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INTERNAL AND EXTERNAL CHALLENGES FOR THE EUROPEAN UNION IN THE 21ST CENTURY

Abstract:

The European Union is an example of really deep integration. Its gradual enlargement up to 28 member States has resulted in considerable disparities in socio-economic development. Global financial and economic crisis 2008+ additionally complicated the situation of the EU. The year 2015 brought some new challenges for the European Union (influx of migrants being one of the biggest ones). The paper examines selected internal and external challenges which the European Union has to face in the 21st century. The need for new sources of economic growth and competitive and sustainable development was discussed. New activities of the EU employment policy were described. Selected initiatives designed for strengthening Euro zone were analyzed. Ideas that emerge in the EU with regard to immigration crisis were presented.

Keywords:

European Union, regional economic integration, economics, policy

JEL Classification: F15, F00

Introduction

The history of the European Union (and earlier the history of European Communities) is the history of enlargements and integration deepening. The EU used to be called the rich club and thus the gravity of the EU was so strong. The beginning of the 21st century, however, is considered an extremely difficult period in the history of the European Union. Both the problems with insufficient competitiveness of the EU economy, changes in demographic structure of the European society, as well as new challenges for further development of the European Union should be listed here. The accession of 13 new Member States significantly increased inner disparities between the „old" and „new" EU member States. Global financial and economic crisis created another challenges for the EU: the need for deeper integration in key areas, including economic and monetary union, as well as common labour market. Instability in the world economy resulted in unprecedented influx of refugees and migrants to the EU. The migration crisis caused vivid discussion on the future of both internal, asylum and migration policy of the EU and foreign policy of the EU.

The paper aims at presenting socio-economic picture of the enlarged EU and at discussing selected areas of challenges for the European Union in the second decade of the 21st century.

1. The socio-economic picture of the EU after Eastern enlargement

Eastern enlargement considerably changed socio-economic picture of the EU. Financial and economic crisis 2008+ hit all EU economies, but the dynamics and intensity of the crisis was not the same in every EU member economy (Pawlas 2014). Tables 1-4 present the socio-economic picture of the EU from 2003 to 2014. The following elements have been taken into account: per capita GDP (PPP), unemployment rate, general government deficit/surplus and general government gross debt.

Table 1. GDP per capita (PPP) (EU28 = 100)

Economy	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU (28 countries)	100	100	100	100	100	100	100	100	100	100	100	100
EU (27 countries)	100	100	100	100	100	100	100	100	100	100	100	100
Belgium	123	121	119	117	115	114	116	119	119	121	120	119
Bulgaria	33	35	36	38	41	44	45	45	45	46	46	47
Czech Republic	77	79	80	81	84	81	83	81	83	82	83	85
Denmark	124	125	123	124	121	123	122	126	126	126	127	125
Germany	116	116	116	115	116	116	115	119	122	122	122	124
Estonia	52	55	59	64	68	68	62	63	69	74	75	76
Ireland	142	144	146	146	147	132	129	130	132	132	132	134
Greece	94	96	92	94	92	94	95	87	77	74	74	73
Spain	100	100	100	103	103	102	101	97	94	92	91	91
France	111	110	110	107	107	106	108	108	108	107	109	107
Croatia	56	57	58	58	61	63	62	59	60	60	59	59
Italy	112	108	106	106	105	105	105	104	103	101	98	96
Cyprus	94	97	99	99	100	105	106	103	96	91	84	82
Latvia	45	47	51	55	60	60	53	52	56	60	62	64
Lithuania	49	50	53	56	61	63	56	60	65	70	73	75
Luxembourg	240	247	241	257	260	256	248	254	263	259	265	266
Hungary	62	62	62	62	61	63	64	65	65	65	67	68
Malta	82	81	81	79	78	81	84	86	84	84	85	84
Netherlands	133	134	134	136	137	139	137	135	134	133	133	131

Austria	127	127	125	125	123	124	126	126	128	131	131	130
Poland	48	49	50	50	53	54	59	62	64	67	67	68
Portugal	78	77	80	79	79	79	81	81	78	77	77	78
Romania	31	34	35	38	42	48	49	50	51	54	54	55
Slovenia	83	86	86	86	87	89	85	83	83	81	81	83
Slovakia	55	56	59	62	67	72	71	73	73	75	76	77
Finland	114	117	116	115	118	120	116	115	117	116	113	110
Sweden	127	129	124	125	127	126	123	126	127	127	125	123
United Kingdom	123	125	125	123	118	114	112	108	106	107	108	109

Source: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode =tec00114, accessed 20th January, 2016.

