent here [46].

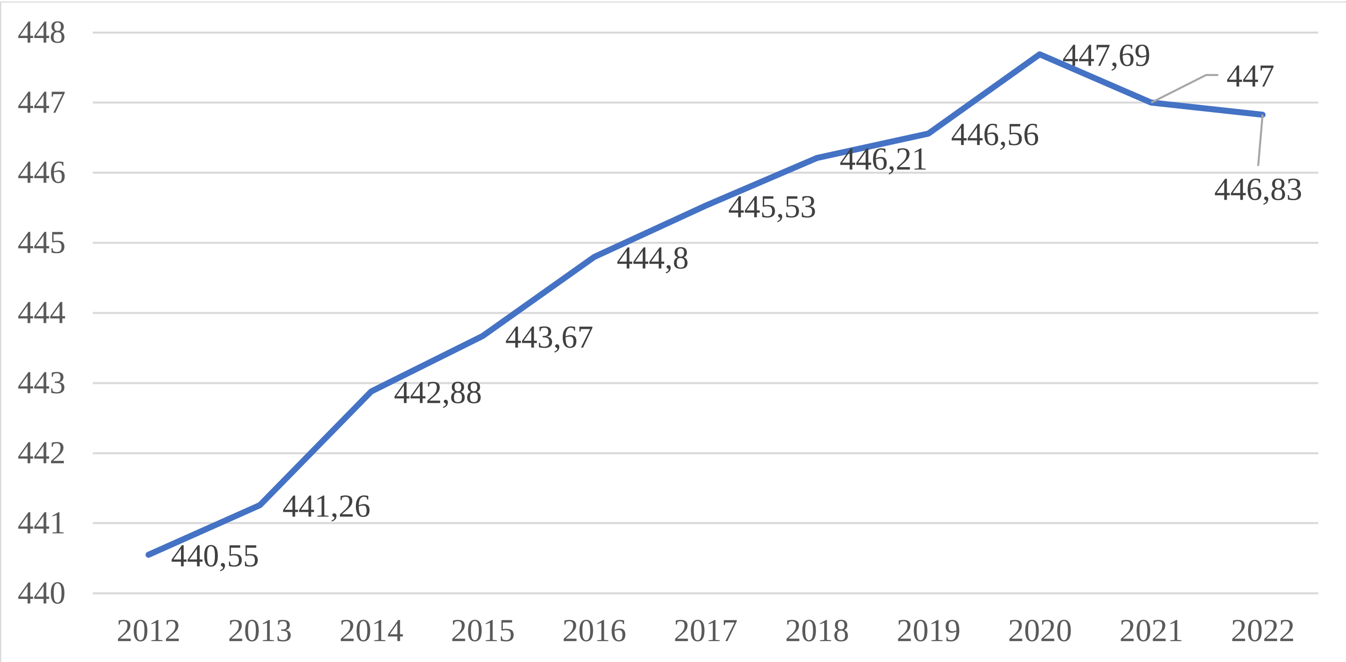


Figure 2.3 – European Union: total population from 2010 to 2022 (in million inhabitants) [46]

The global population is rapidly increasing. Between 1990 and 2015, it increased by around 2 billion people. Furthermore, it is estimated that the global population will have increased by another 1 billion by 2030. Asia is the continent with the largest population, followed by Africa and Europe. In Asia,the two most populous nations worldwide are located, China and India. In 2014, the combined population in China and India alone amounted to more than 2.6 billion people. for comparison, the total population in the whole continent of Europe is at around 741 million people. As of 2014, about 60 percent of the global population was living in Asia, with only approximately 10 percent in Europe and even less in the United States.

Europe is the continent with the second highest life expectancy at birth in the world, only barely surpassed by Northern America. In 2013, the life expectancy at birth in Europe was around 78 years. Stable economies and developing and emerging markets in European countries provide for good living conditions. Seven of the top twenty countries in the world with the largest gross domestic product in 2015 are located in Europe.

Despite a slight decrease in unemployment levels from the peak in early 2013, the European Union continues to face high unemployment rates, especially when compared to the pre-recession levels before the global financial crisis in 2008. This persistent high unemployment indicates the ongoing stagnation in European markets, posing challenges for young job seekers who struggle to compete with more experienced workers for available positions. As a result, youth unemployment rates remain twice as high as the overall unemployment rates.

While some companies like Microsoft and Fujitsu have created thousands of jobs in countries with particularly high unemployment rates, offering a glimmer of hope, certain industries, such as information technology, grapple with a shortage of qualified workers within the local unemployed workforce. Consequently, these industries must rely on hiring workers from abroad rather than contributing to a decrease in local unemployment rates. This skills mismatch presents a complex issue with no immediate solution, as it takes time for workers to undergo retraining to meet the demands of growing science, technology, or engineering-based jobs. Furthermore, there is a shortage of students pursuing degrees that align with these job opportunities.

Unemployment rates worldwide remain elevated, with the Middle East and North Africa experiencing the most challenging conditions. Projections from the International

Labour Organization suggest that the issue will stabilize in the coming years but will not significantly improve until at least 2017 (fig. 2.4).

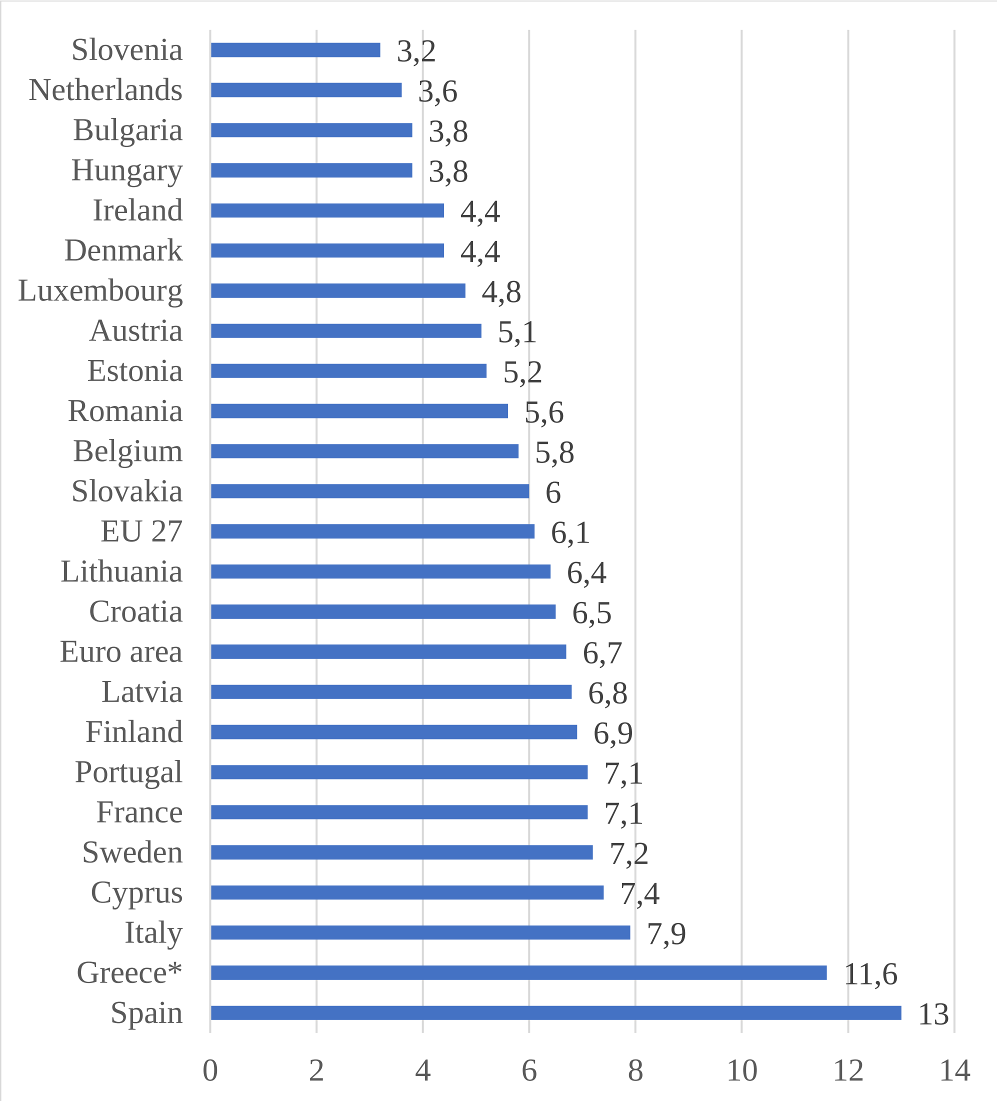


Figure 2.4 – Unemployment rate in member states of the European Union in January 2023 (top 25 countries) [46]

Researching the key indicators of economic and social development in the European Union is of utmost importance for several reasons. Firstly, the EU is one of the largest global economic blocs and has a significant impact on the global economy. Studying indicators of economic development such as GDP, unemployment rates, investment, and trade helps understand the state and prospects of EU development, as well as determine its position in the global economic order.

Secondly, social development in the EU also holds great significance. Researching indicators such as quality of life, education, healthcare, social security, and inequality levels helps assess the effectiveness of social programs and policies, as well as identify areas of concern that require attention.

Researching the key indicators of economic and social development in the EU aids policymakers, politicians, researchers, and the public in obtaining objective information to make decisions regarding policies, investments, and reforms aimed at improving the lives of EU citizens. Additionally, such research contributes to increasing transparency and accountability in the governance of EU member states, while also fostering the development of best practices and shared strategies to achieve sustainable and inclusive development.

On the contrary, the challenge of the pandemic is complex. The first blow was dealt to the four European freedoms: movement of capital, goods, labor, and services. The suspension of production due to the pandemic's impact in the medium term triggers both insufficient supply and excessively low demand. This trend complicates the economic recovery from recession, emphasizing the role of state regulation in a market economy. However, at the EU level, the results of the discussion on the possibility of introducing "corona bonds" to finance the national economies of EU member countries remain uncertain. Germany, in particular, expressed concerns about the prospect of financial imbalances in the functioning of the common European currency. Yet, France hints at the possibility of easing the monetary policy of the European Central Bank, which does not enthuse Germany.

Mandatory quarantine measures have de facto fragmented the Single Market of the EU into "national containers," creating a shortage of labor in certain national labor markets (Germany opened its labor market to skilled workers from non-EU countries on March 1, 2020, before quarantine measures) and raising unemployment levels in other national labor markets. Illustratively, the European Commission, led by Ursula von der Leyen, withdrew into political shadow under these circumstances, leaving the initiative to the national governments of EU member countries.

The identification of Covid-19 initially occurred on December 30, 2019, and the World Health Organization officially declared it a global pandemic on March 11, 2020. The cases spread rapidly, starting predominantly in China in January and swiftly extending to South Korea, Japan, Europe (particularly Italy, France, and Spain), and the United States from late January to mid-February 2020, ultimately reaching global proportions by the time the pandemic was announced. World governments implemented increasingly stringent measures, initially to isolate cases and prevent virus transmission, and later to decelerate its spread. These measures escalated from isolating symptomatic individuals to prohibiting mass gatherings, mandating school closures, and enforcing mandatory home lockdowns.

The temporary halt in non-essential activities within certain EU member states and the decline in retail operations have had noticeable effects on specific segments of transport, distribution, and logistics, which will be summarized below. Regarding recovery perspectives, the demand for transport and mobility services is expected to rebound once restrictive measures are lifted and economic activity gradually resumes. However, the pace of recovery will vary among transport modes and member states, contingent upon factors such as the speed of economic recovery, the cost of supporting measures, and changes in the supply. Additionally, the demand for transport services will be influenced by both the direct and indirect impacts of the pandemic. According to the European Commission, a comprehensive understanding of the full impacts may not be achievable until the end of 2021, and the repercussions are likely to remain visible for at least three years after the crisis.

