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Pantelis F. KYRMIZOGLOU[1]

GREEK HOTELS: HIGH NPES IN TIMES OF A THRIVING TOURISM

In this paper we try to show the big problem of non-performing exposures faced by the Greek Banking System and more specifically the particularities of the Greek Hotels, despite the favorable conditions for tourism. Our objective is to draw some conclusions regarding the reasons of the problem.

JEL Classification Codes: L83, Z32.

Keywords: Hotels, Greek economy, Financial crisis.

Introduction

For more than 7 years now, the Greek economy is struggling to find a way out of the financial crisis. Under normal conditions the banking system would be expected to play a very important role. Unfortunately, the low liquidity and the high percentage of non-performing loans have a negative impact on the lending criteria of the Greek Banks and consequently on the supply and demand of bank loans.

Some efforts to explain the problem at high figures of non-performing loans, by blaming the banks' wrong lending practices in the period before the crisis, have been rejected by the research made in this field. (Monokrousos et al). It is rather attributed to the long-lasting recession which is not due to the lending practices, but it is connected to the wrong government practices regarding the public debt crisis.

Since 2014 the Bank of Greece adopted the term „non-performing exposures" (NPEs), which is broader than non-performing loans (NPLs). NPEs include all debt instruments as well as off-balance sheet exposures. They include exposures with a de-

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lay longer than 90 days and besides they include exposures with uncertain collection although they are either performing or are less than 90 days past due. So we can see that qualitative criteria have been added.

The efficient management of non-performing exposures is expected to contribute to the recovery of bank financing and the overall restructuring of entrepreneurship in Greece. High NPEs lead to reduced financial resources and increased rates of interest. By the end of 2016, the non-performing business exposures were amounting 44.4% of the total business exposures, namely among the highest in the European Union, where the average figure was 5.5% in June 2016. The comparison is really impressive with the NPEs in Greece representing 10% of the total NPEs of EU, whereas the total assets of the Greek Banking Sector is only 1.2% of total assets of Banks in the EU.

More specifically the respective percentage for the non-performing exposures of SMEs was 58.9% and for the very small businesses was 68.3%. The problem is relatively smaller for the bigger companies, as the respective figure is 26.7% (Bank of Greece).

Despite the fact that the Greek Banks have already made sufficient provisions in their balance sheets and they have „satisfactory" collateral (consisting mainly from 81% real estate), the problem remains with the aforementioned consequences. The bad condition of the real estate market with a 41.9% fall in the prices of apartments from 2008 until the first quarter of 2017, confirm this argument (Mitrakos 2017). Of course, we have to point out that real estate connected with tourism, proved to be the most resilient in the Greek economy. Especially, in the areas of Attica, Mykonos, Corfu etc, where a considerable number of investments (mainly from abroad) started and it was connected mainly with the construction of new high quality hotels.

It is impressive that the percentage of non-performing exposures for the Tourism Sector reaches 54%, compared with 45% which is the average of NPEs for all the business loans in 2016.

In the rest of this paper we will try to investigate the reasons leading to this big contradiction. Actually why in a period of „success?" of the Greek Tourism, high percentages of NPEs are recorded, although Tourism is considered as one of the main pillars of growth for the Greek economy. We will do that by referring to the characteristics of the Greek Tourism, which show the pros and cons of the specific industry. The various existing disadvantages lead to the explanation of the contradiction.

1. Characteristics of the Greek Tourism

The role of tourism in the Greek economy is crucial. It contributes to the GDP of the country with 18.6% and to the total employment with 23.4% (2016). We can see the development of the respective figures in the following table 1. The market share of the Greek Tourism from 2001 to 2015 ranges at global level from 1.5% to 2% and at

European level from 2.8% to 3.8% (table 2). In the next table 3, we can see the Hotel infrastructure of the country with the respective number of hotels and numbers of beds.

Table 1. Participation of Tourism in the GDP and the Employment of the country

Year	% of GDP	% of Employment
2000	16.6	19.2
2001	17.1	19.4
2002	16.5	19
2003	15.9	18.1
2004	16.3	18.2
2005	17.6	19.5
2006	17.8	19.8
2007	17.5	19.4
2008	16.8	18.7
2009	15.9	17.7
2010	16	17.8
2011	16.4	18.3
2012	16.4	18.3
2013	16.3	18.2
2014	17.3	17.3
2015	18.5	23.1
2016	18.6	23.4

Source: Bank of Greece.

Table 2. Market Share of the Greek Tourism

Year	World	Europe
2001	1.9	3.4
2002	1.8	3.2
2003	1.8	3.1
2004	1.5	2.8
2005	1.8	3.3
2006	1.8	3.3
2007	1.8	3.3
2008	1.7	3.3
2009	1.7	3.2
2010	1.6	3.1
2011	1.5	2.9
2012	1.5	2.9
2013	1.6	2.9
2014	1.8	3.8
2015	2	3.1

Source: SETE.

Table 3. Hotel Infrastructure of the country

Year	Number of Hotels	Number of Beds
2000	8 073	593 999
2001	8 285	608 104
2002	8 527	626 914
2003	8 689	644 898
2004	8 899	668 271
2005	9 036	682 050
2006	9 111	693 252
2007	9 207	700 933
2008	9 385	715 857
2009	9 554	726 546
2010	9 732	763 407
2011	9 670	771 271
2012	9 670	771 271
2013	9 677	773 445
2014	9 851	792 304
2015	9 757	784 315
2016	9 730	788 553

Source: Hotel Chamber of Greece.

The Greek Tourism is characterized by a high concentration in the supply of hotel beds, with 70% of them being offered in 4 out of the 13 regions of the country. (More specifically the regions of Southern Aegean, Crete, Central Macedonia, and Ionian Islands offer 70% number of beds). (SETE 2016)

Five regions of the country benefit 87.5% of the total receipts from tourism. More specifically the five regions are:

- Southern Aegean;
- Crete;
- Attica;
- Central Macedonia;
- Ionian Islands;
- in order of magnitude of the respective receipts (Bank of Greece).

The Greek Tourism is characterized by high seasonality. The highest number of foreign tourism arrivals takes place in July, August and September, with the highest figure (56%) recorded in 2016 and the lowest (47.7%) recorded in 2007 (table 4).

In the next table 5, we can see that the spectacular increase in the arrivals of foreign tourists is not accompanied by a respective spectacular increase in receipts. But it is the gradually diminishing expenditure per capita that creates a lot of worries for the future of tourism and the Greek hotels.

Table 4. Arrivals of foreign tourists in July, August and September as % of total arrivals

Year	Percentage
2001	51.3
2002	50.3
2003	50.6
2004	49.1
2005	49.5
2006	49
2007	47.7
2008	50
2009	52
2010	55
2011	56
2012	56
2013	56
2014	56
2015	55
2016	56

Source: SETE.

Table 5. Foreign tourists' arrivals, receipts and expenditure per capita

Year	Arrivals (in millions)	Receipts (in bn euros)	Expenditure per capita in euros
2001	13	10.6	810
2002	12.6	10.3	819
2003	12.5	9.5	762
2004	11.7	10.4	882
2005	14.4	10.7	746
2006	15.2	11.4	746
2007	16.2	11.3	700
2008	15.9	11.6	730
2009	14.9	10.4	697
2010	15	9.6	640
2011	16.9	10.4	616
2012	16.9	10.4	616
2013	17.9	11.7	653
2014	22	13	590
2015	23.6	13.6	580
2016	24.7	12.7	514

Source: Bank of Greece.

2. Factors leading to high NPEs of the Greek Hotels

The difficulties faced by the hotel industry in Greece can be confirmed by a recent report of PWC. Among other observations, the report refers to the fact that the Greek hotel industry relies mainly on small hotels. The 2 stars hotels constitute about 45% of the total figure. There are only 367 hotels with more 300 beds, representing 4% of the total number and 25% of the total bed capacity. The hotel industry is split and the average size of a hotel is 247 beds. Finally, the PWC report suggests three strategies for investments in hospitality:

1. Adding capacity in main destination by using unutilized building permits.
2. Upgrading hotels to the next class.
3. Developing lesser destinations by the acquisition of many hotels at one of them. This is considered the most promising strategy.

The objective of this paper is to investigate and find out the reasons leading to the high NPEs for the Greek Hotels.

Most of the reasons are common with the rest sectors of the Greek economy. We noticed in the beginning of the paper that the non-performing exposures are higher for the smaller companies. This is also valid for the smaller hotels which constitute the majority of the Greek hotels. If we take into account the above mentioned characteristics of the Greek Tourism, the report of PWC and the research carried out by various authors, we can reach certain conclusions regarding the recorded high NPEs of the Greek Hotels. More specifically the high NPEs of the Greek hotels are connected with:

- The big number of small hotels.
- The high seasonality of the demand of hotel services.
- The decreasing receipts from tourism, despite the increasing number of tourists arrivals.
- The decreasing tourist expenditure per capita.
- The spread of all inclusive tourism.
- The strong presence of rooms to let (very often being part of the big underground economy and therefore competing with the hotels with unequal terms).
- The spread of Airbnb, gaining market share against the Greek hotels.
- The high taxation on hotels' earnings (51.7% for taxes and social security contributions, compared with 40.1% average rate for the developed countries of OECD) (Doing Business 2018).
- The weakness of Greek Hotels to attract tourists with higher income per capita connected with the relatively low competitiveness of the Greek Tourism (which is not necessarily attributed to the Greek Hotels, but it can be associated with taxi drivers, travel agents, museum trade unions etc).

3. Concluding remarks

All the above-mentioned factors constitute a very complicated business environment for the Greek Hotels and, in our opinion, create serious difficulties in the Hotels' ability to pay out their debts to the Banks. The solution of the problem depends on the governments' determination to tackle the problems by establishing a modern, transparent, fair and efficient institutional framework.

On the other hand we should not underestimate the hotel owners' lack of willingness to proceed to reforms connected with the cost, the price and the quality of their services.

We believe that under the current conditions the problems will remain, even if the very optimistic forecasts for 30 million foreign tourists arrival in the next years, comes true. The need for upgrading the quality first and the quantity second in the hotel infrastructure of the country is imperative.

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Jacek PERA[1]

SHARING ECONOMY AS THE NEW PARADIGM OF THE ECONOMY OF THE FUTURE. RISK ANALYSIS

Sharing economy is cooperation and sharing based on providing the opportunity to access goods and services to those, who precisely need such a service. This paper attempts to organise the yet unsettled areas of sharing economy that today determine its risk and make it ambiguous, unequal, unfair and objectionable in the eyes of many a business environments. The aim of this article is to analyze the risk associated with sharing economy. To fulfil this aim the author has discussed: the paradigm of consumption and the common good in the context of the economy of the future, the etymology of the term of sharing economy and identification of risk that is linked with this phenomenon. The studies were divided into two parts: the first concerns theoretical risk analysis of the functioning of sharing economy based on subject literature; the second part is a practical analysis of the risk of the impact of sharing economy on the Polish labour market on the example of UBER application. The following research hypothesis was adopted in the paper: The risk of impact of sharing economy on the labour market in Poland is of little significance. The analysis allowed to identify the following risk types in the number of twenty, which are present today in sharing economy: Unequivocal and coherent concept, Data safety, Taxes, Law regulations, Quality, Service performance guarantee, Pursuing claims, Employees rights, Responsibility for clients, Grey market, Competitiveness, Relations: sharing – business, Licences and permissions, Employment relationship, Deflation, Consumer rights protection, Employment, Abuse, Mentality, Sales. A risk analysis of the effects of sharing economy on the Polish labour market showed that this phenomenon was of low significance in the analysed period.

The analysis was based on Bosworth, Dawkins, Stromback model. The research shall cover the period 2010 to 2016 (start of operations of the EUBR application in Poland as of 2014; worldwide: 2009) for sector H of PKD (transport and warehouse management, (for Poland – section: H49 PKD inland transport). The analysis concerns first of all the Polish market, but due to the short period of UBERA's activity in

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Poland – data for other economies in the world, where the application is already operating, were also compiled. The aim of such an approach was to find possible implications for the labour market – in countries where the application works longer – and to refer them to possible future implications for the Polish market. The analysis of the risk of the effects of sharing economy on the labour market in Poland showed that the risk of this phenomenon was of low significance in the analysed period. This assessment results from the fact that this phenomenon is new and dynamic on the Polish market. There are also no relevant legal regulations that would integrate this type of economy into the regulated labour market in Poland. However, risks should not be underestimated. In the long term, it may turn out that this type of economy will have a significant impact on the development of the labour market in Poland.

JEL Classification Codes: D10, E21, F10, L21.

Keywords: sharing economy, risk, colaborative economy, economy of the future, common good.

Introduction

Although nowadays, the common good is being rediscovered, becoming the object of numerous discussions and disputes on different levels, the phenomenon of sharing economy is not a new one, as people have cooperated closely from the beginning of time. Currently, it is an economic model based on the circulation of goods and services through sharing, exchanging, selling, lending or giving for free. Thus, it enables access, or the opportunity to meet one's needs without the need to own certain goods and as a result it reduces the waste of valuable resources, as one thing is used by a larger group of people. Owing to cooperation supported by technology communities can co-create, co-fund, co-design, borrow and lend, help and do many more useful activities that make an average person's life easier.

It is impossible to stop the growth of sharing economy. It is the beginning of business evolution around the world. It entails a lot of changes that will have an influence on the worlds' consumerism, economy as well as the development of enterprises and communities. The result of sharing goods today, is the number of globally recognised brands of taxi companies that do not own a single car. Hotel companies that do not have a single bed place. In order for the unavoidable process of sharing to be transparent, understandable, equal for everyone and fair, the accompanying risks should be identified first and then mitigated. Due to the high dynamics of growth of sharing economy, its impact on various aspects of life is more and more often analyzed: from the economic aspect of demand and supply for services and consumer goods, the labour market, to the social aspect (creation of social capital).

This paper attempts to organise the yet unsettled areas of sharing economy that today determine its risk and make it ambiguous, unequal, unfair and objectionable in the eyes of many a business environments. The aim of this article is to analyze the risk associated with sharing economy. To fulfil this aim the author has discussed: the paradigm of consumption and the common good in the context of the economy of the future, the etymology of the term of sharing economy and identification of risk that is linked with this phenomenon. The studies were divided into two parts: the first concerns theoretical risk analysis of the functioning of sharing economy based on subject literature; the second part is a practical analysis of the risk of the impact of sharing economy on the Polish labour market on the example of UBER application. The following research hypothesis was adopted in the paper: The risk of impact of sharing economy on the labour market in Poland is of little significance. The analysis allowed to identify the following risk types in the number of twenty, which are present today in sharing economy: Unequivocal and coherent concept, Data safety, Taxes, Law regulations, Quality, Service performance guarantee, Pursuing claims, Employees' rights, Responsibility for clients, Grey market, Competitiveness, Relations: sharing – business, Licences and permissions, Employment relationship, Deflation, Consumer rights' protection, Employment, Abuse, Mentality, Sales. A risk analysis of the effects of sharing economy on the Polish labour market showed that this phenomenon was of low significance in the analysed period.

1. The paradigm of consumption and the common good and the economy of the future

The basic assumption of modern paradigmatic neoliberal economics is the predominance of individual freedom over institutions (especially political and economic ones). Its foundations are two main theses of supply-side economics:

- predominance of production, which is the basic aim of economic system, as it provides an increasingly greater level of fulfilling needs;
- predominance of („an invisible hand”) of the market, as the most efficient mechanism of optimal allocation of resources (Zawojska, 2006), (Jamka, 2014).

The changes occurring in the modern globalised worlds' economy force it to change the paradigm it has so far had. They are: dynamic development of technology and growing social demand in this respect (technology allows to lower transactional costs radically, making exchange cheaper, faster and easier, hence – available on a much bigger scale), recurrent economic recessions (that have caused changes in consumer attitudes, including a tendency to save), sociocultural transformations and changes within societies (such as an increase in mutual trust, the need of comfort and the sense of belonging to a community) as well as constant increase of consumption (a society focused on buying and having).

These phenomena and processes shape a new type of economy: gift economy, which denies both the predominance of individual freedom over institutions, as well as the predominance of production: relations between participants and their social and material status become the effect of goods exchange. A new paradigm of economy occurs as the result of that – economy of the common good, an alternative „model of the economy of the future" (Felber, 2014), Botsman, Rogers, 2010).

Traditional market exchange consists in accessing goods by acquiring ownership rights. The pursuit of owing is an expression of customers' needs and desires. The consequence of owing a given thing is a specific consumer-object relation, regulating an individual's attitude and behaviour towards the owed object. Property means freedom to use the goods and being responsible for them. It also sets the boundaries for other individuals („non-owners"). The owner has the right to regulate other people's access to goods, the right to exclusive use, sale, lease, as well as the right to draw benefits from the goods (Rudawska, 2016).

Nowadays, as a result of an objection against neoliberal globalisation and the search of new ideas concerning society's organisation and management of goods – the idea of the common good takes on a new dimension.

According to M. Piechowiak: „the common good (see Figure 1) is – described on the ground of political community – the sum of conditions of social life enabling and facilitating – allowing to achieve integral development of all the members of a political community easier and to a greater extent" (Piechowiak, 2012).

According to the quoted definition the essence of the common good is development: integral, relating to all people and communities, stemming from proper, supportive living conditions. When further interpreted, this definition entails the prohibition to favour a certain type of social groups over others and to use the common good for the purpose of securing individual interests (Jamka, 2014).

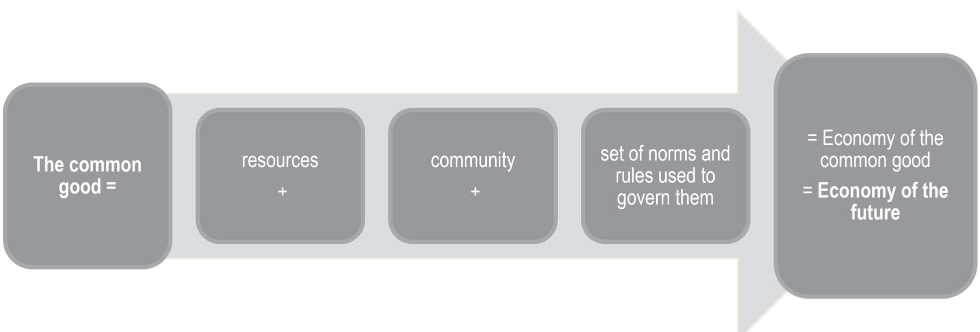

Figure 1. Common good components

Source: own study on the basis of: (Jamka, 2014).

According to K. Strzelczyk (2009) the definition of the common good should determine its contents and constant elements as well as include an element that will allow to redefine the concept, confronting the constant with changeable forms and social conditions.

Ch. Felber (2014) emphasises that what „common good" actually is, is democratically determined by a given community. It can be a certain resource, a single commune, region, a whole country. What is more, values that are of a great importance to one community, can be totally insignificant to another. Hence, there is not a central list of common goods, as such goods occur wherever and whenever a community decides to manage resources in a collective way, taking into account equal access, usefulness and sustainable management.

On the grounds of economics, a significant influence on the revival of research activity and on the development of the concept of the common good was exerted by research results of a Nobel Prize winner Elinor Ostrom (1990), who, against the trend of conventional economics (Aleksandrowicz, (http)), rebutted Hardin's objectives and undermined his thesis, according to which the only effective way of development is privatisation, proving the efficiency and effectiveness of community management systems. She showed that one should refer to much richer regulating institutional structures, as the idea of cooperation of local communities can often solve a part of problems (Noga, (http)).