The disparities in socio-economic development were quite considerable even before Eastern enlargement, they became much greater as a result of this enlargement and the situation got even more complicated after the global crisis. Luxembourg is the country with the highest GDP per capita (PPP) of all EU MS in the analysed period of time. In 2004 GDP per capita (PPP) in Luxembourg was 247, while in Romania and Bulgaria it was just 34 and 35 respectively (with the average for EU expressed as 100). In 2014 Luxembourg kept the number one position with GDP per capita amounting to 266 and Bulgaria was the poorest economy where GDP per capita equalled 47 only. In 2014 GDP per capita was higher than EU-28 average in the case of eleven EU MS, in seventeen EU MS it was lower than EU-28 average. Therefore the hypothesis according to which inner disparities in economic development remain one of the most important problems for the EU in the 21st century has been proved. A wise EU Policy of Economic, Social and Territorial Cohesion remains one of the priorities for the enlarged EU after the global crisis.

Reduction of unemployment has always been one of crucial objectives of the EU. Enlargement of the EU in 2004 resulted in a worsened situation on labour market, mostly due to accession of Poland where unemployment rate was close to 20% and Slovakia for which unemployment rate exceeded 18% at that time. From 2004 to 2008 one could observe a gradual reduction of unemployment in most EU member states. Therefore unemployment rate for EU-27 fell from 9.3% in 2004 to 7% in 2008. Unfortunately global financial and economic crisis 2008+ adversely affected the situation on the market of labour in all EU Member States, though some of them were hit much more severely than others. An upward tendency was noted for unemployment in EU-27 (EU-28) between 2008 and 2013. Unemployment rate increased to 9% in 2009 and to as much as 10.9% in 2013. Since then some reduction of unemployment rate was observed – to 9.4% in 2015. No longer Poland is the country with the highest unemployment. Unemployment rate in Poland was reduced to 7.1% in 2008, later it rose a bit to some 9.7-10.3% in the years 2010-2013, and in 2015 it was significantly reduced to 7.5%. Spain and Greece were the two EU Member States with the highest unemployment, which amounted to as much as 25-27.5% in 2012-2014. The situation on the market of labour in Cyprus was also very difficult; Cyprus joined the EU in 2004 with a quite low unemployment (4.6%), but the situation in the years 2013-2015 was completely different: unemployment in Cyprus amounted to 16%. Croatia, the youngest EU MS, is another problematic country: unemployment rate there equalled 16-17% from 2012 to 2015. In 2015 unemployment rate was over 10% in some other EU MS: France, Portugal, Slovakia, When it comes to the countries with the best situation on the market of labour, Austria should be mentioned. Unemployment rate in Austria ranged from 4.1 to 5.6% in the analysed period of time. It is also worth noting that unemployment in Germany was reduced from 10-11% in the years 2003—2006 to 4.6% in 2015.

Table 2. Total unemployment rate (%)

Economy	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EU (28 countries)	9.2	9.3	9.0	8.2	7.2	7.0	9.0	9.6	9.7	10.5	10.9	10.2	9.4
EU (27 countries)	9.1	9.2	9.0	8.2	7.2	7.0	9.0	9.6	9.6	10.4	10.8	10.2	9.4
Belgium	8.2	8.4	8.5	8.3	7.5	7.0	7.9	8.3	7.2	7.6	8.4	8.5	8.3
Bulgaria	13.7	12.1	10.1	9.0	6.9	5.6	6.8	10.3	11.3	12.3	13	11.4	9.4
Czech Republic	7.8	8.3	7.9	7.1	5.3	4.4	6.7	7.3	6.7	7.0	7.0	6.1	5.1
Denmark	5.4	5.5	4.8	3.9	3.8	3.4	6.0	7.5	7.6	7.5	7.0	6.6	6.1
Germany	9.7	10.4	11.2	10.1	8.5	7.4	7.6	7.0	5.8	5.4	5.2	5.0	4.6
Estonia	10.3	10.1	8.0	5.9	4.6	5.5	13.5	16.7	12.3	10.0	8.6	7.4	l.d.
Ireland	4.6	4.5	4.4	4.5	4.7	6.4	12.0	13.9	14.7	14.7	13.1	11.3	9.4
Greece	9.7	10.6	10.0	9.0	8.4	7.8	9.6	12.7	17.9	24.5	27.5	26.5	l.d.
Spain	11.5	11.0	9.2	8.5	8.2	11.3	17.9	19.9	21.4	24.8	26.1	24.5	22.1
France	8.5	8.9	8.9	8.8	8.0	7.4	9.1	9.3	9.2	9.8	10.3	10.3	10.4
Croatia	14.2	13.9	13	11.6	9.9	8.6	9.2	11.7	13.7	16.0	17.3	17.3	16.6
Italy	8.4	8.0	7.7	6.8	6.1	6.7	7.7	8.4	8.4	10.7	12.1	12.7	l.d.
Cyprus	4.1	4.6	5.3	4.6	3.9	3.7	5.4	6.3	7.9	11.9	15.9	16.1	15.6
Latvia	11.6	11.7	10.0	7.0	6.1	7.7	17.5	19.5	16.2	15	11.9	10.8	l.d.
Lithuania	12.4	10.9	8.3	5.8	4.3	5.8	13.8	17.8	15.4	13.4	11.8	10.7	9.1
Luxembourg	3.8	5.0	4.6	4.6	4.2	4.9	5.1	4.6	4.8	5.1	5.9	6.0	6.1
Hungary	5.8	6.1	7.2	7.5	7.4	7.8	10.0	11.2	11.0	11.0	10.2	7.7	l.d.
Malta	7.7	7.2	6.9	6.8	6.5	6.0	6.9	6.9	6.4	6.3	6.4	5.8	5.3
Netherlands	4.8	5.7	5.9	5.0	4.2	3.7	4.4	5.0	5.0	5.8	7.3	7.4	6.9
Austria	4.8	5.5	5.6	5.3	4.9	4.1	5.3	4.8	4.6	4.9	5.4	5.6	l.d.
Poland	19.8	19.1	17.9	13.9	9.6	7.1	8.1	9.7	9.7	10.1	10.3	9.0	7.5
Portugal	7.4	7.8	8.8	8.9	9.1	8.8	10.7	12.0	12.9	15.8	16.4	14.1	12.6
Romania	7.7	8.0	7.1	7.2	6.4	5.6	6.5	7.0	7.2	6.8	7.1	6.8	6.8
Slovenia	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.3	8.2	8.9	10.1	9.7	9.1
Slovakia	17.7	18.4	16.4	13.5	11.2	9.6	12.1	14.5	13.7	14.0	14.2	13.2	11.5
Finland	9.0	8.8	8.4	7.7	6.9	6.4	8.2	8.4	7.8	7.7	8.2	8.7	9.4
Sweden	6.6	7.4	7.7	7.1	6.1	6.2	8.3	8.6	7.8	8.0	8.0	7.9	7.4
United Kingdom	5.0	4.7	4.8	5.4	5.3	5.6	7.6	7.8	8.1	7.9	7.6	6.1	l.d.