The health-related measures implemented are expected to impact passenger transport, particularly during the initial months of the gradual return to normalcy. Limits on the number and density of passengers and personnel in vehicles, vessels, and aircraft (including stations, ports, and airports) should be anticipated. The drawbacks of such measures include increased costs and service limitations for transport operators, along with added inconvenience for transport users. A case study in the Netherlands suggests that physical distancing measures may reduce transit capacity to 15-25% of normal levels initially. However, the use of personal protective equipment could potentially increase capacity to 40% of pre-Covid-19 levels.

The Monetary Union experienced a serious crisis even before the pandemic. For instance, to counter negative trends, the European Council adopted the Growth Pact on June 29, 2012, but the mandatory norms were postponed. Fiscal solidarity and the introduction of a common tax policy within the EU were not addressed. Instead, large companies negotiated locating their headquarters in Luxembourg in exchange for an attractive tax regime, allowing them to avoid paying taxes in any other EU country. In 2015, the possibility of Greece exiting the eurozone was not ruled out. Southern European countries, especially Italy and Spain, found themselves in a deepening economic crisis. There was no political will to change the situation by early 2020.

The next blow to European solidarity came from the crisis with illegal migrants. Visegrad Group countries (Poland, Czech Republic, Hungary, Slovakia) refused to accept illegal migrants on a quota basis, citing unwillingness to pay for the consequences of colonization to which they historically had no connection. Populists exploited the humanitarian crisis to activate xenophobic sentiments, and terrorist movements sent their killers to the EU. As a result, left and right populism wander across Europe.

Real security threats exist. During D. Trump's presidency (2017-2020), the EU can no longer rely on its main global competitor, the United States, to ensure its security as it did during the Cold War. Similarly, the EU cannot expect respect from its neighbors with only its gross domestic product as its "weapon." Therefore, the EU needs to protect its borders more effectively, prevent terrorist threats, and overcome covert attempts at destabilization from outside. Addressing these challenges is possible by strengthening European solidarity, efficiently utilizing the potential of the national economies of EU countries, clear interaction between national and supranational levels of authority in the EU, and effective cooperation between EU governing institutions: the European Council, the European Commission, and the European Parliament. The ongoing stress test of the pandemic will provide a clear answer to the EU's ability to address these tasks. An effective European economic union is impossible without an equally effective European political union.

Analysis of research on European integration issues suggests that the EU was not prepared for force majeure circumstances like a pandemic. German researcher W. Wessels, describing the political system of the EU, emphasizes its self-centered orientation. K. Smith noted the imperfection of political, diplomatic, institutional, doctrinal, and resource potentials for the development and implementation of the EU's Common Foreign and Security Policy. Most researchers of the European integration process agree that the main challenges for the EU's development are intergovernmental conflicts, the imperfection of legal and political procedures, the ambiguity of delineating powers between national and supranational authorities according to the principle of subsidiarity, where problems should be solved at the level where they arose with the involvement of the appropriate resources. L. van Middelaar rightly draws attention to the problems of the EU in forming a common identity. The EU still lacks a common language, culture, religion, enemy, and shared experiences. "This significantly limits the space for a pan-European identity policy." The instrument for the gradual formation of such an identity is cultural diversity. However, not all EU member states equally benefit from various aspects of the European integration process.

2.2. Directions of economic cooperation of the European Union with other countries at the current stage

The EU encourages stable democracies and economies in neighbouring countries by building tailor-made partnerships based on shared interests and cooperation at bilateral or regional level. The European Neighbourhood Policy governs the European Union's interactions with 16 neighboring countries, aiming to achieve the following objectives:

1. Promote stability in neighboring countries by addressing economic development, employment opportunities for young people, transportation and energy connectivity, security, and migration.

2. Uphold the values of good governance, democracy, the rule of law, and human rights.

3. Encourage regional cooperation through initiatives such as the Eastern Partnership and the Union for the Mediterranean.

Additionally, in the Southern Neighbourhood, the EU collaborates with its partners to address crises in countries like Syria and Libya and manage migration flows.

The EU Enlargement Policy pertains to Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Turkey. The prospect of EU membership acts as a catalyst for democratic and economic reforms in European countries seeking to join the EU. It also fosters reconciliation and stability. To become an EU member state, a European country must meet democratic standards, possess a functioning market economy, and have the capacity to handle competition and market forces within the EU.

While Turkey remains a significant partner for the EU in various areas, its alignment with the EU's core values and principles has drifted in recent years. Consequently, Turkey's accession negotiations are effectively on hold. However, the EU maintains a strategic interest in a stable and secure eastern Mediterranean environment and endeavors to establish a cooperative and mutually beneficial relationship with Turkey.

In 2020, the EU allocated €7.47 billion in aid to the neighborhood and enlargement regions to mitigate the impact of the COVID-19 pandemic. This assistance included emergency response measures, support for research, healthcare and water systems, and efforts to address the pandemic's economic and social consequences [42].

The EU champions free trade. 35 million EU jobs are, directly or indirectly, supported by trade with countries outside the EU. The EU fights for open, rules-based markets, a level playing field and the highest international standards across the world.

The EU is the world’s largest trading power and one of the most open economies. A third of the EU’s gross domestic product depends on trade. 85 % of future global growth is forecast to come from outside Europe. The EU negotiates and agrees international trade agreements on behalf of its Member States [70].

The EU's trade policy encompasses trade in goods and services, as well as aspects such as intellectual property and foreign direct investment. This statistic (fig. 2.5) shows the trade balance of the European Union from 2011 to 2021. the trade balance is the value of exports minus the value of imports. In 2021, the trade balance surplus of the European Union amounted to approximately 55.12 billion euros.

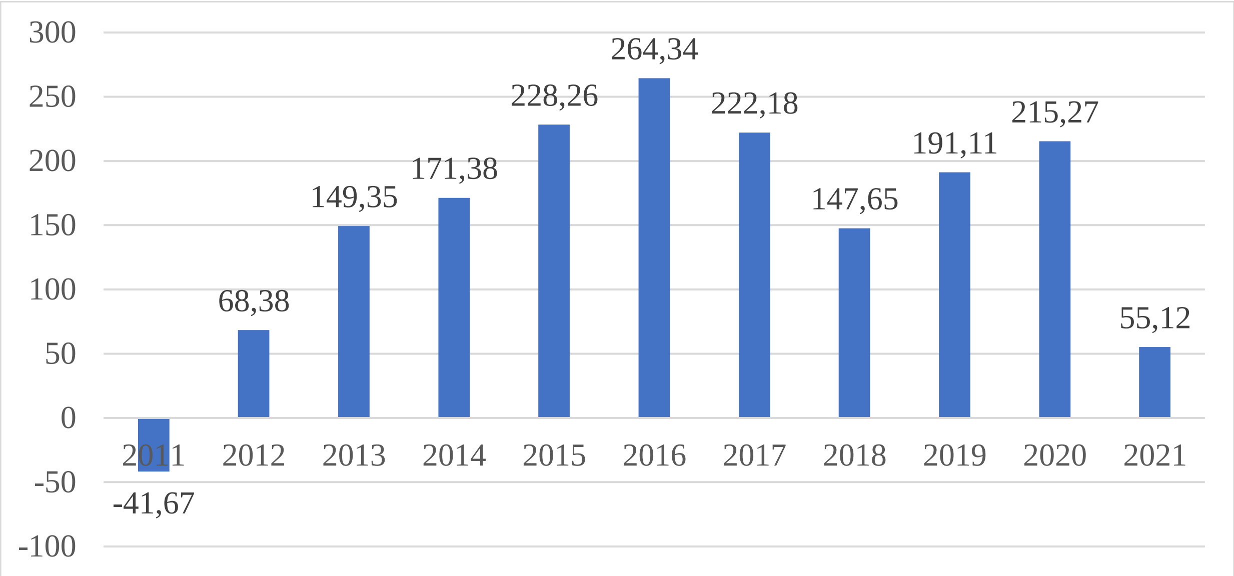


Figure 2.5 – European Union: trade balance from 2011 to 2021(in billion euros) [27]

In February 2021, the Commission introduced a new trade strategy for the EU, outlining three primary objectives:

1. Supporting the recovery and transformation of the EU economy in a manner that aligns with green and digital ambitions.

2. Influencing global rules to ensure fairness and sustainability.

3. Enhancing the EU's capacity to pursue its interests and enforce its rights.

A key focus of the strategy is the reform of the World Trade Organization to enable it to effectively address the challenges of modern trade.

Trade policy can play a crucial role in addressing climate change and environmental degradation. As a result, the EU intends to improve the implementation and enforcement of sustainable development provisions in its trade agreements. The EU is proposing to make adherence to the Paris Agreement on climate change an essential element of future trade and investment agreements.

The EU is committed to open and fair trade while actively combating protectionism. It strives to strike a balance between openness and safeguarding the interests of individuals and companies against unfair trade practices. With the appointment of a Chief Trade

Enforcement Officer, the EU is placing specific emphasis on maximizing the benefits of trade agreements for various entities, particularly small and medium-sized enterprises and farmers. It also aims to ensure that its trade partners honor their commitments, including those related to sustainable development.

Currently, the EU has 46 trade agreements in effect with 78 partners worldwide. In 2020, the EU concluded a new trade agreement with Mexico, and its trade deal with Vietnam came into force. The agreement with Japan, implemented in its first year, already yielded a nearly 7% growth in EU exports during the initial ten months.

Following the United Kingdom's departure from the EU on January 31, 2020, the EU and the United Kingdom signed the EU-UK Trade and Cooperation Agreement on December 30, 2020.

The European territorial cooperation external dimension aims to foster sustainable development and positive relationships between European Union member states, Enlargement and Neighbourhood countries, and the EU's outermost regions and their neighboring areas. This cooperation involves a comprehensive partnership between EU member states and non-EU countries, with the goal of establishing a prosperous and stable region while strengthening ties between the EU and its neighbors. It plays a crucial role in the EU's foreign policy as part of the EU Global Strategy: A Stronger Europe, as well as in EU-Turkey and EU-Russia relations.

The EU's external cooperation programs encompass both the EU and its neighboring countries, contributing to the objectives of three EU policies: Cohesion policy, Enlargement policy, and Neighbourhood policy. These programs share a common feature of addressing socioeconomic challenges in remote and underdeveloped areas by enhancing the capacities of regional and local authorities and fostering non-political cooperation networks among local stakeholders.

Cooperation with the Western Balkans and Turkey is facilitated through the Instrument for Pre-accession Assistance (IPA), which supports the Union's future membership and assists in the accession process. Interreg IPA, in particular, contributes to the EU's overarching goals such as the Green Deal and a Stronger Europe in the World by promoting collaboration between Member States and Western Balkan countries, as well as

Turkey. It assists the candidate countries in overcoming border obstacles and facilitates the management of programs in a manner similar to that of Member States. The funding for EU cooperation in these areas is provided through the European Regional Development Fund (ERDF) and the Instrument for Pre-accession Assistance (IPA).

The European Union (EU) promotes territorial cooperation among its member states and non-EU countries in the East and South Neighbourhood region. However, due to the Russian military aggression against Ukraine and in compliance with the EU's restrictive measures, the Commission has decided to suspend cooperation with Russia and Belarus in the European Neighbourhood Instrument cross-border cooperation programs.