This revival is also supported by the activity of Muhammad Yunus (2013, (http)), the winner of the Nobel Peace Prize, founder of Grameen Bank, called, not without reason, banker to the poor. Being an advisor to the European Commission, he made numerous public speeches in the European Union (EU) Member States as well as during World Economic Forum in Davos, where he presented social entrepreneurship solutions that have been verified in Asia, for instance. He also set out the models of social economy functioning in Europe as well as recipes for solving social problems, reducing the growing differences and effective cooperation between public and private capital (Słodowa-Hełpa, 2015).

Also D. Bollier states in his works (2012, 2014) that the economy of the common good is in the embryonic stage of development and it is the challenge for the economists to notice the common good and find ways to protect and strengthen it. He claims that the essence of the common good is the practical paradigm of self-management, resource management and decent life. According to Bollier, the common good is:

- a social system of long-term care for resources, protecting the common values and identity of a community;
- a system of self-organisation allowing communities to manage resources (renewable and non-renewable) with a minimal or zero contribution of the state and market.
- collective wealth inherited or created together, which should be passed on, unimpaired, or even improved, to next generations;
- an area of economy creating new values with methods often considered trivial, often endangered by state-market system.

According to E. Ostrom (1990) the project of efficient management of the common good should include:

1) unambiguous definition of common good boundaries;

2) adjusting the rules of using the common good to local conditions;
3) collective creation of rules of managing the common good
4) supervision – monitoring the compliance with the rules by community's members or by external actors liable to the community;
5) gradable sanctions in case of rule breaking, taking into account incidental breech of the rules in the event of unexpected emergency conditions (e.g. severe weather);
6) effective and cheap mechanisms of conflict solving;
7) the system's independence – the institutions of common good management being accepted by external bodies (e.g. the government)
8) multilevel institutions creating bigger systems, coordination of the rules on different levels of the given resource's operation.

In the aspect of sharing economy size, proposed by F. Bardhi i G.M. Eckhardt (2012), one can characterise shared consumption through the prism of: anonymity level, consumption relation's duration, consumer involvement level, market mediation, type of available goods and ideological message.

Anonymity determines the relation between consumers of the shared good. It can be wholly anonymous in relation to other users of a given product (e.g. a car or a flat), devoid of interaction with them or involve social access within the meaning of public context of using goods and services. Consumers can use a given object together with other people (peer-to-peer sharing) or consume the goods together in dedicated places (e.g. gardens or libraries).

Another criterion according to which sharing economy is characterised relates to consumption's duration and the availability itself. The latter can be one-off (such as an incidental car renting) or long-term, fortified by membership in a given club.

In a similar way, we can diversify the time of using given goods, counting in hours (as in car sharing models) or years (as in leasing). In case of the latter, Strahilevitz and Loewenstein (1998) indicate that duration of use can be a factor in the creation of a „consumer – consumed object" relation, analogous to that, which is created in case of ownership.

In another criterion – consumer engagement, we can observe the phenomenon of co-creation, or even assuming the role of an employee or an agent by the consumer (Frei, 2005). The users of the goods themselves perform activities considered as the service provider's responsibilities (as, for example, car refuelling, keeping it clean and in good technical condition, damage notification, etc.).

The fundamental criterion for sharing economy characteristics is the use of market as an agent. Consumption based on access can function on non-profit rules (it has been known for years in the form of libraries, and more recently in the form of city bike systems) or market rules. In such a case, the intermediary institution manifests economic motivations and usually collects fees from the participants of the created market, for the use and/or belonging to the group of users.

The last criterion for characterising consumption based on access is the extent to which ideology is involved. What is meant by this, is the use of market activity as the ground for stating certain convictions and treating consumer choices as tools in politics, in a way.

Hence, modern economists should be occupied with responding to the demand for practice in terms of the consumption of the common good. A growing interest in the common good is not only reserved to researchers representing different areas. Social movements based on this concept are growing around the world and numerous projects spontaneously assume the discourse of the common good as a structure organising their efforts. In this way, what is being created is a new paradigm of the economy of the future, which cannot be stopped and which is based on sharing economy.

2. Sharing economy – the term's etymology

In the history of economy, the phenomenon of sharing resources by people is nothing new. Such a model of economic activity has been robust for many years around the world. In Poland it is a relatively new phenomenon, but one gaining popularity very quickly. Sharing economy is cooperation and sharing based on providing the opportunity to access goods and services to those, who precisely need such a service. The whole idea is based on the so-called „trust infrastructure" entailing sharing, borrowing, lending, exchanging goods and services by people. This principle is the basis for a growing number of Internet exchange websites, where the users offer their services without asking for money in exchange. Security is provided with opinions about the users, that either testify in favour or against a given person.

According to A. Stephany, sharing economy draws value from using assets that are not fully used and making them available on-line for a community, which leads to lessening the need for owing them. Defined in this way, sharing economy is based on five basic pillars: value, not fully used resources, on-line availability, community and decreased need for ownership (Stephany, 2015).

In Poland, this phenomenon has been called a „hurricane able to change the world's economy", whereas Financial Times has called it „a completely new form of capitalism". Without doubt, the growth of sharing economy entails a lot of changes that will have an influence on the world's consumerism, economy and enterprise growth. This phenomenon is based on people's tendency for cooperation, helping other people and sharing time and resources, which is reciprocated in different ways (material and non-material). Some time ago, such a form of cooperation was limited to a small circle of family, acquaintances and neighbours, but with mass production, growth of trade and services as well as greater migration resulting in multi-generation families being separated and losing acquaintances, this phenomenon was slowly becoming less important and its functions have been taken over by companies and institutions (e.g. public ones).

Another aspect of human nature, which is the will to compete and care for individual interests is the basis of classical economics, but in the conditions of market economy it sometimes leads to distortions (exploitation, fraud, etc.). Thanks to new technologies, cooperation economy is again gaining popularity and economic rationality. The catalyst of its dynamic growth was the financial crisis in 2008, as well as the need for saving, using resources in a better way and changing social relations. Sharing economy transforms well known capitalism into its new form – economy that is also based on money, but uses resources in a more efficient way. Its basic idea is the motto: „the more we share the more we have together".

Late 20th and early 21st century have brought an increased interest in alternative ways of accessing goods with underlying strive for sustainability. However, the concept of shared consumerism is not at all new. A term similar to sharing economy – collaborative consumption (see Figure 2) was for the first time used in 1978 by Marcus Felson and Joe L. Spaeth in their article in „American Behavioral Scientist". They described this form of consumption as a process, in which one or more people consume goods or services by engaging in different activities with others (Felson, Spaeth, 1978).

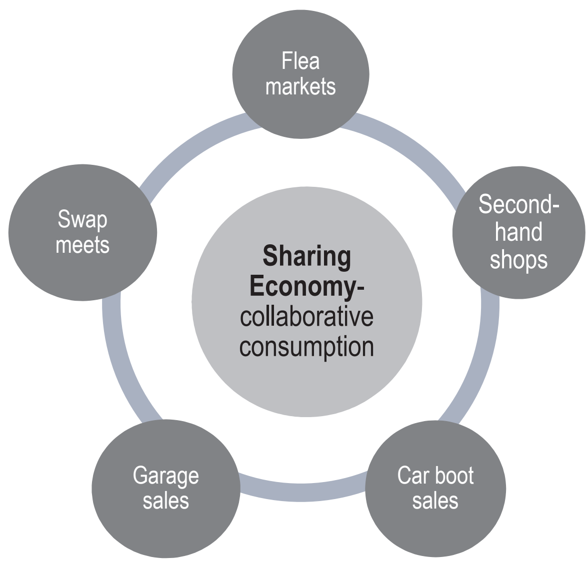

Figure 2. Collaborative Economy

Source: own study.

However, the term sharing economy was used for the first time only in 2008. It was the year that professor Lawrence Lessig (Lessig, 2008) used it to describe the transaction of borrowing goods and resources, which was in a way opposed to the transaction of buying.

The pioneers of study on the consumers' behaviour in the format of sharing are: Belk (2010) and Chen (2009). Their works have become a conceptual guide, explaining the phenomenon of mutuality in a consumer-consumer relation.

According to the report of PricewaterhouseCoopers „Share and rule. Sharing economy" – more than 9,000 companies around the world operate in this economy model. Those companies will achieve a 22-fold revenue increase – from USD 15 billion in 2014 to USD 335 billion in 2025 – and it is only in the five basis areas: transport, financial services, tourism, hotels and appointing the employed people. Table 1 presents examples of the most famous companiesbasing their strategy on the assumptions of sharing economy together with a short characteristics of their activities.

Table 1. Companies operating on the basis of sharing economy business model as of 31/12/2015

Company Name	Description of activity
Airbnb	a global website enabling people to rent private flats
bag4rent.pl	renting luxurious women's bags
Blablacar	transport of people on long distances with additional passengers to reduce the cost
Cookisto	cooking meals together
Couchsurfing	a website for offering a bed space (a couch) for foreign tourists
Deezer	sharing music within one's subscription
Dogvacay	a website allowing users to look for each other's pets while their owners are on holiday
Finansowo.pl	social loans
Flightcar	renting cars left by their departing owners at airports
GoGet.pl	sharing bikes and cars
Green coffee	a chain of coffee shops offering a coffee in exchange for a book
iParkomat	offering parking spaces
JadęZabiorę	a website of express packages, sent also abroad
Kickstarter	a website allowing one to support projects proposed by Internet users
Lyft	transport of people and goods
Netfix	making films available online
Nextbike	renting city bikes
planetazabawy.pl	renting children's toys
Polakpotrafi	social financing of business projects
SirLocal	access to professionals of different areas
Skilltrade	a website for exchanging skills/work
Spotify	a website for sharing music in exchange for a subscription fee
Systemy Rowerów Publicznych	city bike rentals
Taxi2	sharing taxi fee costs in connection with co-passenger choosing (e.g. women choose only other women)
TrustCloud	managing standards of project trust (aggregating reputation)
Uber	taxi and transport services
UlaLa Chef	booking private chefs
Wooloo.pl	a website for exchanging services in the form of a given type of work
wymiennik.org	a website for exchanging goods and services
Zilok	renting car – campers
Zipcar	sharing cars

Source: own study on the basis of (*Współdziel i rządź…*, Zgiep 2014; Zysk, 2016).

As can be seen in table 1, sharing economy works in at least four general models: C2C (*consumer to consumer*, i.e. on-line area of business in relation to private persons), B2C (*business to consumer*, i.e. business relation between a company and a final customer, initiated by the company), C2B (*consumer to business*, i.e. a category of e-business, reversing the traditional mode of sales, involving customers' placing offers on-line on special websites) and B2B (*business to business*, i.e. trade relations between companies, the so-called *e-commerce*). The described enterprises have an established position on many markets. Airbnb for instance – with a value of over USD 20 billion – has over 11 thousand advertisements on its Polish website (www.airbnb.pl), being over 10% of Polish hotel base. The creator of this business idea is – Brian Chesky, who has already earned more than USD 2 billion. During just one year – between 2014 and 2015 – the value of loans granted in sharing economy model rose sevenfold, from USD 9 billion to USD 64 billion (http://www.pwc.pl). Netflix, offering access to films on-line has over 74 million subscribers in 190 countries. Uber – with the value of USD 18 billion – is currently operating in over 400 cities around the world (Zysk, 2016). Global investments' worth in sharing economy in 2015 was: USD 31,771 million (see Figure 3).

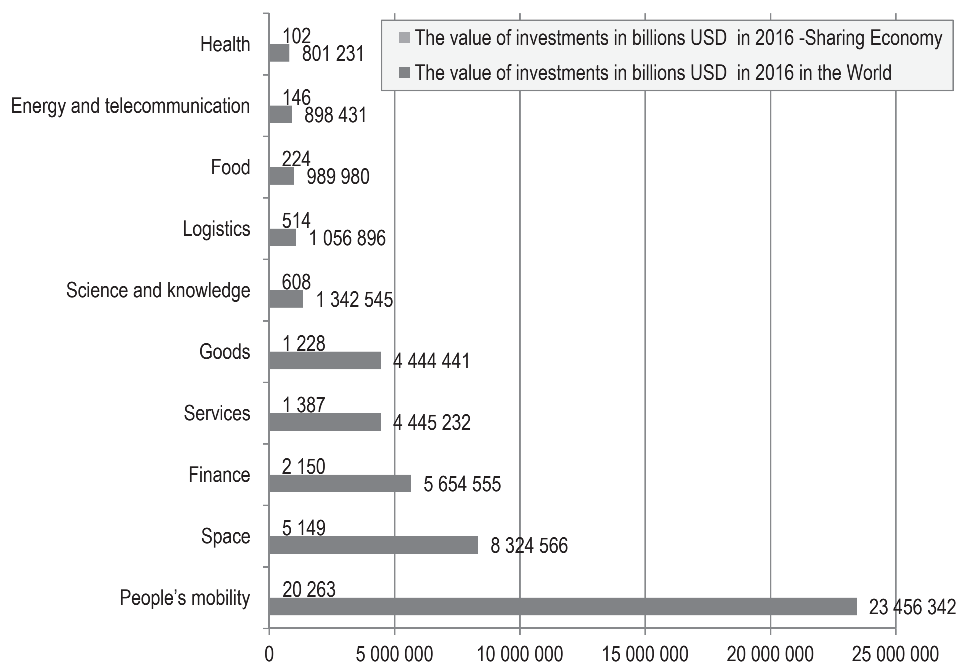

Figure 3. Global investments' in the World and Sharing Economy

Source: own study on the basis of: Sharing economy in Poland in 2016.

Sharing economy model is becoming increasingly popular among people and institutions, including Polish and European government bodies. Between 25 September 2015 and 6 January 2016 the European Commission performed first public consultations on the subject of sharing economy (Dervojeda, 2013). At the beginning of 2016, Commissioner for Internal Market and Services of the EU – E. Bieńkowska – announced that the European Commission will develop detailed guidelines for EU Member States, pointing out the regulating rules of the EU's area of sharing economy, as the present legal framework is incompatible with this modern sector. On 2 June 2016, European agenda for sharing economy was published. European Commission wants sharing economy to become one of the driving forces of EU economies. The adopted agenda supports consumers, entrepreneurs and state authorities in „bold participation" in sharing economy. In further perspective, EU plans to observe and analyse the situation in different countries, yet, without interventions in the form of laws, in order to avoid losing competitiveness with other regions of the world, remembering that a lot of business models function within the phenomenon of sharing economy and it is difficult to provide a single framework for them.

3. Risk in sharing economy

As has been stated earlier – the lack of transparency and organisation in sharing economy today makes all its aspects corresponding to this disorganisation determine its risk. It is worth identifying those areas and analyse the risk they generate – and in consequence trying to mitigate it. Only then, will sharing economy process be unambiguous, understandable, coherent and equal for everyone. The main risks (20) identified by the author are included in Figure 4.

(1) – Unequivocal and coherent concept – lack of an unequivocal definition describing the scope and status of sharing economy.

(2) – Data safety – the development of network communities, mainly due to Internet, has shown that property right does not guarantee ontological safety any more and that it does not provide a sense of independence. Accumulating a lot of information by technological companies does not promote the confidentiality of our data. Actually, it excludes this confidentiality. There is also the lack of legal regulations related to collecting personal data and the possibility to commercialise them.

(3) – Taxes – varying ways of regulating creditors by entities in the area of sharing and traditional economy. As the result the entities of the first group weaken competitors that are subject to charges, and hence – more expensive on the one hand, and on the other hand they lower budget income. They do not pay PIT, social insurance nor CIT. Another problem is related to people who misuse the possibility of joint journeys offered by BlaBlaCar, for instance, using company cars for taking passengers. Thus, they become tax-free service providers.

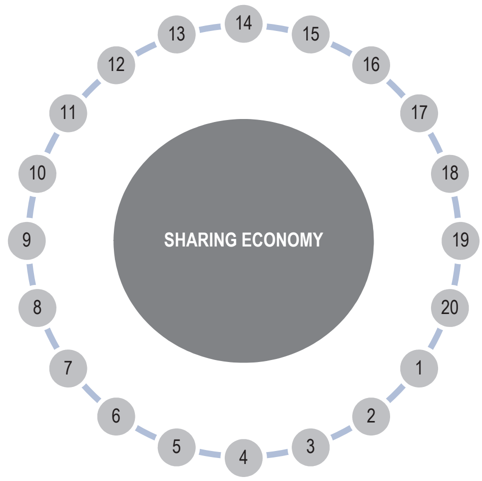

Figure 4. Risks identified in Sharing Economy: (1) – Unequivocal and coherent concept, (2) – Data safety, (3) – Taxes, (4) – Law regulations, (5) – Quality, (6) – Service performance guarantee, (7) – Pursuing claims, (8) – Employees' rights, (9) – Taking responsibility for clients, (10) – Grey market, (11) – Competitiveness, (12) – Relations: sharing – business, (13) – Licences and permissions, (14) – Employment relationship, (15) – Deflation, (16) – Consumer rights' protection, (17) – Employment, (18) – Abuse, (19) – Mentality, (20) – Sales.

Source: own study.

(4) – Law regulations – modern law cannot keep up with economy growth. „Traditional" entrepreneurs are worried by the fact that law accepts unequal treatment of different market participants. The law lacks clear regulations that would result in the fact that services provided as part of traditional and sharing economy are performed on equal terms by all entities, respecting the rules of fair competition. It pertains both to business risk (divided between the user, the lender and the website's owner) and to the risk related to conducting business and social protection provided to people who work like that. Providing services as part of sharing economy is subject to different laws in different countries. Legal and tax systems were not prepared for the development of this kind of services, which results in protests of companies operating within traditional economy. European legal framework is inadequate in relation to new business models.

(5) – Quality – lack of norms and standards.

(6) – Service performance guarantee – lack of it, the clients can do as much as to give a negative opinion for service that was incompatible with their expectations or for unethical practices.

(7) – Pursuing claims – in fact, the issue claims related to improperly performed service as part of sharing economy is not undertaken by law. Clients can do as much as to give a negative opinion for service that was incompatible with their expectations or for unethical practices.

(8) – Employees' rights – lack of them, as there are no civil law contracts nor a relationship between an employee and service provider.

(9) – Taking responsibility for clients – lack of responsibility as there are no civil law contracts nor a relationship between an employee and service provider.

(10) – Grey market – resulting from the lack of payment settling by entities in sharing economy.

(11) – Competitiveness – lack of legal regulations related to competition. Sharing economy new model, expressing the effect of one of the so-called Porter's Five Forces, i.e. danger posed by substitutes. There are new players in the market acting according to the new business model, which becomes a danger for the already existing solutions.

(12) – Relations: sharing – business – resulting from the lack of unequivocal definition describing the scope and status of sharing economy, the latter is being distorted. We can talk about sharing economy when we deal with exchange groups with close relations between individuals. If this is a purely commercial relation, then it is taking advantage of the trend for business purpose, which should be regulated by law. Hence, there should be a clear division between grassroots projects based on sharing economy, such as object exchange groups, and companies using this trend for business purposes. An indispensable condition for sharing consumption is maintaining close relations between people. If there are no close relations, it is pure business. It is very difficult to distinguish between those who operate on the principle of barter, good exchange and those who do it for profit. Making such a distinction seems impossible.

(13) – Licences and permissions – lack of clear regulations results in the fact that participants of sharing economy do not have: a proper licence, cash registers in cars, a clear price list in cars, social insurance. Individuals who conduct business on „traditional" market are obliged to meet standards determined by a given industry, e.g. finish certain trainings, pass exams, have appropriate certificates, comply with safety, buy insurance covering damages incurred for conducting certain business. In case of people offering their services or goods as part of sharing economy, those are not required, as there are no appropriate regulations that would correspond to the development of new technologies and to social and economic changes it entails.