Source: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode =tsdec450, accessed 20th January, 2016.

Financial and economic crisis which hit the EU MS in the first decade of the 21st century resulted in greater problems for public finance sector in those economies. According to Maastricht Treaty all EU MS who want to join Euro area, as well as those who already function as Euro area members should keep general government deficit below 3% GDP and general government gross debt below 60% GDP. Even before the global financial crisis 2008+ some EU MS did have problems with that. It is enough to mention Greece (in 2004 general government deficit in Greece amounted to 8.8% GDP), but also countries like Portugal, Germany or France (in 2004 general government deficit equalled 6.2%, 3.7% and 3.5% GDP respectively). But before 2009 one could always find a couple of EU MS with general government surplus (e.g. in 2008 the situation looked as follows: 3.0% GDP surplus in Denmark, 1.6% GDP surplus in Bulgaria, 3.3% GDP surplus in Luxembourg, 4.2% GDP surplus in Finland or 2.0% GDP surplus in Sweden). The situation in 2009 looked completely different. No single EU MS noted general government surplus and therefore general government deficit for EU-28 increased to 6.7% GDP (while in 2007 it amounted to 0.9% GDP and in 2008 it was 2.5% GDP). Fortunately in the next years the situation became a bit better – general government deficit for EU-28 was reduced to 3.0% GDP in 2014. The case of Ireland must be described here: in 2003-2007 Ireland was noting surplus, in 2009 general government deficit in Ireland exceeded 32% GDP and in 2014 it was reduced to 3.9% GDP. The problems of Greece and Spain were much more severe. General government deficit in those countries was close to or over 10% GDP in the years 2008-2013.

Table 3. General government deficit/surplus (% GDP)