The funding for the Interreg NEXT programs comes from the European Regional Development Fund and the Neighbourhood, Development, and International Cooperation Instrument. These programs are co-financed by the participating member states and partner countries. Please note that the participation of Russia and Belarus in the programming of the 2021-2027 Interreg NEXT programs has been suspended.

The participating countries include Armenia, Bulgaria, Belarus, Greece, Egypt, Spain, Estonia, France, Georgia, Israel, Italy, Jordan, Cyprus, Latvia, Lebanon, Lithuania, Hungary, Moldova, Norway, Palestine, Poland, Portugal, Romania, Russia, Finland, Slovakia, Sweden, Tunisia, Turkey, Ukraine, and Malta.

The participation of Russia and Belarus in the programming of the 2021-2027 Interreg NEXT programs is suspended. According to EU policy, the cross-border cooperation program does not apply to territories occupied by Israel since June 1967. Therefore, only Israeli entities established within Israel's pre-1967 borders are eligible for EU funding, in accordance with the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes, and financial instruments funded by the EU from 2014 onwards. Additionally, EU-funded activities of Israeli entities must not take place in the territories occupied by Israel since June 1967.

For 30 years, INTERREG's objective has been to support the harmonious development of the Union's territory at different levels by supporting cross-border cooperation, transnational cooperation, interregional cooperation and cooperation for the outermost regions (ORs). Since 2014, INTERREG has its own regulations. With the new regulation 2021-2027, the specificities of the Outermost regulations are recognised trough a specific strand (Strand D)

The objective of strand D created for the outermost regions is to allow them to cooperate with neighbouring countries and territories in the most efficient and simple way. Under this strand, calls for proposals can be launched for combined funding under the ERDF, the Neighborhood Instrument, Development Cooperation and International Cooperation (NDICI) established by Regulation (EU) 2021/947 of the European Parliament and of the Council.

The strand D concern cooperation within defined geographical areas:

- Amazonia;
- Caribbean;
- Middle Atlantic / Gulf of Guinea (MAC);
- Indian Ocean;
- Mozambique Channel.

The financial amounts represent 3.5% of the INTERREG amount, over EUR 280 million [60].

The EU and its member states stand united in their unwavering support for Ukraine. As of June 2022 EU leaders granted EU candidate status to Ukraine [43].

The military aggression carried out by Russia, which was unprovoked and unjustified, is strongly condemned by the European Union (EU) and its member states. In response to Russia's unprecedented act of aggression against Ukraine, including the illegal annexation of Donetsk, Luhansk, Zaporizhzhia, and Kherson regions, the EU has implemented a series of sanctions. These sanctions aim to undermine Russia's economic foundation by limiting its access to crucial technologies and markets, thereby significantly diminishing its capacity to engage in warfare.

The EU remains steadfast in its support for Ukraine and its people, demonstrating a strong commitment to bolstering Ukraine's economy, society, armed forces, and future reconstruction. The EU's support for Ukraine encompasses various measures, including:

- Providing a safe haven for refugees.

– Extending humanitarian aid to address critical needs.

– Offering civil protection support to ensure the safety and well-being of Ukrainian citizens.

– Granting macro-financial assistance to help stabilize Ukraine's financial situation.

– Implementing trade liberalization measures to foster economic growth and integration.

– Extending support to the Ukrainian army to enhance its capabilities.

– Assisting in the investigation and prosecution of war crimes, demonstrating a commitment to justice and accountability.

EU country politice focuses on specific areas organized into six pillars:

1) Green transition.

2) Digital transformation.

3) Smart, sustainable, and inclusive growth, encompassing economic cohesion, employment, productivity, competitiveness, research, development, and innovation, along with a well-functioning internal market, emphasizing strong SMEs.

4) Social and territorial cohesion.

5) Economic, social, and institutional health and resilience, with the objective, among others, of enhancing crisis preparedness and response capacity.

6) Policies for the next generation, children, and youth, including education and skills.

The interaction between the European Commission and the Member States involves governments preparing their individual recovery plans, outlining the utilization of European funds from 2021 to 2023 (as per Article 7 of the REEF). National recovery plans can be submitted from January 1, 2021, to April 30, 2021. The Commission will then assess each application within two months before presenting the file to the Council of the European Union for endorsement by a qualified majority.

The European Recovery strategy seems to have fostered a will of convergence among the Member States. The main trends of the investments addressing mobility and transport are found in almost all countries, in a measure which is strictly related with the budget of the Plans. Another factor that plays an important role is the starting point of each country in the different aspects of mobility and transport, given that significant divergences still exist. Nonetheless, a more integrated, resilient, and greener transport network is a goal that will be reached through similar policy

strategies across all countries.After the European Parliament's vote on February 9, the Council officially adopted the regulation establishing the Recovery and Resilience Facility on February 11. Published in the Official Journal on February 18, the ERRF took effect on February 19, 2021. The Commission must now await ratification by national parliaments before borrowing the necessary funds from financial markets.

The association agreement serves as the primary instrument for fostering closer relations between Ukraine and the EU. It facilitates:

1. Enhanced Political Ties: The agreement aims to deepen political cooperation between Ukraine and the EU, promoting dialogue, collaboration, and alignment on various policy areas. This includes fostering closer cooperation in areas such as foreign policy, security, justice, and human rights.

2. Strengthened Economic Links: The association agreement aims to establish stronger economic ties between Ukraine and the EU. It facilitates trade and investment cooperation, encourages business partnerships, and promotes economic integration. This enables Ukraine to benefit from the vast European market and fosters economic growth and development.

3. Respect for Common Values: The association agreement underscores the importance of shared values between Ukraine and the EU. It promotes and reinforces principles such as democracy, the rule of law, human rights, and fundamental freedoms. By adhering to these common values, Ukraine can align its legal, institutional, and governance frameworks with European standards.

The Deep and Comprehensive Free Trade Area (DCFTA), as a crucial component of the association agreement, plays a pivotal role in modernizing Ukraine's economy and enhancing its trade relations with the EU. The DCFTA provides a comprehensive framework for trade liberalization, regulatory alignment, and harmonization of standards and norms. It facilitates increased market access for Ukrainian goods and services in the

EU, promotes foreign direct investment, and encourages the adoption of EU best practices and regulations. Overall, the DCFTA supports Ukraine's economic transformation and integration with the European market.

Chapter 2 conclusions

In the Chapter 2 « Study of modern trends and activities of the European Union» the modern trends of the European Union determined, and the current trends in the activities of the European Union examined.

To conclude, examining key economic and social indicators within the European Union is crucial for multiple reasons. The EU, with its 28 member states and influential economies, has faced the consequences of global financial crises in recent years. Despite economic challenges, the EU has demonstrated population growth consistently over the past decade. Consequently, studying indicators like GDP, inflation, unemployment, and trade provides valuable insights into the EU's economic development and its impact on the global economy. Additionally, researching social development indicators such as quality of life, education, healthcare, and social security enables the evaluation of social programs and policies while identifying areas of concern that require attention.

At the current stage, the European Union is pursuing various directions of economic cooperation with other countries. Firstly, the EU engages in trade agreements and negotiations with numerous countries and regions around the world. These agreements aim to promote trade liberalization, reduce barriers, and enhance market access for EU businesses, ultimately fostering economic growth and job creation.

Secondly, the EU focuses on strengthening economic ties through investment and financial cooperation. It seeks to attract foreign direct investment (FDI) and promote investment flows between the EU and partner countries. The EU also supports initiatives for infrastructure development, innovation, and technological cooperation to enhance economic competitiveness and foster sustainable development.

Thirdly, the EU emphasizes cooperation in research and development (R&D) and innovation. It seeks collaboration with international partners to address global challenges, such as climate change, energy transition, digital transformation, and healthcare advancements. Joint R&D projects and knowledge sharing contribute to scientific progress, technological advancements, and economic prosperity.

Moreover, the EU promotes economic cooperation through regional integration initiatives. It supports the development and integration of neighboring countries through assistance programs, market access, and regulatory alignment. This approach aims to foster stability, economic convergence, and the promotion of European values beyond the EU's borders.

Lastly, the EU engages in dialogue and cooperation on economic governance and regulatory standards. It collaborates with other countries and international organizations to establish common rules, standards, and norms in areas such as finance, taxation, competition, and consumer protection. Harmonizing regulations enhances market efficiency, facilitates trade, and ensures a level playing field for businesses operating in the global economy.

Overall, the European Union's directions of economic cooperation encompass trade agreements, investment and financial cooperation, research and innovation collaboration, regional integration initiatives, and the establishment of common regulatory frameworks. These efforts aim to foster economic growth, prosperity, and sustainable development both within the EU and in partnership with other countries worldwide.

CHAPTER 3
PROBLEMS AND PROSPECTS OF MODERN ECONOMIC DEVELOPMENT OF THE EU

3.1. Current crisis in the EU: problems and developments of prospective evaluation

The European Union (EU) has experienced various crises throughout its history. Some of the major challenges include economic difficulties, such as the Eurozone debt crisis, political tensions among member states, migration issues, and the rise of populist and nationalist movements etc (fig. 3.1). Additionally, Brexit – the process of the United Kingdom leaving the EU – has presented a significant challenge for the Union.

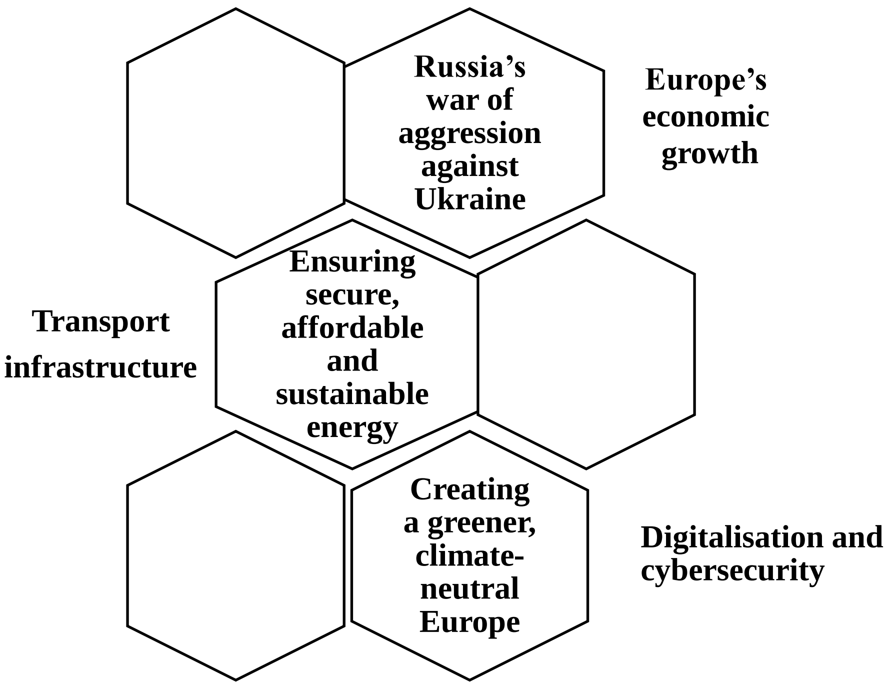


Figure 3.1 – The economic difficulties in the EU in 2023 [46]

In 2022, just as the global economy was beginning to recover from the impact of the COVID-19 pandemic, a new geopolitical crisis emerged. On February 24, 2022, after nearly 8 years since the illegal annexation of Crimea and Sevastopol, Russia initiated an aggressive war against Ukraine, resulting in widespread devastation and a growing loss of human lives and infrastructure. This conflict not only caused an unprecedented humanitarian crisis but also triggered the most severe energy crisis in Europe since the 1970s. Consequently, food prices soared worldwide, exacerbating the already existing global food insecurity.

