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INTERNATIONAL RELATIONS

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THE MOVEMENT TOWARD SOCIALISM (MAS) IN BOLIVIA. A “SUI GENERIS” POLITICAL PARTY

Orietta E. HERNANDEZ BERMUDEZ¹

“The Indians were only to vote, we now demonstrate that Indians can be politicians and union leaders to govern from our ethics and ideology”.

Abstract: In December 2005, Evo Morales Ayma arises to the government as candidate of The Movement Toward Socialism – Political Instrument for the Sovereignty of the Peoples (MAS-IPSP). This fact marked the beginning of the change process. Over a million of people from Bolivia were released from their abject poverty. To understand the transformations which have been taken place in this Andean country, it is essential to analyze the movement to socialism.

The MAS triumphed at the polls, as a result of popular discontent caused by the failure of the neoliberal system and the discrediting of the traditional parties in Bolivia. This singular political party shows, an unprecedented experience, the mode of political participation through the concept of “political instrument” which questions the classic party structures. Different trends and organizations which conform the indigenous native farm block coexist within the MAS. Its interaction has determined the rhythm and the development of the Bolivian process in the last ten years.

Key words: Political Instrument, political party, indigenous, change process, Movement toward Socialism.

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INTRODUCTION

In December 2005, Evo Morales, candidate of the Movement Toward Socialism (MAS), won the elections and became the first indigenous president of Bolivia. This event marked the beginning of the process of change through the implementation of nationalist and indigenous policies, identified by some historians as the third popular Indian rebellion.

To understand the evolution of this new phase, it is necessary to analyze it in response to the accumulation of years of subjugation, first under colonial rule and then under the influence of capitalism that began since the arrival of European settlers.

The analysis of the evolution of the Movement Toward Socialism (MAS) is absolutely important in the sense that it is a *sui generis* party that organized the emerging indigenous-popular national bloc and became subject of change.

DIAGNOSIS OF THE POLITICAL, SOCIAL AND ECONOMIC SITUATION

Bolivia was one of the most economically and socially backward countries in Latin America. One third of the General Budget of the Nation corresponded to donations which transformed Bolivia into a beggar country. In addition, Hugo Banzer's election in 1997 contributed to the social and political state of the country decomposition. The main measure under his mandate, to please the government of the United States, was the eradication of coca leaf plantations and its slogan "Zero Coca".

Coca leaf producers' deaths and serious violations of their human rights caused by the implementation of this policy brought about large demonstrations, roadblocks and unions producer of coca leaf marches and related organizations seriously weakened the government.

Additionally, in April 2000, Banzer declared a state of siege in order to stop the wave of protests by peasants and indigenous organizations and neighboring groups against the privatization of drinking water and sewer from the city of Cochabamba in the so-called "water war".² However, this measure along with the repression and the use of military forces proved to be deficient to stop the social emergency which only ended up with the expulsion of the Bechtel US transnational, a fact that marked the beginning of the completion of the neoliberal era.

² Water war were a series of protests that took place in Cochabamba, Bolivia's third largest city, between December 1999 and April 2000 in response to the privatization of the city's municipal water supply company Semapa. The wave of demonstrations and police violence was described as a public uprising against water prices. (https://en.wikipedia.org/wiki/2000_Cochabamba_protests)

In Bolivia, the first half of the century was characterized by a political instability, marches and roadblocks of social movements composed of peasants, indigenous, sellers, coca growers and miners. The social situation had worsened, poverty levels increased to such a point that in accordance with the 2001 census only 16% of the population had their basic needs met. The most profitable public enterprises in the country had been sold. The Bolivian economy remained stagnant and the repression of neoliberal governments to the claims of social organizations grew every day.

In this period, Bolivia faced two major crises, the first one in October 2003, known as the first “gas war” during which the *alteña* population opposed the export of Bolivian gas to the United States. It also caused President Gonzalo Sánchez de Lozada’s exile. The second crisis took place between May and June 2005, the second “gas war”, it was in favor of the nationalization of hydrocarbons which ended with Carlos Mesa’s resignation and Eduardo Rodríguez Veltzé’s assumption of power as well.

This situation led to Evo Morales’ rise to power as the candidate for the Movement Toward Socialism in December 2005. The electoral victory of the first indigenous president completely changed this scenario. From that moment the measures taken for the people, as part of its government program, distinguished traditionally exploited sectors granting them some rights and social guarantees.

During the first years of the change process, the state nationalized natural resources to redistribute income according to the population from social programs. In 2009, the New Constitution was passed. It gave birth to the Plurinational State of Bolivia. Both measures were crucial to the subsequent government of MAS.

THE MOVEMENT TOWARD SOCIALISM (MAS)

The Movement Toward Socialism- Political Instrument for the Sovereignty of the Peoples (MAS-IPSP) is, at the same time, a “*sui generis*” political party and a federation of social organizations. Its electoral rise occurred in the context of a wave of social protests, which had its peak period from the year 2000. The MAS shows, as a singular experience, the mode of political participation through the concept of “political instrument” which questions the classic party structures.

The MAS-IPSP is a heterogeneous formation, composed of various social organizations, among which producers of coca leaf stand out particularly. Its presence in this *sui generis* party explains the causes that led the peasants and indigenous movements of Bolivia to participate in the political life.

In the 80s, a prolonged drought in the Altiplano region forced thousands of farmers to abandon their lands and concentrate on the region of Chapare in the Tropics of Cochabamba, they devoted themselves to the cultivation of the coca leaf. The number of inhabitants from that region involved in this economic activity

grew significantly from 1985 onwards. In this period, neoliberal reforms led to the closure of many mines and the dismissal of more than 20,000 miners, as part of the so-called process of relocation.

The effect of these measures on the popular organizations was devastating. The influence of the miners' union in the Central Obrera Boliviana (COB) (Bolivian Workers' Center) decreased. Social organizations of that time were not able to contain further economic and political reforms which had to reduce the state involvement in the economy and welfare benefits by privatizing and selling strategic domestic industries and opening the country to free market.

In 1988, Law 1008, a legal framework for policies to eradicate coca leaf came into force in Bolivia. The social stigmatization of these farmers and the state repression supported by the United States under the pretext of combating drugs spurred coca growers to move towards direct participation in the political sphere. In the case of Bolivia, it is possible to say that neoliberalism had a dual effect on the development of organizations. It not only weakened some organizations with long tradition of struggle but it also allowed the strengthening of other ones locally.

In 1994, President Sánchez de Lozada introduced the "Popular Participation" law that sought to decentralize 20% of the national budget in more than 300 municipalities, thus local social organizations were involved in planning decisions in the use of resources. The decentralization of state responsibilities aimed at meeting local needs, but also sought to undermine the strong social organizations established at national level (Chaplin, 2010).

However, the result was contrary to what it was expected. It was an encouragement to those movements that were already organized at local level such as peasant, indigenous organizations and neighborhood groups that began launching their own candidates for election. Initially, they sought the support of existing political parties to be included in the lists of local candidates, and then began to organize their own parties such as the Movement Toward Socialism (MAS) and the Pachacuti Indigenous Movement (MIP), led by Evo Morales and Felipe Quispe respectively.

The first alliance attempts took place with various coalitions with left-wing groups and United Left (IU) and then the Pachacuti Axis. These actions only managed to increase dissatisfaction with these parties facing a crisis of credibility and discredit.

In the case of MAS, as previously noted, the presence of peasants who grow coca leaf was a crucial factor in its electoral action. In a few years, growers joined the United Union Confederation of Working Peasants of Bolivia (CSUTCB), and from within the organization they promoted the defense of the coca leaf starting from its significance in the Andean and Amazonian culture where it is considered a "sacred leaf".

This speech also reached the indigenous movement in eastern Bolivia which was then structured around the Confederation of Indigenous Peoples of Bolivia (CIDOB) and was unfamiliar with the culture of coca. As a result, there was a lasting alliance between the Indians from east and west. This alliance was finalized through a political campaign jointly developed, when celebrating 500 years of the indigenous resistance against the Spanish colonization, giving way to the new political subject: the peasant-indigenous movement.

Thus, the idea of the creation of an “instrument” of peasant and indigenous organizations emerged. This thesis of political instrument aimed at promoting direct participation of union members through collective actions of their organizations without creating a party structure.

The construction of political instrument was finally adopted at the Sixth Congress of the CSUTCB in 1994, and led to the organization of the Convention on Land, Territory and Political Instrument in the city of Santa Cruz de la Sierra in 1995 which the CSUTCB, Confederation of Colonizers (CSCB), the Federation of Peasant Women- BartolinaSisa (FNMCB-’BS’) and the Indigenous Confederation of Eastern Bolivia (CIDOB) attended. At that time, the political instrument was called Assembly for the Sovereignty of the Peoples (ASP).

Two trends, within the movement, prevailed around the figures of Alejo Veliz and Evo Morales. These trends were called *alejistas* and *evistas*. The contradictions between them caused the latter group to create the Political Instrument for the Sovereignty of the Peoples (IPSP) in 1998. In 1999, it officially became MAS-IPSP. However, in the actual member party credential, emphasis is made on the purely juridical use of this name unaware to the peasant-indigenous movement that is the MA “Legally MAS, IPSP legitimately”.

The MAS-IPSP had its first electoral success in the municipal elections in 1999, in which it won nine city halls. The MAS strategy convenes intellectuals and ex-militants of the Marxist left wing to join the list of candidates paid off quickly. In the general elections of June 2002, Evo Morales ended just a few votes behind Gonzalo Sanchez de Lozada. The crisis and the political instability of the succeeding governments along with other factors allowed the ascent to the government of the MAS, in December 2005, thus starting the process of change.

Nowadays, the Union Confederation of Peasant Workers of Bolivia (CSUTCB), Confederation of Peasant Women Bartolina Sisa (CMCBS), the Confederation of Workers of Bolivia Intercultural (CSTIB) and National Confederation of Neighborhood Councils (CONALJUVE) are the organizations that strengthen the leadership of MAS (Hernández, 2008).

The Bolivian Workers’ Center (COB) is a recent addition to this process of changing. It had announced the creation of a political party, along with the Federation of Miners of Bolivia (FSTMB) in order to face the ruling party in the

elections of 2014. This historic decision has helped to strengthen the process of change since the workers' arrival that has had a long tradition of struggle in Bolivia.

Moreover, in recent years, confrontations between the government and indigenous organizations from the east across the Indian Central Eastern Bolivia (CIDOB) and the west with the Council of Ayllus and Markas of Qollasuyo (CONAMAQ) have marked the social scenario. However, they have not had the scope they had in previous years with the indigenous Territory National Park Isidoro-Securé (TIPNIS) conflict which was presented as a sign of division of the Unity Pact organizations that support the government.

During the elections of 2014, a new organization called "Generation Evo" emerged. This movement unites young people aged between 25 and 35 who support the process of change as they struggle to provide social, educational and political welfare for hundreds of young Bolivians.

SOME CONSIDERATIONS ON THE MAS-IPSP

Last year 2014, the general elections were held in Bolivia. Evo Morales was elected again leading the Movement Toward Socialism with 61.36% of the votes.³ In spite of the way these statistics show the health of the change process, and the governance of MAS which reached two-thirds in the Plurinational Legislative Assembly, we must not ignore some changes at the departmental level. The votes for the Movement Toward Socialism decreased in La Paz, who had previously achieved 80% in 2009, reached 70% by 2014.⁴ Certainly, these votes were rearranged by increasing the number in the departments of La Media Luna, mainly in Santa Cruz, where the core of the opposition was concentrated. Despite this slight loss of votes in the regions that constitute the bastion of support for the organization, it is definitely a warning which should not be disregarded by the MAS.

To start a discussion about this "party", it is essential to address its structural features, which largely determine the performance of the Political Instrument. One of these features is that there are no differences between the unions and the party structure. Trade unions and MAS organizations assume the role of popular party sections. In other words, it works as a federation of social organizations, the National Directorate (DN), composed of representatives of these organizations; it looks like a simple instance of coordination.

This structure appears, therefore, as the organizational ideal because as evidenced by Evo Morales' words in a Congress of the MAS-IPSP in Sucre, in July 2003, "where the unions (which are part of the MAS-IPSP) work well, the political instrument does not exist separately."

³ According to data of the Bolivian Electoral Supreme Court (<http://tse.oep.org.bo/>)

⁴ According to data of the Bolivian Electoral Supreme Court (<http://tse.oep.org.bo/>)

Furthermore, the emergence of the Movement Toward Socialism in the political life has been marked by uncertainty whether to continue as a social movement or fully become a political party. While it was clear the need to reach the government, the development of events showed that the MAS-IPSP remains a *sui generis* party with a dynamic of internal operation imbued with the indigenous worldview. This is strength as long as it guarantees the support of member organizations. There is also a weakness given by the absence of labor awareness training of its members.