(14) – Employment relationship – business practice as part of sharing economy leads to employment relationship and work ethos being made precarious. Legal solutions in terms of labour law are not adjusted to „serve" sharing economy and the state finds it difficult to play the regulating role.

(15) – Deflation – Bigger tendency to share can theoretically lead to decreased sales within an economy, and even to deflation and unemployment.

(16) – Consumer rights' protection – lack of consumer protection against unfair market practices. If the service is not provided – the consumer can only hope for the refund of commission or part of payment. Buying a new product makes consumers in „traditional" economy more protected by specific laws, e.g. the act on conformity of goods

with the contract. It provides consumers with a range of rights, for example the seller has to repair or exchange goods. In case of exchange or sharing, the person liable for damages caused by this product is not identified.

(17) – Employment – so far, sharing economy does not entail employing people full-time. They are rather independent service providers or entrepreneurs. The possible need of employing cooperators can be a big problem for companies within sharing economy. What is more – less demand for cars resulting from sharing them to a greater extent will cause a quick decrease of employment in automotive industry and maintenance services. Advanced systems will replace or oust employees from different positions, which will mean: letting off.

(18) – Abuse – for instance, when people having a few immovables rent them throughout the whole year to tourists, or when sales representatives going on business trips take a few passengers in their company cars.

(19) – Mentality – sharing economy requires social trust. However, the following statement often occurs: „I will not exchange, because he will destroy it".

(20) – Sales – as a result of discrepancy between regulations relating to entities functioning within traditional and sharing economy, there is a decrease of turnover of the entities operating within the boundaries of law (e.g. „traditional" hotels are confronted with apartments rented occasionally for less money and with less business costs).

4. Assumptions, method, research results and conclusions

4.1. Assumptions and method

The point of reference for conducted empirical research is the analysis of the risk of the impact of sharing economy on the Polish labour market on the example of UBER application. The choice of research area was dictated by the controversies raised by this application in many countries (e. g. UBERA's entry into Poland triggered protests by traditional taxi operators). There was also a discussion on the „bright and dark" sides of American application activity in Poland. This is an example of a collaborative economy, which is common in many EU and global countries. UBER is also the longest running example of sharing economy in international business (currently operating in 632 cities, 82 countries and 1 billion connections operate). For the purposes of the analysis, the aspect of meeting the formal requirements that must be met in order for this form of business model to function in the territory of a given country has been omitted. In many cases these requirements have been omitted by the UBERA, hence the controversy on this subject mentioned earlier (the opponents of the UBER claim that it is not sharing economy). UBERA's influence on the local labour market was analysed, with particular emphasis on the Polish labour market. The research shall cover the period 2010 to 2016 (start of operations of the EUBR application in Poland as of 2014; worldwide: 2009) for sector H of PKD (transport and warehouse management[2], (for Poland – section: H49 PKD inland transport). The analysis concerns first of all the Polish market, but due to the short period of UBERA's activity in Poland – data for other economies in the world, where the application is already operating, were also compiled. The aim of such an approach was to find possible implications for the labour market – in countries where the application works longer – and to refer them to possible future implications for the Polish market. This analysis is the starting point for next research on sharing economy.

The following research related to consumption were used in the conducted research: it was assumed that consumption in a balanced state was, $\dot{C}$ depends on current income Y:

$$C_t = \alpha_0 + \alpha_1 Y_1 \tag{1}$$

The following consumption function with a single delay corresponds to two findings: firstly, that an aggregate consumption model can be built and, secondly, that the reaction of consumption to current income is weak. Assuming that only a certain part, β_1 of the difference $\dot{C}_t – C_{t-1}$ is realised in year t, is obtained:

$$C_t - C_{t-1} = \beta_1 (C_t - C_{t-1}) = \beta_1 (\alpha_0 + \alpha_1 Y_1 - C_{t-1}) \tag{2}$$

It follows from this that:

$$C_t = \beta_1 \alpha_0 + \beta_1 \alpha_1 Y_1 + (1 - \beta_1) C_{t-1} \tag{3}$$

In order to avoid possible autocorrelation of random components, the analysis will then relate to the equation:

$$\varDelta C_t = \beta_1 \alpha_1 \varDelta Y_1 + (1 - \beta_1) \varDelta C_{t-1} \tag{4}$$

where:
C_t, National income,
Y_t, Variables depending on private investment expenditure I_t,
deduction of taxes, $(1-\tau)\ Y_t$, where: τ is the tax rate, and consumption expenditure of the previous year,$\beta_i^* = (1-\tau)\beta_1$.

The analysis was based on Bosworth, Dawkins, Stromback (1996) that the labour market is a place where employers' demand for labour is „meeting" with the labour supply reported by employees. This market determines the labour price, i. e. the rate paid as an equivalent for the work done. In the case of conducted research, the partici-

[2] According to the International Labour Organisation classification (ILO).

pants in sharing economy are persons conducting business activity consisting in offering transport services to individual customers thanks to the Uber platform. The development of sharing economy as a profit-oriented business model has a significant impact on the labour market. Therefore, the analysis will focus on this group of sharing economy participants. It will be conducted on the basis of a popular communication application www.uber.com (Polish version). According to the declarations of both application owners and drivers, drivers are independent self-employed in this model of cooperation. They do not receive a fixed wage. Their remuneration depends on the number of completed courses and kilometres travelled, or alternatively on the provision of additional services (e. g. instructions and persuading the next partner to cooperate). They bear the full risk for their activities. They are also owners of car equipment.

4.2. Research results and conclusions

Undoubtedly, the number of observations for Poland is insufficient to conclude at present on sustainable trends in the labour market. It can only be verified whether in the analysed period of 2014–2016 disproportions occurred in changes on the Polish labour market. In 2014–2016, the number of employees in the national economy increased by 1.02%. (see Table 2). In the same period the number of persons conducting business activity in section H of PKD increased by 1.09%. The number of entrepreneurs conducting business activity in section H49 of PKD increased by 1.28%. The share of persons employed in the PKD H sector in the total number of employees increased slightly from 5.7% to 6.0%. Also, employment in section H49 of PKD in the total number of employees increased slightly: from 0.02% to 0.03%. The share of persons employed in section H49 of PKD in the number of persons employed in section H of PKD increased from 3.5% to 4.2%. It was also a modest increase. In Poland, the number of people working for UBER reached to 41 thousand at the end of 2016 (see Table 2).

Table 2. Number of persons employees in the economy and transport (land) sector in 2010–2016 (in thousands) for UE-28

Country/ Indicator	2010	2011	2012	2013	2014	2015	2016
AT	3344/989/12	3403/991/18	3427/990/21	3449/998/21	3472/999/22	3512/989/21	3565/998/20
BE	3853/1054/20	3894/1005/19	3881/991/20	3870/1009/21	3803/1100/22	3913/1121/24	3978/1134/25
BG*	3024/878//0	2974/798/0	2952/800/0	2932/807/0	2990/678/17	3062/998/20	3006/900//20
CY	395/12/5	398/19/3	385/20/5	365/20/6	363/21/6	358/21/7	367/23/7
CZE*	4864/899/0	4885/989/0	4917/900/0	4958/1000/16	5017/1003/17	5076/1009/18	5187/1100/19
DK	2647/565/9	2639/601/8	2619/600/9	2614/600/9	2673/656/8	2704/698/10	2746/700/11
EE	590/21/6	609/17/6	615/22/7	616/23/8	630/26/9	639/26/9	638/28/9
IE	1857/787/5	1845/766/6	1844/797/6	1903/777/7	1932/789/8	1978/801/9	2045/810/9
EL*	4194/991/0	3815/1001/0	3547/1002/0	3470/1009/0	3484/1109/0	3635/1001/10	3637/1102/11
ES	18408/2000/3	17808/1989/5	16957/1780/4	17135/1899/5	17569/1981/6	18094/1999/6	18508/2002/6
FI	2397/656/4	2411/665/3	2413/709/4	2409/700/5	2413/712/5	2387/750/6	2421/790/6
FR	26965/1231/22	26965/1299/23	27206/1301/24	27332/1315/25	27418/1399/27	27595/1412/30	27799/1423/32
GE	41252/1898/30	41763/1995/32	42163/1990/33	42393/1997/39	42715/1999/42	43237/1965/46	43822/2001/50
HU*	3722/878/0	3758/879/0	3814/883/0	3986/893/0	4126/899/16	4239/900/17	4400/915/18
HR*	1528/354/0	1479/340/0	1402/376/0	1387/350/0	1552/349/0	1584/354/15	1579/361/16
IT	22598/899/20	22584/902/21	22397/900/22	22176/901/22	22383/904/23	22560/909/24	22581/910/26
LV*	862/21/0	877/24/0	893/25/0	900/27/0	882/25/0	900/26/7	890/26/8
LT*	1276/770/0	1259/770/0	1269/775/0	1299/776/0	1322/779/0	1339/780/7	1358/782/8
LU	360/11/6	371/12/7	379/13/5	386/15/6	396/15/7	407/16/8	420/16/8
MT	147/4/2	151/6/3	153/7/3	159/7/3	165/8/4	174/9/6	184/9/6
NL	8297/565/12	8337/677/15	8325/690/16	8214/645/17	8258/644/15	8310/640/17	8487/639/18
PL*	15557/891/0	15613/890/0	15636/895/0	15713/923/0	**16018/913/32**	**16280/955/38**	**16325/972/41**
PT	4690/545/12	4523/500/13	4303/498/14	4369/499/15	4398/499/15	4481/500/15	4567/502/15
RO*	4102/776/0	4172/776/0	4312/777/0	4328/777/0	4423/778/0	4571/780/22	4733/779/24
SL*	818/21/0	817/20/0	792/21/0	791/19/0	799/20/21	803/21/22	824/21/23
SK*	2339/754/0	2316/750/0	2314/750/0	2327/753/0	2391/753/28	2452/755/30	2513/758/31
SE	4573/1235/2	4645/1252/3	4687/1276/3	4723/1289/5	4810/1291/7	4871/1299/8	4944/1301/9
UK**	28491/1899/45	28472/1902/46	28909/1765/49	29269/1787/50	29875/1877/52	30339/2045/58	30636/2050/62
Poland							
1. Employees in the economy, total number of thousands							
2. Employees in the land transport sector – transport services, in thousands [H PKD]							
3. Employees in the land transport sector, based on the UBER application in thousands [H49]							
Total 1	15557	15613	15636	15713	16018	16280	16325
Total 2	891	890	895	923	913	955	972
Total 3	0	0	0	0	32	38	41
Share 2 in 1 (1PL)	5.7%	5.7%	5.7%	5.9%	5.7%	5.9%	6.0%
Share 3 in 2 (2PL)	0%	0%	0%	0%	3.5%	4.0%	4.2%
Share 3 in 1 (3PL)	0%	0%	0%	0%	0.02%	0.02%	0.03%

Table 2 continuation.

1. Employees in the economy, total number of thousands 2. Employees in the land transport sector – transport services, in thousands [H PKD] 3. Employees in the land transport sector, based on the UBER application in thousands							
Total 1	213150	212783	192353	213473	216277	219500	214521
Total 2	20895	22835	21553	21815	22226	22779	23052
Total 3	215	231	245	280	409	460	538
Share 2 in 1 (1UE)	9.80%	10.70%	11.2%	10.20%	10.30%	10.40%	10.70%
Share 3 in 2 (2UE)	1.03%	1.01%	1.14%	1.28%	1.84%	2.02%	2.33%
Share 3 in 1 (3UE)	0.10%	0.11%	0.13%	0.13%	0.19%	0.21%	0.25%

Explanations:

1/ AT – Austria, BE – Belgium, BG – Bulgaria, CY – Cyprus, CZE – the Czech Republic, DK – Denmark, EE – Estonia, IE – Ireland, EL – Greece, ES – Spain, FI – Finland, FR – France, GE – Germany, HU – Hungary, HR – Croatia, IT – Italy, LV – Latvia, LT – Lithuania, LU – Luxembourg, MT – Malta, NL – the Netherlands, PL – Poland, PT – Portugal, RO – Romania, SL – Slovenia, SK – Slovakia, SE – Sweden, UK – the United Kingdom.

* Start of UBER application operation in the country.

** Due to contradictory information regarding the date of Britain's final exit from the EU, the analysis did not delete the UK.

Source: own study.

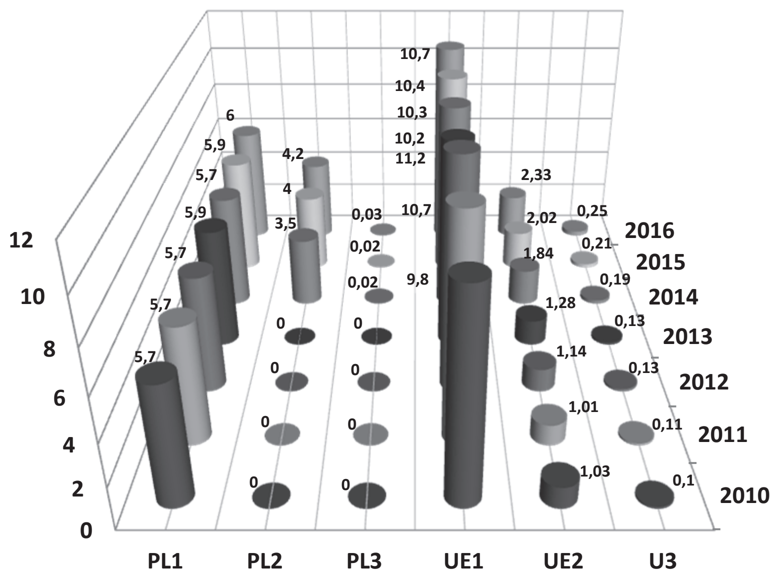

Figure 5. Employees in the land transport sector– in the EU-28 and Poland 2010–2016

Employees in the land transport sector – transport services / Employees in the economy, total number; Employees in the land transport sector, based on the UBER application / Employees in the land transport sector – transport services; Employees in the land transport sector, based on the UBER application / Employees in the economy, total number – in the EU-28 and Poland 2010–2016.

Source: own study. The author’s own development based on Table 2.

Uber's entry into the Polish market did not bring about any changes in the local market. For the time being, it is not possible to talk about the risk of this application functioning for the labour market in Poland. However, this may mean that despite the large number of registered entities, for a significant part it is not a primary occupation. Therefore, even if the activity is carried out fully legally, it is not included in official statistics of sector H of the PKD. The entry of Uber into the Polish market was also not associated with a noticeable decrease in the number of people employed or doing business in a traditional manner in section H49 (see Table 2 and Figure 5) .

On the other hand, the share of Poland's indices in relation to the European Union is noticeable. At the end of 2016, indicators PL1 and EU1 as well as PL2 and UE2 were relatively similar. They amounted to 6.0% and 10.70%, as well as 4.2% and 2.33%, respectively (see Table 2 and Figure 5). This may be an indication of a great interest of the Polish market among other EU countries by the UBER application owner – especially in 2015–2016 (during this period, the application was introduced into the new 11 countries, also in Poland) – see Table 2 and Figure 5.

Conclusions

The aim of this article was to analyze the risk associated with sharing economy. The aim of the study was achieved. The analysis allowed to identify the following risk types in the number of twenty, which are present today in sharing economy: Unequivocal and coherent concept, Data safety, Taxes, Law regulations, Quality, Service performance guarantee, Pursuing claims, Employees' rights, Responsibility for clients, Grey market, Competitiveness, Relations: sharing – business, Licences and permissions, Employment relationship, Deflation, Consumer rights' protection, Employment, Abuse, Mentality, Sales. Accepted research hypothesis: The risk of impact of sharing economy on the labour market in Poland is of little significance – it has been realised. The analysis of the risk of the effects of sharing economy on the labour market in Poland showed that the risk of this phenomenon was of low significance in the analysed period. This assessment results from the fact that this phenomenon is new and dynamic on the Polish market. There are also no relevant legal regulations that would integrate this type of economy into the regulated labour market in Poland. However, risks should not be underestimated. In the long term, it may turn out that this type of economy will have a significant impact on the development of the labour market in Poland.

The analysis carried out shows that the economy of sharing avoids previous definitions and institutional arrangements concerning the labour market. Users of this business model cannot easily be qualified to any of the working groups described by existing institutions and regulations regulating labour relations. The development of sharing economy indicates that new arrangements for defining labour market participants are necessary. The current division between employed and self-employed workers is insufficient. Furthermore, the definition of institutional working conditions needs to be redefined, including the rules on taxation and social security for work carried out as part of the sharing economy. Further research in this area is therefore needed.

In the context of performed analysis and identified risk factors, it has to be stated that it is an urgent issue for theoreticians and practitioners of sharing economy to find new legal structures, institutional forms and social practices that will allow different kinds of common goods to function on a bigger scale. We need innovations in terms of law, social policy, self-government, culture and social practice building an outlook different from the one which is dominant in systems based on state and market. European Union sees a chance offered by sharing economy, to provide Member States with an important growth stimulus. It seems that sharing economy will continue to grow. In further perspective it can contribute to decentralisation of capital and authority in the world, becoming the new economy of the future.

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SUSTAINABLE GROWTH OF INTERNATIONAL FINANCIAL MARKETS IN THE CONTEXT OF INTERNATIONAL CAPITAL FLOWS

In relation to financial markets sustainable growth is usually understood in a simplified and one-dimensional way as a share of financial market in the flow of investment resources from investors to projects that form part of broadly understood corporate social responsibility (CSR). Sustainable growth is usually described as an interconnection of three elements: economy, society, and environment. In such an approach the point of gravity clearly shifts towards the environmental dimension (natural resources) and the impact of economic growth upon the environment. However, if we assume that sustainable development per se goes beyond environmental and social aspects, we need to consider whether we could interpret the idea of „sustainable growth of the financial market" in relation to how economic system operates. In the paper the approach in the context of changes that take place in international financial markets and their impact upon stability of relations in international economy is proposed. The interest focuses especially on one of these elements, i.e., changes in the volume and structure of international capital flows. Hence, the goal of the paper is to analyse selected international aspects of capital flows against the background of challenges to sustainable growth of the global economy.

JEL Classification Codes: F21, F3, Q01.

Keywords: sustainable growth, international financial markets, international capital flows.

The notion of „green financial market" used in specialist literature refers directly to financing environment-friendly projects or to environment-friendly enterprises (e.g., renewable energy sources) or to enterprises, which have decided to include environment-

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friendly solutions (e.g., power stations, waste water treatment plants, manufacturing plants, etc.) (see Dziawgo 2010). Subjects connected with the „green financial market" cover also the emergence and growth of a relatively new group of financial intermediaries, such as, e.g., investment funds, which by definition invest in enterprises seeking to accomplish environmental goals. Expected rate of return on investment is not the top priority for these funds, whose investors are aware that the funds are looking for investment projects that would be attractive not just because of the ROE they offer but because they take account of environmental aspects in their operating strategies and growth prospects (see Huppé, Silva 2013; Janicka 2016).

Sustainable growth is usually described as an interconnection of three elements: economy, society, and environment (Kronenberg, Bergier 2010, p. 6). In such an approach the point of gravity clearly shifts towards the environmental dimension (natural resources) and the impact of economic growth upon the environment. The abovementioned idea of „green financial market" makes part of this framework. However, if we assume that sustainable development *per se* goes beyond environmental and social aspects, we need to consider whether we could interpret the idea of „sustainable growth of the financial market" in relation to how economic system operates. In the paper I would like to propose approaching the phenomenon in the context of changes that take place in international financial markets and their impact upon stability of relations in international economy. My interest focuses especially on one of these elements, i.e., changes in the volume and structure of international capital flows. Hence, the goal of the paper is to analyse selected international aspects of capital flows against the background of challenges to sustainable growth of the global economy.