The European Union responded with a united, determined, and immediate approach. The 27 Member States, along with their global partners, condemned Russia's unprovoked and unjustified act of aggression. They swiftly and forcefully took actions to economically isolate Russia and impede its ability to finance the war through imposing stringent sanctions.

The EU demonstrated a prompt and unified response to Russia's aggressive war against Ukraine. With a genuine sense of solidarity among the EU and its Member States, the EU implemented over 200 measures in 2022 to address the invasion. The response was structured along three main tracks: first, to isolate Russia and ensure it was held accountable for its acts of aggression, invasion, and violations of international humanitarian law, including war crimes; second, to impose a comprehensive set of sanctions aimed at inflicting severe consequences on Russia's economy and hampering its ability to sustain the ongoing war; and third, to provide extensive support to Ukraine.

Additionally, the EU ceased engaging with Russian authorities while maintaining its commitment to assisting civil society, human rights defenders, and independent media through various forms of support.

Through a collaborative approach known as 'Team Europe,' the EU, its Member States, and financial institutions joined forces to provide substantial support to Ukraine by the end of 2022, amounting to nearly €50 billion. This collective effort is a clear demonstration of the EU's unwavering solidarity with the people of Ukraine. A remarkable component of this assistance package involves an unprecedented support program, offering up to €18 billion in favorable loans. The European Commission, acting on behalf of the EU, has obtained these funds from international capital markets and will disburse them in regular installments throughout 2023.

This financial aid (tab. 3.1) aims to address Ukraine's immediate funding requirements, sustain vital state functions, ensure macroeconomic stability, and facilitate the restoration of critical infrastructure damaged during Russia's aggressive war. However, to fully bridge Ukraine's funding gap, it is essential for other international partners to contribute and complement this support.

Table 3.1 – Overall support for Ukraine mobilised in 2022 [65]

Type of support	Amount, billion euro
Financial assistance, budget support and humanitarian assistance, from the EU budget and directly from EU Member States.	19,7
Package to support Ukraine’s economy.	18
Military assistance under the European Peace Facility and around directly from Member States	3,1

Russia’s war of aggression has already caused massive destruction to towns and communities in Ukraine, with the cost of reconstruction estimated by the World Bank to be up to €600 billion. A collective international effort will be required to support Ukraine as it rebuilds its country and its economy.

Regarding long-term reconstruction, on 25 October the Commission and the G7 presidency jointly organised an International Expert Conference on the Recovery, Reconstruction and Modernisation of Ukraine in Berlin (Germany). Building on the discussions held in Lugano (Switzerland), on 4 and 5 July at the Ukraine Recovery Conference, the Berlin conference provided additional expert advice on the recovery process. The outcome of the conference will contribute to the development of an international coordination platform, as proposed by the Commission in May. In December, G7 leaders agreed to establish such a multi-agency Donor Coordination platform, together with Ukraine and international partners and in close coordination with relevant international organisations and international financial institutions. The platform will be key to help match needs and resources for Ukraine’s repair, recovery and reconstruction efforts.

It will be co-chaired by the EU, Ukraine and the United States and will be assisted in its work by the technical Secretariat, with a Brussels (Belgium) office hosted by the Commission and a Kyiv (Ukraine) office hosted by the Government of Ukraine.

The next problem is an ensuring secure, affordable and sustainable energy. Russia’s war of aggression against Ukraine and its use of energy exports as a weapon threatened the security and affordability of the EU’s energy supplies. The EU responded with initiatives aimed at phasing out its dependence on Russian fossil fuels, supporting citizens facing high energy bills and accelerating the EU’s clean-energy transition [65].

The aggressive war initiated by Russia against Ukraine has had a profound impact on the global energy system, leading to significant disruptions and hardships due to soaring energy prices. This situation has raised concerns regarding energy security. Moreover, the conflict has highlighted the EU's excessive reliance on fossil fuel imports from Russia. In 2021, Russia accounted for 44% of gas imports, 46% of coal imports, and 27% of oil imports, underscoring the vulnerability and dependence of the EU on Russian energy resources.

In order to diversify energy sources and reduce the risks associated with relying too heavily on a single supplier, the EU proactively engaged with trusted international partners. This effort resulted in securing unprecedented levels of liquefied natural gas (LNG) imports and exploring alternative avenues for pipeline gas deliveries. As part of this diversification strategy, the EU achieved a significant milestone by signing a groundbreaking agreement with the United States in March. Subsequently, additional arrangements were made with countries such as Azerbaijan, Egypt, and Israel to further enhance the portfolio of alternative energy supplies (fig. 3.2).

The EU policy efforts in 2022 have paid off. By the end of 2022, the EU had reduced its pipeline gas imports from Russia to 9 % and Norway had overtaken Russia as the EU’s leading gas supplier.

Several energy infrastructure projects, known as projects of common interest, facilitated the switch to LNG and its transport across Europe. Other projects that came online in 2022, such as the Baltic Pipe and the Interconnector Greece–Bulgaria, were crucial in providing several Member States with an alternative to Russian gas.

The EU took further steps to address the energy crisis by establishing the EU Energy Purchase Platform, which facilitates the coordinated procurement of gas, liquefied natural gas (LNG), and hydrogen among Member States.

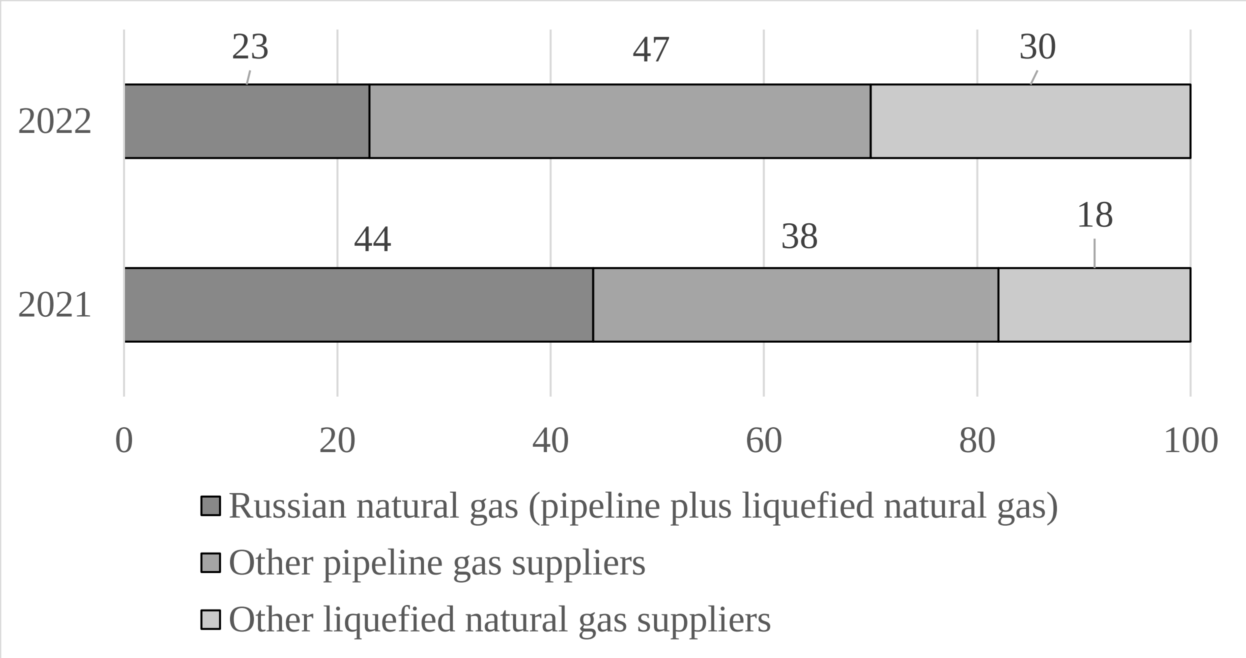


Figure 3.2 – Diversifying the EU's energy supplies in 2021-2022, % [46]

This platform is open not only to Energy Community countries like Georgia, Moldova, and Ukraine but also to Western Balkan countries.

In response to the energy crisis, adjustments were made to cohesion policy rules to support affordable energy initiatives (tabl. 3.1). This allowed Member States the flexibility to provide direct assistance to vulnerable households and small and medium-sized businesses that have been disproportionately affected by the rise in energy prices.

To ensure economic stability while addressing the energy crisis, the introduction of a State-aid Temporary Crisis Framework enabled Member States to utilize the flexibility provided by State-aid regulations. This framework primarily focuses on providing aid to support Member States' efforts in addressing the challenges posed by high energy prices, ensuring energy supply security, and facilitating the transition away from fossil fuels. In 2022, the European Commission approved 182 national measures to assist Member States in mitigating the consequences of Russia's aggressive war against Ukraine, amounting to an estimated total of €671.78 billion.

The urgent challenge of addressing climate change, biodiversity loss, and pollution necessitates immediate action. The European Green Deal remains the EU's comprehensive plan to tackle these pressing issues.

Table 3.1 – Programs to support energy-saving measures in the EU in 2022 [66]

Program	Amount, billion euro
Finnish loan guarantee scheme to support energy producers	10
Estonian scheme to support the liquidity needs of companies across sectors	125
Belgian guarantee scheme to support gas and electricity suppliers	1,5
Spanish measure to support the production of renewable hydrogen	220
Danish subsidised loan scheme to support companies	3,4
Polish scheme to partially compensate energy-intensive companies for higher electricity prices resulting from indirect emission costs	10

Furthermore, two significant global events, namely the COVID-19 pandemic and Russia's aggressive war against Ukraine, have reinforced the EU's determination to steadfastly pursue the green transition and accelerate the pace of change.

The heightened occurrence of extreme weather events in 2022 underscored the need for enhanced EU and international efforts to combat climate change, enhance drought resilience, and restore ecosystems. Additional initiatives were implemented to establish stricter regulations on pollutants, reduce the use of chemical pesticides, address packaging waste, and pave the way for a more sustainable future.

The EU's long-term growth strategy is to ensure Europe's climate neutrality by 2050. This target is enshrined in the European Climate Law, together with the legally binding commitment to reduce net greenhouse gas emissions by at least 55 % by 2030, compared to 1990 levels. The European Green Deal is the EU's plan to make this happen. In 2022, the EU continued its bold action to achieve its climate goals.

In line with the ambition to be free of harm from pollution by 2050, in October the Commission proposed stronger rules on ambient air, surface and groundwater pollutants, and the treatment of urban wastewater. Ultimately, these rules will improve public health, reducing premature deaths and long-term health costs (tabl. 3.2).

Table 3.2 – Towards zero pollution [65]

Air quality	Water quality
The proposed new rules will: – set interim 2030 air quality standards for the EU that are more closely aligned with World Health Organization guidelines; – reduce deaths resulting from levels of the main pollutant PM2.5 that exceed World Health Organization guidelines by more than 75 % in 10 years; – ensure that people suffering health damage from air pollution have the right to be compensated in the event of a violation of EU air quality rules and the right to be represented by a non-governmental organisation through collective action for damage compensation; cost less than 0.1 % of gross domestic product, at least seven times lower than benefits to the economy and to society.	The new proposals set: – new and tightened standards for a series of harmful substances found in surface and groundwater; – an obligation for Member States to take measures to reduce the presence of these pollutants; – more cost-effective and fairer wastewater treatment in line with the ‘polluter pays’ principle; – preventive measures for industry (using different or fewer industrial chemicals) and farmers (using fewer or less harmful pesticides, for example).