Nevertheless, this network of relationships is more complicated than it seems. The Movement Toward Socialism has within it various social organizations ranging from the unconditional loyalty, as it is the case of coca sector and ongoing negotiation of political allegiances, among other examples illustrated with the separation of one of the founding organizations, the Confederation Indigenous Peoples of Bolivia (CIDOB). This issue happens because each one seeks to meet its particular demands and allocate their members in the areas of power creating a kind of internal patronage reinforced by the absence of ideological political debate.

Recognizing this fact, the Vice President Alvaro Garcia Linera said “The MAS, in its way, contributes to the debate, but has failed to reach other scenarios. Between 2000 and 2005 the indigenous-peasant changed everything, what routed by all, and now there is a withdrawal, we must return to reposition the indigenous-peasant and its articulation with the middle class. And that’s the big claim to intellectuals. The historic north is marked by movements; even the right wing has to realize that. But be alert, we won the government but we can lose the battle of ideas”. The immediate solution to this situation is quite important when you consider that the 2019 census will be incorporated into a million new voters. Many of them were born around the year 2000 September (Svampa & Stefanoni, 2007 p. 160).

While the heterogeneous composition of the ranks of the MAS generates source of tension, the participation of the militants as part of the parliamentary bloc inevitably introduces changes in the political operation. This group transformed the chart, becoming the first important instance to make decisions and define party positions on most urgent debates. It is precisely the articulation of this new structure with the National Board of MAS-IPSP, as a legitimate political leadership, a source of conflict, because according to its nature the IPSP tends to prioritize basically corporate concerns of each member organizations (Do Alto, 2008).

Regarding this issue the Political Science PhD Hervé Do Alto states: “Hence tensions arise among parliamentarians, fueled by the fact that almost all MPs ‘militants’ single-member elected deputies were constantly subjected to strong pressure by their mass, while multimember and some senators seemed not to account to anyone for anything” (Do Alto, 2008, p. 31).

This situation also favors that some MAS members of Parliament are consolidated as leading groups with certain privileges and media participation as

party spokesmen even without belonging to the National panel which will supposedly define the policy guidelines of the organization. As part of an electoral strategy, the MAS-IPSP opened its lists in order to increase the number of its membership. This decision provoked discontent in the ranks given the incorporation of new members that once belonged to organizations with long history of discrimination against peasants and indigenous critical positions or against Morales' government. This factor coupled with the numerous scandals in which party members have been involved. It may also result in a punishment vote in departmental elections of 2015 which could mean an obstacle to the development of social programs in each community. Another crucial factor is undoubtedly the importance of Evo Morales' leadership in developing the process of change. His role as a leader is determined by its indigenous, peasant, worker and union leaders. This is an Aymara worldview that has positioned him even as a spiritual leader of the indigenous peoples closely linked to the principle which he has been practicing since his coming to power, ruling by "obeying".

These features allow Evo greater negotiating power and opportunities for dialogue to solve internal conflicts. However, the concentration of power in one person in this case, in his capacity as the President of the Plurinational State of the Federation of Peasant Workers of the Tropic of Cochabamba and the Movement Toward Socialism, located MAS in a vulnerable situation. Up to date, there is no candidate who can follow the indigenous president's steps. This is a matter of concern due to the importance of the proximity of 2020, new elections must be conducted and he cannot run again as it is established by the provisions of the Constitution.

THE BOLIVIAN OPPOSITION

To discuss the current situation of the Bolivian opposition, it is necessary to refer to one of the main conflicts that marked Morales' first period: the separatist attempt of Media Luna.⁵ When coming to government, Evo Morales, Bolivia's first indigenous president, was obviously not welcomed by the wealthy sector in the region. From his early speeches, Morales established priorities in power. He declared the need to nationalize hydrocarbons and drove a program of social and political reforms in Bolivia to promote equality of the indigenous rural population through a developmental program, principles of social justice, fair international trade, economic nationalism and sub-regional integration. During November 2007 and

⁵ Name of the area which physically resembles a half moon and contains the Tarija, Beni, Pando and Santa Cruz administrative Departments. In this area we find the best Bolivian agricultural lands and the main deposits of hydrocarbons; also the main concentration of oligarchs who represent the bulk of the political opposition to Evo Morales.

the first months of 2008, Bolivia underwent a major political crisis. The prefect of the city of Santa Cruz, Ruben Costas, headed an order of autonomy for land management, hydrocarbons and other minerals. It was backed by the remaining districts of Media Luna, along with the support of the United States, by its ambassador H.E Philip Goldberg personally.

After the separatist attempt of these departments, the White House was hiding its real objectives in the country. First the formation of an independent state composed by La Media Luna and second the militarization of this space from a strategic position to encourage and foster internal conflicts to overthrow Evo Morales' government and the control of the natural resources of this Andean region.

This political crisis experienced in Bolivia made violence reach its peak during September 2008 when they killed at least thirty Bolivian citizens in the context of a possible coup d'état. In contrast to the Bolivian oligarchy and the United States, the Movement Toward Socialism (MAS) led by President Evo Morales and indigenous sectors of the population held the largest mobilization of Bolivian history in the city of Cochabamba.

The plebiscite that wanted to impose "Media Luna" was a failure. It was as high as 40% positive feedback, plus an abstention and a large boycott. Another measure arising as a result of this development was the formal exclusion of the US ambassador by President Morales in an act of defense of national sovereignty.

This conflict was the highlight of the subversive role of the Bolivian opposition to the government of change. It meant its military, political and electoral defeat. Since then, the opposition has failed to recover and organize itself as evidenced by these parties 2014 electoral results. The businessman Samuel Doria Medina headed the lists of opponents. He represented the National Unity Party with 24.52%, then the former President Jorge Quiroga for Christian Democrats with 9.06, few steps behind, Juan delGranado was leading the Movimiento Sin Miedo with 2.71 and finally Fernando Vargas obtained 2.69% from the Green Party.⁶ Opponents renounced the idea of running the race in one front. Even if this strategy was not enough to win, at least it could have concentrated the votes so that they could reached as many positions in the Parliament as they could. But the infighting, fractionation and the desire to stand out would not make the forces to pact.

In neither case, a coherent alternative project was offered to the people, they just engaged in criticizing the process of change and the Movement Toward Socialism. Keeping in mind that any rational being would dare to propose the Bolivian people a return to neoliberal past, the leaders of these parties hid behind

⁶ According to data of the Bolivian Electoral Supreme Court. 2014 Presidential elections. <http://tse.oep.org.bo/>

their non-doctrinaire leftist-democratic left center, left avoiding self-denominations at all costs openly identified with the right wing (Hernandez, 2014).

CONCLUSIONS

The Movement Toward Socialism (MAS), came to power through elections in December 2005, as a result of popular discontent caused by the failure of the neoliberal system and the discrediting of the traditional parties. This sui generi party consists of various social organizations and it coexists within different trends. The pace and priorities of the matters to assist by the MAS government was conditioned by the deteriorating social situation. In the first three years, two decisive steps were taken; the first one was the adoption of the new Economic and political Constitution which gave birth to the Plurinational State of Bolivia. The second one was the nationalization of natural resources which allowed a fair redistribution of their income through social outreach programs.

On the way to the creation of the material base of the Bolivian Democratic Cultural Revolution, about one million people got out of poverty; this social mobility, common in other countries with progressive governments allowed the rise of the new middle class incorporated as customers or consumers without guarantying a political support for the government.

The MAS, which is still debating whether to continue uncertainty as a social movement or fully become a political party, in this new period, must overcome its electoral party condition and work towards conscious and active participation of indigenous-farmer bloc as a subject of change. In this sense, it must develop strategies that will enable the formation of new leaders who can become candidates for the 2020 elections in which Morales constitutionally cannot be reelected.

Another pressing challenge is to continue on the path of economic diversification without losing the Community Socialism horizon for Living Well. We must transform the capitalist and colonial structures for the true deepening of the process of change in Bolivia.

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Orietta E. HERNANDEZ BERMUDEZ

POKRET PREMA SOCIJALIZMU

Apstrakt: Decembra 2005. godine, Evo Morales Aima napreduje ka vladi kao kandidat Pokreta ka socijalizmu - političkog instrumenta za suverenitet naroda. Ovaj podatak označava se kao početak procesa promena. Preko milion ljudi iz Bolivije živi i velikom siromaštvu, što je ključno za razumevanje i analiziranje kretanja ka socijalizmu.

Pokret ka socijalizmu trijumfuje na izborima, kao rezultat narodnog nezadovoljstva izazvanog neuspehom neoliberalnog sistema i diskreditovanjem tradicionalnih stranaka u Boliviji. Ova jedinstvena politička stranka pokazuje način političke participacije kroz koncept „političkog instrumenta” koji dovodi u pitanje klasične partijske strukture. Različiti trendovi i organizacije koegzistiraju u okviru Pokreta ka socijalizmu. Njegovo delovanje je odredilo ritam i razvoj u Boliviji u poslednjih deset godina.

Ključne reči: politički instrument, političkih stranaka, proces promena, Pokret ka socijalizmu.

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UNCERTAIN FUTURE OF MANNED SPACE-FLIGHTS?: THE ETHICALLY CHALLENGED U.S. ASTRO POLICY AND THE “NEW SPACE RACE”

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Abstract: The paper analyses how quality of ethical decision-making in government space-flight organisations affects the effectiveness of a national astro policy in terms of the “New Space Race”. The Post-Cold War global arena becomes a battlefield crowded with the aspiring space nations — such as Russia, China, India, Iran, Canada, Japan and EU — who are making progress toward equalizing the United States’ supremacy in exploring and controlling outer space. While technological, financial and security challenges are largely discussed, the paper brings attention to vital importance of sound managing and decision-making for an effective space policy. Space flights are among the most demanding endeavours of mankind, with multi-sectoral networking of actors and highly complex work specialisation. The analysis focuses on the case studies of tragic accidents of the space shuttles *Columbia* and *Challenger* to support the thesis that poor ethical reasoning can easily end in the loss of life and enormous waste of resources, which in the long run threat to seriously undermine feasibility of further development of national space programmes. The authors conclude that if the U.S. government is to ultimately win the “New Space Race” it has to transform organisational culture in public spaceflight organisations in a way that recognise moral integrity as a fundamental prerequisite for the successful implementation of manned space-flight programmes.

Key words: “New Space Race”, space policy implementation, space flights, public administration ethics, organisational culture, NASA.

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INTRODUCTION

The fall of the Berlin Wall and surprisingly fast disintegration of the USSR marked the end of the Cold War. The new Russian Federation emerged from the ashes of the Soviet Union, but as a weak state reduced to barely striking regional player and marginalised in the global arena. The United States became the only remaining world superpower and determined to tailor the New World Order to fit their own interests. The U.S. controlled much of the world economy, as well as the land, the sea, the air, and the astro space (Earth's orbital space) in a way that makes it seem impossible to destabilise its global position.

The space supremacy of the U.S. was unquestionable, and until recently one could hardly imagine that some other state is capable to challenge its indisputable position in the “fourth dimension”. Developments in the last two decades on the world scene were to some extent induced by American strive for hegemony and geopolitical, macroeconomic and other processes, which have undermined the omnipotence of the “world's number one” in the astro-space. In recent debates, the thesis that the American space supremacy may come to an end has become increasingly popular. Those who argue that the U.S. is slowly losing pace in the “space race” refer to the unsuccessful past space missions with human casualties, the space technology budget cut due to global economic crisis, over-reliance on “unreliable” partners, the suspension of the funding for NASA *Constellation* project, uncertainty of alternative technical solutions, as well as the achievements of some Asian nations in developing space programmes and higher competitiveness of common European space programme grounded on the rise of the European Space Agency (ESA). Yet, the new members in the “space nations club” suggest that the space race is speeding up and new challenges are ahead for the United States.

NEW PLAYERS IN “NEW SPACE RACE” AND THE U.S. POSITION

Newspapers, commercial and science magazines are flooded with articles glorifying high-tech achievements of countries succeeded in becoming members in prestigious “space nations club”. Besides the well known players — EU, Russia, and Japan — a lot is said about incredible success of China and India, and those who plan to follow their footsteps. Chinese space programme development has been in full swing for some time.³ The most convincing evidence is the success of

³ Chinese rocket programme started in 1950. The first satellite *Dongfanghong-1* (eng. East is red) was launched in orbit in 1970, which made China the fifth nation with the satellite in the space, while preparations for a manned flight began in 1992 (*Chinese space program*, 2011). Just in period 2006–2011, China had 67 successful launches and placed 79 spacecraft into orbit, including satellites for the Earth observation, the communication, the navigation and the scientific testing (Gerbis, undated (a)).

Shenzhou programme. Spacecraft *Shenzhou 5* was launched on 15 October 2003 carrying Yang Liwei as the first Chinese *taikonaut*, making China the third nation in the world that sends a man in the space on its own.⁴ New successes followed. *Shenzhou 6* was the mission which was accomplished on 12 October 2005 with two Chinese astronauts (Fei Junlong and Nei Haisheng), while *Shenzhou 7* as the third manned flight was carried out on 25 September 2008, in which taikonauts made their first “space walk” (Chinese space program, 2011). After successful flights with men crew, Chinese ambitions were not halted. On the contrary, encouraged by the successes, China began building its own space station. Due to the sanctions imposed after the Tiananmen Square incident and other reasons, it was practically excluded from international space cooperation with the U.S., Russia, EU, Japan and Canada (Konjikovac 2012, p. 34). *Tiangong 1* (eng. Sky Palace 1) is the Chinese version of the International Space Station (ISS) and, as some experts emphasize, “When ISS becomes outdated (until 2020 or 2024 at the latest), *Tiangong* will be practically the only operational station which will orbit around the Earth” (Gerbis, undated (b)).