Economy	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU (28 countries)	-3.2	-2.9	-2.6	-1.6	-0.9	-2.5	-6.7	-6.4	-4.5	-4.3	-3.3	-3.0
EU (27 countries)	-3.2	-2.9	-2.5	-1.6	-0.9	-2.5	-6.7	-6.4	-4.5	-4.3	-3.3	-3.0
Belgium	-1.8	-0.2	-2.6	0.3	0.1	-1.1	-5.4	-4.0	-4.1	-4.1	-2.9	-3.1
Bulgaria	-0.4	1.8	1.0	1.8	1.1	1.6	-4.1	-3.2	-2.0	-0.6	-0.8	-5.8
Czech Republic	-6.4	-2.7	-3.1	-2.3	-0.7	-2.1	-5.5	-4.4	-2.7	-4.0	-1.3	-1.9
Denmark	-0.1	2.1	5.0	5.0	5.0	3.2	-2.8	-2.7	-2.1	-3.6	-1.3	1.5
Germany	-4.2	-3.7	-3.4	-1.7	0.2	-0.2	-3.2	-4.2	-1.0	-0.1	-0.1	0.3
Estonia	1.8	2.4	1.1	2.9	2.7	-2.7	-2.2	0.2	1.2	-0.3	-0.1	0.7
Ireland	0.7	1.4	1.3	2.8	0.3	-7.0	-13.8	-32.3	-12.5	-8.0	-5.7	-3.9
Greece	-7.8	-8.8	-6.2	-5.9	-6.7	-10.2	-15.2	-11.2	-10.2	-8.8	-12.4	-3.6
Spain	-0.4	0.0	1.2	2.2	2.0	-4.4	-11.0	-9.4	-9.5	-10.4	-6.9	-5.9
France	-3.9	-3.5	-3.2	-2.3	-2.5	-3.2	-7.2	-6.8	-5.1	-4.8	-4.1	-3.9
Croatia	-4.5	-5.0	-3.7	-3.2	-2.4	-2.7	-5.8	-5.9	-7.8	-5.3	-5.4	-5.6
Italy	-3.4	-3.6	-4.2	-3.6	-1.5	-2.7	-5.3	-4.2	-3.5	-3.0	-2.9	-3.0
Cyprus	-5.9	-3.7	-2.2	-1.0	3.2	0.9	-5.5	-4.8	-5.7	-5.8	-4.9	-8.9
Latvia	-1.6	-1.0	-0.4	-0.6	-0.7	-4.1	-9.1	-8.5	-3.4	-0.8	-0.9	-1.5
Lithuania	-1.3	-1.4	-0.3	-0.3	-0.8	-3.1	-9.1	-6.9	-8.9	-3.1	-2.6	-0.7
Luxembourg	0.5	-1.1	0.2	1.4	4.2	3.3	-0.5	-0.5	0.5	0.2	0.7	1.4
Hungary	-7.1	-6.4	-7.8	-9.3	-5.1	-3.6	-4.6	-4.5	-5.5	-2.3	-2.5	-2.5
Malta	-9.1	-4.4	-2.7	-2.6	-2.3	-4.2	-3.3	-3.2	-2.6	-3.6	-2.6	-2.1
Netherlands	-3.0	-1.7	-0.3	0.2	0.2	0.2	-5.4	-5.0	-4.3	-3.9	-2.4	-2.4
Austria	-1.8	-4.8	-2.5	-2.5	-1.3	-1.4	-5.3	-4.4	-2.6	-2.2	-1.3	-2.7
Poland	-6.1	-5.2	-4.0	-3.6	-1.9	-3.6	-7.3	-7.5	-4.9	-3.7	-4.0	-3.3
Portugal	-4.4	-6.2	-6.2	-4.3	-3	-3.8	-9.8	-11.2	-7.4	-5.7	-4.8	-7.2
Romania	-1.5	-1.2	-1.2	-2.2	-2.9	-5.6	-9.1	-6.9	-5.4	-3.2	-2.2	-1.4
Slovenia	-2.6	-2.0	-1.3	-1.2	-0.1	-1.4	-5.9	-5.6	-6.6	-4.1	-15.0	-5.0
Slovakia	-2.7	-2.3	-2.9	-3.6	-1.9	-2.3	-7.9	-7.5	-4.1	-4.2	-2.6	-2.8
Finland	2.4	2.2	2.6	3.9	5.1	4.2	-2.5	-2.6	-1.0	-2.1	-2.5	-3.3
Sweden	-1.3	0.3	1.8	2.2	3.3	2.0	-0.7	0.0	-0.1	-0.9	-1.4	-1.7
United Kingdom	-3.4	-3.6	-3.5	-2.9	-3.0	-5.1	-10.8	-9.7	-7.7	-8.3	-5.7	-5.7

Source: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language =en&pcode=tec00127, accesed 20th January, 2016.

The rising general gross debt is another problem of the EU MS and another negative effect of the crisis. Till the year 2008 general gross debt of EU-27 was only a bit over 60% GDP, while in 2014 it was close to 87% GDP. The situation of Greece is the most dramatic: its gross government debt increased from 101% GDP in 2003 to almost 180% GDP in 2014. Italy, with its gross government debt amounting to 132% GDP in 2014 was another problematic member state of the EU. In some other economies the level of gross government debt also became dangerous for further development and financial stability: Portugal (130% GDP), Ireland (120% GDP in 2013 and 107% GDP in 2014).

Table 4. General government gross debt (% GDP)

Economy	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU (28 countries)	60.7	61.2	61.8	60.4	57.8	61.0	73.0	78.4	81.0	83.8	85.5	86.8
EU (27 countries)	60.8	61.3	61.9	60.5	57.9	61.0	73.1	78.5	81.1	83.8	85.5	86.8
Belgium	101.1	96.5	94.6	90.9	86.9	92.4	99.5	99.6	102.2	104.1	105.1	106.7
Bulgaria	43.5	35.8	26.6	20.9	16.2	13.0	13.7	15.5	15.3	17.6	18.0	27.0
Czech Republic	28.1	28.5	28.0	27.9	27.8	28.7	34.1	38.2	39.9	44.7	45.2	42.7
Denmark	46.2	44.2	37.4	31.5	27.3	33.4	40.4	42.9	46.4	45.6	45.0	45.1
Germany	63.0	64.7	66.9	66.4	63.6	65.0	72.5	81.0	78.4	79.7	77.4	74.9
Estonia	5.6	5.1	4.5	4.4	3.7	4.5	7.0	6.6	5.9	9.5	9.9	10.4