Under the 2021–2027 Connecting Europe Facility, the EU’s funding instrument supporting the Green Deal, the Commission is investing in a wide range of transport infrastructure projects across the EU. These aim to improve cross-border infrastructure and promote new technologies. Examples include the Lyon–Turin tunnel, the Fehmarn Belt fixed link and the Rail Baltica project.

To make Europe’s transport infrastructure fit for both civil and defence use, the Commission adopted an Action Plan on Military Mobility and brought forward the grants process for projects that support military mobility. Other projects will help put in place infrastructure for projected increases in energy-efficient and zero-emission mobility. In total, €25.8 billion in grants is available under the Connecting Europe Facility to co-fund Trans-European Transport Network projects in EU Member States.

Following the 2021 European Year of Rail, the EU started implementing its new Action Plan to Boost Long-distance and Cross-border Passenger Rail. The Commission has invited railway undertakings, infrastructure managers and national authorities to propose cross-border pilot services that address the remaining obstacles to cross-border rail. The transition to sustainable transport, part of the comprehensive Green Deal package, will make sure that the EU’s communities and economy can thrive in a healthy and safe environment, far beyond 2050.

With the increased reliance on digital platforms and the growing interconnectedness of society, cyber threats are becoming more prevalent and potentially more perilous. The aggressive war initiated by Russia against Ukraine also presents a unique cyber defense challenge for Europe.

In 2022, the EU took steps to enhance cybersecurity measures across all Member States by updating legislation aimed at achieving a high level of common cybersecurity. The new regulations, known as the NIS2 Directive, were published in December 2022 and officially replaced the previous Network and Information Security (NIS) Directive on January 16, 2023. The objective of these updated rules is to bolster cybersecurity across Europe by expanding the scope of critical entities and sectors that are required to implement risk-management measures. This move aims to elevate the overall level of cybersecurity within the European Union.

Critical infrastructure, such as undersea cables and pipelines for transport and communication, are often closely linked to many different digital services and therefore need to be protected. The sabotage of the Nord Stream gas pipelines and other incidents have made it clear that the resilience of the EU's critical infrastructure is under threat. Recently agreed legislation will soon provide the EU with an updated and comprehensive legal framework to strengthen both the physical and cyber resilience of critical infrastructure.

In light of the rapidly evolving threat landscape, the European Commission proposed to strengthen the capacity of early warning and response to disruptions of critical infrastructure through the Union Civil Protection Mechanism. The proposal also calls for strengthened cooperation with key partners and neighbouring countries on the resilience of critical infrastructure.

In terms of digital products that we use in our daily lives, in September 2022 the Commission presented a proposal for a new Cyber Resilience Act. Many products, such as baby monitors, smart devices or voice-activated speakers, currently have a low level of cybersecurity, resulting in widespread vulnerabilities and inconsistent security updates. Moreover, it is often difficult for users of these products to find out whether specific products are secure against cyber threats. The new proposal will ensure that manufacturers improve the security of their products and the transparency of security properties [65].

Online platforms play a crucial role in today's digital landscape, enabling communication, information access, and online shopping. However, they also present risks related to illegal or harmful content and unfair market practices. To address these concerns, the EU has implemented the Digital Services Act and the Digital Markets Act, both of which came into effect in November 2022.

The Digital Services Act establishes a groundbreaking standard for the accountability of online platforms and search engines concerning illegal and harmful content. Starting in autumn 2023, it will apply to very large online platforms and search engines, and by February 2024, it will encompass all other platforms. This act aims to enhance protection for internet users and uphold their fundamental rights online. It provides a unified set of rules within the internal market, facilitating the scaling up of smaller platforms.

In tandem, the Digital Markets Act, which took effect on May 2, 2023, seeks to regulate unfair practices conducted by dominant online platforms known as gatekeepers. By September 6, 2023, all gatekeepers will be designated, and they must adhere to the obligations outlined in the act by March 6, 2024, at the latest. The act includes a set of guidelines that gatekeepers must comply with, prohibiting practices such as preferential treatment of their own products over similar third-party products on their platforms.

The EU economy entered a challenging phase in the second half of 2022. The shocks unleashed by Russia’s war of aggression against Ukraine hit the EU economy both directly and indirectly, setting it on a path of lower growth and higher inflation. The rapid increase in energy and food commodity prices eroded the purchasing power of households across the EU.

While Russia’s war of aggression against Ukraine has had a serious effect on certain sectors of the EU economy, the labour market continued to perform strongly, benefiting from short-time work schemes supported by the SURE initiative (Support to mitigate Unemployment Risks in an Emergency). Unemployment reached record-low levels of 6.2 % in 2022.

Overall, the EU economy is set to continue expanding, but at a significantly slower pace than previously expected. The forecasts for economic activity and inflation remain heavily dependent on the evolution of the war and its impacts on the supply of gas to Europe. In this context, the swift implementation of the €723.8 billion Recovery and Resilience Facility at the heart of the NextGeneration EU recovery plan remains the priority, as it provides Europe with exactly what it needs today.

As the key instrument at the heart of NextGeneration EU, the Recovery and Resilience Facility is designed to mitigate the economic and social impact of the coronavirus pandemic. It aims to make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

It does so by supporting the implementation of crucial investment and reform measures outlined in Member States' recovery and resilience plans. This includes a wide range of measures, from reducing the carbon footprint of public transport in Portugal and modernising healthcare services in Slovakia, to the digitalisation of public services in Estonia. The European Commission estimates that the total stimulus from NextGeneration EU could boost the EU's economic growth by up to 1.5 % by 2027 and help create up to 1.5 million new jobs.

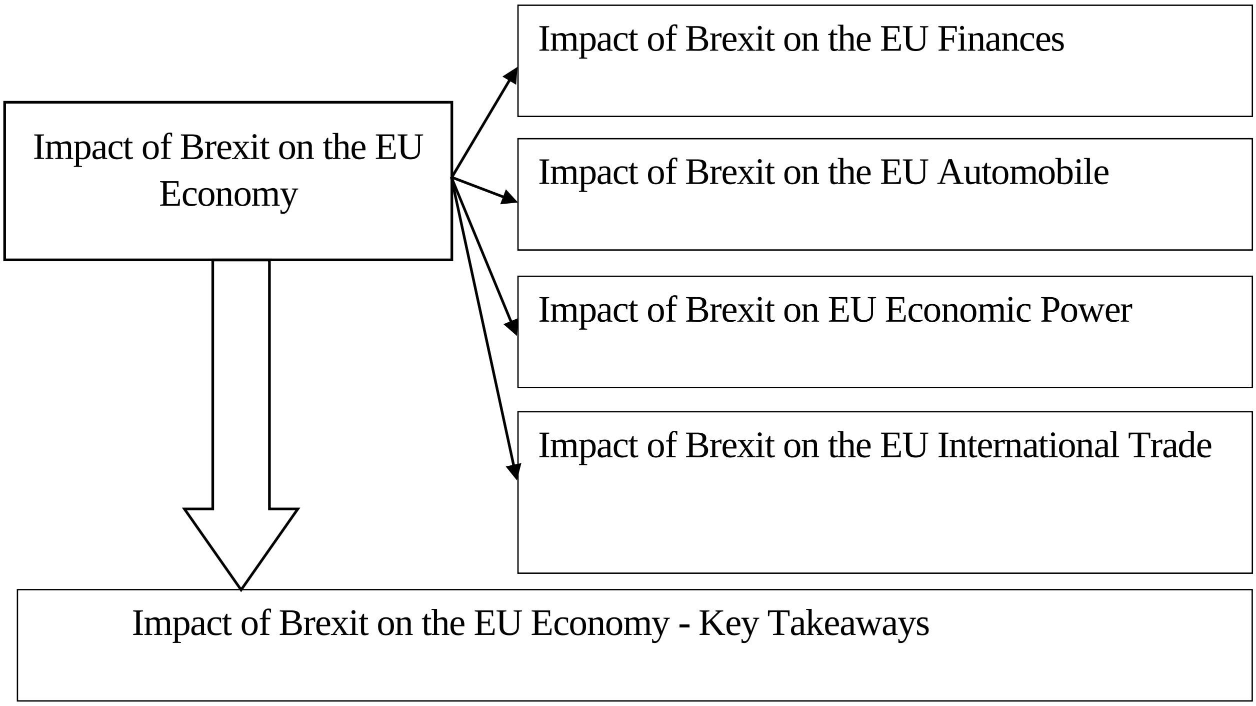
The COVID-19 pandemic has exposed and exacerbated existing social inequalities, disproportionately affecting vulnerable populations such as low-income households, minorities, and people with disabilities [43,44]. To address these challenges and promote social welfare and inclusion, the EU has taken various initiatives to strengthen social protection systems, reduce inequalities, and ensure equal access to opportunities and resources. In March 2021, the European Commission adopted the European Pillar of Social Rights Action Plan, which sets out concrete actions and targets for implementing the 20 principles of the Pillar [43]. These principles focus on three main areas: equal opportunities and access to the labor market, fair working conditions, and inclusive social protections [44]. The Action Plan sets ambitious targets for 2030, including reducing the number of people at risk of poverty or social exclusion by at least 15 million and achieving a 78% employment rate for people aged 20e64 [15]. The Action Plan also calls for increased investments in education, training, and lifelong learning to promote social mobility and equip citizens with the skills needed for a sustainable green environment (Table 1) [51]. K. Goniewicz, A. Khorram-Manesh, F.M. Burkle et al. Global Transitions 5 (2023) 201e209 204 Recognizing the disproportionate impact of the pandemic on young people, the EU has updated and reinforced the Youth Guarantee, a commitment by member states to provide young people under 25 with a good-quality offer of employment, continued education, apprenticeship, or traineeship within four months of becoming unemployed or leaving formal education [52]. The updated Youth Guarantee includes new measures to support the most vulnerable and disadvantaged youth, such as targeted outreach, individualized support, and stronger partnerships with local stakeholders [53]. To tackle child poverty and promote equal opportunities for all children, the EU introduced the Child Guarantee in 2021 [54]. This initiative ensures that every child in need has access to free and effective healthcare, education, childcare, decent housing, and adequate nutrition [55]. The Child Guarantee is implemented through national action plans, which are supported by EU funding and tailored to the specific needs and challenges of each member state (Table 1) [56]. The pandemic has highlighted the importance of robust social protection systems in mitigating the social and economic consequences of crises [42], including steps to strengthen social protection systems across member states by providing guidance, sharing best practices, and supporting investments in areas such as healthcare, long-term care, and social services [57]. Again, the emphasis focuses on the need to adapt social protection systems to the changing world of work, including the rise of non-standard employment and platform work, to ensure that all workers have access to adequate social protection and benefits [44]. In summary, the EU's response to the social challenges posed by the COVID-19 pandemic has been multifaceted, encompassing initiatives to promote social welfare and inclusion, reduce inequalities, and strengthen social protection systems [58]. These efforts will continue to be crucial in ensuring that the recovery is inclusive and sustainable, leaving no one behind. While the immediate challenge posed by the pandemic was primarily health-related, its extended ramifications on the socioeconomic fabric became evident in due course. The EU, with its holistic approach, recognized that a mere medical response would be insufficient. The socio-economic disparities and the risk of longterm societal divisions prompted actions like the European Pillar of Social Rights Action Plan and the Youth Guarantee. These not only addressed immediate concerns but also laid the groundwork for a more inclusive, resilient European society in the post-pandemic world. Furthermore, the emphasis on shared values and common goals has strengthened the sense of unity and shared destiny among member states. The collaboration has re-emphasized the importance of collective action in times of crisis and has served as a beacon for other regional groupings worldwide, showcasing the strength of coordinated efforts. However, it's imperative for the EU to continually assess and iterate its strategies based on changing dynamics. While current initiatives have shown promise, the unpredictable nature of global challenges requires adaptability, foresight, and a commitment to upholding the principles that underpin the European project. 5. Challenges and lessons learned The COVID-19 pandemic highlighted disparities in vaccination rates and healthcare systems among EU member states. Fig. 1, visually depicts the varied rates of vaccination across different EU nations, highlighting the challenges some countries faced in achieving widespread vaccine coverage. The data, derived from an extensive global database on vaccination trends, 'Our World in Data,' also shows how some countries experienced slower vaccination rollouts and struggled with overwhelmed healthcare systems, particularly during the initial waves of the pandemic [59]. This demonstrated the need for increased investments in healthcare infrastructure, improved coordination among member states, and targeted support for countries with weaker healthcare systems [60]. The pandemic has exposed gaps and weaknesses in social protection mechanisms with vulnerable populations disproportionately affected by the crisis [61]. The EU's response included measures to strengthen social protection systems and promote social inclusion, but more work is needed to ensure that these efforts reach those most in need and effectively address the root causes of inequality (Fig. 2) [42]. The COVID-19 crisis has underscored the importance of solidarity and cooperation among EU member states, as well as the necessity for a unified approach to public health and crisis management [10]. The pandemic revealed the limitations of individual member states acting alone and has emphasized the value of collective action in addressing global challenges [62]. The EU's response to the pandemic demonstrated the benefits of pooling resources, sharing information, and coordinating policies across borders [63]. The EU's experience with the COVID-19 pandemic has provided valuable insights into the challenges and opportunities associated with managing large-scale crises. The lessons learned from this crisis can inform the development of more resilient healthcare systems, social protection mechanisms, and crisis response strategies, better equipping the EU to navigate future challenges and protect the well-being of its citizens [64].