China is strongly determined to complete this project with 2020 (2022 at the latest) as the deadline set for completion of *Tiangong*, when it is expected to be fully operational. *Shenzhou 8*, *Shenzhou 9*⁵ and *Shenzhou 10* already visited *Tiangong*, while the Chinese establishment stated that the next step is the conquest of the Moon (Barbosa, 2013). In that respect, the Chinese have performed several successful missions of mapping the Moon, with its convincing achievements *Chang’e* (who got the name of the ancient Chinese goddess of the Moon). Last Chinese probe, called “Jade Rabbit” successfully landed on the surface of the Moon, while its return is expected in 2017. China estimates that the collected data will lay the foundation for sending the first manned mission to the Moon around 2027. Besides, construction of new cosmodromes has already been announced, as well as improvement of the existing and development of a new rocket system.⁶

⁴ Word *Taikong* is Chinese term for *space*, while greek suffix - *naut* means *sailor* (Gerbis, undated (b)).

⁵ As a test for *Shenzhou 9*, served unmanned mission *Shenzhou 8* during which they tested docking to the space station (31 October 2011). *Shenzhou 9* was the first Chinese mission with a manned crew which successfully docked with *Tiangong* (18 June 2012) and brought the first Chinese women into the space (Amos, 2012).

⁶ Chinese establishment mostly relays on the program *Long march* (LM), which includes development of the heavy space rockets (*LM 5*, *LM 6*, and *LM 7*), which are suited to transport the crew, the payload and the food needed for unobstructed performing of the future missions. Current phase of this programme, which began in 2012, will continue until 2017. Besides that Chinese announce building a new cosmodrome in Hainan, after improving three existing launch facility (the Jiuquan Satellite Launch Centre, part of the Dongfeng Aerospace City located in the Gobi desert; the Xichang Satellite Launch Centre in the Sichuan Province; and the Taiyuan Satellite Launch Centre in the Shanxi Province), recently been improved (Gerbis, undated (a)).

As Konjikovac noted (2012, p. 34), “even China is behind the USA and Russia in some achievements, China is quickly closing the gap, mainly thanks to well elaborated strategy and its powerful scientific, financial and development potential”. It seems like the tested Chinese “slow and steady” approach is already yielding results.

India also wants to establish its “space nation” reputation. The most prominent example of fruitful Indian space effort is the success of *Mangalyaan* project, which is reflected in several aspects. Firstly, being aimed to exploration of “Red planet”, the project puts India among “Martian nations”, including construction of the first Indian interplanetary spacecraft. Secondly, the project is unique because *Mangalyaan* is the first spacecraft that successfully got into Martian orbit on the first attempt. Thirdly, the most interesting thing about that space apparatus is the fact that production cost only around USD 74 million, which makes it the cheapest apparatus which reached Mars orbit.⁷ Indians are also proud of producing a middle-range payload rocket, with successful flight made on 18 December 2014.⁸ Jalees Andrabi and Dean Nelson (2014) consider this flight as important stage in development of the Indian space programme, and “huge step towards realization of the first Indian manned space mission”.

Those programmes suggest that India, like China, continues marching towards the stars. Their determination may be the most strikingly reflected by the words of Koppillil Radhakrishnan, director of Indian Organisation for space exploration. When asked to comment on the latest Indian space achievement, he replied: “We are doing that for ourselves. We have our national priorities in space and their implementation. We are capable of building satellites with our own resources, launching spacecrafts, and applying science which is important for our country” (*India wins outer space*, 2013). It seems there is no doubt about Indian determination. However, India still needs to confirm the status of a nation which successfully and independently perform manned space flights, and that will need more time.

Assessing the rise of aspiring space powers from the U.S. supremacy perspective, there is a cause for concern, particularly with a view to the fact that Russian rockets taxi American cosmonauts to the ISS, and that Kremlin timely noticed that the space race was intensifying. Russian president Vladimir Putin instructed his administration seven years ago to intensify efforts and financial support for national space programme development. On the Astronauts day 2008 Putin emphasized: “Now we have a real chance to make a breakthrough and to cross to newer, more ambitious space facilities rather than exploit older facilities from Soviet times” (*The new “space race” begins*, 2008). The return of Russia to world map as a geopolitical

⁷ In fact, as Ivanovic (2015) pointed, “*Mangalyaan* is much cheaper than many satellites that orbit the Earth”.

⁸ It’s *GSLV Mk III* rocket launched from the Indian Space Center Satish Dhawan – the Shriharikota rocket launch site (Trumpic, 2014).

player was enabled from revenues acquired from quality developed energy sector and implementation of strict internal and external policy in the last decade, which led to rebuilding of space programmes, as for security reasons and economic reasons. A well-known fact is that astro space is rich in energetic potential, and that helium 3 drew special attention of the Russian establishment. In that sense, a major part of its potential Russia has focused on the colonisation of the Moon which is rich in helium 3. As pointed out in the news coming from the East, there is a plan to launch three satellites: *Luna-25*, *Luna-26* and *Luna-27*. The main task of the first Russian mission is to restore plausibility of landing on the Moon, while module *Luna-27* will carry the equipment necessary for drilling in search for water ice on the Moon. *Lavochkin Research and Production Association* (or short *Lavochkin Association*) already started developing lunar modules necessary for transporting robotized equipment for building lunar infrastructure (*Russia begins to colonize the Moon*, 2014). Ivanovic (2015) concludes: “After years of stumbles, falls and big failures, the first successful launch of carrier rocket *Angara-A5* from cosmodrome Pleseck was a huge success for Russian space industry, by which Russia is back on cosmic scene as a key player”.

The U.S. space supremacy is likely to be challenged in near future by enhancing space cooperation between Russia and Iran. A strategic document signed by the representatives of Roscosmos and Iranian Space Agency (Anatoly Shilov and Hamid Fazeli) provides a framework for closer bilateral cooperation, including Iranian access to Russian satellite recordings, the use of Russian carrier rockets to launch Iranian satellites as well as specialist education for Iranian astronauts (Afanasjev, 2014). From the Iranian perspective, Russia–Iran cooperation is primarily motivated by aspirations to get to the Moon (Howell, 2014); yet, the results have been modest to date.⁹ However, the media reported in August 2013 that Iran finalised its first spacecraft with the aim to put it in the orbit by 2020 (2022 at the latest). This shows that Iranians are highly motivated to join the “space nations club”.¹⁰

The analysed dynamics of space programmes development in Russia, China, India and Iran suggests that the U.S. will have to make an extra effort to preserve the domination in astro-space. The “most important space nation” status claimed by the USA seems to start diminishing at a slow pace. This is also indicated by recent concerns of the American astro experts raised after the Kremlin said it consider to cancel “giving rides” to their American colleagues to the ISS if Ukrainian crisis intensifies (*Is the divorce an option?*, 2014). Although it has not happened yet, even

⁹ Recently, Iranians have managed to send safely into the space a mouse, turtle and worms; after several failures they also sent a monkey (Afanasjev, 2014; *Abmadinejad wants to be the first Iranian astronaut*, 2013).

¹⁰ According to the media reports, the space ship can carry three pilots and it was engineered by Hadze Nasir University experts (Afanasjev, 2014).

a hint of calling into question the U.S.–Russia space partnership that would directly undermine the presence of American cosmonauts in space must be taken into account carefully as a likely option. In a worst-case scenario, the U.S. would have a huge problem because at this moment there is no alternative for transportation of the astronauts, while a new solution needs at least several years to be found. So, a burning issue is what can the United States do in the short-run as to safely and independently ferry its cosmonauts back into orbit, and reaffirm its status of “the most powerful space nation”?

THE UNCERTAIN FUTURE OF THE U.S. SPACE POLICY: MANNED SPACE FLIGHTS IN PRIVATE AND/OR PUBLIC HANDS?

What is the future of the U.S. space programme? It is still an open question which answer may depend on set goals, quality of organisation and financial resources. It seems that the Ukrainian crisis, Russia’s and China’s plans to establish the bases on the Moon, and an increasing number of nations interested in the control of astro space, have all led to the reconfiguration of the U.S. space interests.¹¹ Still, a tendency to keep the ranking as “the most important nation in space” does not seem in question. Former astronaut and current NASA administrator, Charles Borden, shortly before press conference held on 1 July 2011, confirmed that undoubtedly with his words: “I am here to tell you that the American leadership in space will continue for at least half a century, because we laid down the foundations for success, so failure is not an option” (What’s Next For NASA?, 2013). Barack Obama’s decision to cancel the financing of the *Constellation* programme so as to start new projects, and involve the private sector into space exploration, could be interpreted as a strategic move by the Washington administration to reach more efficient and more effective solutions for space flights as soon as it is possible.¹²

¹¹ Even though reconquest of the Moon now is not high on the American astro agenda (the most important goal is sending manned mission to the Mars, at the latest until 2030 year), some U.S. experts think that the priorities should be reorganised. The group of scientists from LEAG (Lunar Analytical Group for Research), which helps the NASA in planning exploration of the Moon), deems that sending a man and the equipment to the Moon should be put again on the list of the most important tasks. The group initiated a petition after Chinese successful mission *Chang’e 3* (according to: Scientists pray for a new study of the Moon, 2013).

¹² With cancelation of the government projects road is open for powerful private sector. It is well known that the space tourism is promoted in the USA for while. It is clear that the marketisation, direct competition and economic struggle could lead to major improvement in cutting the costs. Competition encourages innovations much faster, than in the case of competition between various national programmes. Commercialisation of the space-flights can bring the U.S. government an open room to re-allocate the scarce resources to develop the space transport more efficiently (Filijovic, 2011, p. 189).

The unreliability of Russian partner, which is underlined by Ukrainian crisis, can be interpreted as one of the motives. Commenting the potential savings that goes with the use of private companies like *Boeing* or *SpaceX* for sending astronauts into space instead Roscosmos (Russian Federal Space Agency), and American space management determination to have independent space operations, Charles Boden vigorously stated on a press conference at the beginning of 2015: “I don’t want to write another check to Roscosmos ever again”.¹³

However, opinions are mixed whether the government handoff of space programmes to the private sector would solve all the problems. On the one side are those who stand for handover of space flights entirely to the private sector, while others maintain that important strategic sector shouldn’t leave government’s hands (Davenport, 2015).

While debate continues, private entrepreneurs are already working on the possible solutions. *Boeing* and *SpaceX* received USD 2.6 and 4.6 billion respectively from NASA to deliver independent and safe “taxiing” of American cosmonauts to the ISS. *SpaceX* hopes for their project *Dragon 2*, while *Boeing* is relying on *CST-100*, wherein both companies estimate that they could perform flights until 2017 (Wells, 2015). Except for these two companies, others are also interested to join the development of “space taxis” (*Virgin Galactic*, *Orbital ATK* and *Lockheed Martin*) (Davenport, 2015). Those who support the private sector joining the development of space programmes, estimate that tasks could be divided in that way. Some experts claim that in case of a new division of work, the private sector could take over lower orbit and related type of missions, which would make savings in the federal budget. In the meantime NASA could allocate its resources to more complex tasks, such as sending a manned mission to Mars using *Orion* rockets and new *Space Launch System* (so-called SLS program) (Wells, 2015). *SLS* and its version for transporting human crew — *Orion Multi-Purpose Crew Vehicle* is planned to be the biggest manned space craft ever made, which will, as NASA hopes, with the exception of Mars, transport cosmonauts to various asteroids (Noland, 2013). According to some media reports, which refer to data of the U.S. Government Accountability Office (GAO), it seems that funding is missing for the project, and that it is questionable if it will end until planned deadline.

Redefining of the U.S. space interests and finding new ways for their realisation is still in progress. But if these plans are to become reality, NASA will remain a key agency of the space programme, because it will remain responsible for organising and implementing space flights — even more complex and more time-consuming — which draws one more strategically important question. It is the issue of the

¹³ Price that Americans currently are paying to Roscosmos for transporting the cosmonauts is about USD 70 million per cosmonaut. Estimates are that the same service with *Boeing* or *SpaceX* should cost about USD 58 million (Wells, 2015).

safety of space travellers. On one hand, entrepreneurs emphasize that their crafts are developed so that they can provide a safe flight to their destination and back. On the other hand, NASA states the same claims. However, having in mind the inglorious past of some of space flights, one cannot avoid the question of the quality of management and organisation as major prerequisites for good outcome of the national space policy.