Ireland	29.9	28.2	26.1	23.6	23.9	42.4	61.8	86.8	109.3	120.2	120.0	107.5
Greece	101.2	102.7	107.3	103.5	103.1	109.4	126.7	146.2	172.0	159.4	177.0	178.6
Spain	47.6	45.3	42.3	38.9	35.5	39.4	52.7	60.1	69.5	85.4	93.7	99.3
France	64.2	65.7	67.2	64.4	64.4	68.1	79.0	81.7	85.2	89.6	92.3	95.6
Croatia	37.5	39.8	40.7	38.3	37.1	38.9	48.0	57.0	63.7	69.2	80.8	85.1
Italy	100.4	100	101.9	102.5	99.7	102.3	112.5	115.3	116.4	123.2	128.8	132.3
Cyprus	63.5	64.5	63.2	59.1	53.9	45.1	53.9	56.3	65.8	79.3	102.5	108.2
Latvia	13.9	14.3	11.8	9.9	8.4	18.7	36.6	47.5	42.8	41.4	39.1	40.6
Lithuania	20.4	18.7	17.6	17.2	15.9	14.6	29.0	36.2	37.2	39.8	38.8	40.7
Luxembourg	6.4	6.5	6.3	7.0	7.2	14.4	15.5	19.6	19.2	22.1	23.4	23
Hungary	57.6	58.5	60.5	64.7	65.6	71.6	78	80.6	80.8	78.3	76.8	76.2
Malta	69.1	72.0	70.1	64.6	62.4	62.7	67.8	67.6	69.8	67.6	69.6	68.3
Netherlands	49.3	49.6	48.9	44.5	42.4	54.5	56.5	59	61.7	66.4	67.9	68.2
Austria	65.5	64.8	68.3	67	64.8	68.5	79.7	82.4	82.2	81.6	80.8	84.2
Poland	46.6	45.3	46.7	47.1	44.2	46.6	49.8	53.3	54.4	54	55.9	50.4
Portugal	58.7	62.0	67.4	69.2	68.4	71.7	83.6	96.2	111.4	126.2	129	130.2
Romania	21.3	18.6	15.7	12.3	12.7	13.2	23.2	29.9	34.2	37.4	38.0	39.9
Slovenia	26.7	26.8	26.3	26	22.7	21.6	34.5	38.2	46.4	53.7	70.8	80.8
Slovakia	41.6	40.6	33.9	30.8	29.9	28.2	36.0	40.8	43.3	51.9	54.6	53.5
Finland	42.8	42.7	40	38.2	34	32.7	41.7	47.1	48.5	52.9	55.6	59.3
Sweden	48.9	47.9	48.2	43.2	38.3	36.8	40.4	37.6	36.9	37.2	39.8	44.9
United Kingdom	37.3	40.2	41.5	42.4	43.5	51.7	65.7	76.6	81.8	85.3	86.2	88.2

Source: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdde410, accessed 20th January, 2016.

It seem that the European Union finally understood the need for further and deeper integration so as to ensure the sound base for functioning and economic development of its member states. That is why a number of initiatives aiming at obtaining greater financial stability of Euro area and the whole EU have been undertaken.

2. Strategy Europe 2020 as an attempt to stimulate and re-direct development of the European Union

Strategy Europe 2020 was adopted in June 2010. It serves as a basis for the construction of EU policies for the period 2010-2020 (Moussis 2015). Undoubtedly Strategy 2020 can be seen as the EU's answer to the crisis and its attempt to stimulate economic growth and re-direct development of the European economies. The priorities of intelligent, sustainable and inclusive growth and development lie in the centre of Strategy Europe 2020. The final objective of the Strategy is to obtain a higher level of international competitiveness of the EU (European Commission 2010).

Quantitative targets of the Strategy focus on the following fields: employment, research and development, climate change and energy, education, poverty and social exclusion. They were set both on the level of the EU and for each Member State individually. As far as the EU level is concerned the following targets were fixed (EUROSTAT 2015, p. 9.):

- employment rate in the age group 20-64 years should reach 75%;
- EU investment in research and development (R&D) should reach 3% GDP;
- Greenhouse gas emissions should be reduced by 20% (or even 30%) as compared to 1990;
- Number of early leavers from education and training should be reduced below 10%;

- the percentage of the population aged 30-34 who have successfully completed tertiary studies (e.g. university, higher technical institution, etc.) should reach 40%;
- lifting at least 20 million people out of the risk of poverty and social exclusion by the year 2020.

Targets for individual Member States do reflect their capabilities and differences in socio-economic development. Table 5 presents selected quantitative targets of Strategy Europe 2020 and the state of play in 2014.