As the EU moves towards a post-pandemic era, it is essential to reflect on the prospects and conclusions drawn from the COVID-19 experience. The pandemic has tested the resilience and adaptability of the EU and its member states, revealing both strengths and weaknesses in their responses. The lessons learned will be instrumental in shaping future policies and strategies to ensure the wellbeing and prosperity of European citizens. Globally, experts have acknowledged that despite efforts to learn from the pandemic over the past three years, the global response was inadequate and fragmented. The Lancet COVID-19 Commission summarized the response as a massive global failure [65]. This suggests that further work in terms of preparedness and response is needed to effectively prepare for future crises including a pandemic. One key prospect is the need to invest in building more resilient healthcare systems across the EU. This includes a flexible surge capacity, one that is enhancing healthcare infrastructure, expanding workforce capacities, and improving access to quality healthcare services for all citizens [66]. The COVID-19 crisis also highlighted the importance of robust public health surveillance systems and the need for increased investments in research and development to foster innovation in diagnostics, treatments, and vaccines. The EU's economic recovery efforts must prioritize the transition towards a greener, more sustainable, and digitally advanced economy. This involves supporting investments in clean energy, sustainable transport, and circular economy initiatives while also promoting digitalization across various sectors. By focusing on green and digital transitions, the EU can emerge from the pandemic stronger, more resilient, and better prepared for existential and increasingly costly challenges fueled by climate change [67]. The pandemic exposed gaps in social protection and highlighted the importance of fostering social inclusion to reduce inequalities [68]. The EU must continue to prioritize policies and initiatives that promote social welfare, access to quality education, and equal opportunities in the labor market. This includes strengthening social protection systems, ensuring adequate social benefits for all workers, and implementing targeted measures to support vulnerable populations, such as the Child Guarantee and the updated Youth Guarantee [69]. Lastly, the EU's global transitions play a crucial role in promoting global health and equity beyond its borders [70]. This includes supporting initiatives such as COVAX to ensure equitable access to COVID-19 vaccines for lower-income countries, investing in global health infrastructure, and advocating for a more just and inclusive global health governance system. The pandemic has demonstrated that no one is safe until everyone is safe, and the EU must continue to champion global solidarity in the fight against current and future health threats [71]. The EU, in its role as a leading global entity, carries the responsibility of shaping the narrative of global health, economy, and social welfare. Its strategies not only impact its member states but also set precedents for other regions. As seen with its COVID-19 response, its decisions carry weight on the international stage. The emphasis on green transitions, digital innovations, and social inclusiveness has provided a blueprint for other regions to follow. However, the EU must also be conscious of the global implications of its policies. Balancing its role as a regional leader while also contributing constructively to global discourses will be paramount in the coming years.

In conclusions, the EU is seeking to future-proof its policies by increasingly embedding foresight into policymaking. Strategic foresight anticipates trends, risks and emerging issues, and their potential implications and opportunities, in order to draw useful insights for strategic planning, policymaking and preparedness.

3.2. The Impact of Brexit on the Economy and Potential Solutions

Brexit refers to the UK's 'exit' from the European Union (EU). It came into effect as a result of the referendum held on 23 June 2016. Brexit had an impact on the economic situation of both the UK and the EU. The EU, which stands for the European Union, is the union of 27 European member states for economic and political benefit. The EU was established to ensure the free movement of people, goods, services, and capital. The following countries are part of the European Union after Brexit: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Latvia, Luxembourg, Maltha, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden [51]. In the study of the impact of Brexit on the EU, we examined aspects based on (fig. 3.3): Impact of Brexit on the EU Finances; Impact of Brexit on the EU Automobile; Impact of Brexit on EU Economic Power; Impact of Brexit on the EU International Trade; the impact of Brexit for developing countries.



Brexit, was decided by referendum on 23 June 2016. Brexit had an impact not only on the economic situation of the EU but also on the population of the EU, which will decrease by 13% by the end of 2020. A withdrawal agreement allows free movement of EU citizens to the UK and UK citizens to EU countries until the transition period is over.10% of UK bank assets have moved or will move to the EU. About 440 banks and financial institutions have left the UK and moved to the EU. 7400 jobs from the financial services sector have moved to the EU. It has been suggested that the UK would risk up to £55 billion in the automotive industry in a no-deal Brexit due to high tariffs on imports to the EU. The total GDP of the UK was USD 2764.20 billion compared to the total GDP of the EU of USD 15,292.10 trillion. In 2020, the UK inflation rate was around 0.99%, while the EU inflation rate was 0.5%.
In 2021, post-Brexit trade between the UK and the EU will increase by only 2% to GBP 308 billion.

Fig. 3.3 – Impact of Brexit on the EU Economy

The primary consequence of Brexit on the EU economy revolves around the uncertainties it generates. The EU's relationship with the UK hinged on the withdrawal agreement.

The withdrawal agreement facilitated the unrestricted movement of EU citizens to the UK and UK citizens to EU nations during the transition period. Following that, individuals could maintain their right to reside if they met certain financial and legal criteria or had familial ties to someone with the same rights. Following the referendum, numerous EU citizens departed from the UK [51].

As a result of the UK's departure, the overall population of the EU also declined by approximately 13%. Additionally, Brexit may serve as a catalyst for other member countries to leave the European Union and pursue independent policies and conditions.

Furthermore, the loss of trade and unrestricted movement had a significant impact since the UK constituted the largest economy and support system within the EU. The extensive trade restrictions affected vital sectors like the automotive industry, the pharmaceutical industry, and the financial services sector, with outcomes varying between positive and negative effects.

Brexit had both positive and negative impacts on automotive, pharmaceutical, and financial services due to trade restrictions. The EU gained in the financial services market as part of the London derivatives market moved to Amsterdam.

1. Impact of Brexit on the EU Finances. The UK’s withdrawal from the EU had many positive impacts on the EU as well, including the following:

– 10% of UK banking assets have moved or are being moved to the EU.

– Approximately 440 banking and financial institutions have left the UK and relocated to the EU.

– 7500 jobs have been exported to the EU in the financial services sector.

Amsterdam, rather than London, became the most critical location for European equity trading, while London’s derivatives trading lost 75% of its euro volume to New York and Amsterdam. However, the EU received less foreign investment for its projects after Brexit compared to the UK.

2. Impact of Brexit on the EU Automobile

All EU countries had selected the UK as the destination for assessment and certification of their car manufacturers, enabling them to produce and market their vehicles. However, with Brexit, UK certification will no longer be recognized as valid approval, and EU-associated carmakers will no longer be able to market their cars with UK certification. According to the new proposals, car manufacturers will be required to obtain type approval from individual EU states.

The EU serves as the primary importer of cars from the UK, accounting for approximately 70% of the total value of around €42 billion. If no agreement is reached between the UK and the EU, a substantial portion of the UK's business will be lost, considering that the EU is its largest car importer. In the case of a no-deal Brexit, the UK could potentially face losses of up to £55 billion in the auto industry due to the imposition of high tariffs on imports to the EU.

3. Impact of Brexit on EU Economic Power

Following the Brexit referendum in 2016, both the EU and the UK experienced similar growth rates of around 2% in 2017. However, the COVID-19 pandemic had a detrimental impact on both the EU and the UK economies. The UK, in particular, was hit harder, experiencing a significant decline with a GDP contraction of -9.396% in 2020.

As the largest contributor to the EU budget, the UK's departure necessitated adjustments in the EU's financial planning. The EU had to make changes such as cutting spending, increasing contributions from its member countries, or implementing a combination of both measures. The Brexit-induced gap between the EU's spending and revenues widened, leading to a further rise in debt levels in 2020.

4. Impact of Brexit on the EU International Trade

Of all the countries associated with the EU, Germany had the greatest impact of Brexit on its many industries, as it is the largest trading country in the EU after the UK. Industries such as pharmaceuticals, goods, and road vehicles were hit hard.

After Brexit, trade relations between the EU and the UK deteriorated compared to the EU’s trade relations with other countries. European companies reduced their investments in the UK after Brexit.

Trade between the US and the European Union totalled approximately $627 billion in 2021, an 18% increase from the previous year. Trade relations between China and the EU also saw a 17% increase, with trade totalling €558 billion. However, post-Brexit trade between the UK and the EU in the same year increased by only 2% to £308 billion.

In fact, Brexit is a “lose-lose” situation for both the UK economy and the EU economies – all the more so in an (even orderly) no-deal scenario (tabl. 3.3).

Table 3.3 – Long-term impact of Brexit on GDP/welfare in a WTO scenario

(percentage point of GDP/welfare deviation from an EU-like scenario)

Institution	Losses		Channels	Method
	UK	EU27		
LSE (2017)	-2,7		Trade, EU budget	Comparative statte, trade models
LSE (2018)	-3,3		Trade	
IMF (2018)	-4,0	-0,5	Trade	
CAE (2018)	-2,7	-0,8	Trade	
IFO (2017)	-1,7	-0,3	Trade	
IFO (2018)	-3,2	-0,6	Trade	
CPB (2016)	-4,1	-0,8	Trade	CGE macro model
KUL (2017)	-4,5	-1,5	Trade, global value chains	Comparative static, trade model with sector-level input-output linkages
Bank of Italy (2018)	-2,0	-0,3	Trade	DSGE macro model
	-10,6	-0,5	Trade, TFP	

Note: LSE (2017) – Dhingra et al. (2017); LSE (2018) – Levell *et al.* (2018); IMF (2018) is a Selected Issue in the Article IV Consultation Report on the euro area in July; CAE (2018) – Vicard (2018); IFO (2017) – Felbermayr *et al.* (2017); IFO (2018) – Felbermayr *et al.* (2018); CPB (2016) – Rojas-Romagosa (2016); KUL (2017) – Vandenbussche *et al.* (2017); Bank of Italy (2018) – Pisani and Vergara Caffarelli (2018); NIESR (2016) – Ebell and Warren (2016); NIESR (2018) – Hantzsche *et al.* (2018).