1. Global financial system

Financial system is defined as an interconnected network of markets, actors, instruments, legal arrangements, etc. (Blake 1990, p. 3). At this point it is worth noting that definitions of a financial system and financial market sometimes overlap and intertwine. Financial market is a set of interdependent actors, instruments, regulations, etc. It makes part of the financial system, whose key role in the market economy consists in intermediating in the transfer of financial resources from actors running financial surpluses to those suffering from financial deficits. The task is accomplished by the financial market at national and global levels. Thus, international financial market can be seen as part of international financial system, which transfers financial resources from capital providers to capital recipients at a global scale.

Stability of the financial system is perceived primarily as its resilience to the impact of unexpected external events of various intensity. Yet, what is a stable growth of financial system about and has it got anything in common with sustainable growth? In order to answer the question we need to consider the role of financial system/market in contemporary economy. Usually we divide economy into two main areas: real economy and financial sector. In simple terms, real economy is concerned with actually producing goods and services while the financial sector provides financial services to the real economy. Theoretically, the growth of the financial sector should be linked directly with the growth of the real economy. If real economy starts growing at a faster rate (e.g, production dynamics increases) financial sector follows (e.g., supply of loan supply increases). Undoubtedly, there is a feedback loop between the growth of financial sector and the growth of real economy, however, the interdependence is expected to be asymmetrical. Financial sector serves the real economy meaning its growth should be correlated with that of the real economy. As we can read in the Financial Stability Report of the National Bank of Poland (NBP) „the stability of the financial system is a necessary condition for ensuring sustainable growth in the long term" (NBP 2017, p. 3).

Recent decades have witnessed an intensification of a phenomenon that distorts this dependence – financialization of the economy. The term reflects the increase in the significance of the financial sector in generating GDP of a given economy. Centre of gravity shifts from the real economy, which produces goods and services towards the financial sector, which not only intermediates in investment flows and settlements but also starts operating in favour of its own growth, independently of what is going on in the real economy. As suggested by P. Dembinski „over the period of 10 years, between 1995 and 2005 global financial assets (total stock market capitalisation, total of tradable bonds, and the balance total of banks and insurance companies) increased from 200% to 400% of global GDP, i.e. they doubled. Over the same period, the value of transactions (in the stock and bond markets, in Forex and derivative market) increased from 7-times global GDP to 26-times global GDP, i.e., almost four times". (Dembiński 2012). In the light of the above data it is hard to maintain the thesis on the role of the financial sector as a service provider to the real economy; the world of finance got clearly alienated.

Alienation of finance means increased demand for the so called financial centres, specific enclaves on economic map of the world. These are locations, where financial services are offered on conditions much more favourable than in other regions of global economy. Besides financial centres there are tax havens, which ensure favourable taxation, secrecy, and easy procedures for those, who want to establish their businesses and operate there. While financial centres are perceived mainly as enclaves facilitating operations in international finance, tax havens aim exclusively at lowering taxes to private individuals and judicial persons. Besides, often financial centres are erroneously equated with tax havens although favourable taxation is only one among financial services they offer (for more see Karwowski 2010).

In response to the already asked question whether stability of the financial system and sustainable growth have got any common grounds I would clearly say yes. Stability of the financial system should not be boiled down to the quality of the market structure understood as the quality of its institutions and binding legal framework. It may also be perceived through the stability of the financial market meaning its demand and supply sides should grow harmoniously, emerging financial instruments should meet investors' needs instead of unduly increasing the risk of investment (justified from the point of view of financial entity that creates these instruments), actors in the financial market should have ready different market scenarios, from negative through neutral to positive. It is hard to resist thinking that in 2007 exactly the same elements failed in the US financial market: lack of synchronisation between demand and supply of money (over-liquidity of the banking sector which led to excessive growth of lending), generating non-transparent financial instruments, and excessive optimism of financial institutions (*too big too fail* approach). In this context, sustainable growth of financial markets means not only socially responsible investing (RSI) in corporate social responsibility (CSR) projects but also the taking account of threats to stable operations of the financial market resulting directly from its inherent attributes. Looking again at the real economy and financial sector, crisis in the real economy does not have to entail crisis in the financial sector while any crisis in the financial sector will immediately be reflected in the real economy. Under such approach, **sustainable growth of financial markets considers the needs of the real economy and safety thresholds identified based on available data, as well as factual and counterfactual scenarios of events taking place in global economy, in particular in the financial sector**. Such definition leaves no room for alienation of the world of finance, financial sector does not generate its own growth but acts as a structure complementary to the real economy.

2. International capital flows and increasing importance of financial centres

If we assume that modern financial markets are „transmission belts" between economic operators and countries with either surpluses or deficits of financial resources, we still need to explain the role of financial centres in global economy and in these flows. No doubt, financial centres facilitate financial operations at global scale, however, one may not forget that some operations (conducted in financial offshore centres) are covered by confidentiality clause when it comes to their amount and (often) parties involved. On top of that, due to very favourable tax rates they deprive governments of tax income they might legitimately expect.

Supporters of financial centres justify their emergence and growth with liberal approach to business often restricted by strongly etatist policies pursued by national governments. Nevertheless undoubtedly, such arguments are slightly demagogic if governments are to deliver on what society expects of them (and what nowadays goes far beyond functions exercised in the gold standard age, i.e., defence and judiciary) as they are not able to do that without adequate funds, which originate mainly from taxes.

Shortages in national budget restrict the government when it comes to investment in broadly understood infrastructure while its quality is one of the sine qua non conditions of social wellbeing. Looking at the issue from sustainable growth of financial markets viewpoint, there is a question of substantial financial resources of unknown value and origin deposited in financial centres, in particular in offshore financial centres, which may suddenly emerge in international financial markets and destabilise them. The situation is not only potentially crisis-generating but also hard to predict and control. Hence, we must distinguish between benefits and threats produced by financial centres to operators who use them and to the system of global economy where these actors operate. Table 1 lists values of foreign investment pools in global economy and the share of international financial centres.

Table 1. Foreign investment liabilities in global economy, 1995-2016 (bln USD)

	International financial centres (IFC)	Global economy (IFC excluded)	Total
1995	1	14	15
1996	1	18	19
1997	2	20	22
1998	2	23	25
1999	2	26	29
2000	3	28	31
2001	4	29	33
2002	6	32	38
2003	9	39	49
2004	11	48	59
2005	14	53	67
2006	18	65	82
2007	24	79	103
2008	22	70	92
2009	24	77	101
2010	25	83	108
2011	26	85	111
2012	29	91	121
2013	32	97	129
2014	33	97	130
2015	34	92	126
2016*	35	97	132

* estimates.

Source: author's research based on „The New Dynamics of Financial Globalization" McKinsey Global Institute, August 2017, p. 82.

Table 2. Foreign investment liabilities in global economy, 1995-2016 (in %)

	International financial centres (IFC)	Global economy (IFC excluded)	Total
1995	7	93	100
1996	5	95	100
1997	9	91	100
1998	8	92	100
1999	13	87	100
2000	10	90	100
2001	12	88	100
2002	15	84	100
2003	20	80	100
2004	19	81	100
2005	21	79	100
2006	21	79	100
2007	23	77	100
2008	24	76	100
2009	24	76	100
2010	23	77	100
2011	23	77	100
2012	25	75	100
2013	25	75	100
2014	25	75	100
2015	27	73	100
2016*	27	73	100

* preliminary data.

Source: author's calculations based on data from Table 1.

Table 2 shows the share of foreign investment liabilities in international financial centres (IFC) and in global economy (without IFC). It is worth adding that the impact of financial centres (with particular attention paid to offshore financial centres) upon global economy has for years been focusing the interest and research of the International Monetary Fund[2].

[2] In 1999 the IMF, acting upon the initiative of G7 countries, established the Financial Stability Forum comprising three groups that study the impact of offshore financial centres, hedging funds, and short-term capital flows upon financial markets stability.

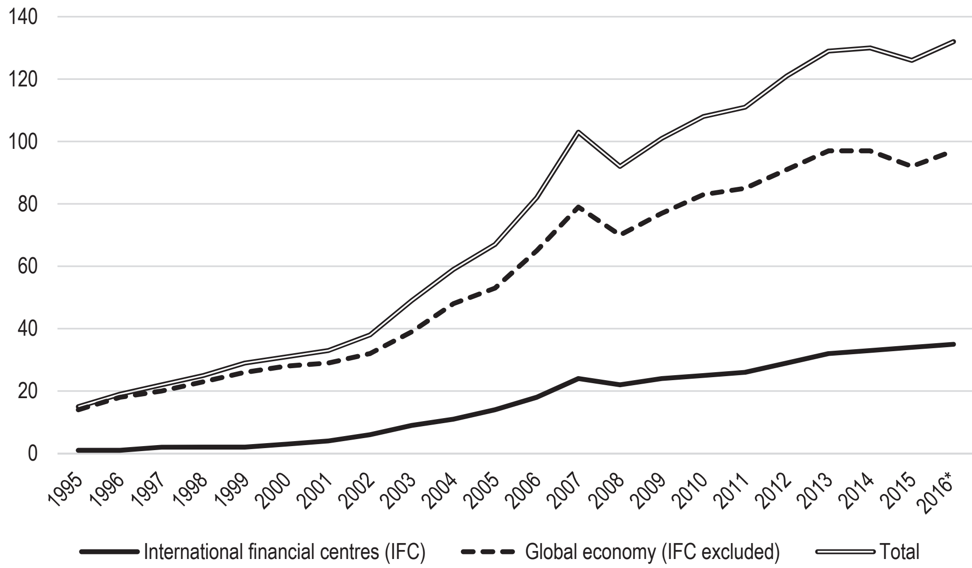

Diagram 1. Foreign investment liabilities in global economy 1995-2016 (in bn of USD)

Source: author's research based on data from Table 1.

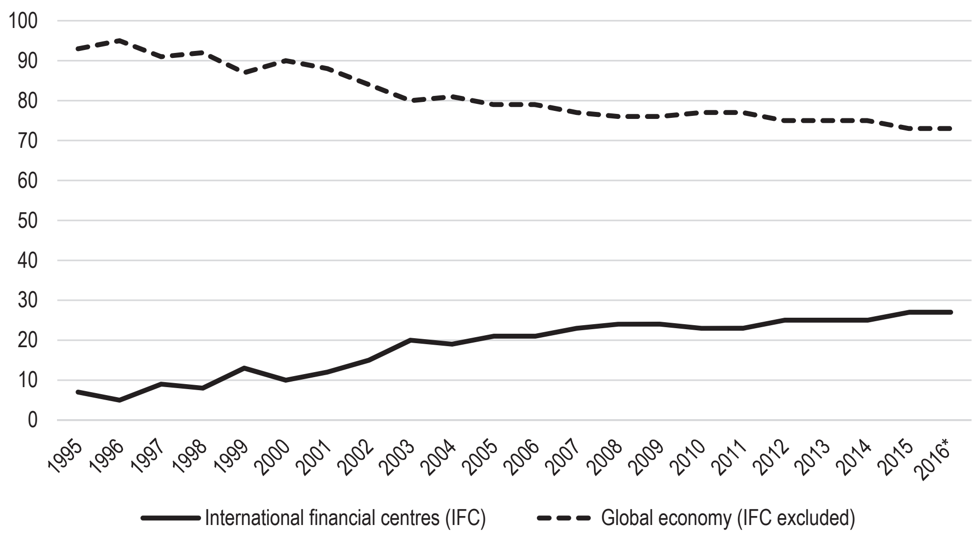

Diagram 2. Foreign investment liabilities in global economy, 1995-2016 (in %)

Source: author's research based on data from Table 2.

Data in Table 1 (illustrated in Diagram 1) dispel all doubts as to the continuous growth of the value of foreign liabilities in global economy and the value of international capital flows (see Milesi-Ferretti, Tille 2010; Bussière, Schmidt, Valla 2016; Lane, Milesi-Ferretti 2017). However, it is worth noting that the period covered by the study 1995-2016 is clearly inhomogeneous and can be divided into three sub-periods: 1995-2002 – stable growth; 2003-2007 – dynamic growth; 2008-2016* (* – preliminary data) – uneven growth. Undoubtedly, growth dynamics of total foreign liabilities between 2003 and 2007 was so high that maintaining it at identical level within a longer time perspective was practically impossible. Growth that started after 2008 is clearly much more „flattened". At the same time, over the entire studied period the share of foreign liabilities in international financial centres was increasing (see Diagram 2), although it also includes growth adjustment in 2007. Thus, significant portion of international capital flows, currently almost 30%, escape the supervision and jurisdiction of their respective home countries. Assuming that capital in international financial centres may potentially destabilise international financial markets, it is hard to argue that the growth of such centres supports sustainable growth of financial markets. Besides harmonious growth of both sides of the market: demand and supply, the term includes stability of growth, which is not favoured by sudden and unexpected occurrences connected with distortion of such harmony.

3. Foreign direct investment as the most desired form of foreign investment

Researchers remain divided over the impact of foreign direct investment upon the growth of the host country (see, e.g., Borenszteina, De Gregoriob, Leec 1998; Alfaro, Chanda, Kalemli-Ozcan, Sayek 2004; Li, Liu 2005; Almfraji, Almsafir 2013; Iamsiraroj, Ulubaşoğlu 2015). Nevertheless, this category of capital inflow is the most desired from the point of view of national economy due to long-term nature of capital engagement and additional benefits entailed by FDI (know-how, new jobs, bigger share in international trade, etc.). Under such circumstances, to achieve harmonious sustainable growth we need the highest possible share of FDI as the most stable form of investors' capital engagement in host country markets. From individual country perspective it is not only the volume of incoming capital that matters but, in line with the so called structure hypothesis, its structure (see Wei 2005, Janicka 2013). Vast majority of countries prefer receiving long-term equity (direct investments and equity portfolio investments), while the least desired inflows include potentially speculative capital (debt short-term portfolio investments, loans, and borrowings) (see Bekaert, Campbell, Lundblad 2005; Rajan, Subramanian 2005).

The structure of capital inflows is also relevant for the sustainable growth of financial markets. Excessive volume of cross-border flows of short-term capital may seriously impact the supply and demand side of the market. During the global financial crisis 2008+

a question was raised whether and how destabilisation in international financial markets and national economies has influenced the structure of international capital flows.

Table 3. Foreign liabilities structure in global economy, 2005-2016* (in %)

Year	Global foreign liabilities (in bn of USD)	Direct investment	Equity portfolio investments	Debt portfolio investments	Loans and borrowings
2005	67 019	24	18	25	34
2006	82 337	24	19	24	32
2007	103 017	25	18	23	34
2008	91 852	26	12	26	36
2009	101 051	27	15	26	32
2010	107 718	27	16	25	31
2011	111 087	28	15	26	32
2012	120 571	29	16	25	29
2013	128 977	30	18	24	28
2014	130 297	30	19	24	27
2015	125 889	31	19	24	26
2016*	131 746	32	18	24	26

* preliminary data.

Source: author's calculations based on https://www.mckinsey.com/industries/financial-services/our-insights/the-new-dynamics-of-financial-globalization (data visualization), accessed on 01.11.2017.

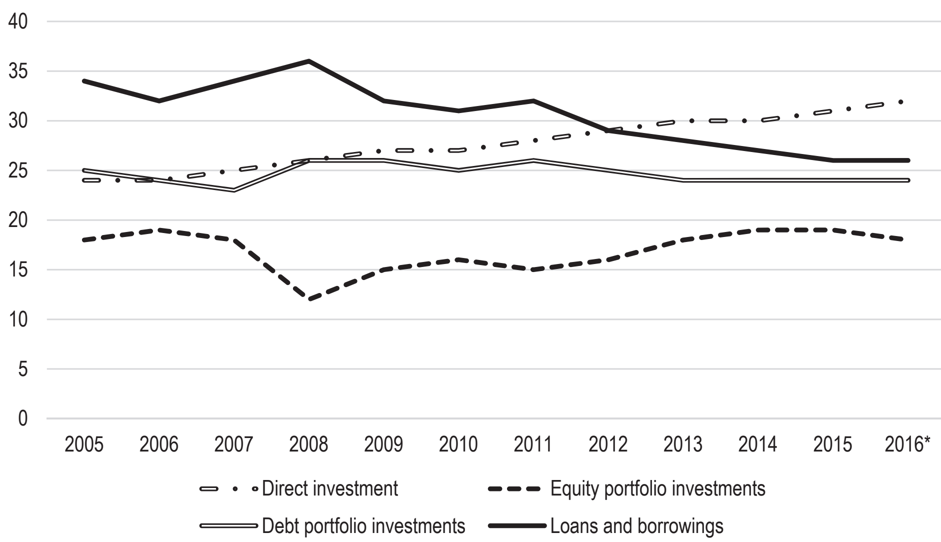

Diagram 3. Foreign liabilities structure in global economy, 2005-2016* (in %)

Source: author's calculations based on data from Table 3.

Analysis of data in Table 3 (illustrated in Diagram 3) shows that over the last decade the structure of capital inflows underwent a positive change, which got reflected in the structure of foreign liabilities in global economy; there is a clear increase in the share of direct investments and drop in the share of loans and borrowings. However, the landscape of changes triggered most probably with the outbreak of the global crisis in 2008 (a clear positive change in the trend in loans and borrowings, as well as equity portfolio investments) may look a bit differently if we consider relevant facts with regard to the share of FDI. As already indicated, FDI incoming to a country often change the picture of the economy of the host country through a variety of channels through which they impact this economy. FDIs reinforce, or at least should reinforce, growth potential of a country. Nevertheless, there are cases of countries in the global economy, which receive substantial FDI inflows but their impact upon host country economy is absent, simply nonexistent. Table 4 provides very interesting data with regard to such impact.

Data in Table 4 suggest that some international capital flows classified as foreign direct investments do not remain in the host country but target it to reap benefits. Such is principally the solution adopted by transnational corporations, who „park" their capital in the so called special purpose vehicles/entities (SPV/SPE) established in a given country to further invest it in another economy. This way for Luxembourg, which judging by the rate of foreign assets and liabilities to GDP (over 36 k % GDP) is the biggest global financial centre, the value of invested FDIs represents more than 8 k. % GDP, while the value of foreign FDI assets in Luxembourg is over 9 k % GDP of the country. Considering the average relationship of foreign investment assets or liabilities (FDI) in individual countries, which does not exceed 100% GDP, a situation similar to that in Luxembourg (although at a much smaller scale) can be observed also in the Netherlands, Ireland, Hong Kong, Switzerland, Singapore, and Mauritius. It means that data in Table 3, which suggest positive changes in the structure of international capital flows, may not faithfully reflect the reality, i.e., increases in the share of FDI in international capital flows recorded over recent years might not have happened. International institutions are aware of the growing role of international financial centres in intermediation in cross-border FDI flows. Lack of data is the problem, which emerges when trying to describe the phenomenon. However, we can grasp its scale based on available data published by the OECD. Table 5 presents data for selected member countries of the organisation.

