

Editorial

This second issue of the *SEER Journal for Labour and Social Affairs in Eastern Europe* for 2022 focuses on ‘Fair taxation and the Euro’. Both issues are critical for the region and have an impact on a number of social and labour concerns that are central to the identity of the *SEER Journal*. The countries of the western Balkans belong to the group of low taxation countries with low progressivity. This undermines social cohesion and makes public investments in areas including education, health and infrastructure, all critical for the future wellbeing of economies and societies, extremely difficult. Two further articles within the focus topic address the most recent development of Croatia having joined the euro area while Bulgaria has been rejected. Eurozone accession is the final stage of EU integration, so the decision making process in this is indicative of the broader context of the EU’s enlargement strategy. This is why two articles on why and how Croatia’s application was accepted, and Bulgaria’s rejected, deliver further lessons for the entire region.

The article by Severine Picard on fair tax policies in the western Balkans examines the structure and scale of taxation in four countries of the region – Bosnia and Herzegovina; Montenegro; North Macedonia; and Serbia. This work is linked to efforts (and to a related project) by the international trade union organisations (both the International Trade Union Confederation and the European Trade Union Confederation) to improve tax fairness and justice in the region. Her review of evidence is based on publications by the major global institutions and drawing in particular on the Staff Working Documents produced by the European Commission. The document review is supplemented by field material gathered first-hand from trade unions active within these countries. The author finds that, while the share of tax revenues in western Balkan budgets is higher than in the OECD and also than the EU average, their tax burden is significantly lower. In 2018, on average, 64.5 per cent of government revenues came from direct taxes, compared to 59.4 per cent for OECD countries and 59.6 per cent for EU Member States. At the same time, the tax burden in the western Balkans (including all forms of direct and indirect taxation as a percentage of GDP) is significantly lower than the averages for the EU and the OECD: total tax revenues account for 30.4 per cent of GDP in the western Balkans, at least 11 percentage points lower than in the EU (41.5 per cent).

The author then sets out the challenges faced by each of the western Balkans countries in coming to terms with squeezed public finances, not least as a result of Covid-19, in the context of sizeable demands for public investment to deliver better public services. She concludes by setting out an agenda which trade unions might adopt in broadening their calls for tax reform and, crucially, in developing the public debate about tax fairness and building alliances for change.

The article by Zsolt Darvas reviews the decisions made in June 2022 to allow Croatia into the euro zone but, in contrast, to make no change in the status of Bulgaria. The author notes that, while the Bulgarian legislation on central bank independence remains an outstanding issue, there are other aspects of the decision to allow Croatia in but to refuse Bulgaria which cause disquiet. In reviewing price stability statistics on the basis of different measures capturing the level of rising prices, the

author concludes that these decisions incorporate a level of discretion, creating a grey area in the criterion as well as uncertainty and even a level of dubiety.

Reflecting on the article by Zsolt Darvas, Daniela Bobeva argues that the essence of the case is not about Croatia and Bulgaria: it is about the fundamentals of membership of the euro area (and about the credibility of the accession process). She believes that Darvas is essentially right in his approach; and that, furthermore, the applications of Croatia and Bulgaria for entry to the euro area are a perfect example of why the whole framework needs a thorough re-consideration. The founding fathers of the euro area constructed it on the basis of fundamental principles of macroeconomic stability and the equal treatment of applicants. Consequently, most of the criteria for adopting the euro, the so-called Maastricht criteria, have numerical expressions: clear and transparent criteria do not open any room for interpretations or compromises with macroeconomic stability. However, the author argues that, in the last decade, the flexible interpretation of these criteria has led to changes making the accession process more discretionary and euro area membership less attractive.

The open section of the journal unfolds with the topic of the green transition, not yet an established subject for the *SEER Journal*; and also draws back to issues covered extensively in the past such as the pandemic, the future of Bosnia and corruption.

Ștefan Guga portrays the picture of a two-speed Europe in his article reviewing the state of the automotive industry in Romania and its level of preparedness for the electrification scenarios associated with the drive to reduce CO₂ emissions across Europe arising out of the EU's 'Fit for 55' package. The main features of the industry in Romania include the production of models for export given the low levels of domestic car ownership and amidst strong imports of older, and more polluting, second-hand vehicles from western Europe. Despite healthy relative growth, sales of battery electric cars remain marginal and, critically, there is little competence within the country in the area of electrification, its plants having been geared around the internal combustion engine. The author concludes that this can only imply a delayed electrification, but the chief worry is what that means for jobs and skills within Romania, as well as the broader implications for a two-speed Europe.

Denis Schulze looks at the impact of the Covid-19 pandemic on poverty among Syrian refugees in Turkey. The author ranges widely over the poverty confronting refugees in Turkey who have fled the Syrian civil war, not least against the background of the country's own opaque and inadequate legislation on refugees, which offers only temporary protection and greater precariousness as a result of the lack of formal employment opportunities.

Christophe Solioz scrutinises Sarajevo's urban space in his article, drawing on diverse standpoints inspired by architecture, urbanism, literature, art, anthropology, history, philosophy, social sciences and politics. In the process, he draws expressly on Sarajevo's history allowing people to be one with another, addressing ultimately the permanent metamorphosis of a city bonding its past and its future and, in so doing, healing the tragedies, suffering and failures of humanity of its recent past.

Finally, Fabian Teichmann and Sonia Boticiu provide a review on how corruption in eastern European judicial systems affects proceedings in other countries. The au-

thors address the influence of bribes paid to east European officials on legal procedures in western countries, calling on judicial systems in western countries to advance cautiously in such proceedings and to pay close attention to the paperwork and procedures in the country seeking assistance.

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