Since the practice of extreme ethical standards violation — that may even result in a loss of life — is not an unknown phenomenon in public agencies of the most developed countries, this aspect of space activities should be considered vital for the implementation of space-conquering national strategy. In other words, to be able to rise to the challenge of other countries, the Washington administration should focus most of its attention right on providing high level of safety of those who carry out the national space programmes. The goal of providing the high level of safety is strongly co-related with the quality of public managers and servants' performance, and it requires detailed analysis of the prevailing behaviour patterns in the organisational culture in the public sector.

ADMINISTRATIVE FAILURES AND THE LACK OF ETHICAL COMPLIANCE

Human ability to act morally is grounded on the ability to empathise with others, i.e. ability to identify and understand other peoples' emotions. Recent studies in neuroscience indicate that empathy requires the development of brain functions that enable the growth of human intelligence, while some psychological studies show that empathy is an element of a special type of general intelligence, the so-called social intelligence, which implies that we are "intelligent not just *about* our relationships but also *in* them" (Goleman, 2006, p. 11). Reduced degree of attention that people devote to each other in their mutual communication today additionally undermine the empathy in a society of atomised, self-centred and busy individuals. Martin Buber (1937) holds that human behaviour is determined by two contrasting types of relations: 1) *relation I–You* is established as a two-way relationship between humans as free and equal persons; 2) *I–It* experience rather depicts the attitude of a man as sole self-consciousness subject to things. As Buber says, "(t)hrough the *Thou* a man becomes *P*" (1937, p. 28). Nevertheless, modern social alienation remodels the relation I–You into the relation I–It, so other humans are now identified as mere objects, things thrown out of the realm of good and evil that can be easily targeted by a wide range of immoral actions — from indifference to manipulation. Treating people as they are mere objects or means to achieve someone else's goals stems from the weak empathic connectedness, thus missing the feeling of involvement innate to genuine sympathy.

An individual with no ability to empathise with others, and who has no feelings of guilt as well, is a huge threat to society. As Korsgaard (1992, p. 84–85) puts it, committing moral transgressions undermines the conceptions of ourselves that are most important to us, because to violate moral obligations is to lose our integrity and so our human identity.

For Korsgaard, to commit an evil action means to lose the ability to reflect upon ourselves under the description under which we find our life worth living and our actions worth undertaking. Besides the feelings of shame and embarrassment, guilt is another emotion directed at the self-regulation of behaviour. For an individual with no internalised prescriptions applied to his/her own action, we cannot claim that he/she has a moral sense. Two sides of the same coin of guilt are emotions and rational evaluative attitudes towards violation of a norm in the form of moral judgment. Moral judgment is essentially not an act that occurs exclusively in the mind of an individual, but it is a continuous communicative process in which the judgement is confirmed through collective bargaining, and thus the motivation for the choice of the course of moral action in a particular case is necessarily associated with the public sphere.

Several studies conducted in the post-industrial polyarchies over the past two decades has found that managers both in the private and public sectors are the main models of ethical behaviour in organisations, and thus bear the most of responsibility for its consistent enforcement (Jurkiewicz, 2005, p. 98). Organisations are often unsuccessful in achieving the objectives not because of the incompetence of employees, but rather due to poor leadership. Managers must possess qualities that requires genuine leadership, and must be able to initiate and harness the creative potential of public servants (Broussine, 2003, p. 175–185; Shafritz et al., 2008, p. 381–402). The study conducted in 2004 on a group of 200 managers of public administration in the USA confirmed the interconnectivity of an effective leadership and ethical motivation in public service (Jurkiewicz, 2005, p. 101–110). Unlike ineffective colleagues, the effective executives are more willing to grapple with ethical dilemmas, taking into account the broader perspective of moral reasoning, which involves stakeholders, principles, justice, human rights, the circumstances and the potential outcomes. Effective leaders do win the respect of subordinates by being courageous in making difficult decisions with due regard to generally accepted moral principles, accepting responsibility for bad outcomes of their decisions, and implementing them with a firm belief that those decisions protect and improve the public interest.

One's ability to comply with public service ethics obviously does not arise automatically from the fact that he/she holds public office; one becomes moral agent by strong and permanent personal commitment to ethical standards. Therefore, in addition to knowledge of moral principles and norms, and deductive capabilities that enable their proper application to particular situations, good moral

reasoning depends greatly on those personal qualities we call character. For a manager, we can say that he has moral virtues needed for public service when the overall quality of the excellence of his character is expressed in long-term effort to act out of habit with care towards achieving someone else's well-being. Only with such defined moral virtue manager acquires credible authority necessary to convince the subordinated civil servants to follow him in a moral performance of professional assignments.

The New Public Management as a model for public service reform in the post-industrial polyarchies during 1980s and 1990s led to the uncritical use of the corporate governance methods in the public sector, based solely on the belief that the best government is one that costs less its citizens. Corporate governance should have increased efficiency in providing public goods and services by more flexible and innovative working of public servants, contracts with private companies, developing entrepreneurial spirit, risk taking, better budget management, and accountability for performance (Bovaird & Löffler, 2003, p. 6). The public service based on the management ideas, methods and practice in a market-driven economy should have provided the increased quantity and quality of public services for the same amount of public money. Despite the strengthened managerial discretion in decision-making and control of employees as well as the emphasis on the evaluation of performance, the New Public Management did not provide expected solution for the chronic administrative deficit in the collapsing welfare states.

Taking over corporate governance methods and the delegation of public functions to private companies and non-profit organisations over the past two decades have shifted the focus of public service managers on improving the efficiency in implementation of departmental policies and programmes. While the quantitative, measurable outcomes of public policy have been a priority, the ethical perspective has considerably been ignored. Top managers have tolerated and justified wrongdoings with the pragmatic idea summarised in motto that the foremost is to achieve a goal, while the way of doing it is unimportant. Such amoral pragmatism in conducting business in the public and private sector is a logical outcome of the dominance of the idea of technical rationality that is embedded in modern organisations, whose activities are emptied of moral content and meaning. The public service is thrown into a moral vacuum with its managers and servants left demoralised (Hoggett, 2005, p. 186).

ADMINISTRATIVE FAILURE AT WORK: MISMANAGEMENT IN NASA

Administrative failures in the public service may occur when professionals in public organisations give biased instead of factual and objective assessments in their policy domain. The bottom-top politicisation is one of the main causes of the unsound public

policy implementation; it depicts the situation where top managers in a public organisation demonstrate loyalty to a departmental policy they are empowered to implement, even if the policy does not reflect the public interest, but only promote particular/private interests of the ruling party (Meer et al., 2007, p. 41–44; Peters & Pierre, 2004, p. 1–11). This is a side-effect of the most extreme type of politicisation of public service — so-called ‘spoils system’ — which in his purest form exists in the politics of the United States. The traditional practice of so-called administrative presidency includes the efforts of the incoming president to gain and maintain exclusive control over the legal, financial and human resources available to him (Rockman & Thiam, 2009, p. 203–204). The President expects subordinated public servants to affirm his decisions, and to clearly and actively support policies of the ruling party — the neutrality and professionalism are less important virtues. Even though it has been criticised for decades, the spoils system in the USA is still legitimised by the belief of the incoming president that the top management of federal administration, that had been appointed during the tenure of his predecessor, will hinder the implementation of new public policy — whether due to the agenda differences or simply to preserve previously established corrupt-clientelistic ties (Peters, 2004, p. 125–136).

From the ethical perspective, the spoils system favours partisan appointees openly and has the corrosive effect on a career- and merit-based system of public service. The U.S. National Commission on Public Service (The Walker Commission) emphasized more than two decades ago that political leaders pose one of the biggest threats to the health of American public administration, and pointed at the demoralising effect of politically-driven appointments on professionalism and the merit system (Verkuil, 2007, p. 165). No matter how it may seem convenient for pursuing the effective policy implementation, the spoils system in the long run creates a climate of distrust between political appointees, who perform public duties only as a career break from their regular jobs in the corporate sector, and the permanent civil servants who dedicate their lifetime to protecting the public interest. The politicisation of any type changes organisational culture in the public sector for worse by establishing various ‘blame games’, that in the long run make a fertile ground for unethical behaviour.

A central idea of organisational sociology is that resistance to hierarchical rules is a universal feature of modern bureaucracy, and that the form of this resistance shapes organisational culture in public service (Jorna & Wagenaar, 2007, p. 190). The resistance may result from the efforts of honest servants to perform daily assignments with due regard to ethical considerations in a situation where politicised top managers spread moral misconduct. The creation of favourable ethical climate can be restricted because of behavioural pattern conceptualised as the model of self-inflicted negative interdependence (Bowman et al, 2004, p. 80-81). According to this model, general manager of department within a ministry strives, as much as it is possible, to ascribe responsibility for poor performance to heads of subordinated units in order to avoid being penalised by the minister, and save his

position. The head of unit replay the ‘blame game’ at his level of the hierarchy, trying to point the finger at his employees. Being captured at the lowest level of the hierarchy in the work environment hostile to open professional debate, public servants start to reinterpret the imposed blame game with the aim to hide problems from the immediate superior.

Stepping into the trap of self-inflicted negative interdependence gradually establishes the practice of unethical leadership that could jeopardise not only policy implementation, but can endanger human security even with tragic loss of life. There are two tragic cases of policy implementation affected by unethical management with the death toll of 13 astronauts and one citizen. In 1986, space shuttle *Challenger* exploded during the launch sending six astronauts and one Teacher in Space participant to their fiery deaths; in 2003, the explosion of the *Columbia* resulted in killing seven more. Report of the Presidential Commission on the Space Shuttle Challenger Accident (the Rogers Commission) and Report of the Columbia Accident Investigation Board revealed that in both cases the main cause was poor management practice in NASA (Report, 1986; Report, 2003, pp. 115–118).

Costly space shuttle development programme, unrealistic annual plan for space flights, and the advertising-driven expectations of the White House not to delay the launching, all together put pressure on NASA leadership to avoid the regular extensive security checks of space shuttle essential structural parts. Contrary to several internal warnings made by engineers and technology experts about slow pace of solving the problem of faulty design of some parts and material built in the space shuttle, NASA managers single-mindedly decided to launch the shuttles in scheduled time for several reasons. For instance, in the case of *Challenger*, NASA managers were anxious to justify before the U.S. Congress the large amount of federal budget that had been invested in the space programme for years. This prompted NASA to schedule a record number of missions in 1986 to make a case for its budget requests as well as to prove cost effectiveness and potential for commercialization of space shuttle. NASA also wanted to launch the *Challenger* without any delays to collect data a few days before the launch of a similar Russian probe, and to successfully beat the competition of the ESA. Moreover, some critics in the media charged that the White House had intervened to insist that the launch occur before the U.S. President give his State of the Union address so that he could refer to the launch.

Seventeen years later, the space shuttle *Columbia* blew apart just 16 minutes before its scheduled landing at the Kennedy Space Centre in Florida, and harshly raised the question of NASA managers’ true ability and will to learn lessons from earlier lethal mistakes (Koestler-Grack, 2004). *Columbia* accident finally brought the problem of the agency’s organisational culture to light (Report, 2003, p. 99–27). Organisational culture can be defined as a set of prevailing beliefs, attitudes, expectations and opinions of the members of an organisation regarding the role they play in it, and that shapes their behaviour — perceiving, thinking, decision making, and taking action (Geuras & Garofalo, 2005, p. 98;

Alvesson, 2002, p. 3–6; Ott & Baksh, 2005, p. 299–301). Organisational culture is a set of common rules that govern the cognitive and affective aspects of membership in an organisation, which means that it also influences how managers choose the course of action from alternatives available in any given situation. This freedom of choice that may lead to good and bad outcomes is what links organisation's culture and public service ethics inextricably. Mason (2004, p. 128–142) argue that the great shift in NASA's organisational culture from safety- to production-oriented one — based on efficiency as the agency's core value — has made ethical considerations redundant in decision making and programmes implementation process. In spite of the wake-up calls of *Challenger* and other mishaps, NASA managers not only maintained new culture of production in the space shuttle programme, but even in the aftermath of the failings of 1986 they fought harder to preserve the efficiency-based value system. The quest for timely production overshadowed ethical concerns in implementation of the programme with a view to human security. The Columbia Accident Investigation Board concluded in its report (Report, 2003, p. 170) that the responsible Space Shuttle Programme managers displayed no interest in engineering concerns about a technical problem that occurred during *Columbia's* flight and its potential danger for safety of the crew. The high-level officials blocked effective communication of technical problems, overlooked signals, silenced people and dissenting views on technical issues.

Political considerations combined with organisational culture shaped by self-interested NASA top managers prevailed over compliance with professional standards, and protection of the public interest. Pressures in NASA developed at the expenses of engineering considerations because of a requirement to launch a certain number of flights per year and to launch them on time. NASA was subjected to strong external pressure to accept very ambitious goals, which was undoubtedly felt by managers and employees. As NASA attempted to meet the increasing flight schedule of the space shuttle, the agency encountered a number of constraints and operating problems that made it increasingly difficult for NASA to reach its goals by providing the high level of safety. NASA attempted to resolve these strains by resorting to means that were less safe, rather than by changing its goals and proceeding more cautiously. The immense costs of continuous disregard for ethical standards in decision-making are the unacceptable loss of 14 lives, and the discredit upon a long-term science project of global importance and a symbol of American pride.