Table 4. Foreign liabilities and assets of selected economies with particular stress on FDI 2016* (in bn of USD, %GDP)

Category		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	[…] 33	[…] 36
Country		United States	**Luxembourg**	United Kingdom	**the Netherlands**	Germany	Japan	France	China	**Ireland**	**Hong Kong, China**	**Switzerland**	Canada	Italy	**Singapore**	Spain	Poland	**Mauritius**
Total foreign assets (bn of USD)		21 708	10 643	10 577	8 045	8 064	8 215	6 149	6 594	4 963	4 471	4 290	3 212	2 713	2 976	1 760	242	379
Total foreign liabiities (bn of USD)		29 922	10 825	10 492	7 970	6 617	5 472	6 983	4 739	5 572	3 402	3 537	3 071	2 878	2 350	2 906	548	357
Foreign assets (% GDP)	Foreign direct investment	40	**9 088**	71	**659**	57	29	66	12	**478**	**537**	**232**	83	34	**230**	55	14	**1 687**
Foreign liabilities (% GDP)	Foreign direct investment	39	**8 231**	59	**576**	42	5	44	26	**474**	**574**	**192**	66	26	**359**	60	51	**2 142**
	Equity portfolio investment	35	6 376	58	86	20	30	35	5	903	135	145	30	10	52	25	8	195
	Debt portfolio investment	59	1 797	99	206	61	28	109	2	183	16	16	65	66	13	69	26	71
	Loans and borrowings	28	1 799	183	167	68	48	96	9	338	336	183	39	53	368	81	33	577
Total foreign assets and liabilities/ GDP (%)		278	**36 101**	801	**2 077**	424	277	533	101	**3 588**	**2 455**	**1 186**	411	302	**1 793**	378	169	**6 158**

* preliminary data

Source: author's calculations based on „MGI Financial Connectedness Ranking" in: „The New Dynamics of Financial Globalization" McKinsey Global Institute, August 2017, p. 8

Table 5. Foreign direct investment (liabilities) in selected OECD countries, 2014-2016 (bn of USD)

Country	Unit	2014	2015	2016
Austria	All resident units Special purpose entities (SPE)	314 585 99 214	281 402 87 429	247 847 90 432
Belgium	All resident units Special purpose entities (SPE)	1 110 005 232 466	1 007 704 176 402	956 723 112 772
Denmark	All resident units Special purpose entities (SPE)	167 463 32 774	150 687 24 215	159 975 29 551
France	All resident units Special purpose entities (SPE)	1 097 459 0	1 051 871 0	1 053 550 0
Germany	All resident units Special purpose entities (SPE)	1 465 302 0	1 367 852 0	1 381 252 0
Hungary	**All resident units** **Special purpose entities (SPE)**	**273 224** **148 876**	**266 331** **136 938**	**314 566** **205 767**
Ireland	All resident units Special purpose entities (SPE)	909 763 nd	1 381 244 nd	1 410 949 nd
Luxembourg	**All resident units** **Special purpose entities (SPE)**	**4 744 740** **4 397 260**	**5 195 536** **4 901 769**	**4 994 009** **4 712 800**
the Netherlands	**All resident units** **Special purpose entities (SPE)**	**4 550 081** **3 767 269**	**4 369 712** **3 588 030**	**4 435 456** **3 581 027**
Poland	All resident units Special purpose entities (SPE)	252 400 2 562	222 979 1 308	223 399 2 119
Switzerland	All resident units Special purpose entities (SPE)	1 174 013 nd	1 255 093 nd	1 216 829 nd
United Kingdom	All resident units Special purpose entities (SPE)	2 066 047 nd	1 889 938 nd	1 798 409 nd
United States	All resident units Special purpose entities (SPE)	6 369 524 0	6 700 834 0	7 569 251 0

Source: OECD Stat. http://stats.oecd.org/Index.aspx?QueryId=64109 accessed on 01.11.2017.

Examination of data in Table 5 confirms our earlier conclusions that huge FDI inflows to some European economies do not stem from especially investor-friendly climate and competitive advantages of the country, which encourage investing in it. These data prove that not only Luxembourg (94% FDI resources in 2016) and the Netherlands (81% FDI resources in 2016) have become destinations for the so called „capital in transit" but also, e.g., Hungary (65% FDI resources in 2016). The same indicator for Poland is practically insignificant and amounts to ca. 1%. We need to add that some countries (e.g., Ireland, Switzerland or the United Kingdom) do not provide information about FDI in special purpose entities. Hence the scale of the phenomenon is hard to assess globally. However, provided data challenge the general opinion about the significance of FDI for the growth of the host country. Referring to the issue of sustainable growth of financial markets tackled by the paper, FDI are one among categories of cross-border capital flows, which by definition positively stabilise domestic economy, including its financial sector, and external equilibrium of the country. Yet, the nature of FDI flows evolves and, as a result, the structure of international capital flows broken down by transaction criterion discussed in section 2 of this paper may look much less favourably than suggested by the data.

Conclusion

Sustainable growth can be traced in different aspects of social and economic reality. However, it is most commonly interpreted as growth respecting CSR and SRI principles. Apparently, in the financial sector focusing exclusively on following the CSR principle and undertaking socially responsible investments is a far reaching simplification. Sustainable growth does not only involve environmental protection but also broadly understood social wellbeing connected with ensuring equal opportunities, reducing social imbalances, preventing social exclusion, etc. Sustainable growth is the type of conduct, which, by taking account of cyclic nature and volatility of economic processes seeks to prevent their escalation and mitigate their root-causes. If we agree that the financial sector serves the real economy, its over-alienation destroys the relationship. As a result of advancing financialization, the financial sector gets „detached" from real economic processes and international capital flows are no more linked with transactions in the real economy. Before the outbreak of the 2008+ crisis, highly developed countries thought they were in control of the financial sector. Illusiveness of such thinking was revealed by the scale and depth of crisis, which originated exactly from these countries. Thus, sustainable growth of the financial sector is not just a stable and harmonious growth but growth that is subject to certain ramifications, which would mark a fundamental qualitative change in the age when national monetary authorities may create liquidity without any limitations. Their absence generates ressentiments over the gold currency system (gold standard). The system, despite its disadvantages, had one clear advantage, i.e., it linked money creation with the accumulated resources of gold and no country was privileged with respect to that (at least theoretically). The paper identifies three aspects that threaten sustainable operation of financial markets: dynamic increase in the value of global foreign assets and liabilities, increasing importance of international financial centres global economy, and partial transformation in the role of cross-border FDI flows, i.e., the category which until the present has been considered the most stable. Remarkably, unstable and unpredictable environment generated by an alienated financial system poses a threat of subsequent destabilisation of global economy. Changes taking place in international financial markets should thus be examined with caution and in the context of their impact upon the wellbeing of economies and societies.

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LEARNING: A TOOL FOR COMPETITIVE, SUSTAINABLE AND SECURE ENTREPRENEURIAL ACTIVITY

In the midst of today's global crisis, a true urgent need for competitive, secure and sustainable business initiatives arises, in the sense of implementing a strategy that focuses on certain key points, predicts and aims to make a profit, while, at the same time minimizes the risks, the loss of financial rights and of course the environmental pollution.

The purpose of this work is to integrate learning into the world of business enterprises by exploring their common features, their potential relations as well as the impact of impending mathesis to an entrepreneurial initiative. From a marketing, financial and operational viewpoint, any contemporary successful business requires multimodality, polymorphism and adaptability to socioeconomic and spatiotemporal changes without loosing its value, for which, learning seems to be an inherent element. In that prospect, any learning procedure is not subjected to legal restrictions, its kickoff is based on the human senses, simulates recyclable and reusable energy, is risk–free and so on, qualities considered as being essentialia negotii, that are gained ex tunc and act ex nunc for a general secure entrepreneurial activity that will be adaptable to any new and rapidly changing data as well.

JEL Classification Codes: A120, I290, L260.

Keywords: Learning, business plan, entrepreneurial activity, essentialia negotii.

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Introduction

An entrepreneurial initiative, in order to be successful, especially within today's financially and environmentally unstable conditions, should be based upon a safe, sound and sustainable plan (Black, 2014). Any such business plan should clearly and accurately determine its outflows and inflows, which are not only financial (e.g., capital, profit, bankruptcy) but social (e.g., reputation, maintenance, evolution) and cognitive (know-how, adaptability, prosperity) as well (Janiũnaité et al., 2013). For example the reputation of the new business, aiming at its long lasting existence within the labor market and, particularly, cognition such as the know-how needed to set up the whole entrepreneurial initiative for its adaptability in the market and its prosperity.

In this context, for a business plan to be sustainable and secure, it should identify precisely, whenever possible, the inflows and outflows of its entire activities. The precise weighting of the outflows and inflows of an enterprise is not feasible due to the money factor and its upward or downward course, since they are elements directly affecting the society in general.

Knowledge seems to be the only factor that is controllable and predictable during the implementation of a new business initiative (Williams & Lee, 2011). Based on the idea that knowledge is a prosperous and controllable human activity, we can consider the learning process as a sustainable and secure plan, where inputs and outputs are strictly predictable. In that sense, we can conceptually align the learning process with that of an entrepreneurial initiative.

The purpose of the present work is to study the inherent features of the learning process that could make it so that it is a secure and sustainable entrepreneurial activity.

Integrating the learning process into the entrepreneurship field, since a business activity that clearly and comprehensively predicts the cognitive inflows and outflows of any interactive and transactional environment could only be considered as being a „safe" one.

In what follows, in section 2, we firstly define *mathesis* as being a term superior to *learning* and determine its *essentialia negotii* and in section 3 we give its semantic description. In section 4, we semantically align mathesis with a secure, sustainable entrepreneurial initiative, which is our future work, followed by the conclusion of the paper in section 5.

1. Essentialia negotii of mathesis

We use here the term „mathesis" instead of „learning process", which is derived from the Greek language and means „acquisition of knowledge". This term is superior since, in comparison to learning, which refers to acquiring specific skills; mathesis considers a multidimensional acquisition, deepening and applying skills, knowledge and emotions.

By „essentialia negotii" we mean the minimum set of critical features that attaches particular meaning to an abstract notion (Ueberweg, 2001). Some of the features that conceptualize mathesis are the following (fig. 1).

- **It is not subjected to any legal restrictions**

Everyone is being treated throughout his/her life without any legal restrictions. The right to have access to learning is a fundamental, individual right and any limitations and/or restrictions are prevented by the proportionality principle, derived directly from the concept of the „rule of law" and which gets its legislative basis in everyone's right to freely develop his/her personality.

- **It is acquired ex tunc (from the beginning) and acts ex nunc (for the future only)**

Through any learning process, knowledge is acquired ex tunc, that is, from the beginning, even if it has not been fully comprehended by the learners. Learning acts ex nunc, that is, for the future only. This means that whatever knowledge was gained in the past, it is possible, even if it seems to be „irrelevant" for that particular spatio-temporal dimension, to be useful in the future.

- **Does not involve any risks**

Learning and knowledge have never brought about any individual risks, apart from some extreme cases of science development and in particular, for purposes which contradict morality, have huge social impact and are usually rejected and condemned by the society.

- **It falls under the principle of free choice**

Every natural person is free to choose the cognitive subject related to his/her interests. To our knowledge, there are no cases of coercive learning in today's societies.

- **It works in short as well as in long term**

Knowledge can be used at the moment of its acquisition, in a short period of time, but it does not cease to be useful in the future, either in the form that it was obtained or in any other „mutated" form, which is incorporated into a new context.

- **It refers to all apperceptions (human experiences & influences)**

Learning, as a process, takes place throughout a human's life and the created mental forms are the results of all his/her senses and actions.

- **It does not require capital**

The major capital for any learning presses is only the human senses.

- **It is subjected to spatio-temporal changes without losing its value**

Although information is subjected to change over time getting different values throughout different contexts, learning information has enduring value.

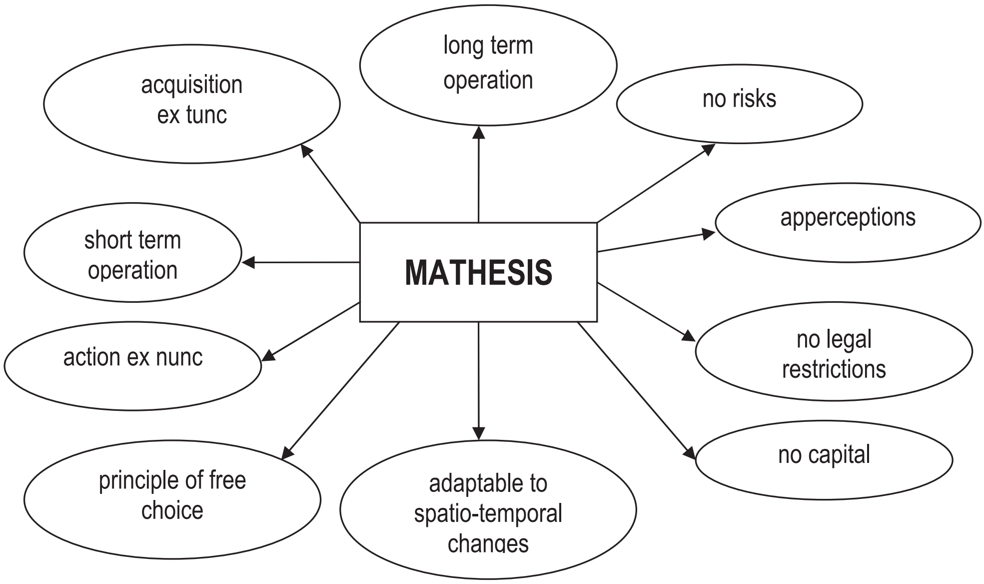

Figure 1. Conceptualizing mathesis

In the learning process the inflows and outflows are mainly based upon one and only one constant, that is, knowledge.

The only elements being modified concern the use of new technologies, which are constantly evolving as well as the human mobility that is rapidly growing, especially within the Balkan countries. Those unstable and rapidly changing elements lead to the development of new learning models (fig. 2).

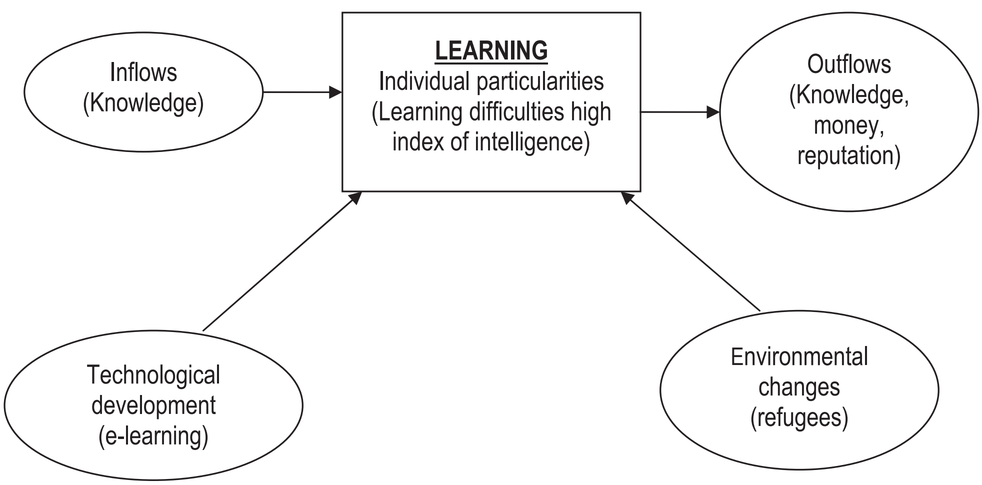

Figure 2. Inflows and ouflows of the learning proces

Therefore, since learning is a process in which outflows are predicted by the inflows and do not require only financial capital, it can be considered as a secure and sustainable business plan.

2. Semantic description of mathesis

Semantics is the study of the meaning of linguistic expressions (Sowa, 1995). The language can be a natural language, such as Greek or Polish, or an artificial one, like a computer programming language. In the scientific field of semantics, an ontology is used as a means for maximizing the capacity of human or computer agents to reason about the meanings of specific notion. In general, ontologies clarify the structure of a piece of knowledge and enable knowledge sharing.

In philosophy, an ontology is the study of existence (Coffey, 2011); while in science, it models an abstract notion by using a directed label graph, where nodes illustrate terms that are the essentialia negotii of the specific abstract notion and edges illustrate the relationships among its essentialia negotii. In this way, an ontology establishes a unique representation model of an abstract notion.

Although, an ontology is defined as a unique representation model of a domain of interest, in practice, many ontologies are used for describing the same domain, since anyone has a different perception of this domain (Chandrasekaran et al., 1999). In the domain of mathesis or more specifically in the domain of learning, many ontologies have been developed which have been used in learning in different ways, such as curriculum modeling and management, describing learning domains, learner data and e-learning services (Al-Yahya et al., 2015).

After having reviewed the existing ontologies in the domain of learning, we intend to build the ontology of mathesis, based on its essentialia negotii described above.

3. Semantically aligning mathesis with a safe entrepre-neurial activity

The future work that will complement this paper is depicted in figure 3 and its main purpose will be that of instantiating a proposal for a business plan to the under construction ontology of mathesis, by using a matching algorithm in order to conclude whether it is a secure entrepreneurial activity or not. In order for this attempt to be achieved, the following are required:

- The ontology of mathesis, which will be built by taking into account its essentialia negotii. The NeOn methodology for the ontology engineering will be used (Suarez-Figueroa et al., 2012).
- A knowledge extraction tool which aims to identify and extract knowledge triples from text documents and to provide it as RDF triples (Exner & Nugues, 2012).

- A tool (matching algorithm) for automatic ontology instantiation by using the extracted triples in RDF format (Alani et al., 2004).
- A rule-based inference engine to perform reasoning based on the ontology of mathesis (Zhong et al., 2012).

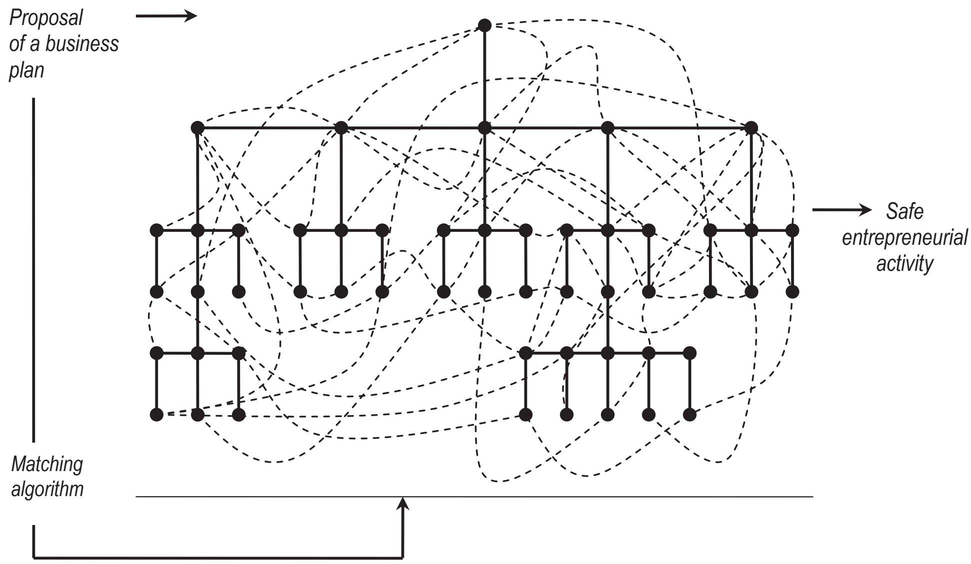

Figure 3. Instantiating a business plan to the ontology of mathesis

We are committed to implement the semantic technologies and publish the results of this attempt, the main idea of which is that, whenever the key points describing the proposed business plan are matching those of the ontology, then it can be classified as being a safe one.

Conclusion

In this paper, we attempted to model mathesis as an entrepreneurial initiative and to integrate its positive, sustainable features into those of any contemporary business activity, in order to ensure its safe and sound future and prosperity. The essentialia negotii of mathesis was semantically described by using the notion of ontology, in order to align them with a secure business plan.

Ontologies are formal structures that provide a shared understanding of a certain domain. They represent the semantics of a domain explicitly, enabling intelligent access to information. The main outcome of the proposed idea is that, an entrepreneurial initiative, which is modeled as an instance of the ontology of mathesis, can reduce enterprise risks, based upon the principle of free choice within an unstable and unpredictably developing business context.