Table 5. Strategy Europe 2020 – targets and state of play in 2014

Economy	Gross Domestic Expenditure on Research & Development (% GDP)		Employment rate (%) Age group 20-64		Share of renewable energy in gross final energy consumption (%)		Early leavers of education and training (%)		Tertiary education attainment age group 30-34 (%)	
	2014	Target	2014	Target	2014	Target	2014	Target	2014	Target
EU (28 countries)	2.03	3.0	69.2	75.0	16.0	20.0	11.2	10.0	37.9	40.0
EU (27 countries)	l.d.	3.0	69.3	75.0	l.d.	20.0	11.3	10.0	38.0	40.0
Belgium	2.46	3.0	67.3	73.2	8.0	13.0	9.8	9.5	43.8	47.0
Bulgaria	0.8	1.5	65.1	76	18.0	16.0	12.9	11.0	30.9	36.0
Czech Republic	2.0	1.0	73.5	75	13.4	13.0	5.5	5.5	28.2	32.0
Denmark	3.08	3.0	75.9	80	29.2	30.0	7.8	10.0	44.9	40.0
Germany	2.84	3.0	77.7	77	13.8	18.0	9.5	10.0	31.4	42.0
Estonia	1.46	3.0	74.3	76	26.5	25.0	11.4	9.5	43.2	40.0
Ireland	1.55	2.0	67	69	8.6	16.0	6.9	8.0	52.2	60.0
Greece	0.83	1.2	53.3	70	15.3	18.0	9.0	9.7	37.2	32.0
Spain	1.2	2.0	59.9	74	16.2	20.0	21.9	15.0	42.3	44.0
France	2.26	3.0	69.9	75	14.3	23.0	9.0	9.5	43.7	50.0
Croatia	0.79	1.4	59.2	62.9	27.9	20.0	2.7	4.0	32.2	35.0
Italy	1.29	1.53	59.9	67	17.1	17.0	15.0	16.0	23.9	26.0
Cyprus	0.47	0.5	67.6	75	9.0	13.0	6.8	10.0	52.5	46.0
Latvia	0.68	1.5	70.7	73	38.7	40.0	8.5	13.4	39.9	34.0
Lithuania	1.02	1.9	71.8	72.8	23.9	23.0	5.9	9.0	53.3	48.7
Luxembourg	1.24	2.3	72.1	73	4.5	11.0	6.1	10.0	52.7	66.0
Hungary	1.38	1.8	66.7	75	9.5	14.65	11.4	10.0	34.1	30.3
Malta	0.85	2.0	66.4	70	4.7	10.0	20.3	10.0	26.5	33.0
Netherlands	1.97	2.5	75.4	80	5.5	14.0	8.7	8.0	44.8	40.0
Austria	2.99	3.76	74.2	77	33.1	34.0	7.0	9.5	40.0	38.0
Poland	0.94	1.7	66.5	71	11.4	15.0	5.4	4.5	42.1	45.0
Portugal	1.29	2.7	67.6	75	27.0	31.0	17.4	10.0	31.3	40.0
Romania	0.38	2.0	65.7	70	24.9	24.0	18.1	11.3	25.0	26.7
Slovenia	2.39	3.0	67.7	75	21.9	25.0	4.4	5.0	41.0	40.0
Slovakia	0.89	1.2	65.9	72	11.6	14.0	6.7	6.0	26.9	40.0
Finland	3.17	4.0	73.1	78	38.7	38.0	9.5	8.0	45.3	42.0
Sweden	3.16	4.0	80	80	52.6	49.0	6.7	10.0	49.9	40.0
United Kingdom	1.72	l.d.	76.2	l.d.	7.0	15.0	11.8	l.d.	47.7	l.d.

Source: http://ec.europa.eu/eurostat/web/europe-2020-indicators/europe-2020-strategy/main-tables, accessed 30th January, 2016.

In the case of gross domestic expenditure on research and development (GERD) targets ranged from 4% GDP (Finland and Sweden) to 0.5% GDP (Cyprus). In 2014 the EU-28 GERD reached 2.03 % GDP. The best situation was observed in Finland and Sweden (3.17 % GDP and 3.16 % GDP respectively), while the worst one was noted in Romania (0.38% GDP).

With respect to employment rate the target was the lowest for Croatia (62.9%, i.e. more than 12 percentage points below the EU-28 target. On the other hand, the employment rate target for Denmark, the Netherlands and Sweden was set for 80%, i.e. 5 percentage points above the EU-28 one. In 2014 employment rate for EU-28 amounted to 69.2%. It was the highest in Sweden (80%) and the lowest level of employment rate was observed in Greece (53.3% only).

As far as renewable energy use is concerned, the targets were 20% or more in thirteen Member States (in the cae of Sweden the target was set at 49%). The lowest share of renewable energy in gross final energy consumption was declared in Malta (10%), Luxembourg (11%), Belgium and the Czech Republic (13%). In 2014 the share of renewable energy in gross final energy consumption of EU-28 equalled 16%. Sweden was the leader with 52.6%. The top three EU Member States included also Finland and Latvia (with 38.7%). In the case of Luxembourg and Malta renewable energy represented less than 5% of gross final energy consumption in 2014.