IS THERE AN EFFECTIVE SPACE POLICY WITHOUT ETHICAL BEHAVIOUR?

The USA global supremacy in the control of outer space and other great powers' efforts to reduce that supremacy or to challenge it, are often naively equated with the mere possession of high tech and significant financial power. Yet, the quality of political decision making and proper human resources organisation in the public sector

are still an inevitable part of creating and implementing every public sector politics, and thus national policy of astro space. The analysed practice deviation from professional, and ethical standards with tragic consequences for human life, makes it clear that the administration in Washington must seriously consider improving the organisational culture in public agencies entrusted for performing space flights, if it really intends to preserve the status of superpower in astro space. Great moral failures stem from moral insensitivity, i.e. one's incapability to understand how her/his behaviour affects others, and to choose the course of action determined on basis of its potential consequences. We showed that NASA managers saw no problem with leaving basic professional standards and sound knowledge of technical expertise aside, only to follow the politically-driven schedule at the expense of human lives.

The enormous pressure put on national governments by the accelerating "New Space Race" must not be the factor that worsens decision-making due to lack of sound ethical reasoning. Despite tougher recent competition in taking control of astro space, the U.S. administration in its endeavour to maintain position of the superpower has to respond effectively to that challenge. The tragic past of some of the American space travels remind us and warn that mismanagement and bad administration can have a profound impact on the outcome of the national astro agenda. The unfortunate failures of *Columbia* and *Challenger* urge that the establishing of an ethically sensitive organisational culture in public space-flight agencies should come to the fore in making and implementation of the U.S. space policy. A space agenda ought to consider the human security component, primarily to protect those who implement national space programmes. The safety and unobstructed work of all professionals and experts are the key factor in achieving success in the "New Space Race". Some challenges are already known, new are arising, and only time will tell which way the U.S. administration will choose and how responsible it will be.

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„TRKA ZA RESURSIMA” U ASTRO-PROSTORU: ŠTA NAM DONOSI BUDUĆNOST?

Apstrakt. Rad analizira kako brz tehničko-tehnološki napredak može da olakša pronalazjenje i iskorišćavanje alternativnih izvora energije u svemirskom prostoru i u isto vreme podstakne postojeće i otvori nove dugoročne sukobe oko prevlasti u komercijalizaciji kosmičkih resursa. Autor posebnu pažnju posvećuje razmatranju održivosti aktuelnih i planiranih projekata najvažnijih zemalja članica prestižnog kluba „svemirskih nacija” – SAD, Japana, Rusije i Evropske unije. Rast potražnje za budućim sigurnim snabdevanjem energentima je podstakao tehnološki napredne države da intenzivnije istraže mogućnosti lociranja alternativnih izvora energije u astro-prostoru, jer je utvrđeno da on obiluje energetske potencijalima i da bi se, uz odgovarajuće unapređenje svemirske tehnologije, u doglednoj budućnosti astroresursi mogli iskoristiti kao alternativa ili bar dopuna postojećoj resursnoj bazi. Autor ukazuje da sve veće i vidljivije ambicije Kine, Indije i donekle Irana u pogledu osvajanja svemirske tehnologije, stvaraju potencijalna čvorišta novih geopolitičkih i geoekonomske sukoba u međunarodnim odnosima. Autor zaključuje da će svemir kao značajan alternativni izvor resursa i energetske bezbednosti u narednoj deceniji pre postati novo poprište ostvarivanja strateških interesa najmoćnijih država, nego zajednička baština čovečanstva dostupna svim nacijama.

Ključne reči: nova svemirska trka, sprovođenje svemirske politike, svemirski letovi, etika javne uprave, organizaciona kultura, NASA.

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ABUSE OF RELIGIOUS FREEDOMS AND THE FREEDOM OF ASSOCIATION OF CITIZENS AS A POTENTIAL FOR DESTRUCTIVE RELIGIOUS SECTS¹

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Abstract: Sects are cloistered indoctrinated groups with strict behavioral rules that are immaculately following certain (pseudo-religious, political, economic, criminal or other destructive) ideologies. They do not have to be religious, and need not be destructive. Their activities are usually camouflaged behind the associations or organizations that have been registered for the performance of the legal and legitimate activities. However, destructive sects are usually unregistered associations that are, among others, endangering safety of their followers, safety of people in their surroundings, including the security of states and international regions. In this regard, the paper reviews the phenomenology of sect activities and their skillfully hiding behind the corpus of religious freedom and the freedom of association of citizens.

Key words: church, religion, sect, religious freedoms and rights, threatening the security, Republic of Serbia.

INTRODUCTION

Sects are as old as the first religions, and were tied exclusively to religious activities and considered “apostates from the faith”: “sect is a smaller organization

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that splited off from a larger, the ruling religious party; heresy “.⁴ Many secret societies of religious character were being developed even in ancient times, but the Middle Ages was a particularly fruitful for their development because it was marked by the struggle between the Catholic Church and the esoteric secret societies (Janković, 2005, p. 793). However, over time sects took other, non-religious connotations, starting to engage with non-religious activities that very often had destructive effects on the security of citizens, the state, but also affecting international security.

There can be many forms of destructive sect activities: followers and members of destructive sects often practice “self-endangering” by certain social-pathological deviations (alcoholism, drug addiction, suicide, self-mutilation, prostitution); society, and the citizens are the most vulnerable to certain offenses (mainly in the field of public order and peace - begging, fighting and shouting, rude, inconsiderate and disrespectful behavior and others) and criminal offenses (against property, against life and body, against the rights in the field of employment, against personal dignity and morality, against honor and reputation, against health, against religious freedom and rights, etc.); the state and the international community, have also been often vulnerable to offenses against the economy and public finances (abuses in business and postponement of tax liabilities by national and multinational companies), but also by political crime, of which the most dangerous are espionage and terrorism.⁵

At the same time, none of the sects will designate themselves as sects nor destructive organizations. Totally the opposite, they will skillfully try to conceal their true nature, objectives, methods of operation and the effects they produce. This will most likely be done by abusing corps of religious rights and freedoms and the rights of citizens to freely associate in organizations and associations, which are guaranteed by international law, the constitutions and laws of the largest number of modern states.

⁴ “Sectarians are followers of a sect, those who have strayed and separated from the group to which they belong, and sectarianism is a division in the wider community, closeness and alienation of broad masses.” (Vijaklija, 1996/97, p. 804.)

⁵ The most famous are the cases of collective suicide of more than 900 followers of the People’s Temple in Guyana in 1978; 17 terrorist attacks exercised by Aum Shinrikyo sect using biological and chemical weapons where, in only one of them (Tokyo subway in 1995), killed 12 and injured more than 2,000 people; bio-terrorist attack done by Indian “Rajneeshees” in Oregon in 1984, in order to prevent citizens from elections voting, when the salmonella outbreak infected 751 person etc. In Serbia, the most famous cases are those of two separate satanist performances (“Black Rose” and “Bad Faith”) in which seven soldiers were killed in June 1993, in the military barracks “Južnomoravske Brigade” in Vranje, and killed two people with several soldiers wounded in the military barracks “Mika Mitrovic” in Sabac.

In this regard, the paper will present corpus of religious rights and freedoms and the right of association of citizens that are commonly misused by destructive sect groups and organizations. Before that, a brief overview of the concept and typology of destructive sects will be given.

CONCEPT AND TYPOLOGY OF DESTRUCTIVE SECTS

Generally, sects are certain cloistered indoctrinated groups with strict behavioral rules that are immaculately following certain (pseudo-religious, political, economic, criminal or other destructive) ideologies. Sectarian groups can, but they not need to be based on the exploitation of psychological weakness of their followers; they can, but they not need to be religious (though mostly regarded as such), and they can, but not need to be destructive.⁶

More specifically, the cults are groups which can be identified by their manipulation targeted towards the psychological destabilization of the followers. Their goal is to subordinate them completely, to influence their critical spirit, and to make them break with the generally accepted recommendations (ethical, civic, educational). Psychological destabilization poses a threat to individual freedom, health, education, democratic institutions (and in order to achieve various economic, political or security goals). They use philosophical, religious and therapeutic methods to hide their goals, which use to be making a profit, obtaining power or participation in government, gaining influence and followers (Stajić, 2004, p. 140–141).

In theory, there are numerous typologies of destructive sects. In principle, they can be divided into:

- *pseudo-Christian* (evangelical and pseudo-catholic) sects, which broke away from the official Christian church. Their logic is based on the Bible and other holy books of Christianity, but religious dogma is interpreted in a way that suits the interests of the sect;
- *orientalist* (pseudo-hinduistic and the Far East) sects, that use distorted dogma of Buddhism and Hinduism as their base;
- *neo-pagan sects*, seeking to return to religions that disappeared with the emergence of Christianity, and are based on polytheism;
- *syncretistic sects* that take over some dogmas of other religions in order to create a new – unique religion;

⁶ Based on: Mijalković, 2005, p. 53–55. Some parts of the text were inspired by knowledge the author acquired during his participation in the *Expert group of the Ministry of Internal Affairs of the Republic of Serbia for monitoring the problems of destructive performances of religious sects and other informal social groups*.

- *apocalyptic sects* predict the end of the world (doomsday), recommending behavior that will ensure personal salvation to their followers;
- *alternative sects*, that advocate radical ecology, rejection of modern technology and adherence to the laws of nature;
- *occultist (esoteric) and magical sects*, which ideas are based on revival of old methods from astronomy, numerology, alchemy, meditation, hermeticism, kabbalah, gnosticism, neo-platonism, chiromanty, occult medicine, witchcraft and sorcery, in order to make miracles with the help of natural forces, the dead souls or supernatural beings;
- *satanist (Lucifer) sects*, which advocate Satan (Lucifer) to be supreme God and practice rituals of “black liturgy”: the shedding of blood (sacrificing animals or people) and reviling Christ during massive drinking, drug use and orgies, which is accompanied by “black magic” rituals;
- *psychoanalytical sects*, engaged in the practice of mental healing, through psychoanalysis⁷, yoga, meditation, bio-energy and similar techniques;
- *therapeutic and healing sects*, which criticize the methods of modern medicine, urging followers to heal serious diseases by divine methods, primarily by praying and by religious rituals;
- *UFO sects*, which share the ideas about the extraterrestrial origin of man and preach the arrival of aliens, etc.⁸

So, sects are registered or unregistered groups of like-minded people who are separated from the mother religion, or gathered in the independent (pseudo) religious group whose religious ideology is not traditionally recognized or group that emerged with the aim to use the alleged (pseudo) religious, philosophical or therapeutic ideas and methods for realization of others, mostly destructive activities, as well as other groups whose ideologies and group identity are different from the conventional and generally accepted standards of social life, whose membership is strictly limited and controlled, and serves to protect the interests of members of these groups or entities that support them (Stajić, Mijalković and Stanarević, 2006, p. 147–148).

So, according to the purpose of the establishment there are at least four types of sects:

⁷ Psychoanalysis is, among other things, a method of treatment of mental illnesses, and therapeutic technique based on research methods and clinical theory. (Trebješanin, 2003, p. 212–213)

⁸ Classification MIVILUDES - classification made by Interministerial Mission for preventing and combating sectarian activities of the Government of the French Republic, which was presented by the members of the Mission during the seminar on sects in Belgrade, from May 9th to 13th, 2005. See also: <http://www.miviludes.gouv.fr/>.

- *Religious sects*, which are characterized by the propagation of some religious doctrine that is opposed to the canons of the official religion, which is sincerely respected and followed by its “believers”⁹;
- *therapeutic and philosophical sects*, that are featured by no religious insignia, but rather by various philosophical or a therapeutic activities as a cover for other destructive activities. Ostensible religious sectarianism is reflected in the “divine-prophetic inspiration, in selectedness and distinctiveness of the therapist who gives help to the followers”;
- *pseudo-religious sects* of commercial character, which are characterized by a system of legal and illegal activities of social groups that are supposedly established for religious activities and in order to gain welfare for their followers, but actually they are exhausting their members materially and financially.
- *masonic organizations* with political and/or economic aspirations, and secret societies established to facilitate achievement of egoistic goals of the group by abusing power and social positions of members. (Mijalković, 2005).