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ABOLISHING CASH IN EUROPE: THE BENEFITS AND DRAWBACKS OF ELECTRONIC TRANSACTIONS

Many proposals favouring cash abolition have emerged over the past few years. Their economic and social impact has not yet been analysed in depth. This paper aims to present the evolution of the means of payment during the last decades and to analyse the issue of cash abolition in European economies. The creation of a cashless economy would bring benefits, such as efficiency increase, as well as problems: the disturbance of money supply, instability of the foreign exchange rate, and so on.

The paper discusses the reasons and arguments expressed by supporters and opponents of cash abolition and focuses on possible consequences, from the economic point of view. The advantages, disadvantages, benefits and costs associated with the possibility of removing cash from the economy are also described. Finally, a possible scenario for the future is analysed.

JEL Classification Codes: E44, E50.

Keywords: Monetary Policy, Financial Markets.

Introduction

During the last decades there is a tendency to limit the use of cash (banknotes and coins) in daily transactions[4]. This tendency comes from two basic sources. The first is related to technological progress. Technological advances mean that there are now several electronic alternatives in areas where cash has traditionally been used. The second

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[4] The term „cash" in this paper refers only to physical banknotes and coins issued by the central bank.

one is connected with legal restrictions introduced in different countries which prohibit cash payments in specific transactions. Maximum limits on cash transactions already exist in most European countries, and the general trend is downward. For example, in 2016 Spain joined France in placing 1,000 maximum on cash transactions between consumers and businesses. In Greece, paragraph 3 of Article 20 of Law 3842/2010, as amended by paragraph 2 of Article 69 of Law 4446/2016, stipulated that from 22 Dec. 2015 onwards the trading threshold would be reduced from 1,500 to 500 euro, above which transactions between individuals and businesses (for the sale of goods or the provision of services) should be carried out exclusively through the use of card-based payment instruments or other electronic means of payment (as, for instance, electronic funds transfer, use of an electronic wallet, etc.). In the second case, the state prohibits by law cash payments which it has itself declared as an unrestricted, legitimate means of payment. It is possible that in future citizens without a bank account and a credit card may not be able to drive a car, go out for a meal or go shopping.

All the above may drive us to abolish cash completely from our society. Judging by the number of news items on the topic of payments and activities taken by the governments of many countries, one might conclude that the so called „cashless society" is the only way forward, and cash has lost its role in our modern society.

This paper aims to present the evolution of the means of payment during the last decades and to analyse the issue of cash abolition in European economies. We try to find the answer to the following questions: What is the future of cash? What kind of benefits would the creation of a cashless economy bring? Are there any problems connected to cash abolition?

1. Cash and non cash transactions

Cash is defined as ready money and cash payment transactions consist of banknotes and coins. Cash is legal tender with a unique status among all other payment instruments. Cash has a number of special attributes comparing to non cash payment instruments. Banknotes and coins are bearer certificates. They can be used by anyone who is in possession of them without leaving electronic trails. The anonymity in cash transactions caused by payment in cash can be motivated by a wish to protect one's private life. On the other side, the anonymity of cash also means that it can be used for illegal purposes. Cash is physical, which makes it simple and easy to understand. This property is of special importance for older people and children. Cash, in contrast to other means of payments, does not require any technical infrastructure in the payment situation. Cash transactions mean certainty of receiving payment. When payments are made by cash, funds are settled and received during the transaction. It increases liquidity, since transferred funds are immediately available. Usually, cash is a widely accepted means of payment in all parts of society. It is also a fast method of payment since the processing time is very short. It requires the presence of two parts of transaction at the same location. Cash, however, is costly since it must be produced, transported and stored. In addition, cash exposes people to the risk of theft, as well as the risk of human error during the transaction. Different security measures such as cameras, security guards, secure storage are also indirect costs associated with using cash. Cash is also seen as a labour intensive form of payment since it requires for example delivery of cash to the financial institution. There is also some kind of opportunity cost in using cash transactions, resulting from not earning interest on cash holdings in registers or while it is in transit. Using cash transactions enables budget management and limits consumption to the amount of money which people possess at the moment of transaction. Some of the above properties apply only to cash and some are common with electronic payment solutions.

Cash transaction volumes are very difficult to establish mainly due to their anonymous nature. Figure 1 shows the distribution across all payment instruments (including cash and non-cash) per country. According to the estimates in 20 out of 28 EU countries, cash represents over 50% of all payment transactions and varies widely across member states (G4S, 2016). Relative cash usage is highest in southern and/or eastern countries, with the first 12 places occupied by countries from those regions. Relative cash usage is lowest in Northern and/or Western countries, with the bottom 6 places occupied by countries from those regions. Countries like Greece, Bulgaria and Romania almost solely pay by means of cash. In Denmark and Sweden cards are most used, while e-money purchase transactions are most prevalent in Luxembourg. For access to electronic payments, it is reported that for the EU28 as a whole 86% of the population (age >15) holds at least one bank account at a formal Financial Institution. The EC reports also that on Use of Internet and Integration of Digital Technology (including e-Commerce, cloud and online services) just over 78% of the European population has access to the Internet, more than half (57%) of EU Internet users use online banking and close to two-thirds (63%) do their shopping online (Kruger, Seitz, 2016).

Examining the time trends, non-cash transaction volumes, especially card transactions, seem to grow faster, resulting in a diminishing share of cash in the total transaction volume.

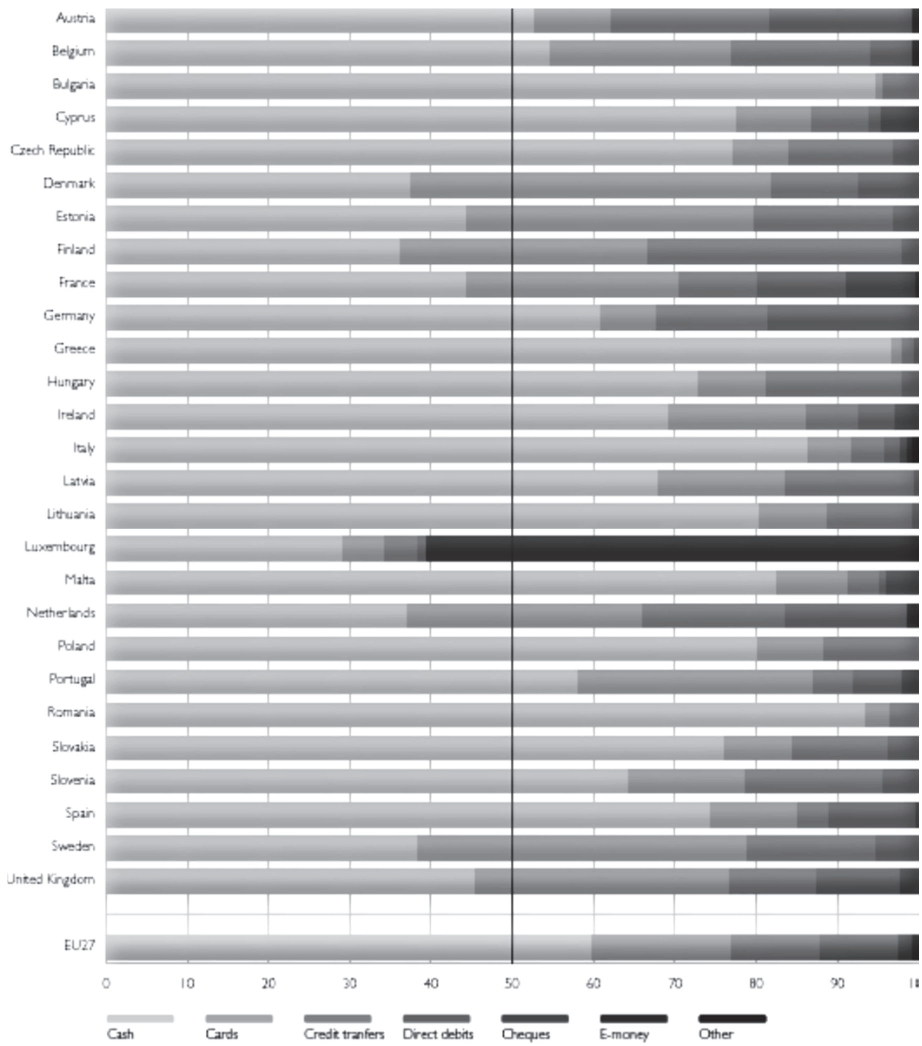

Figure 1. Payment instruments distribution: cash and non cash per country (EU27)

Source: G4S analysis based on ECB Statistics. The Social and Private Costs of Retail Payment Instruments. A European Perspective, H. Schmiedel, G. Kostova and W. Ruttenberg.

Various countries across Europe have set limits to the amount allowed to pay for in cash. These limits usually are used as measures against illegal and black market transactions. Also, the European Commission published on 2 February 2016 a Communication to the Council and the Parliament on an Action Plan to further step up the fight against the financing of terrorism (EC, 2016). In this context, the relevance of potential upper limits to cash payment could also be explored. Table 1 presents restrictions for using cash in transactions in 27 member states of the European Union.

Table 1. Restriction for using cash in transactions (EU27)

Country	Cash Limit	Details
Austria	No	–
Belgium	Yes	3,000 Euro for goods and all sorts of services
Bulgaria	Yes	14,999 Leva (about 7,670 Euro)
Croatia	No	–
Cyprus	No	–
Czech Republic	Yes	350,000 CZK per day (roughly 14,000 Euro or up to 50 coins
Denmark	No	–
Estonia	No	–
Finland	No	Cash can be denied as payment method if stated clearly before making sale
France	Yes	1,000 Euro for fiscal residents and 15,000 Euro for non-fiscal residents acting as consumer. At government offices cash payment are restricted to 300 Euro.
Germany	No	–
Greece	Yes	Limited to 500 Euro
Hungary	Yes	No limit for consumers, but legal persons that are required to open a bank account can only make payments up to 1.5 million HUF per month (about 5,000 Euro)
Iceland	No	–
Ireland	No	–
Italy	Yes	Limited to 999.99 Euro
Latvia	No	–
Lithuania	No	–
Luxembourg	No	–
Malta	No	–
Netherland	No	One can only withdraw once a day at ATMs owned by other banks
Norway	No	–
Poland	Yes	Limited to 15,000 Euro
Portugal	Yes	Any payment above 1000 Euro should be made in such a way that the recipient can be identified
Romania	Yes	Limited to 10,000 RON per day (about 2,260 Euro)
Slovakia	Yes	Limited to 5,000 Euro
Slovenia	No	–
Spain	Yes	Limited to 2,500 Euro for residents and 15,000 Euro for non residents
Sweden	No	Cash can be denied as payment means, if stated clearly before making sale
United Kingdom	No	Traders accepting cash payments of more than €15,000 have to register as 'High Value Dealer' with tax authorities

Source: European Consumer Centre France, https://www.europe-consommateurs.eu/en/consumer-topics/financial-services-insurance/banking/means-of-payment/cash-payment-limitations/

2. The advantages of cash abolition

The benefits most often mentioned by supporters of cash abolition are as follows:

- The abolition of cash transactions will contribute to the stability of the financial system, because if cash is eliminated, the possibility of panic among banks due to the massive withdrawal of deposits will be eliminated. Today, a bank's clients, if panicked, will massively withdraw their savings from it and can even force a healthy bank to bankruptcy. In the absence of cash, this problem will disappear.
- Electronic cash payments are cheaper and easier to use; additionally, they eliminate tons of paper money, money transfers, guards, as well as transportation and storage costs.
- Money laundering is also limited. This facilitates the fight against dirty money and corruption. The main way of trading in criminal activities is cash, so its absence can help combat these phenomena.
- The fight against the black economy (Gikas, 1992) and tax evasion is reinforced and governments are becoming more effective in combating these phenomena. Lack of cash is the end of „under the table" payments made in order to avoid taxes. Eliminating cash is a necessary measure to enhance citizens' tax compliance.
- On the other hand, cash abolition contributes to the fight against terrorism, which the monitoring of payments makes it easier to stop. Furthermore, the removal of high-denomination banknotes contributes to the fight against crime, given that their high value greatly facilitates the transfer of large sums of money in a relatively easy way, since the 500 euro banknotes are not too heavy, while they do not occupy much space either. The European Central Bank has therefore decided to discontinue the issuance of the EUR 500 banknote by the end of 2018, arguing that it can „facilitate illegal activities". However, the EUR 500 note will retain legal tender status and can therefore continue to be used as a payment instrument.
- This will then be the end of counterfeiting. Counterfeiters, from day to day, are bound to lose the object of their activity.

The above arguments dominate all the public debates on the subject and explain why governments and banks are in favor of cash elimination. However, in addition to all these advantages, there are many reservations and several risks associated with abolishing cash.

3. The arguments against the elimination of cash

The arguments against the elimination of cash include the following:

- Eliminating cash will inevitably lead to the end of the anonymity of transactions. It is total surveillance. Without coins and banknotes (cash) no transactions will be possible without leaving a trace; in contrast, cash transactions leave no electronic trace.

- If cash is eliminated, mass outflows of deposits will be avoided when banks face difficulties. Households and businesses will constantly trust their „money” in banks, regardless of the risk of bankruptcy they may face, while they will only be able to withdraw it or spend it on another bank's account, even if there is a risk of bail-in (haircut). Bail-in means an impairment of the value of depositors' deposits for the consolidation of a bank. A typical example is that of Cyprus, where for the consolidation of its commercial banks, all deposits over 100,000 euros were cut in half.
- With the abolition of cash, household and business access to their money is restricted. All the money of the savers (Gikas, 1993) will necessarily be in bank accounts; in other words, locked up in bank accounts and under the constant threat of a possible financial crisis.
- The abolition of cash allows the monetary authorities to implement a policy of negative interest rates (Gikas, Hyz, 1993). Negative interest rates reduce the value of deposits; as a result, savers withdraw money from banks and keep it in cash in safe places, such as safe deposit boxes. Withdrawal of money can also stem from the savers’ insecurity regarding the course of the economy and from the fear of deposits’ „haircut”. We can mention here, as a prime example, the recent financial crisis in Greece (Gikas, et al., 2012; Gikas, et al., 2013), where savers’ fear of leaving the euro and suffering a haircut on their deposits led to massive withdrawals of their money from banks. The Greek monetary authorities, in order to protect the Greek banking system from a total collapse, were forced to impose capital controls.
- The elimination of cash also allows commercial banks to require account-maintenance fees. Negative interest rates and mandatory commissions reduce the actual and nominal value of depositors' deposits. If today, therefore, we had negative interest rates and the banks charged an account-maintenance fee, the savers would withdraw their money from the banking system and keep the banknotes „under the mattress” or in other secure places. This has happened in Greece with the recent financial crisis, though not for the above reasons, but due to the lack of depositors’ confidence in the Greek banking system. In all banking systems, if the public loses confidence in banks, panic will prevail. Everyone will rush to withdraw their money from their bank accounts before the banks shut down.
- The growth of profits for electronic payment managers due to the increase in the volume of electronic transactions, at the expense of cash transactions, should also be mentioned. Financial service providers will also be able to require traders to pay higher commissions for electronic transactions.
- Counter-arguments also include the possibility of electronic blackout or cyber-attacks, which are likely to create enormous problems and chaos in economic activity.
- Electronic payments often lead to overspending phenomena (Sands, 2016, pp. 49-55), as citizens are proven to spend on average 30% more money than using cash. Europe's „sad eyes” in the portrait of euro banknotes often act as a deterrent to

unnecessary costs. In cash purchases, the mental pressure is much higher, as we observe our money disappearing into the seller's drawer, which leads us to smarter purchases and increased savings.

- Less cash entails less revenue for central banks from their „seignorage" privilege and greater opportunities for commercial banks to create scriptural money[5]. By limiting cash in transactions, banks' liquidity will increase, as well as their ability to generate scriptural money. This increase, without sufficient bank supervision to protect against insolvency, can lead to an uncontrolled increase in credit and money supply. In periods of economic recession, borrowers are unable to service their debt in a timely manner. The volume of non-performing loans increases and banks face difficulties. Trust in their robustness is lost and a financial crisis breaks out.
- With a possible abolition of cash, commercial banks will invest far more openly in less liquid, higher-risk and high-yielding positions. They will no longer have a reason to fear that any temporary damage will cause panic and withdrawal of deposits that would lead to a lack of bank liquidity and bankruptcy. They will also not need to maintain sufficient liquidity to respond to mass outflows of their clients' deposits.
- Some economists and sociologists (Haring, 2016) believe that cash does not threaten our security and freedom; on the contrary, it contributes to safeguarding them, thus guaranteeing the last remnants of freedom and privacy left for us. Cash limits the deprivation of our rights, as well as the control and monitoring by various agencies and the financial sector, including the collection of personal data by the IT industry. Electronic transactions can give away all the information about us. Monitoring users over the internet has become inevitable. Extensive transaction controls are performed both for legitimate reasons, such as crime prevention, and for less respectable, such as data collection by commercial companies. If cash disappears, we will have a form of real-time, complete monitoring. Then there will be an analytical profile of transactions, as there are not many things that can be done without making payments, even occasionally. If cash is eliminated, many economists talk about a creepy scenario where privacy laws are being circumvented.

The arguments expressed by supporters of cash elimination, nevertheless, are based on the principle that people who do not do anything illegal or inappropriate do not need privacy and personal data protection, while others do not even deserve it.

[5] Scriptural money (Gikas, Hyz, 2016) is created by commercial banks through successive credits. It is a liability – the bank's debt to the depositor, who can terminate the loan agreement with the bank at any time, by withdrawing his or her deposit in the form of cash. In contrast, coins and banknotes (cash) are produced by the state through the central bank and are legal tender, while no one can deny them as a means of payment. They are recorded as a liability in the liabilities of the central bank's balance sheet, but they are not a material obligation or debt, since anyone who presents this debt to the central bank will receive cash again.

Conclusions

Ever since the dawn of money, people have explored the advantages and disadvantages of different means of payment. Taking into account the changes that have taken place over the last few years, the problem of efficient and acceptable methods of payment from an economic and social point of view becomes more and more interesting. An efficient payment system is not an end in itself, but a necessary precondition for fostering national and international wellbeing. Consequently, the discussion may derive outcomes that are both of relevance to policy-making and of interest to the parties involved in the payment cycle.

Payment systems are exposed to change through innovations in finance and payment transactions, technological changes, legal restrictions, as well as through changes in the payment habits of consumers. In this paper we tried to analyze the problem of cash abolition.

What is the future of cash as a payment instrument? Will electronic payments completely replace cash? Will we have a truly cashless society? Till now, cash is still present in our society as a legal means of payment and cash transactions represent over 50% of all payment transactions in the European Union and vary widely across member states. Non-cash transaction volumes, especially card transactions, seem to grow faster, resulting in a diminishing share of cash in the total transaction volume. In most of the European Union's countries cash payments are limited by law or limited by practice. Last year, the European Commission announced its intention to explore the relevance of potential upper limits to cash payments. Some of the crucial factors which drive cash abolition and the diffusion of digital money are: lower transaction costs, less crime, and easier collection of taxes. However, there are many reservations and several risks associated with abolishing cash which have to be seriously taken into account.

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THE PROS AND CONS OF THE ECONOMIC PARTNERSHIP AGREEMENT (EPA) FOR THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) IN THE CONTEXT OF MEMBER STATES' TRADE RELATIONS WITH THE EUROPEAN UNION (EU)[3]

The article aims to present the benefits and costs for the SADC member countries of the conclusion of EPA and of the implementation of trade liberalisation thereunder, in the light of their trade relations with the European Union. The hypothesis adopted is that for the majority of the SADC countries entering into the agreement will involve improved access for their products to the EU market. The assessment of the advantages and disadvantages of the conclusion of an EPA will take account of a situation in which the countries of the region would not sign an EPA: how their customs status would change and whether it would affect the conditions of trade with the European Union.