The EU would like to reduce the number of early leavers from education and training should be reduced below 10%. Again one can observe considerable disparities in national targets: from just 4% in Croatia, 4.5% in Poland, 5% in Slovenia and 5.5% in the Czech Republic, up to as much as 16% in Italy and 15% in Spain. In 2014 the situation looked as follows: early leavers from education and training in the EU-28 amounted to 11.2%. The best situation was noted in Slovenia (4.4%), Poland (5.4%) and the Czech Republic (5.5%), while the worst one was observed in Spain (21.9%) and Malta (20.3%).

Even bigger disparities were noted in the case of tertiary education attainment level in the age group 30-34. The targets ranged from 26% in Cyprus and Romania to 66% in Luxembourg and 60% in Ireland. In 2014 the level of tertiary education attainment exceeded 50% in Ireland, Cyprus, Lithuania and Luxembourg, while in Romania, Italy, Malta and Slovakia it did not even reach 27%.

The above analysis of selected targets of Strategy Europe 2020 and their so far implementation proved hypothesis according to which financial and economic crisis resulted in deepening national disparities in the EU-28. Therefore reducing the gaps remains one of the crucial challenges for the EU in the second decade of the 21st century.

3. Selected initiatives undertaken by the European Union after the financial crisis 2008+ in order to make EMU more stable

Global financial crisis 2008+ severely hit a number of EU economies, in that many Euro area economies. Some Euro area Member States desperately needed financial assistance. That is why European Financial Stabilisation Mechanism (Kosterna 2011) and European Financial Stability Facility (Wancio 2010) were created in 2010. They were only temporary instruments, therefore later European Stability Mechanism as a permanent instrument of financial assistance was developed. Its effective lending capability amounts to EUR 500 billion and its total subscribed capital is even bigger – EUR 700 billion (European Central Bank 2011).

The European Union realised the need to improve the euro area's governance and coordination of economic policies. Deepened and broadened economic surveillance arrangements were supposed to guide fiscal policy and address divergences in growth, inflation and competitiveness. The EU undertook many initiatives. Some of them were temporary in their character, others can be described as permanent. In 2010 the European Commission proposed to create a European Semester in order to introduce effective ex-ante coordination of fiscal and economic policy plans at European level before decisions are taken on budgets at national level – in line with both the Stability and Growth Pact and the Europe 2020 Strategy. (European Commission 2015). The "six-pack" set of EU legislation was put into operation in December 2011. It consists of five Regulations and one Directive; altogether they cover fiscal and macroeconomic surveillance, and provide for sanctions on those euro area Member States that deviate from the rules (European Commission 2011b). The "six-pack" was followed by the "two-pack" laws, i.e. two draft regulations, one of them aims to further improve fiscal surveillance by establishing a common timeline and common rules to allow for more active prior on ex ante monitoring and assessment of the budgets of euro area Member States and the other one aims to improve surveillance of the most financially vulnerable euro area Member States (European Commission 2011a). In March 2012 the Fiscal Treaty (Treaty on Stability, Coordination and Governance) was signed by 25 EU Member States. The Fiscal Treaty reflected the willingness of the Member States to enshrine the very culture of financial stability in their legislation, mirroring the EU fiscal rules at national level (BBC 2012).

European Council summit in October 2013 focused on the prospects of banking union creation. It is to consist of three pillars, namely: Single Supervisory Mechanism, Single Resolution Mechanism and the two directives i.e. Bank Recovery and Resolution Directive and Deposit Guarantee Schemes Directive (Zaleska 2015; Hübner 2014; (Słojewska 2015; European Parliament 2014).

4. Accession policy of the European Union in the 2nd decade of the 21st century

Since mid 2013 there have been 28 member states in the EU. But the enlargement process of the EU is not over. It results from the Treaty on the European Union according to which any European country may apply for membership (Przyborowska-Klimczak & Skrzydło-Tefelska 1996, p. 17). As of February 2016 there are five official candidates and two potential candidates for EU membership. The following countries are considered official candidates: Albania (since June 2014), Montenegro (Its application was placed in 2008 and the Council confirmed Montenegro a candidate country in December 2010), the Former Yugoslav Republic of Macedonia (It applied for membership in March 2004 and was granted status of candidate country in December 2005), Serbia (Its application was placed in December 2009 and the

Council confirmed Serbia as a candidate country in March 2012) and Turkey (It applied in 1987 and was declared a Candidate Country by Helsinki European Council in 1997). Bosnia and Herzegovina and Kosovo are treated as potential candidates. Turkey began accession negotiations in 2005 (together with Croatia). Accession negotiation with Montenegro started on 29th of June, 2012. In 2009 the Commission recommended opening accession negotiations with the Former Yugoslav Republic of Macedonia. Accession negotiations with Serbia were started in December 2015 (at that time chapters 32 – Financial control and 35 – Other issues – Item 1: Normalisation of relations between Serbia and Kosovo were opened) (European Commission 2016).