More specifically, social groups of the first type are not churches or religious communities because they do not obey conventional norms and positions of traditional churches, or interpret them in a way which meets the needs of their leaders, and those interpretations are in function of achieving their objectives. Although many of them operate internationally and have up to ten million followers, they are considered to be small groups because traditional religions have a much higher number of believers. Followers of the sect are often fanatically loyal to their leader. They unquestioningly obey commandments because of the strong indoctrination by quasi-religious ideology and blind observance of the principles. Therefore, some of them are ready for the execution of the most destructive actions (*religious fanaticism*) (Mijalković and Milošević, 2013, p. 263–267.) This is the feature that makes sincere believers different from sectarians: “authentic” religiosity, at least from an Orthodox perspective, with the existence of a “spiritual hierarchy of values” whose meaning and function are to serve God, Close persons and Second ones, always involves the “guarantee” of freedom for the individual to opt for such a service. This fact indicates certain degree of “alienation” in performances of “religious” sects or instrumentalization of the “true” religious contents for the various secular purposes. The effect of these sects is not necessarily destructive (in the sense of committing criminal acts and offenses), but the phenomenon itself is deviant because it is opposed to the standards of traditional and modern society. As

⁹ Contemporary geo-political reality is characterized by intensification of destructive activities of certain religious sects, which usually abuse Islam and the idea of Jihad. See: Božović & Simić, 2010, p. 93; Hamad, 2007; Hećimović, 2009; Šindler, 2009; Sekkaf, 2005, etc.

noted above, the basic criterion for “diagnosing” and determination of deviant (spiritual, social, political and economic) performances of religious sects is “sacrificing” and instrumentalization of freedom of their followers, with consequent endangerment of their spiritual health.

Second type of sects are not propagating any (pseudo) religious doctrine, but they are offering a “new perspective on life and the meaning of life” to their followers, as well as alternative methods for achieving and improving physical and mental health. Those are the groups that are gathered around the false messiahs, philosophers, musicologists, healers, diviners, mediums, psychotherapists, humanitarian workers and the like.

Namely, great confidence in the leader and the group is induced by suggestive interpretation of various ideas, philosophical theories, music, offering special programs for feeding and care of old and sick people, practicing yoga, meditation, hypnosis and similar methods. Therefore, they become fanatically loyal, so they donate there some funds, real estate, valuables, engage in charity work, constantly being economically exploited and cheated.

The third type of sects are groups of followers gathered around a leader who abuses their religious blindness and fanatical devotion for gaining profit or for the realization of other offences connected with endangering safety. Profitable activities can be legal (unpaid or minimally paid work, charities, souvenir sales, donations) and illegal (theft, robbery, economic crime, documents forgery, etc.). At the same time, the most and primarily profiteer is the leader of the sect. Other activities are generally illegal (participation in psychological and propaganda activity, violent overthrows of government, terrorism, ideological and political indoctrination, etc.).

Finally, the fourth type of sects are different associations, usually (but not as a rule) secret ones, with membership gathered around common (economic or political) interests, or groups aimed at using their influence for protecting interests of third parties (like lobbying during presidential and parliamentary elections campaigns, lobbying in the sphere of economy, lobbying in the procedures of obtaining tenders for public procurement or for public works construction, etc.). It is about various secret societies (masonic lodges, associations of businessmen and tycoons, politicians associations, organizations of monarch and heirs to the throne, etc.).

So, the terms religious sect and a destructive sect are narrower than the term sect. Regardless of whether they are religious or other type sects, or whether being totalitarian and destructive or not, none of them would declare itself a sect. On the contrary, they will be represented to companies that have positive religious, cultural, historical, economic, artistic, humanitarian and similar connotations as “associations of citizens”.

RELIGIOUS FREEDOMS AND THE RIGHT OF ASSOCIATION OF CITIZENS AS AN „AREA“ OF SECTARIAN ACTIVITY

Churches and religious communities have long been considered subjects of the national security system (Mijalković, 2011, p. 353–354). They derive their legitimacy from the Constitution of the Republic of Serbia, from the Law on Churches and Religious Communities and from the Register of Churches and Religious Communities kept by the Office for cooperation with churches and religious communities, which is organizational unit of the Ministry of Justice.

Religious associations and organizations not listed in these documents cannot be considered churches or religious communities in the formal and legal sense. However, this mean neither that they are sects, nor that their activities are destructive. But there must be emphasized possibility that sects often skillfully hide behind the complex of religious rights and freedoms or, representing themselves as civic associations, hide behind entities registered for of certain legal activities in order to make easy their own activities.

Constitution of the Republic of Serbia stipulates that the Republic of Serbia is a secular state, so Churches and religious communities are separated from the state, and no religion may be established as state or mandatory (Article 11). Therefore, any discrimination, direct or indirect, on any grounds, including on grounds of religion is prohibited (Article 21, para. 2). Also, everyone has the right to judicial protection if any of human or minority rights is violated or denied, which is guaranteed by the Constitution, and so anyone has right to elimination of consequences of that violation. Citizens have the right to address international institutions to protect these rights and freedoms (Article 22).

These provisions are only an overture to the protection of religious rights and freedoms: The freedom of thought, conscience, belief and religion, the right to stand by one's belief or religion or change them by choice. No one is obliged to declare on his/her religious or other beliefs. Everyone is free to manifest religion or religious beliefs, to perform religious rites, attend religious services or religion education courses, individually or in community with others, as well as to express own religious beliefs privately or publicly. Freedom to manifest one's religion or beliefs may be restricted by law only if that is necessary in a democratic society for the protection of human life and health, morality of a democratic society, freedoms and rights of citizens, public safety and public order, or in order to prevent instigation or incitement of religious, national and racial hatred. Parents and legal caretakers shall have the right to provide their children with religious and moral education in conformity with their convictions (Article 43).

Churches and religious communities are equal with and separate from the state and are free to independently regulate their internal structure, religious matters, to perform religious rites, to establish religious schools, social and charitable

institutions and to manage them, in accordance with the law. The Constitutional Court may ban a religious community only if its actions violate the right to life, the right to physical and mental health, children's rights, the right to personal and family integrity, the right to property, public safety and public order or if it instigates and incites religious, national or racial intolerance (Article 44).

Furthermore, by taking measures in areas of education, culture and public information, Republic of Serbia tends to promote understanding, recognition and respect of diversity arising from specific ethnic, cultural, linguistic or religious identity of its citizens (Article 48). It is forbidden and punishable to instigate or incite racial, national, religious or other inequality, hatred and intolerance (Article 49). Also, national minorities have the right to: expression, preservation, fostering, development and public expression of national, ethnic, cultural and religious specificities (Article 79). Finally, in the area of education, culture and information, Serbia fosters a spirit of tolerance and intercultural dialogue and take effective measures to promote mutual respect, understanding and cooperation among all people living on its territory, regardless of their ethnic, cultural, linguistic or religious identity (Article 81).

So, from a religious point of view, Republic of Serbia is by Constitution declared as "value-neutral" state. These Constitutional provisions are operationalized by a special law. Thus, Law on Churches and Religious Communities, in accordance with the Constitution, guarantees the right to freedom of conscience and religion to everyone. Freedom of religion includes the freedom to have or not to have, preserve or change religion or religious beliefs. This means freedom of belief; freedom to profess belief in God; freedom to manifest religion or religious conviction by participating in liturgies or by performing religious rites, by religious education and by cherishing and developing religious tradition either alone or in community with others, publicly or privately; freedom to develop and advance religious education and culture (Article 1).

Further, no one shall be subjected to coercion that could threaten freedom of religion or be coerced to declare his/her religion, religious beliefs or absence of religious stands. No one may be harassed, discriminated or privileged due to religious beliefs, belonging or not belonging to a religious community, to participation or non-participation in religious services and using or not guaranteed religious freedoms and rights. There is no state religion (Article 2).

Finally, freedom of religion and religious beliefs may be limited only under conditions prescribed by the Constitution, national law and by ratified international documents, and only if are necessary in a democratic society to protect public safety, public order, morality and the protection of freedoms and rights of others. Religious freedom should not be used so as to violate the right to life, the right to physical and mental health, children's rights, the right to

personal and family integrity, the right to property, public safety and public order or to instigate and incite religious, national or racial intolerance (Article 3).

In the context of abuse of legal protection offered by the Law on churches and religious communities, particularly significant are provisions relating to freedom of association and assembly, autonomy of churches and religious communities and the autonomy of regulations of churches and religious communities. In fact, the subjects of religious freedoms are traditional churches and religious communities, confessional communities and other religious organizations (Article 4). Citizens dispose freedom of association and public assembly for the purpose of expressing religious beliefs. Citizens dispose freedom to accede Churches and religious communities (Article 5). Churches and religious communities are independent from the state, equal before the law and are free and autonomous in defining their identity. They dispose the right to independently regulate and conduct their order and organization and to independently conduct their internal and public affairs (Article 6). The state cannot interfere with application of autonomous legislation of Churches and religious communities. Upon their request, the state shall provide adequate assistance, in accordance with the law, for execution of final decisions and verdicts made by the competent authorities of churches and religious communities (Article 7).

According to Law on Churches and Religious Communities, *traditional churches* are those that have a centuries-long historic continuity in Serbia, whose legal subjectivity derive from special legislation. Those are: Serbian Orthodox Church, Roman Catholic Church, Slovak Evangelical Church, Reformist Christian Church and Evangelical Christian Church. *Traditional religious communities* are those that have a centuries-long historic continuity in Serbia, whose legal subjectivity derive from special legislation. Those are: Islamic religious community and Jewish religious community (Article 10). Besides these, Register of Churches and Religious Communities lists also Romanian Orthodox Church eparchy, Dacia Felix, headquartered in Deta (Romania) with administrative seat in Vrsac.

Confessional communities are all those churches and religious organizations whose legal status was regulated by application submitted in accordance with the Law on Legal Status of Religious Communities of Federal People Republic of Yugoslavia and the Law on Legal Status of Religious Communities of Republic of Serbia (Article 16). So there have been registered 17 confessional communities in the Register of Churches and religious communities: Christian Adventist Church, Evangelical Methodist Church, The Church of Jesus Christ of Latter-day Saints, Evangelical Church in Serbia, Church of the love of Christ, Christ's Spiritual Church, Union of Christian Baptist Churches in Serbia, Christians Nazarene religious community, Church of God in Serbia, Protestant Christian community in Serbia, Christ's Fraternal Church in Serbia, Belgrade Liberty Church, Jehovah's Witnesses - Christian Religious Community, Sion Oath

Church, Union of Reform Movement of Seventh-day Adventists, Protestant Evangelical Church “Spiritual Centre” and Christ’s Evangelical Church.

In addition, it is possible to establish new religious organizations, and a special section of the Law (Art. 17–25) is dedicated to this issue. Churches and religious communities may engage in religion services, which include construction of worship places and charitable activities (Art. 31–33); educational activity (Art. 34–40) and cultural activities, including information distribution and publishing work (Art. 41–44).

These provisions of the Constitution of the Republic of Serbia and the Law on Churches and Religious Communities are that allow sects to register as a religious organizations and to carry out many destructive activities discussed above, hiding behind the “curtain” of legal activity. The state must not restrict anyone’s rights, but it must protect fundamental rights of religious communities, rights to self-determination, self-orientation and religious identity. That identity must be protected, from outside as well as from the inside threats (Đukić, 2012, p. 126).

Finally, sects often do not meet formal requirements for the registration as religious organizations: in addition to the Statute of the organization, Review of religious ideas and rituals and Data on their regular sources of funding, necessary requirement for registration is decision made on establishment of religious organization with the names, ID numbers and the signatures of at least 0.001% of adult nationals of the Republic of Serbia who have permanent residence in the Republic of Serbia according to the latest official census of citizens or foreign nationals with permanent residence at the territory of the Republic of Serbia.

In such situations, sects are registered as citizens’ associations. The Association is a voluntary and non-profit organization based on the freedom of association of a group of individuals or legal entities established in order to protect and improve certain common or general goals and interests, which are not prohibited by the Constitution or any law. An association may be founded by at least three founders, provided that at least one of them must have permanent residence or headquarters at the territory of the Republic of Serbia.

Finally, if not meeting any of these conditions, a sect simply wont be officially registered, but it can still act as a secret society.

There are no reliable information on how many of our citizens are actively involved in and influenced by destructive sectarian activities, but it is estimated that a number of them is large, and so that the sectarian activity is most frequent in the city of Belgrade.