JEL Classification Codes: F13, F14, F15.

Keywords: Economic Partnership Agreement (EPA), Southern Africa, Southern African Development Community (SADC), international trade.

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Introduction

The relations between the European Union (EU) and the African Caribbean and Pacific states (ACP) date back to the Treaty of Rome, containing provisions concerning mutual cooperation. The Cotonou Agreement, signed in 2000 and concluded for a term of 20 years, marked a new stage in the development of mutual trade relations. An important element of the Agreement was to negotiate Economic Partnership Agreements (EPAs) during a specified period. Those were supposed to be agreements providing for a progressive removal of barriers to trade on a mutual basis, including the liberalisation of essentially all trade in goods, as well as for reducing obstacles in other trade-related areas, e.g. trade in services. Basically, EPAs were intended to support regional integration between the ACP States, to promote their development and to contribute to poverty eradication in the countries concerned. Negotiations on EPAs are conducted in several regional areas, including Southern Africa.

The group of countries functioning in the region, referred to as the Southern African Development Community (SADC), comprises fifteen countries but only half of the member states are engaged in the SADC EPA negotiations (Angola as an observer, Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland). The very fact indicates a certain disparity between the goals set by the European Union and their actual implementation, particularly towards promoting regional economic integration in Africa[4].

The article aims to present the benefits and costs for the SADC member countries of the conclusion of EPA and of the implementation of trade liberalisation thereunder, in the light of their trade relations with the European Union. The hypothesis adopted is that for the majority of the SADC countries entering into the agreement will involve improved access for their products to the EU market. The assessment of the advantages and disadvantages of the conclusion of an EPA will take account of a situation in which the countries of the region would not sign an EPA: how their customs status would change and whether it would affect the conditions of trade with the European Union.

The article employed an analytical and descriptive method based on sources from the national and international literature, secondary legislation of the EU in the form of regulations as well as on EUROSTAT statistics.

1. Southern Africa

Southern Africa is a relatively well-developed region on the African continent. This position is earned by the Republic of South Africa (the RSA or South Africa), the most important economy in the region and simultaneously the second largest African econo-

[4] Both the Cotonou Agreement and the SADC EPA refer to promoting, supporting and strengthening regional integration. See: The Cotonou Agreement (Section 3) and the SADC EPA Article 1 (b) and Article 3.

my behind Nigeria (for more see: Rynarzewski, Nawrot, Zajączkowski & Cieślik, 2017, pp. 133–152). Apart from South Africa, the region, accounting for one-third of the area of the continent, includes fourteen more countries, very differentiated but, as a whole, in 2015 they achieved an average GDP growth rate (3.2%) significantly above the African average (2.2%). As a result, in that part of Africa average GDP *per capita* (USD 3,549) is nearly double the figure for the whole continent (USD 1,958) [Table 1].

Table 1. Area, population and GDP of the SADC-EPA Group countries with Angola, the SADC and Africa in 2015

	Area (km²)	Population (thousand persons)	GDP (USD million)	GDP per capita (USD)	GDP growth rate (%)
Angola	1 246 700	25 022	115 143	4 602	0.9
Botswana	581 750	2 200	14 410	6 369	-1.7
Lesotho	30 360	2 200	2 049	960	1.6
Mozambique	799 380	26 400	14 798	529	6.6
Namibia	284 290	2 459	11 559	4 701	5.3
South Africa	1 219 090	55 654	316 139	5 802	1.3
Swaziland	17 360	1 300	3 927	3 052	1.1
SADC-EPA	**4 161 570**	**115 235**	**478 070**	**4 336**	**2.2**
DR Congo	2 344 860	77 266	37 587	486	7.7
Madagascar	587 295	23 650	9 703	400	3.1
Malawi	118 480	16 832	6 430	374	2.9
Mauritius	2 040	1 264	11 683	9 175	3.5
Seychelles	460	97	1 377	14 276	5.0
Tanzania	947 303	53 470	45 628	853	7.0
Zambia	752 510	16 212	21 243	1 310	2.9
Zimbabwe	390 757	14 240	5 229	335	1.4
SADC	**9 305 275**	**318 266**	**616 950**	**3 549**	**3.2**
AFRICA	**30 370 000**	**1 184 501**	**2 273 552**	**1 958**	**2.2**

Source: own study based on: (African Statistical Yearbook 2017).

In the literature, there are two conflicting views on the role of South Africa in Sub-Saharan Africa. On the one hand, the economic power of South Africa is treated as a potential threat to regional integration; on the other hand, it is seen as an opportunity for regional development (for more see: Borgatti, 2011, pp. 471–481). Undoubtedly, South Africa is instrumental in both communities functioning in that part of the continent, i.e. the Southern African Customs Union (SACU) and the Southern African Development Community (SADC).

The SACU is the world's longest-lasting customs union, with colonial roots and dating back to 1889. In addition to South Africa, it comprises Botswana, Lesotho, Swaziland and Namibia (referred to as BLSN). Apart from a common external tariff, the member states also have a common excise tariff (for more see: McCarty 2003, pp. 1–36; Michałowski 2011, pp. 186–197); furthermore, the member states (with the exception of Botswana) belong to the Common Monetary Area, originating from the Southern African Rand Monetary Area (for more see: Młodkowski, 2007, pp. 172–227).

The other group in the region is the Southern African Development Community, established in 1992 from the Southern African Development Coordination Conference (SADCC) functioning until 1980. The reasons for the formation of the SADCC were purely political and focussed on strengthening regional cooperation between the then member countries (Angola, Botswana, Mozambique, Tanzania, Zambia, Zimbabwe, Lesotho, Malawi, Swaziland and, from 1990, Namibia) in order to reduce economic dependence on South Africa. At that time, a proposal for establishing a customs union was rejected and emphasis was placed on sectoral integration, including in particular the development of transport and communication, followed by the energy sector, industry and agriculture (Foroutan, 1993, pp. 241–242). The end of the apartheid era, the transformation of the SADCC into the SADC and the resulting accession of South Africa led to the formation of a bloc playing the dominant role, both politically (due to the position of South Africa) and economically (the highest combined GDP on the continent) (Dinka & Kennes, 2007, p. 8).

In the 2010s, in addition to the above-mentioned countries, the SADC also includes Mauritius (from 1995), the Democratic Republic of the Congo and Seychelles (from 1997) as well as Madagascar (from 2005). The community has become a free trade area but the process of building a customs union, initially planned to be in place as early as 2010, is considerably delayed. The situation is caused by various and complex factors such as the multiple memberships of the member countries of the community, including of customs unions. All the SACU countries are simultaneously members of the SADC, thus forming a sub-community of the former. In addition, Tanzania belongs to the East African Community (EAC), whereas the Democratic Republic of the Congo, Seychelles, Swaziland, Zambia and Zimbabwe are members of the Common Market for Eastern and Southern Africa (COMESA). The EAC and the COMESA are both customs unions and, from 2015, they are also (with the SADC) members of an additional agreement establishing a free trade area: the Tripartite Free Trade Area, TFTA (for more see: Garlińska-Bielawska, 2016, pp. 63–70).

2. The origin and the state of play of the negotiations concerning the SADC Economic Partnership Agreement (SADC EPA)

In terms of their trade regimes in relations with the European Union, the SADC countries rank among the African, Caribbean and Pacific Group of States (ACP)[5]. The group is formed by former colonies of some of the EU Member States, having special trade relations with the EU from its inception. From 1975, they enjoyed duty-free access to the EU market for all industrial and agricultural goods, with the exception of temperate zone products posing competition to EU products and covered by the common agricultural policy[6]. Those were non-mutual preferences so the countries of the region were not obliged to grant the same concessions to EU goods. But such unilateral trade preferences were inconsistent with the WTO rules, therefore they needed to be replaced with mutual preferences in the form of creating free trade areas, including between the EU and Southern Africa. However, the establishment of free trade areas involves the lifting of tariffs in mutual trade, in this case by Southern African countries (the EU eliminated most tariffs much earlier).

A new stage in the development of mutual relations with the SADC countries (and with all the ACP States in general) was marked by the Partnership Agreement signed in Cotonou on 23 June 2003 for a period of twenty years (from March 2000 to February 2020), with a possible review every five years (which took place in 2005 and 2010). The Cotonou Partnership Agreement was the EU's largest international agreement governing relations between the 28 European Union Member States and the 78 ACP States[7]. The Cotonou Agreement was designed to establish a comprehensive partnership with 3 pillars: development cooperation, political cooperation and economic and trade cooperation (for the period 2000–2007) (Partnership agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June

[5] A group of countries created under the Georgetown Agreement of 6 June 1975, currently including 79 states. A detailed list of the states can be found at the website of the African, Caribbean, and Pacific Group of States, http://www.acp.int/content/secretariat-acp

[6] Those were unilateral preferences granted under the Convention of Lomé (in 1975–2000) and intended, *inter alia*, to increase mutual trade. On 28 November 1979, the Contracting Parties to GATT decided to adopt an enabling clause as a permanent derogation to the MFN treatment in order to allow developed countries to accord preferential tariff treatment to developing countries in accordance with the Generalised system of Preferences (GSP). Such preferences must be granted on a non-discriminatory basis to countries benefiting from non-reciprocal preferences. However, the preferences accorded to the ACP States were discriminatory in nature as they were more favourable than those granted to other developing countries under the GSP. Therefore, until the end of 2007 the European Union had a WTO waiver (a derogation from the fundamental principles) for preferential trade with the ACP States.

[7] Among the ACP states, Cuba was the only country not to sign the agreement. Therefore, the Cotonou Agreement covers as many as 108 countries from four continents.

2000). Within the third pillar, negotiations concerning regional economic partnership agreements (EPAs) were to be initiated in 2002–2007, one of the regions being Southern Africa. Those were supposed to be new trade agreements, consistent with the WTO principles regarding regional free trade areas and aimed to gradually eliminate, on a reciprocal basis, barriers to trade between the parties and to extend cooperation to include all trade-related fields, in particular services and investment, copyright and the environmental protection, border controls and customs procedures[8]. There are three conditions for introducing new rules of trade relations between the ACP States and the European Union. The first condition is legal in nature as it concerns the aforementioned compliance with the WTO principles. Secondly, it is economically necessary to reform the inefficient system of mutual trade relations based on the Conventions of Lomé (Koné, 2010, p. 106). Trade governed by the above-mentioned rules did not bring the expected results as the share of ACP exports to the EU in the EU market dropped considerably, from 6.7% in 1976 to 2.8% in 1994 (European Commission 1996). Tariff preferences and financial aid failed to counteract the marginalisation of the ACP States in world trade, neither did they contribute to the diversification of exports of the countries in question. The ineffective functioning of trade facilities for the ACP States was further undermined by the liberalisation of trade within the GATT/WTO, which gradually reduced trade between the EU and the group of countries concerned (Frankowski, 2011, p. 33). The third reason is political in nature as it is related to maintaining the European Union's strong position in the region as the main exporter and importer as well as benefactor, which was particularly important in the context of expanding activities of China in Africa.

In the case of trade in goods, EPAs were supposed to lead to the liberalisation of basically all trade between the parties, which according to the EU interpretation accounted for ca. 90% of mutual trade. On the part of the EU, asymmetrical liberalisation covers almost 100% of mutual trade, whereas on the part of the ACP States the respective share is 80%, which results in the liberalisation of around 90% of mutual trade in goods. The aforementioned agreements were also intended to foster regional integration and to promote a gradual inclusion of the ACP States in the world economy.

The opening session allowed to arrive at an agreement to sequence the negotiations in two phases. The first phase took place at an all-ACP-EU level and addressed horizontal issues of interest to all parties. The second ACP-EC ministerial meeting was held in October 2003 and marked the beginning of the second phase of the negotiations. Stage 2 included the actual negotiations and developing specific commitments at the level of individual regions to negotiate particular agreements, pursuant to Article 37 of the Cotonou Agreement (Partnership agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Com-

[8] All the SADC EPA countries are WTO members.

munity and its Member States, of the other part, signed in Cotonou on 23 June 2000, pp. 3–353). In December 2004, six regions started formal negotiations: West Africa, Central Africa, Eastern and Southern Africa, Caribbean, SADC (Southern Africa), Pacific[9]. Therefore, one of those regions represented the SADC countries.

Initially, seven member states from the Southern African Development Community (SADC) began negotiations: Botswana, Lesotho, Namibia, Swaziland, Mozambique, Angola and Tanzania. Four of the above-mentioned countries – Lesotho, Mozambique, Angola and Tanzania – were classified as the least developed countries (LDCs). The Republic of South Africa also participated in those negotiations but as an observer only[10]. Botswana was designated to coordinate the overall efforts in the configuration of the SADC EPA and to prepare negotiating positions, whereas each member state of the SADC EPA was assigned a negotiation area or issues to coordinate (e.g.: Angola – Agriculture, Angola and Mozambique – Non-Agricultural Market Access)[11]. The process of negotiating the SADC–EU EPA was particularly complicated for three reasons: firstly, in 1999 South Africa had signed the Trade, Development and Cooperation Agreement (TDCA) with the European Union and insisted on a treatment different from that granted

[9] At a later time, negotiations also started with another (the seventh) region, i.e. the East African Community (EAC).

[10] The SADC countries formed a separate negotiating group in 2007; at that time, South Africa joined the negotiations as well. Owing to its relatively limited role in the SADC group negotiations, for a time Tanzania continued them in the group of the East Africa Community (EAC), of which it is also a member state. Therefore, the SADC EPA group includes seven countries: Botswana, Lesotho, Namibia, Swaziland (BLNS), South Africa, Mozambique and Angola, as an observer.

[11] For more on the subject see: (McCarthy, Kruger, & Fourie, 2007, p. 4).

to the other countries of the sub-region[12]; secondly, the existence of regional agreements such as the SADC but also the Southern African Customs Union (SACU); and thirdly, only 6 SADC countries[13] negotiated the EPA as a whole (five of them belong to another regional community, i.e. the SACU – BLNS and South Africa). Therefore, the discussion below only refers to the SADC EPA Group rather than to all the community members.

Under the Cotonou Agreement, EPAs with Southern African countries were supposed to be negotiated by 31 December 2007 and to include the creation of free trade areas with reciprocal trade preferences. The relevant provisions of the Cotonou Agreement, providing for unilateral trade preferences for the ACP states, expired on 31 December 2007. Due to the limited progress in EPA negotiations with the ACP States, including with Southern African countries, the European Union threatened to withdraw the preferences, thus with a loss of preferential access to the common market (for countries other than LDCs). With the aim of bridging the gap for the countries which had been yet unable to negotiate EPAs (which also applied to Southern African countries), the EU introduced transitional solutions to be effective from 1 January 2008, laid down in Council Regulation (EC) No 1528/2007, the so-called Market Access Regulation (MAR).

[12] After the end of the apartheid era and the democratic revolution in 1994, the South African government applied for membership of the ACP Group of States, also with a view to benefiting from trade preferences granted by the EU to the group of countries concerned under the Convention of Lomé then in force. However, the EU refused to grant unilateral Lomé preferences to South Africa; entering into a mutual free trade agreement was proposed instead. The main reason was that many South African products, especially in the agricultural sector, were internationally competitive, therefore the southern European Member States feared the replacement of certain domestic products by cheaper goods imported from South Africa. In turn, South Africa was reluctant to conclude a free trade agreement with the EU as it was concerned that its industrial products would be squeezed out by more competitive imports from the EU; moreover, the EU subsidised its agricultural products exported to South Africa, which increased their competitiveness (Meyn, 2003, p. 3). Following five years of negotiations, on 11 October 1999 both parties signed the agreement, provisionally entering into force on 1 January 2000 but it was only ratified in April 2004. It provided for the creation of a free trade area after the transitional period lasting until 2012. South Africa eliminated tariffs on 86% of goods imported from the EU, whereas the European Union – 96%. Until 2010, South Africa enjoyed duty-free access for 99.98% of its industrial exports, with a mere 0.02% of products subject to tariffs (mostly aluminium) (Meyn, 2003, p. 3). South Africa belongs to the SACU, also including much smaller countries such as: Botswana, Lesotho, Namibia and Swaziland (BLNS). Those countries did not participate in the negotiations although they were directly affected by the TDCA. The reason was that duty-free imports to South Africa could be afterwards exported without tariffs to the other SACU countries and, due to their price competitiveness, squeeze out local suppliers. The situation was further aggravated by declining receipts from customs duties in the countries for which customs receipts represented a significant source of budget revenue: for Swaziland and Lesotho (a landlocked country receiving goods imported to South Africa and then re-exported, on a duty-free basis, to Lesotho) – ca. 60%, for Botswana and Namibia – between 20% and 40%. Neither did the TDCA meet the expectations of South Africa. Over more than a dozen years, the share of South African exporters in the EU market dropped from 1.45% (2003) to 1.3% (2016).

[13] The seventh country – Angola – did not sign the agreement but it had participated in the negotiations and may join the agreement at any time in the future.

(Council Regulation (EC) No 1528/2007 of 20 December 2007 applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, Economic Partnership Agreements). The Regulation laid down the EU import arrangements for products originating in the ACP states which negotiated EPAs but had not signed and ratified them by the end of 2007[14]. It concerned the SADC EPA Group as well. The European Union unilaterally granted to those countries preferential market access (duty-free access offered by the EU under such agreements, pending their entry into force). Where a country failed to meet the criteria of the Regulation, the preferences should be withdrawn and the trade arrangement resulting from the country's customs status should be applied (Everything but Arms, the Standard GSP or GSP Plus, MFN treatment) (For more on the GSP see, *inter alia*: Czermińska, 2017, pp. 41–58; Czermińska, 2016, pp. 43–51). The effective date of that amendment was 1 October 2014. It would mean for two countries of the region: Namibia and Botswana (as middle-income countries) the lack of tariff preferences, thus deteriorated conditions of access to the EU market, as they would no longer qualify under the GSP. The ensuing losses are estimated at EUR 29 million and EUR 58 million respectively (South Centre, 2012, p. 14). At the same time, Swaziland would remain a beneficiary of the GSP, whereas Lesotho, Mozambique and Angola would still benefit from EBA as LDCs[15]. However, Swaziland's main export products in trade with the EU, e.g. raw cane sugar for refining, cane sugar and its prepared and preserved fruits, are excluded from the GSP, therefore the country's losses caused by the loss of preferences are estimated at approx. EUR 65 million (South Centre, 2013, p. 14). South Africa would no longer qualify as a beneficiary of the reformed GSP but it would trade with the EU under the TDCA.

However, since several years later a significant number of the ACP states neither took the necessary steps to ratify economic partnership agreements nor concluded comprehensive regional negotiations, the MAR was amended in May 2013. (Regulation (EU) No 527/2013 of the European Parliament and of the Council of 21 May 2013 amending Council Regulation (EC) No 1528/2007). Preferential access to the EU market was maintained only for those countries which had ratified EPAs or concluded negotiations concerning regional economic partnership agreements before 1 October 2014. Among the many ACP states, merely 19 countries were included in that list. Neither were the criteria for maintaining preferences satisfied by BLSMN (Annex I to the Regulation).

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[14] The countries are listed in Annex I to the MAR.