For the UK, the highest GDP losses induced by Brexit (over 5 percentage points) are found in:

– reduced-form approaches based on (exogenous) estimates of trade-income elasticities: notably, the UK Treasury (2016) and LSE (2018);

– models where a significant productivity shock has been added, be it on total factor productivity (TFP) (Bank of Italy, 2018) or labour;

– macroeconomic models of international trade, such as the UK Government's computable general equilibrium (CGE) model4 (2018b), where several channels have been combined (trade, migration and/or productivity).

Not enough attention is being paid to the fact that countries outside the UK and the EU will also be affected by Brexit and by the changes in trade relations that it will bring. Advocates of a "hard Brexit" often point out that the UK could simply fall back on World Trade Organization (WTO) rules in the event of no deal. However, this does not fully reflect reality. The new market access conditions between the UK and the WTO's non-EU members still need to be negotiated, with no sign of a successful outcome any time soon. This means that, in the event of no deal, the country would most likely have to trade with the rest of the world on the terms agreed for the EU by the WTO after March 2019 – even though these would actually no longer apply to the UK [57].

Brexit could well have drastic consequences, particularly for poorer countries. Developing countries will be adversely affected by Britain's departure regardless of what it ultimately agrees with the EU. One key reason is that they will lose the preferential access to the UK market that they currently enjoy under various EU agreements. These include the Generalised Scheme of Preferences, the "Everything But Arms" (EBA) initiative and the Economic Partnership Agreements.

If developing countries no longer enjoy preferential tariffs on the UK market after Brexit, they will become less competitive in the country. The least-developed countries would be hit by higher tariffs and other non-tariff barriers to trade, especially in the event of a hard Brexit without a deal. Current simulations suggest that this would, for instance, cause Ethiopia's exports to the UK to drop by 20 percent and Malawi's by as much as 60 percent.

In general, Brexit, the withdrawal of the United Kingdom (UK) from the European Union (EU), has had a significant impact on the economy, both in the UK and the EU. The consequences of Brexit have been complex and wide-ranging, affecting trade, investment, financial services, and various other sectors. Here are some key impacts of Brexit on the economy and potential solutions:

1. Trade Disruption. Brexit has resulted in increased trade barriers between the UK and the EU. Previously, the UK enjoyed seamless access to the EU Single Market, but it now faces customs checks, regulatory divergence, and the potential for tariffs. This has caused disruptions to supply chains, increased costs, and reduced trade volumes. To mitigate these challenges, the UK and EU have negotiated a Trade and Cooperation Agreement that establishes a framework for their future relationship. However, some trade frictions are expected to persist, and businesses need to adapt to new trade procedures and regulations.

2. Investment Uncertainty. Brexit has created uncertainty for businesses, particularly those with cross-border operations or relying on access to the EU market. This uncertainty has affected investment decisions, with some companies postponing or relocating investments away from the UK. To address this, the UK government has focused on attracting investment through measures like tax incentives, infrastructure development, and investment promotion campaigns.

3. Financial Services. The UK, particularly London, has been a major financial hub within the EU. Brexit has led to the loss of passporting rights, which allowed UK-based financial institutions to operate freely across the EU. As a result, some financial services have relocated to EU member states to maintain access to the Single Market. To mitigate this, the UK has implemented temporary arrangements to ensure continued EU market access and is seeking a more permanent agreement on financial services.

4. Labor Market and Immigration. Brexit has introduced changes to the UK's immigration system, ending the free movement of EU citizens. This may impact sectors that rely on EU workers, such as agriculture, healthcare, and hospitality. The UK has implemented a points-based immigration system to attract skilled workers from around the world. However, labor shortages in certain sectors remain a challenge, and businesses may need to adjust their recruitment and workforce planning strategies.

To mitigate the negative impacts of Brexit, various solutions are being pursued (fig. 3.4). These include: Trade Agreements, Regulatory Alignment, Support for Industries, Infrastructure Investment, Infrastructure Investment, Promoting Innovation and Skills Development.

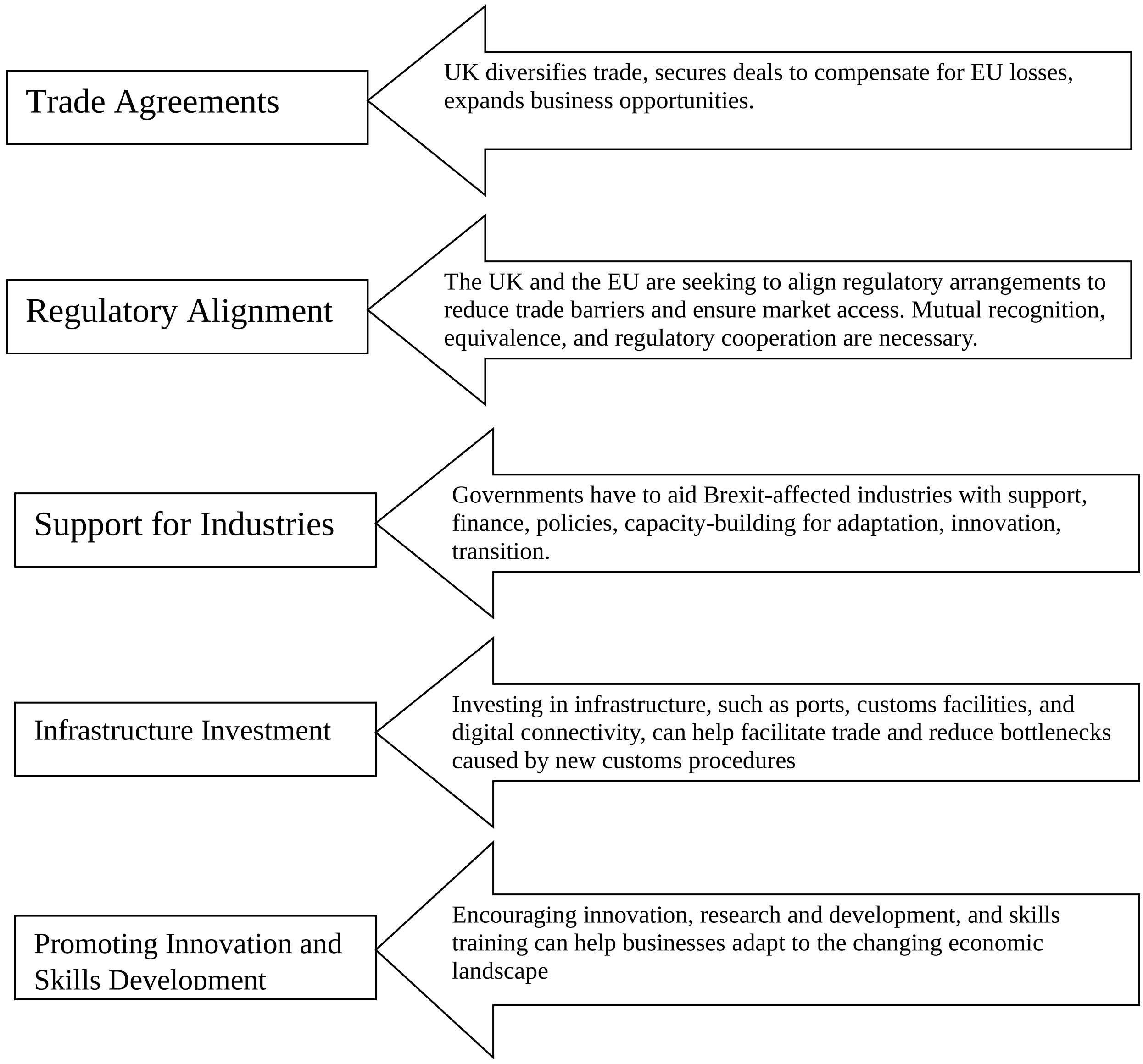


Figure 3.4 – Potential solutions to the problems of Brexit

Trade Agreements. The UK has been actively pursuing trade agreements with countries outside the EU, aiming to diversify its trading relationships and compensate for any trade losses. Securing comprehensive trade deals can open up new markets and opportunities for UK businesses.

Regulatory Alignment. The UK and EU can work towards regulatory alignment in certain sectors to reduce trade barriers and ensure smoother market access. This may involve mutual recognition agreements, equivalence frameworks, or regulatory cooperation mechanisms.

Support for Industries. Governments can provide targeted support to industries heavily impacted by Brexit, helping them adapt, innovate, and transition to new trading arrangements. This may include financial assistance, sector-specific policies, and capacity-building initiatives.

Infrastructure Investment. Investing in infrastructure, such as ports, customs facilities, and digital connectivity, can help facilitate trade and reduce bottlenecks caused by new customs procedures. These investments can enhance trade efficiency and competitiveness.

Promoting Innovation and Skills Development. Encouraging innovation, research and development, and skills training can help businesses adapt to the changing economic landscape. This can foster competitiveness, attract investment, and create new opportunities.

The impact of Brexit on the economy has been substantial, leading to disruptions in trade, changes in regulations, and shifts in economic dynamics. The separation of the United Kingdom from the European Union has created challenges for businesses, affecting supply chains and market access. The uncertainty surrounding trade agreements has resulted in hesitancy among investors and fluctuations in currency values. To address these challenges, potential solutions include the negotiation of new trade agreements, the development of robust domestic policies, and the implementation of measures to support affected industries. Navigating the aftermath of Brexit requires a comprehensive approach to mitigate economic repercussions and foster stability in both the UK and EU economies.

The distant prospects of the EU, as outlined by the organizer of the World Economic Forum in Davos, Klaus Schwab, appear rather pessimistic. Due to a demographic crisis that is projected to reduce the workforce from 331 million to 243 million by 2050, a decrease in the EU's share of the global gross domestic product is forecasted, leading to potential impoverishment in the eurozone. The global ambitions of the EU may also be at risk. Therefore, the expansion of the EU poses a series of new complex challenges. The visions for the future are unclear, and the leadership of the expanded EU remains ambiguous. New and old EU members have different priorities.

Apart from significant disparities in economic development, various political issues may become problematic due to the continued expansion of the EU. For instance, according to Tim Balchelt, a researcher at the European University Viadrina in Frankfurt

(Oder), there may be a shift in regional influences within the EU, giving rise to a new structure of conflicting interests not only among individual countries but also among different regional groupings. This includes the group of Mediterranean countries, the Baltic countries, the old EU 15 members, the 10 new members, the 12 countries in the eurozone, and countries with predominantly national foreign policy orientations, such as Denmark, France, Greece, Britain, Poland, Malta, and Cyprus.

The desire of Turkey to become an EU member presents a significant challenge. Unlike France, the United Kingdom acknowledges the possibility of Turkey's EU membership. German politicians hold different positions, concerned about the issue of identification with "German" Turks. Pragmatists emphasize that without an influx of immigrants and cheap labor into the EU, an economic crisis is expected. However, Turkey's accession to the EU would once again require a review of the key compromise position on voting quotas in the decision-making process. By accepting Turkey into the EU, the European Union would lose arguments in favor of the idea of "special neighborhood" and the denial of Ukraine's accession. Of course, for Ukraine, it would be easier to integrate into a confederative European Union rather than a federative one. However, current trends regarding the strategy for forming the United States of Europe or, as per the British proposal, merely a European free trade zone, are not yet definitively settled. The situation is further complicated by the actual withdrawal of the United Kingdom from the European Union.