There are many religious associations and organizations at the territory of the republic of Serbia that have not yet been entered in the Register of Churches and Religious Communities. Among them, the best known are: Children of God - The Family of Love, West Orthodox Church, Christ’s Pentecostal Church, New

Apostolic Church, Universal Life, University Crusade for Christ, Christ Baptist Church, Christ Church, Creationists, Word of Life, Christ Church of Evangelical brothers, Christian Community Golgotha, Association of Christians Gideons International, Evangelical Church, Evangelical Church Spiritual Center “Light”, Evangelical Pentecostal Church Spiritual Centre “Good news”, Christian Association of Full-time Gospel, Movement of Christ’s Love, Christ’s Spiritual Community, Christian Alliance, Little Sisters Community, Sisters of the Immaculate Conception Community, Mary’s Opus Community, Society of the Word of God, Religious community - Hindus, Baha’i Faith, Antroposophy Theosophists, Free Brothers, New Religion Pentecostal congregation - “Penitents”, Ostea Domniliu, House of Prayer for all the Nations, PEM Church, Association for the Development of Interpretation of the Bible and Christian thought - “New Life”, Osho Bhagwan Rajneesh, Dzogchen - Tibetan School of Yoga, Sri Chinmoy, Vaishnava Religious Community “Veda” - Hare Krishna, Transcendental Meditation, Sanatan, Sai Baba - “Sai Centers for Universal Spiritual Development and Education”, Bihar School of Yoga, Association for the Study and Implementation of the Way to Complete Spiritual Self-realization by “Practice of persistent prayer” system, Evolution - Association of girls aged 12 to 17 years, Apocalyptic Sect, Rosicrucians - International School of the Golden Rosycross, Golden Dawn, White Gnostic Church, Unifying Church, Satan Church, Black Roses - Black Scorpion, Satan’s Brothers, International Association of Witches - WICCA, Hell’s Gate, Mystical Rose, Everlasting Fire, Ordo Templi Orientis, Wahhabi etc.¹⁰

CONCLUSION

The presence and activity of destructive sectarian groups is undoubtedly reality of Serbia and its neighborhood nowadays. These groups are registered as citizens’ associations, and if not, they are acting as informal (unregistered) social groups. None of them would declare itself as sect nor would admit any destructive activity. In case of being compromised or charged for some illegal activity, it would skillfully hide behind religious freedoms and the right of association guaranteed by the Constitution, Law on Churches and Religious Communities and the Law on Associations.

Possibility of abusing rights guaranteed by the Constitution and laws hampers any measures undertaking against destructive sectarian activities and makes it

¹⁰ More detailed on some of associations mentioned above can be found in books and papers cited in this document, as well as on the website of the Serbian Orthodox Church: http://www.spcticino.ch/citaonica_fles/sekte.htm. The author explicitly states that no association and organization in this text have been declared a sect by author, but used in context that they are not registered in the Register of Churches and Religious Communities.

obviously a complex problem. Protection from destructive activities of sects have to be carried out on at least three levels: at the level of individuals, at the level of registered churches and religious communities and at the state level.

The most important for protection of individual against sectarian activity is development of security culture. Therefore, family must be the bastion where basic religious knowledge is acquired, while school must enrich that knowledge through the education process adding information about dangers coming from self-proclaimed new churches and religions. The acquisition of religious education and culture will be easier if supported by registered churches and religious communities. Developing the spirit of tolerance in multi-ethnic and multi-religious communities is not only important for prevention of destructive sectarian activity, but also for prevention of religiously motivated conflicts, among which are the most dangerous religious terrorism and armed wars.

The state must pass certain regulations in order to regulate religious activities on its territory more detail and more restrictively, with an advisory and consultative role and the consensus of traditional churches and registered religious communities.

In addition, state authorities should establish certain organizational units specialized in countering destructive sectarian activities (professional religious scholars, sociologists, psychologists, lawyers, security officers, etc.) within the existing security sector. In this regard, in other states in Europe there are parliamentary, governmental and similar expert (interdepartmental) commissions whose aim is to identify stakeholders, forms and consequences of sectarian activity and to develop national action plans for their prevention and suppression, but also to support mechanisms for help and support to persons who want to leave the sect.¹¹

In many countries, there have been undertaken extensive measures and regulation adopted concerning ways of registration, organization, methods of operation and funding of the sects. In some cases, destructive sects are even prevented from working.

In the Republic of Serbia all destructive activities are treated the same way as other offenses, economic offenses and criminal offenses. However, this does not eliminate the causes of their emergence and conditions for such destructive activities, which are very specific and which require serious preventive work of dedicated specialists. In anticipation of a more serious responses of the State in the implementation of the above-mentioned measures against destructive sectarian activity in the field of education, media, legislation, strategic planning

¹¹ These issues were concern of the European Parliament, and France went far ahead when it is up to this problems.

and international cooperation, Republic of Serbia could make efforts in the formation and specialization of multisectoral and multidisciplinary teams with a task to monitor and explore the phenomenon of sectarianism, and to make a conceptual platform and the proposal for more effective state response to this contemporary security problem.

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Saša MIJALKOVIĆ

Marija POPOVIĆ

MOGUĆNOSTI ZLOUPOTREBE VERSKIH SLOBODA I PRAVA UDRUŽIVANJA GRAĐANA ZA DESTRUKTIVNO DELOVANJE SEKTI

Apstrakt: Sekte su zatvorene indoktrinirane grupe sa strogim pravilima ponašanja u besprekornom sledenju određene (pseudo-verske, političke, ekonomske, kriminalne ili druge interesne ili destruktivne) ideologije. One ne moraju da budu verske, i ne moraju da budu destruktivne. Sektaško delovanje je najčešće kamuflirano iza udruženja ili organizacija koje su registrovane za obavljanje legalnih i legitimnih delatnosti. Međutim, destruktivne sekte su najčešće neregistrovana udruženja koja, pored ostalih, primenjuju i brojne metode ugrožavanja bezbednosti svojih sledbenika, ljudi iz okruženja, pa i bezbednost država i međunarodnih regiona. S tim u vezi, u radu je učinjen osvrt na fenomenologiju destruktivnog sektaškog delovanja i na njihovo vešto skrivanje iza korpusa verskih sloboda i prava na udruživanje građana.

Ključne reči: crkva, religija, sekta, verske slobode i prava, ugrožavanje bezbednosti, Republika Srbija.

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RELATION BETWEEN THE UN GENERAL ASSEMBLY AND SECURITY COUNCIL AS AN ASPECT OF UN REFORM

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Abstract: Seventy years after the establishment, organization of the United Nations is in serious crisis. Numbers of reform demands have increased. The UN Charter has an important deficiency- veto power of Security Council permanent members violates the principle of sovereign equality of states. Having in mind authorizations of the Security Council, its reform is one of the first associations when thinking on the reform of the United Nations. The links and common functions of the General Assembly and the Security Council could be one of the directions of the United Nations reform. It is necessary to establish balance within the powers of these two bodies, and give essentially significant and concrete powers to the General Assembly.

Key words: United Nations, reform, Security Council, General Assembly, veto power, the UN Charter.

INTRODUCTION

The establishment of the United Nations in 1945, after the World War II, was one of the most important historical moments in progressive development of humanity. Its establishment was not only an expression of “pacifist ideas and illusions

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created in the overall relief when a war was over (...) but rather an expression of the strong and objective social needs, which has its source deep in the socio-economic processes of the modern world” (Kardelj, 1955, p. 3). The Charter of the United Nations prohibits war; proclaims the maintenance of international peace and security, development of friendly relations among nations, respect for the principles of equality and self-determination of peoples, international cooperation in solving international problems of an economic, cultural, or humanitarian character and promoting and encouraging respect for human rights and fundamental freedoms, regardless of race, sex, language or religion. All these principles have established United Nations as a “new form of the international community” (Andrassy, 1955, p. 46).

Nowadays, 70 years after UN’s establishment, it “may sound paradoxical a widespread sense of deep decline in its reputation and continual decline in efficiency of its actions” (Šahović, 2005, p. 24). Some scholars consider UN as an “ineffectual talk shop” with no concrete results (Peterson, 2005, p. 125) or an organization which interferes too much in domestic jurisdiction of member states. According to some opinions, it is necessary to strengthen the role of the UN in terms of international peace and security, while others emphasize areas of social and economic development (Muller, 2006, p. 3). The tree structure of its subsidiary bodies, large numbers of staff and inefficient bureaucracy requires the reform of the world organization. Also, the number of UN member states had increased from 54 (in the moment of establishment) to 193. Failures of the United Nations in Rwanda, Somalia, Yugoslavia, invasion of Iraq, arbitrary use of humanitarian intervention and preventive attack led to loss of public confidence in the United Nations. Demands for reform of the United Nations are increasingly growing. The question of reform direction is complex because it reflects antagonisms between rich countries of the North and the poor and less powerful countries of the South (Meltzer, 1978).

When it comes to reform of the United Nations, the requirements for reform and enlargement of the Security Council are mainly emphasized. Of course these requirements are justified, having in mind that number of UN member states almost quadrupled since its inception, and current composition of this body does not match the situation on the world political scene. Besides this, one of the ways for United Nations improvement have to be reform of the relation between two main organs of this organization- The General Assembly and The Security Council.

POSITIONS OF THE UN GENERAL ASSEMBLY AND SECURITY COUNCIL UNDER THE CHARTER

The UN Charter defines the General Assembly and Security Council as principal organs of the United Nations, along with the Economic and Social Council, the Trusteeship Council, the International Court of Justice, and the Secretariat (UN Charter, Article 7).

The General Assembly is the main deliberative, policy-making and representative organ of the United Nations. From all 193 Member States of the UN, it provides a unique forum for multilateral discussion of international issues including peace and security. The General Assembly may discuss any questions or any matters within the scope of the Charter or relating to the powers and functions of any organs provided for in the Charter, and, except as provided in Article 12, may make recommendations to the Members of the United Nations or to the Security Council or to both on any such questions or matters. But, the possibility of keeping the discussion about a broad range of issues led to the impression that the General Assembly has grown into one dysfunctional body unable to focus on the most serious problems of today's world. Aforementioned impression contributed the adoption of numerous non-legally binding resolutions and declarations which have caused decline of the General Assembly's authority. In the previous period, the reputation of the General Assembly was seriously disrupted by overloaded agenda, long-lasting debates, adoption of "already seen" and "recycled" resolutions, without adequate mechanism for implementation (Dimitrijević, 2014, p. 28).

On the other side, the Security Council is consisted of eleven Members of the United Nations. The Republic of China, France, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, and the United States of America are the permanent members of the Security Council. Article 24 of the Charter defines the Security Council as primarily responsible for the maintenance of international peace and security, and agrees that in carrying out its duties under this responsibility the Security Council acts on their behalf. All decisions of the Security Council are mandatory for member states. The permanent members of the Security Council have a veto power enabling them to prevent the adoption of any "substantive" resolution, as well as decide which issues fall under "substantive" title. Veto power of the permanent five is in a contradiction with Article 2 of the Charter which proclaims "sovereign equality of all its Members". Veto power and arbitrariness of the permanent Security Council members have caused numerous problems and abuses. Even one negative vote from one of the permanent member of the Security Council prevails over all other votes which were in favor of some issue (Andrassy, 1955). This solution causes imbalance in the functioning of the United Nations. Numerous discussions have taken place in recent years over the suitability of the Security Council veto power. Key arguments include that the five permanent members no longer represent the most stable and responsible United Nations members, and that their veto power slows down and even prevents important decisions being made on matters of international peace and security. Due to the global changes that have taken place politically and economically since the formation of the UN in 1945, widespread debate has been

apparent over whether the five permanent members of the UN Security Council remain the best member states to hold veto power (Dimitrijevic, 2008, p. 20-24).

By the Charter of the United Nations, the General Assembly and the Security Council are linked on many ways. As a part of its own functions, the General Assembly receives and considers annual and special reports from the Security Council. These reports include an account of the measures that the Security Council has decided upon or taken to maintain international peace and security (UN Charter, Article 15).

Also, the General Assembly and the Security Council shares some function, especially electoral. Together, these two organs elect judges of the International Court of Justice. The Secretary-General is appointed by the General Assembly upon the recommendation of the Security Council. These two organs are linked in the admission of new members and expulsion from the organization, as well as in maintenance of international peace and security.

RELATION BETWEEN GENERAL ASSEMBLY AND SECURITY COUNCIL IN MAINTAINANCE OF INTERNATIONAL PEACE AND SECURITY

It is believed by many scholars that functions of the General Assembly and the Security Council are strictly separated in the field of international peace and security. Dumbarton Oaks proposals gave the General Assembly restricted competences in this field. But, San Francisco Conference decided to insert a new provision (Article 10 of the Charter) which caused a concurrence between two the most important UN organs.² Article 10 “enlarged the powers of General Assembly in such a way to make a scope of the Assembly’s functions almost universal, subject only to certain restrictions” (Andrassy, 1955, p. 564). Therefore, the delimitation of functions between the General Assembly and the Security Council depends on the first place on the interpretation of these restrictions (Andrassy, 1955, p. 564).

The Security Council is the only UN organ empowered to take actions (peaceful and coercive) in regard of maintenance of international peace and security. The fact is that Article 24 of the Charter authorizes the Security Council to take all kinds of actions in this field, but also states that its responsibility in this area is “primary.” Based on this, it could be concluded that there is a “secondary” responsibility, which belongs to the General Assembly.

² UN Charter, Article 10. The General Assembly may discuss any questions or any matters within the scope of the present Charter or relating to the powers and functions of any organs provided for in the present Charter, and, except as provided in Article 12, may make recommendations to the Members of the United Nations or to the Security Council or to both on any such questions or matters.

Based on the broad range of powers set out in Article 10 of the Charter, the General Assembly may consider the issues that fall within the “specific” jurisdiction of the Security Council. Paragraph 1 of Article 11 regulate the activities of the General Assembly and states that “the General Assembly may consider the general principles of cooperation in the maintenance of international peace and security, including the principles governing disarmament and the regulation of armaments, and may make recommendations with regard to such principles to the Members or to the Security Council or to both.” This article doesn’t specify any limitations for the General Assembly, which leads to competitiveness with the Security Council in regard of regulation of armaments, since as one of the functions of the Security Council is “establishment of a system for the regulation of armaments” (UN Charter, Article 26).