[15] The system was introduced for LDCs into the GSP in 2001 under Council Regulation (EC) No 416/2001. The system of preferences for LDCs ensured duty-free access to the EU market, with no quantity limitations, for all goods, except for Chapter 93 of the Combined Nomenclature, i.e. arms and ammunition (99.8% of all tariff lines). Those preferences were granted for an unlimited time period and, moreover, they did not need to be reviewed periodically, which was the case with the GSP (Everything but Arms Arrangement).

Only Botswana, Mozambique, Lesotho and Swaziland undertook to also negotiate other issues such as services and investment, whereas South Africa agreed to address issues related to Geographical Indications (GI) (South Centre, 2013, p. 14).

Finally, negotiations on economic partnership agreements (EPAs) between the EU and the SADC (Southern African Development Community) EPA group were concluded on 15 July 2014, after more than 10 years of negotiations. The agreement was signed by the EU and the SADC EPA group on 10 June 2016 and the European Parliament gave its consent on 14 September 2016. Pending ratification by all the EU Member States, the agreement provisionally entered into force as of 10 October 2016. Mozambique is in the process of submitting the ratification instrument to the Council, after which the agreement will enter provisionally into force also for that country (European Commission, Trade, The ACP regions, Overview of Economic Partnership Agreements, Updated November 2017).

3. The main provisions of the SADC EPA concerning trade in goods

The core of the EPA contains the provisions on trade in goods. Those are mutual preferences consisting in the elimination of or partial reduction in import tariffs. Under the SADC EPA, the EU grants its partners duty-free and quota-free access for nearly all goods (with the exception of Chapter 93 of the Harmonised System) for Botswana, Lesotho, Mozambique, Namibia and Swaziland (BLMNS) [Table 2]. The SADC EPA countries are provided with an asymmetric and gradual opening of their markets to EU goods, taking full account of the differences in levels of development between them and the EU. Botswana, Lesotho, Mozambique, Namibia and Swaziland decided to liberalise mainly industrial and fisheries products. BLMNS excluded from liberalisation mostly goods in the agricultural, textile and processed agricultural product sectors.

Whereas the EPA objective is to continue and ensure duty-free access to the EU market, enjoyed by BLMNS for decades, in the case of South Africa the agreement is aimed at improving the market access conditions laid down in the TDCA. The agreement in question granted to South Africa significantly liberalised access to the EU market, the EPA introduced additional selective and partial liberalisation. Selective as it applies to selected agricultural products; partial as it means the establishment of Tariff-Rate Quotas (TRQs)[16]. It concerns South Africa's major export products, e.g. sugar, wine, fruit and fruit juices. New market access for South Africa into the EU means that the fish sector will be fully liberalised and South Africa will benefit from TRQs on selected tariff lines of wine, sugar, fruit juices, citrus jams, canned fruit, skimmed milk powder, butter,

[16] Those concern specified quantities of products subject to lower tariffs in the quota period.

yeast and ethanol[17]. Combined with full and partial liberalisation, the SADC Economic Partnership Agreement will lead to a liberalisation of 98.7% of actual exports from South Africa to the EU (European Commission, 2016 b, p. 16); [Table 2].

Table 2. Scope of tariff elimination and reduction provided by the SADC EPA

	Tariff lines	Share of actual trade in volume (2012–2014)
EU offer to BLMNS		
Full liberalisation	100% (except arms and ammunition, HS Chapter 93)	100% (except arms and ammunition, HS Chapter 93)
EU offer to South Africa		
Full liberalisation	94.9%	96.0%
Partial liberalisation	3.2%	2.7%
Excluded	1.9%	1.3%
SACU offer to EU		
Full liberalisation	84.9%	74.1%
Partial liberalisation	12.9%	12.1%
Excluded	2.2%	13.8%
Mozambique offer to EU		
Full liberalisation	81.0%	76.0%
Excluded	19.0%	24.0%

Source: (European Commission 2016a; European Commission 2016b).

Another novelty in the EPA SA (South Africa) is the protection of traditional product names. It concerns the so-called geographical indications (GIs); more than 250 GIs from the EU and over 100 South African GIs will be protected (e.g. herbal teas popular in South Africa: Rooibos, Honeybush, Karoo Lamb, a number of wine names as well). For example, a producer in a country other than South Africa cannot market a tea processed from a plant from its own territory under the symbolically important name Rooibos. The same applies to EU traditional product names (European Commission 2016 a). Therefore, almost all South African products (ca. 99%) have preferential market access in the EU, compared to about 95% under the previous agreement. Approx. 96% of the products can enter the EU market without being subjected to customs duties or quantitative restrictions. The other 3% still have access, although partial, that is similar or improved in comparison with the TDCA. The SACU as a group has granted the EU lower market access of 86%, in line with the developmental nature of the agreement

[17] For example: South Africa is now allowed to export 150,000 tonnes of sugar and 80,000 tonnes of ethanol duty free, whereas the quota for wine exports to the EU has more than doubled, from 50 million to 110 million litres.

[Table 2]. The provisions also contain a chapter on trade defence with bilateral safeguards allowing each of the parties to reintroduce duties or quotas where imports from the other party disturb or threaten to disturb their economy. However, South Africa was mostly concerned about restricting the freedom of entering into trade agreements with ‘major trading economies’, i.e. countries accounting for a share of world merchandise exports above 1% in the year before the entry into force of the agreement, or any group of countries acting individually, collectively or through an economic integration agreement accounting collectively for a share of world merchandise exports above 1.5% in the year before the entry into force of the agreement (Article 28 of the SADC EPA). In practice, South Africa has limited possibilities to conclude trade agreements with Brazil, Russia, China or India.

4. The role of economic partnership agreements in trade relations between Southern African countries and the European Union

An analysis of the costs and benefits of entering into the SADC Economic Partnership Agreement directly entails answering the question what would happen if the Southern African countries had not concluded EPAs. In the case of Botswana and Namibia, upper middle-income countries, exports to the EU would be subject to the MFN tariffs, applied to all WTO members. It would mean deteriorated conditions of access to the EU market, e.g. for beef exports, since the MFN tariff is relatively high. Swaziland, a lower middle-income company, without an EPA would be covered by the GSP. The system offers a number of tariff preferences but excludes sugar, a major export product of Swaziland. Lesotho and Mozambique, the two least developed countries (LDCs) in the region, would still benefit from the EBA arrangement, thus their EU market access conditions would not worsen. Finally, trade with South Africa would continue to be regulated by the Trade, Development and Cooperation Agreement (TDCA) [Table 3].

Table 3. SADC EPA Group and their current and ‘→’ future market access arrangement if no EPAs are ratified

Country	Customs status/market access
The same access conditions	
Lesotho (LDC), Mozambique (LDC), South Africa (TDCA), Angola (LDC)	No change
Deteriorated access conditions	
Swaziland	MAR→**GSP**
Botswana, Namibia	MAR→**MFN**

Source: own study based on: (Council Regulation (EC) No 1528/2007 of 20 December 2007; Commission Delegated Regulation (EU) No 1016/2014 of 22 July 2014).

In terms of general benefits and costs of the conclusion of EPAs by Southern African countries, the benefits would include duty-free access to the EU market, whereas the costs would be the necessity to open up their own markets by lifting tariffs and exposure to competition from EU producers and, in the future, service providers as well, lower flexibility in increasing tariffs should such a need arise in the future; in addition, a fall in revenue from customs duties.

Table 4. EU trade with the SADC EPA group of countries and with Angola in 2013–2016 (EUR million)

<table>
<tr><th></th><th colspan="4">IMPORTS</th><th colspan="4">EXPORTS</th></tr>
<tr><th></th><th>2013</th><th>2014</th><th>2015</th><th>2016</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th></tr>
<tr><td>Angola</td><td>9,308</td><td>9,389</td><td>7,981</td><td>4,188</td><td>6,197</td><td>6,741</td><td>4,856</td><td>3,388</td></tr>
<tr><td>main commodities as (%) of total</td><td colspan="4">Mineral products (87.4); pearls, precious metals and articles thereof (9.7); Machinery and appliances (1.3)</td><td colspan="4">Machinery and appliances (32.4); base metals (11.7); products of the chemical or allied industries (10.6)</td></tr>
<tr><td>Botswana</td><td>3,442</td><td>1,822</td><td>1,503</td><td>2,196</td><td>946</td><td>273</td><td>275</td><td>332</td></tr>
<tr><td>main commodities as (%) of total</td><td colspan="4">Pearls, precious metals and articles thereof (92.7); base metals, mineral products (5.6); live animals, animal products (1.6)</td><td colspan="4">Pearls, precious metals and articles thereof (49.1); Machinery and appliances (25.9); transport equipment (4.7)</td></tr>
<tr><td>Lesotho</td><td>187</td><td>247</td><td>254</td><td>208</td><td>15</td><td>11</td><td>12</td><td>12</td></tr>
<tr><td>main commodities as (%) of total</td><td colspan="4">Pearls, precious metals and articles thereof (98.3); vegetable products (0,9); textiles and textile articles (0.6)</td><td colspan="4">Machinery and appliances (32.2); mineral products (12.8); pulp of wood paper, paper board; vegetable products (2.4)</td></tr>
<tr><td>Mozambique</td><td>1,332</td><td>1,366</td><td>1,435</td><td>1,325</td><td>835</td><td>894</td><td>982</td><td>689</td></tr>
<tr><td>main commodities as (%) of total</td><td colspan="4">Base metals and articles thereof (61.0); mineral products (16.3); food stuff (13.7)</td><td colspan="4">Machinery and appliances (26.3); products of the chemical or allied industries (19.6); transport equipment (10.7)</td></tr>
<tr><td>Namibia</td><td>941</td><td>963</td><td>1,038</td><td>1,090</td><td>753</td><td>538</td><td>404</td><td>373</td></tr>
<tr><td>main commodities as (%) of total</td><td colspan="4">Base metals and articles thereof (38.2); Live animals, animal products (30.3); pearls, precious metals and articles thereof (11.3)</td><td colspan="4">Mineral products (33.3); machinery and appliances (24.2); transport equipment (8.7)</td></tr>
<tr><td>South Africa</td><td>15,560</td><td>18,514</td><td>19,399</td><td>22,928</td><td>24,481</td><td>23,318</td><td>25,432</td><td>22,974</td></tr>
<tr><td>main commodities as (%) of total</td><td colspan="4">Pearls, precious metals and articles thereof (41.6); transport equipment (16.8); mineral products (8.2)</td><td colspan="4">Machinery and appliances (32.2); transport equipment (19.8); products of the chemical or allied industries (13.4)</td></tr>
<tr><td>Swaziland</td><td>230</td><td>151</td><td>139</td><td>122</td><td>23</td><td>29</td><td>35</td><td>51</td></tr>
<tr><td>main commodities as (%) of total</td><td colspan="4">Foodstuffs, beverages, tobacco (85.1); vegetable products (6.8); products of the chemical or allied industries (6.0)</td><td colspan="4">Products of the chemical or allied industries (43.1); miscellaneous manufactured articles (24.8); Foodstuffs, beverages, tobacco (7.3)</td></tr>
</table>

Source: own study based on: (European Commission Trade Statistics, 2017).

It is worth emphasising that the EU-28 countries are major trading partners of the SADC. In 2016, the EU received 26% of the total exports of the region (ahead of China, with a 20.5% share), whereas supplies from the EU represented nearly 33% of total imports (followed by deliveries from China – almost 18%). At the same time, the countries concerned only accounted for a limited proportion of extra-EU exports and imports: 1.9% and 1.6%, respectively, in 2016 (European Commission Trade Statistics, 2016). The SADC5 countries mostly export mineral products, precious stones and agricultural products such as fruit and sugar to the EU. The EPA countries are strong in exporting diamonds; in South Africa, Botswana, Lesotho and Namibia those constitute a large to dominant share of their exports to the EU [Table 4].

Other products from the region include agricultural products (beef from Botswana, fish from Namibia or sugar from Swaziland), oil from Angola or aluminium from Mozambique. South African exports to the EU are considerably diversified and range from fruit to platinum and from manufactured goods to wine. In its trade with the EU, South Africa faces little competition from the SADC5 countries. It is only in aluminium that SA exports compete with Mozambique. The EU exports a wide range of products to the SADC EPA countries, e.g. vehicles, machinery, electrical equipment, pharmaceuticals and processed foodstuffs.

According to the South Centre's calculations, the SADC EPA countries are only more competitive than the EU on 14% of total tariff lines[18]. As regards the vast majority of products, the EU is either more competitive (64%) or the African sub-regions do not currently have local production capacity (22%).

In the case of 80.5% of the tariff lines/products on which the SADC EPA countries will eliminate tariffs, local production will be exposed to strong competition from more competitive EU goods. (3,144 out of 3,907 tariff lines). Those are lines subject to liberalisation and where the EU is more competitive than the SADC. Overall, 84.5% of the total number of tariff lines or products are at risk as a result of the EPA liberalisation (current and future production). The main sectors where regional trade exists and could be disrupted due to the greater competitiveness of the EU are as follows: (South Centre, 2012, p. 4):

- processed oil products,
- chemical products,
- intermediate industrial products,
- final industrial products,
- parts of machines,
- vehicle industry,
- Portland cement,
- processed agricultural products,
- medicines,
- textile and clothing.

[18] This is already higher than the other sub-regions: 10% each for the EAC and ESA EPAs, 6% for ECOWAS and only 3% for Central Africa (South Centre, 2012, p. 15).

Conclusions

The European Union is more interested in entering into the EPA that the countries of the region, therefore it exerted pressure to speed up and finalise EPA negotiations. In addition, the European Union demanded that deepened free trade areas should be created, covering not only goods but also services or investment (full EPAs).

The SADC EPA Group countries constitute no homogeneous bloc, being members of different regional integration communities. Five countries belong to the SACU, a customs union with a single customs area and a common external tariff. The customs area excludes Angola and Mozambique; both countries have their own customs tariffs. Therefore, the IEPA involved the conclusion of new agreements between Mozambique (and possibly Angola at a later time) of the one part and the SACU of the other part. Furthermore, the SACU EPA Group does not include all the member states of the integration community, the other countries participate in EPA negotiations with other regions. Such an approach undermines the fundamental characteristics of customs unions and free trade areas in the region. It is also inconsistent with the objectives of the Cotonou Agreement (Section 3) and the commitments contained in the SADC EPA (Article 1(b) of the SADC EPA ('promote regional integration') and Article 3 ('regional integration') with regard to supporting and strengthening regional integration.

Had the Southern African countries not concluded economic partnership agreements, their customs status in access to the European Union market would be different. In the case of Botswana and Namibia, upper middle-income countries, exports to the EU would be subject to the MFN tariffs, applied to all WTO members. It would mean deteriorated conditions of access to the EU market for certain agricultural products since the MFN tariffs are relatively high. Swaziland, a lower middle-income company, without an EPA would be covered by the GSP. Although the GSP offers a number of tariff preferences, it excludes sugar, a major export product of Swaziland. Therefore, as a matter of fact, the country concerned would also incur costs of having no EPA. Lesotho and Mozambique, the two least developed countries (LDCs) in the region, would still benefit from the EBA arrangement, thus their EU market access conditions would not worsen. The countries would still be beneficiaries of unilateral preferences, i.e. virtually duty-free imports to the EU. There would be no need to lift tariffs on imported EU goods. Trade with South Africa would continue to be regulated by the Trade, Development and Cooperation Agreement (TDCA), providing for only insignificantly worse trade conditions that those contained in the SADC EPA.

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- odbioru odpadów medycznych, niebezpiecznych i pochodzących z awarii oraz ich czasowego przechowywania w rotacyjnym magazynie odpadów niebezpiecznych i innych niż niebezpieczne,
- sprzedaży surowców wtórnych odzyskanych w procesach segregacji.

Zmiany w ustawie o odpadach dokonane w lipcu 2013 r. spowodowały utworzenie w całym kraju, wiec także i na Mazowszu tzw. regionów gospodarki odpadami, funkcjonujących w oparciu o instalacje przetwarzania odpadów komunalnych, spełniające wymagania BAT (najlepszej dostępnej technologii). Jednym z nich jest region radomski, którego podwaliny stanowią Regionalne Instalacje Przetwarzania Odpadów Komunalnych (RIPOK) zarządzane przez PPUH „RADKOM" Sp. z o.o. w Radomiu.

W Wojewódzkim Planie Gospodarki Odpadami dla Mazowsza na lata 2012–2023 jako takie właśnie regionalne instalacje do obsługi regionu radomskiego wskazane zostały zarządzane przez RADKOM:

- instalacja do mechaniczno-biologicznego przetwarzania odpadów komunalnych MBP (ZUOK),
- instalacja do przetwarzania odpadów zielonych i bioodpadów (ZUOK),
- składowisko odpadów innych niż niebezpieczne i obojętne.

Region radomski obejmuje teren 63 gmin powiatów: białobrzeskiego, grójeckiego, lipskiego, kozienickiego, przysuskiego, radomskiego, szydłowieckiego, zwoleńskiego, piaseczyńskiego oraz miasto Radom, zamieszkany przez ponad 700 tysięcy osób, wytwarzających niemal 240 tysięcy ton odpadów rocznie.

Zakład Utylizacji Odpadów Komunalnych (ZUOK) wybudowany w latach 2006–2010 stanowi nowoczesny system mechaniczno-biologicznego przetwarzania odpadów. Jego podstawowym obiektem technologicznym jest sortownia zmieszanych odpadów komunalnych oraz frakcji odpadów zbieranych selektywnie, połączona technologicznie z instalacją kompostowania odpadów zielonych i biodegradowalnych, instalacją przerobu odpadów wielkogabarytowych i podobnych w tym sprzętu RTV i AGD, instalacją przerobu odpadów budowlanych i podobnych oraz instalacją przygotowania komponentów do produkcji paliwa alternatywnego z odpadów, tzw. RDF. Model prowadzenia gospodarki odpadami, który przyjęto w Radomiu, jest nie tylko wypróbowany, ale i nowoczesny. Realizując kompleksowe rozwiązania w zakresie zagospodarowania odpadów, rozwiązuje on problem unieszkodliwienia niemal całego powstającego w regionie strumienia odpadów. Jego podstawą jest również respektowanie. tzw. hierarchii postępowania z odpadami, polegającej na unikaniu wytwarzania odpadów, ich ponownym wykorzystaniu, recyklingu i dopiero w ostateczności na składowaniu.

PPUH „RADKOM" oferuje usługę odbioru odpadów komunalnych w ramach zorganizowanego systemu gospodarki odpadami komunalnymi w gminach oraz usługę odbioru i zagospodarowania odpadów, pochodzących z działalności gospodarczej.

Ponieważ gospodarka odpadami dla prawidłowego funkcjonowania wymaga propagowania zasad właściwego postępowania z nimi, spółka organizuje zakrojone na szeroką skalą działania edukacyjne, obejmujące wszystkie grupy wiekowe osób zamieszkujących w Radomiu. Poprzez konkursy w szkołach, organizację warsztatów ekologicznych w spółce i realizację festynów w mieście „RADKOM" dociera z informacją w zakresie wytwarzania i selektywnej zbiórki odpadów do jak największej liczby osób. Te działania przynoszą skutek, a efekty w postaci czystszego środowiska odczuwamy wszyscy.

PPUH „RADKOM" zajmuje się również odbiorem i transportem odpadów wytwarzanych przez mieszkańców okolicznych gmin oraz przez mieszkańców jednego z pięciu wydzielonych na terenie Radomia sektorów.

Wykorzystywane do tego pojazdy „śmieciarki" wyposażone są w wagi, czytniki do identyfikacji miejsc odbioru odpadów oraz inne elementy służące do bieżącego monitoringu systemu zbiórki. Posiadają również urządzenie do mycia i dezynfekcji pojemników, co w znacznej mierze podnosi standard świadczonych usług oraz zapewnia utrzymanie wymogów sanitarnych.

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