The global economic crisis has intensified concerns about the near-term prospects of the European Union. The common European currency proved effective under conditions of stable economic development. However, under the influence of crisis phenomena, debt issues have become more acute, and the varying levels of economic development among Eurozone countries have become more apparent.

Money serves not only as a tool of "soft power" but also as the nerve center of the economy. Therefore, the financial crisis pertains to the very foundations of market relations. However, the economy can function effectively only as an element of a system of cultural values.

In summary, Brexit has had substantial economic implications for the UK and the EU. Addressing these challenges requires close collaboration, innovative solutions, and adaptation to new trading realities. Through trade agreements, regulatory alignment, targeted support, infrastructure investments, and skills development, the negative impacts of Brexit can be mitigated, and opportunities for growth and prosperity can be pursued.

Chapter 3 conclusions

In the Chapter 3 « Problems and prospects of modern economic development of the EU» the current crisis in the EU: problems and developments of prospective evaluation determined, and the impact of Brexit on the EU Economy and potential solutions studied.

The EU is doing in more than 40 different areas to improve the lives of people in Europe and further afield. The economic difficulties in the EU in 2023 are: Russia's war of aggression against Ukraine; Europe's economic growth; transport infrastructure; ensuring secure, affordable and sustainable energy; creating a greener, climate-neutral Europe; Digitalisation and cybersecurity.

The next problem is an ensuring secure, affordable and sustainable energy. Russia's war of aggression against Ukraine and its use of energy exports as a weapon threatened the security and affordability of the EU's energy supplies. The EU responded with initiatives aimed at phasing out its dependence on Russian fossil fuels, supporting citizens facing high energy bills and accelerating the EU's clean-energy transition. The EU took further steps to address the energy crisis by establishing the EU Energy Purchase Platform, which facilitates the coordinated procurement of gas, liquefied natural gas (LNG), and hydrogen among Member States. The urgent challenge of addressing climate change, biodiversity loss, and pollution necessitates immediate action. The European Green Deal remains the EU's comprehensive plan to tackle these pressing issues.

To make Europe's transport infrastructure fit for both civil and defence use, the Commission adopted an Action Plan on Military Mobility and brought forward the grants process for projects that support military mobility. Other projects will help put in place infrastructure for projected increases in energy-efficient and zero-emission mobility. In total, €25.8 billion in grants is available under the Connecting Europe Facility to co-fund Trans-European Transport Network projects in EU Member States.

Brexit, was decided by referendum on 23 June 2016. Brexit had an impact not only on the economic situation of the EU but also on the population of the EU, which will decrease by 13% by the end of 2020. A withdrawal agreement allows free movement of EU citizens to the UK and UK citizens to EU countries until the transition period is over.10% of UK bank assets have moved or will move to the EU. About 440 banks and financial institutions have left the UK and moved to the EU. 7400 jobs from the financial services sector have moved to the EU. It has been suggested that the UK would risk up to £55 billion in the automotive industry in a no-deal Brexit due to high tariffs on imports to the EU. The total GDP of the UK was USD 2764.20 billion compared to the total GDP of the EU of USD 15,292.10 trillion. In 2020, the UK inflation rate was around 0.99%, while the EU inflation rate was 0.5%. In 2021, post-Brexit trade between the UK and the EU will increase by only 2% to GBP 308 billion.

CONCLUSIONS

Based on the conducted research on the topic "Internal contradictions and problems of modern economic development of the EU", the following conclusions were determined:

1. The European Union (EU) is a unique economic and political union between 27 European countries. The EU that we know today has its roots in several treaties signed in the aftermath of the Second World War. The first step was to foster economic cooperation, based on the idea that countries that trade with one another become economically interdependent and so are more likely to avoid conflict. The result was the European Economic Community, created in 1958 with the initial aim of increasing economic cooperation between six countries: Belgium, Germany, France, Italy, Luxembourg and the Netherlands. Since then, 22 more countries have joined (the United Kingdom left the EU on 31 January 2020) and a huge single market (also known as the internal market) has been created and continues to develop towards its full potential. The EU has delivered more than half a century of peace, stability and prosperity, helped raise living standards and launched a single European currency: the euro. More than 340 million EU citizens in 19 countries now use it as their currency and enjoy its benefits.

The EU works in various policy areas: health; climate change and the environment; a stronger economy, social justice and jobs; EU in the world; values, rights and the rule of law; digital transformation; european democracy; migration, borders and security; education, culture, youth and sport.

2. The EU institutions are the key governing and decision-making bodies within the European Union (EU). They include the European Commission, the European Parliament, the Council of the European Union, the European Court of Justice, the European Court of Auditors, and the European Data Protection Board. The European Commission serves as the executive body of the EU and is responsible for proposing and developing legislation, managing the EU budget, and handling external relations. The European Parliament represents EU citizens and participates in the legislative process by approving or rejecting Commission proposals. The Council of the European Union

consists of representatives from the governments of member states and makes decisions on major EU issues. The European Court of Justice interprets EU law and resolves disputes between member states or EU institutions. The European Court of Auditors monitors the financial management of the EU, while the European Data Protection Board oversees compliance with data protection rules in the EU. Together, these institutions play a crucial role in the governance and development of the European Union.

3. The European Union, composed of 28 member states, including some of the world's largest economies, experienced the repercussions of the 2008 global financial crisis and subsequent Eurozone crisis. In 2022, the European Union recorded a gross domestic product (GDP) of approximately 15.8 trillion euros. In 2022, the inflation rate in the EU rose by approximately 9.32 percent compared to the previous year. Despite economic challenges, the EU has witnessed population growth almost every year in the past decade.

Researching the key indicators of economic and social development in the European Union is of utmost importance for several reasons. Firstly, the EU is one of the largest global economic blocs and has a significant impact on the global economy. Studying indicators of economic development such as GDP, unemployment rates, investment, and trade helps understand the state and prospects of EU development, as well as determine its position in the global economic order.

Secondly, social development in the EU also holds great significance. Researching indicators such as quality of life, education, healthcare, social security, and inequality levels helps assess the effectiveness of social programs and policies, as well as identify areas of concern that require attention.

4. At the current stage, the European Union is pursuing various directions of economic cooperation with other countries. Firstly, the EU engages in trade agreements and negotiations with numerous countries and regions around the world. These agreements aim to promote trade liberalization, reduce barriers, and enhance market access for EU businesses, ultimately fostering economic growth and job creation. Secondly, the EU focuses on strengthening economic ties through investment and financial cooperation. It seeks to attract foreign direct investment (FDI) and promote investment flows between the

EU and partner countries. The EU also supports initiatives for infrastructure development, innovation, and technological cooperation to enhance economic competitiveness and foster sustainable development. Thirdly, the EU emphasizes cooperation in research and development (R&D) and innovation. It seeks collaboration with international partners to address global challenges, such as climate change, energy transition, digital transformation, and healthcare advancements. Joint R&D projects and knowledge sharing contribute to scientific progress, technological advancements, and economic prosperity. Moreover, the EU promotes economic cooperation through regional integration initiatives. It supports the development and integration of neighboring countries through assistance programs, market access, and regulatory alignment. This approach aims to foster stability, economic convergence, and the promotion of European values beyond the EU's borders.

Lastly, the EU engages in dialogue and cooperation on economic governance and regulatory standards. It collaborates with other countries and international organizations to establish common rules, standards, and norms in areas such as finance, taxation, competition, and consumer protection. Harmonizing regulations enhances market efficiency, facilitates trade, and ensures a level playing field for businesses operating in the global economy.

Overall, the European Union's directions of economic cooperation encompass trade agreements, investment and financial cooperation, research and innovation collaboration, regional integration initiatives, and the establishment of common regulatory frameworks. These efforts aim to foster economic growth, prosperity, and sustainable development both within the EU and in partnership with other countries worldwide.

5. The EU is actively engaged in more than 40 different areas to enhance the well-being of people in Europe and beyond. In 2023, the EU faces several economic difficulties, including Russia's aggressive war against Ukraine, Europe's economic growth, the improvement of transport infrastructure, the assurance of secure, affordable, and sustainable energy, the establishment of a greener and climate-neutral Europe, and the advancement of digitalization and cybersecurity.

Regarding Russia's war of aggression against Ukraine, the EU demonstrated swift and united action. With a genuine sense of solidarity among the EU and its Member States, over 200 measures were implemented in 2022 to address the invasion. The objective of the financial aid provided (as shown in Table 3.1) is to meet Ukraine's immediate funding needs, sustain crucial state functions, ensure macroeconomic stability, and support the restoration of critical infrastructure damaged during the aggressive war.

Another significant challenge is ensuring secure, affordable, and sustainable energy. The EU's energy supplies faced threats to their security and affordability due to Russia's use of energy exports as a weapon during the war against Ukraine. In response, the EU initiated measures to gradually reduce its reliance on Russian fossil fuels, support citizens struggling with high energy costs, and accelerate the transition to clean energy within the EU.

6. Brexit has had substantial economic implications for both the UK and the EU. Addressing these challenges necessitates close collaboration, innovative solutions, and adaptation to new trading realities. Through trade agreements, regulatory alignment, targeted support, infrastructure investments, and skills development, it is possible to mitigate the negative impacts of Brexit and pursue opportunities for growth and prosperity.

This paper examines the fundamental issues surrounding the ongoing economic crisis in the European Union, focusing on the core-periphery development model. The first section of the paper presents theoretical concepts to elucidate the factors contributing to regional disparities in economic development. The second section of the paper places particular emphasis on the actual convergence among specific member countries of the EU. In light of this, the paper raises the question of whether stabilization programs will serve as an effective solution to the challenges posed by the current crisis.

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Appendices

Appendix A 1

Figure A. 1 – Member States of the European Union in 2022

Appendix B

Frequently Asked Questions about Impact of Brexit on the EU Economy

What is the impact of Brexit on the EU Economy?

Brexit impacted both the economic condition of the EU but also the EU population as it decreased by 13% by the end of 2020.

Also, there have been a lot of uncertainties because of the relationship between the UK and the EU. The EU relationship was dependent on the withdrawal agreement. Many EU citizens left the UK after the referendum.

How did Brexit affect the EU economy?

In 2017, after the Brexit referendum, both the EU and the UK grew at similar rates, at around 2%. The COVID-19 pandemic impacted the EU negatively.

The UK was the major contributor to the EU's budget. Post-Brexit, the EU had to work out the adjustment to its budget.

Brexit resulted in a higher gap between the spending and the income for the EU and further increased debt in the year 2020.

What are some of the positive impacts of Brexit on the European Union?

The UK's withdrawal from the EU had many positive impacts on the EU as well, including the following:

- 10% of UK banking assets have moved or are being moved to the EU.
- Approximately 440 banking and financial institutions have left the UK and relocated to the EU.
- 7500 jobs have been exported to the EU in the financial services sector.

Amsterdam, rather than London, became the most critical location for European equity trading, while London's derivatives trading lost 75% of its euro volume to New York and Amsterdam.

What are some of the negative impacts of Brexit on the European Union?

Industries such as pharmaceuticals, goods, and road vehicles were hit hard in the EU.

European firms reduced their investment in the UK post-Brexit.

How will Brexit affect European businesses?

Brexit will end the movement of free labour between the UK and the EU. Thus, European businesses cannot rely on cheap labour anymore. If they employ UK citizens, they might need a work visa or sponsorship.