The accession of Turkey and Western Balkan countries to the European Union is very controversial. The shortage of political, economic and social compatibility of those states with the EU constitutes an essential barrier for their accession to the EU. The conditions for EU membership are strict and the EU implements comprehensive approval procedures to ensure that new members are admitted only when they can demonstrate and prove that they will be able to become full members and to comply with all the EU's standards, rules and principles. Turkey and Western Balkan countries do have to meet Copenhagen criteria for accession, which include: stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, a functioning market economy and the capacity to cope with competition and market forces in the EU, as well as the ability to take on and implement the obligations of membership, in that adherence to the objectives of political, economic and monetary union (Borowiec 2011). In addition to that the Western Balkan countries are supposed to meet additional conditions for membership, relating to regional cooperation and good neighbourly relations, which were set out in the "Stabilisation and Association process". The reforms introduced by the candidate countries and potential candidates for the EU are revised by EU institutions. Still the European Commission has some reservations concerning their readiness for accession. Undoubtedly other problems and challenges that the EU faces in the 2nd decade of the 21st make prospects for future enlargement of the EU even more complicated.

4. The European Union and migration crisis

In 2015 the EU leaders and policymakers had to face another challenge, namely migration crisis. Unprecedented influx of migrants and refugees into Europe from Africa, the Middle East, and South Asia was, and still is, observed. According to UN, over 1 million refugees and migrants came to Europe by sea in 2015 (Gersz 2015). As a matter of fact this is a mixed-migration phenomenon, in which economic migrants and asylum seekers travel together. In reality, these groups can and do overlap. Greece and Italy were the main points of entry for migrants and refugees due to their proximity to the Mediterranean Basin. Shifting migratory patterns over year 2015 also exposed countries situated on the EU's eastern border (like Hungary). Most of migrants and refugees were later relocated to Germany, Austria, Sweden. The secondary movements of migrants who evaded their first country of entry have put enormous strain on the EU's visa-free Schengen zone. Border controls were reintroduced temporarily by some EU member states belonging to the Schengen Area (e.g. Denmark, Austria). Unfortunately the EU has not been able to implement effective and consistent methods and instruments of immigration and asylum policies so far. To a great extent this inability has been due to differences in national interests. The plan of resettlement of 120 thousand migrants across the EU does not seem to be effective. The migration crisis is likely to get much deeper in 2016. Therefore, the EU will have to treat this challenge as the number one. The lack of a coordinated and proportional EU response to migration may result in the collapse of free movement of people and as a consequence in the collapse of Single European Market (Matzke 2016; Park 2015; Romaniec 2016; The Economist 2015a, The Economist 2015b).

6. Conclusion

Eastern enlargement of the European Union in 2004 and 2007 and accession of Croatia in mid 2013 considerably changed the overall picture of the block. States described as young democracies, economies characterised by a relatively low level of socio-economic development joined the European Union. The enlargement of the EU from 15 to 25, 27 and finally 28 Member States created a real challenge for the EU functioning. Negative processes observed in the global environment constituted another challenge for the EU. An attempt has been made in the paper to study. interpret and analyze selected inner and outer challenges for the EU in the second decade of the 21st century. Undertaken studies and research have resulted in the following conclusions.

According to Strategy ”Europe 2020” the European Union’s priorities for the 2nd decade of the 21st century include smart, sustainable and inclusive growth and development. Its implementation should result both in reducing disparities between EU member economies and in the improvement of EU competitive position in the global economy.

Global financial crisis resulted in considerable worsening of economic situation in some Euro area countries. The process of EMU reform became inevitable. The European Union decided to introduce a number of initiatives, in that: European Financial Stabilisation Mechanism, European Financial Stability Facility, European Stability Mechanism, fiscal union, banking union. Some of them were temporary. Others are supposed to constitute a permanent element of economic and monetary integration. The reform process is still under way. Its final implementation should result in greater stability of financial systems in EU Member States and in better functioning of Euro area. Undoubtedly the process of financial reform remains one of the crucial challenges for the EU.

The enlargement of the EU is not finished. Turkey and West Balkan states are listed among candidates or potential candidates for the EU. Some of them have already begun accession negotiations with the EU. It is hard to anticipate the date of the next enlargement of the EU, mostly because of rising inner challenges for the EU. The EU should first finish a difficult process of reform, introduce effective migration and asylum policy as well as foreign policy, and solve the membership crisis connected with a possible BREXIT.

Despite so many problems both inside the EU and in its global environment, the European Union is still an important actor on the global scene. Paradoxically, because of so many inner and outer challenges, the European Union must take every effort to improve its effectiveness and remain one of the crucial player in the globalised world.

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