Also, Paragraph 2 of Article 11 deals with the concrete questions concerning threats to the peace. Such questions can be brought before the General Assembly by any Member States or non-member of the UN, which again leads to competitiveness conflict with the Security Council. By this Article jurisdiction of the General Assembly is confined to a recommendation. Also, the General Assembly may call the attention of the Security Council to situations which might endanger international peace and security. Bearing in mind that recommendations of the General Assembly are not obligatory, it will depend on the Security Council whether it will consider the particular situation.

In terms of the discussion, in practice there are no significant limitations for the General Assembly. It may discuss any question even if the Security Council, meanwhile, deals with that question.

But, when it comes to recommendations, situation is different. If the General Assembly and the Security Council discuss a question at the same time, it is possible to adopt contradictory decisions. To avoid such kind of situations, Paragraph 1 of Article 12 of the Charter states: „while the Security Council is exercising in respect of any dispute or situation the functions assigned to it in the present Charter, the General Assembly shall not make any recommendation with regard to that dispute or situation unless the Security Council so requests.”

Interpretation of Paragraph 1 of Article 12 was the subject of the advisory opinion of the International Court of Justice in the case “Consequences of the construction of the wall in the Occupied Palestinian Territories”. The opinion was requested by the General Assembly resolution ES-10/14. The Court has confirmed the primary, “but not necessarily exclusive” competence of the Security Council in maintaining international peace and security. The General Assembly does have the power, *inter alia*, under Article 14 of the Charter, to “recommend measures for the peaceful adjustment” of various situations. According to the Court, “the only limitation which Article 14 imposes on the General Assembly is the restriction found in Article 12, namely, that the Assembly should not recommend measures

while the Security Council is dealing with the same matter unless the Council requests it to do so” (IJC, *Advisory Opinions And Orders Legal Consequences Of The Construction Of A Wall In The Occupied Palestinian Territory*, Advisory Opinion Of 9 July 2004, p. 16-17).

UNITING FOR PEACE

The role and influence of the General assembly in the fields of international peace and security was changed and improved by the Resolution Uniting for peace adopted on 3 November 1950. The adoption of this resolution came as a response of the USA and ideologically similar states to the strategy of the Union of Soviet Socialist Republics (USSR) to block any determination by the Security Council on measures to be taken in order to protect the Republic of Korea against the aggression launched against it by military forces from North Korea (Tomuchat, 2008). States of Soviet bloc were against the adoption of the Resolution United for peace, calling it “illegal” (Peterson, 2008, p, 66).

The most important part of the resolution 377 A (V) is section A which states that “Security Council, because of lack of unanimity of the permanent members, fails to exercise its primary responsibility for the maintenance of international peace and security in any case where there appears to be a threat to the peace, breach of the peace or act of aggression, the General Assembly shall consider the matter immediately with a view to making appropriate recommendations to Members for collective measures, including in the case of a breach of the peace or act of aggression the use of armed force when necessary, to maintain or restore international peace and security”(United Nations General Assembly Resolution 377 (V) (‘Uniting for Peace’ UNGA Res 377 [V] [3 November 1950] UN Doc A/1775).

Procedural and substantive steps are suggested. First of all, if the Assembly is not in session this resolution created the mechanism of the “emergency special session” which can be called upon the basis of either a procedural vote in the Security Council, or within twenty-four hours of a request by a majority of UN Members being received by the Secretary-General. Such a session will be convened with a view to make appropriate recommendations for “collective measures (...) including the use of armed force when necessary“. As also the language of the resolution clearly reveals, the General Assembly can never be a full substitute for the Security Council in this area. Accordingly, only “recommendations” are mentioned. In procedural votes, the permanent members of the Security Council do not have the ability to block the adoption of draft resolutions, so unlike substantive matters, such resolutions can be adopted without their consent.

Furthermore, the General Assembly established fourteen membered Peace Observation Commission which reports on potential threats for peace and security

thereby entering into the competition of the Security Council under the Article 39. Uniting for peace procedure “constituted a precedent case in the application of the UN Charter provisions.” (Krasno, 2004, p. 318). This resolution also, at least theoretically, strengthened the role of the General Assembly in maintenance of international peace and security.

It is interesting that United for Peace was accepted by the vast majority of the member states (52: 5: 2), but its provisions on the use of armed forces enforcement action weren't successfully implemented in practice, even by countries who have been most active on its adoption. Condemnation of the General Assembly addressed to the People's Republic of China for its military intervention in Korea proved that the majority of UN member states were not ready to support action against a great power and a permanent member of the Security Council and thereby endangers world peace. Also, member states have largely proved unwillingness to make available military contingents for the operations provided for above resolutions. Some of the successful examples of Uniting for peace practice were during the Suez crisis in 1956 when the General Assembly adopted a resolution to send peacekeeping forces to supervise cessation of hostilities. Such agreement was possible only because the interest of two superpowers were converged, despite the veto of two permanent members France and Britain, who were directly involved in the conflict.

So far, ten emergency special sessions have been held by the procedure of Uniting for peace. But, nowadays maintaining international peace security is in hands of the Security Council and regional organizations. „General Assembly remained in the background, but it is still a reserve if Security Council is not able to perform its function” (Jazić, 1995, p. 73). Its role in this respect is concentrated on the “less” activities e.g. early warning crisis systems or decisions to send the observers for the elections. Notwithstanding their sheer numerical superiority, many members of the United Nations are much too weak to attempt to challenge the decisions made at the Security Council. Any application of Uniting for Peace with a view to taking enforcement action would at least need the support of one of the permanent members (Tomuchat, 2008, p. 4).

UNITED NATIONS MEMBERSHIP PROBLEMS

Membership in the United Nations is open to all other peace-loving states which accept the obligations contained in the Charter and, in the judgment of the Organization, are able and willing to carry out these obligations (UN Charter, article 4, para. 1). The admission of any such state in the UN membership will be effected by a decision of the General Assembly upon the recommendation of the Security Council.

This solution had caused serious problems in past, especially during the Cold war. Permanent members of the Security Council had used their veto power in order to prevent reception and nomination of new members. For example, the Soviet Union had used the veto power 47 times against membership requirements of the states that belonged to Western block. On the other hand, the US had persistently obstructed the achievement of the required majority for Hungary, Bulgaria and Romania membership in the UN. During the period of 1946-1955, only 9 countries had become members of the UN. The question of admitting new members had evolved into a kind of “battle for prestige” between East and West (Smouts, 2000, p. 28).

This tendency had launched numerous of legal and political issues and the General Assembly asked an opinion from the International Court of Justice in November 1949. The question was framed in the following terms: “Can the admission of a State to membership in the United Nations, pursuant to Article 4, paragraph 2, of the Charter, be effected by a decision of the General Assembly, when the Security Council has made no recommendation for admission by reason of the candidate failing to obtain the requisite majority or of the negative vote of a permanent Member upon a resolution so to recommend?”. In its Advisory Opinion on 3 March 1950, the Court stated: “Two things were required to effect admission: a recommendation by the Council and a decision by the Assembly. The use in the article of the words “recommendation” and “upon” implied the idea that the recommendation was the foundation of the decision. Both these acts were indispensable to form the “judgment” of the Organization (paragraph 1 of Article 4), the recommendation being the condition precedent to the decision by which the admission was effected (ICJ, Advisory Opinion of 3 March 1950).”

The Court had clearly confirmed that recommendation of the Security Council must be preceded by a decision of the General Assembly. This opinion stressed the primacy of the Security Council over the General Assembly in making decisions important for the UN.

ANNUAL REPORTS FROM THE SECURITY COUNCIL

The General Assembly receives and considers annual and special reports from the Security Council. These reports include an account of measures that Security Council has decided upon or taken to maintain international peace and security (UN Charter, Article 15).

Members of the General Assembly are displeased with the quality of the Security Council’s reports and consider that reports should be much more detailed, in order to strengthen the role of the General Assembly and achieve a balance between two organs. Reports of the Security Council contain review of taken

measures, but without deeper analysis and specifying why some of the Council's decisions are made.

The General Assembly Resolution 58/126 invites the Security Council "to continue with initiatives to improve the quality of its annual report to the General Assembly, mandated by Article 24, paragraph 3, of the Charter, in order to provide the Assembly with a substantive, analytical and material account of its work, in accordance with resolution 51/193". "Convening of informal consultations" with the Security Council might be one of solutions (General Assembly Resolution 58/126, Article 4).

Also, in addition to improve the quality of the annual report, Resolution 58/126 urges the Security Council to submit periodically, special subject-oriented reports on issues of current international concern. So far no periodical reports were submitted to the General Assembly.

APPOINTMENT OF THE SECRETERY GENERAL

The Secretary-General is one of the most important organs of the UN. Article 97 of the Charter determines it as a chief administrative officer of the Organization. In this capacity, the Secretary General attends all meetings of the General Assembly, the Security Council, the Economic and Social Council and the Trusteeship Council, and performs such other functions as are entrusted to him by these organs. By the functions, as are entrusted to him by other UN organs, its role has not only an administrative, but a political character. Due to Article 99 of the Charter, the Secretary-General can act independently and "may bring to the attention of the Security Council any matter which in his opinion may threaten the maintenance of international peace and security." This authorization makes the Secretary General a "spokesperson of international interest" (Alexandrowicz, 1962, p. 1112).

The Secretary-General is appointed by the General Assembly upon the recommendation of the Security Council (UN Charter, Article 97). Also, in this case the UN Charter included both most important organs of the UN in the process of appointment. This case shows again the superiority of the Security Council in relation to the General Assembly.

Any permanent member of the Security Council can use veto for any of candidates. The Secretary-General appointment was controversial issue in San Francisco Conference, but great powers were able to defend their positions claiming that the Secretary-General must enjoy the confidence of all the Security Council permanent members (Skjelsbæk, 1991).

Process of appointment of all eight Secretary-Generals was the result of compromising between permanent members of the Security Council. In the situation when the Security Council cannot agree on one candidate, it remains a

dilemma and a legal void how should the General Assembly decides. In current practice, the appointment of the Secretary-General was mainly a matter of agreement between the two great powers – the USA and the USSR.

The process of Secretary-General appointment has been criticized by the General Assembly members, mainly due to the exclusivity of the Security Council and the lack of transparency of this process.

In the work of the ad hoc groups dedicated to the reform of the General Assembly this issue is considered as one of the most important. General Assembly Resolutions A / 51/241 and A/60/286 suggest recommendations to the Security Council in terms of increasing the transparency of the Secretary General appointment and more active involvement of the General Assembly and the President of the General Assembly in that process. E.g. General Assembly Resolution A / 60/286 states that bearing in mind the provisions of Article 97 of the Charter, the need for the process of selection of the Secretary-General to be more inclusive and invites the Security Council to regularly update the General Assembly on the steps it has taken in this regard.” The same resolution encourages the President of the General Assembly to consult the Member States to identify potential candidates endorsed by a Member State and, upon informing all Member States of the results, may forward those results to the Security Council and supports “formal presentation of candidatures for the position of Secretary-General in a manner that allows sufficient time for interaction with Member States, and requests candidates to present their views to all States members of the General Assembly.”

Numerous General Assembly members consider that the General Assembly should appoint the Secretary General by secret or open ballot. India has made an interesting proposal by which the Security Council should appoint three candidates and the General Assembly elects one of them as a Secretary General (Security Council Report, Special Research Report No. 2: Appointment of the UN Secretary General). This proposal was disapproved by permanent members of the Security Council. In practice, during the appointment of the Secretary General Ban Ki-moon, and his re-election in 2011, the Security Council did not consider any of recommendations set out in GA resolutions.

ENCROACHMENT ISSUES

Recent attempts of the Security Council to take on other issues besides those dealing with international peace and security e.g. HIV or climate change, have met with strong opposition in the General Assembly (UNRIC, Security Council: HIV/AIDS a Security issue). Adding such critical matters to the agenda of the Security Council is considered unacceptable encroachment by the most General Assembly members (Swart, 2008, p. 23).

On behalf of the Non-Aligned Movement, the representative of Cuba stressed that the Security Council must fully comply with all provisions of the Charter and the General Assembly resolutions which clarify its relationship with other organs. Also, on behalf of the Group 77, the representative of Argentina expressed concern considering that the main responsibility of the Security Council is maintenance of peace and security, and other issues, including economic and social development and climate changes, are the competence of the General Assembly and the Economic and Social Council (*Sievers&Daws, 2014, p. 583*).

General Assembly Resolution 59/313 devoted to strength and revitalization of the General Assembly states that “Security Council has primary responsibility for the maintenance of international peace and security in accordance with Article 24 of the Charter.” Therefore, the Security Council should primarily focus on its functions established by the Charter.

IMPORTANCE OF THE GENERAL ASSEMBLY RENEWING

Proposals for General Assembly’s revitalization are the subject of discussion since the early 50s of XX century. One of the first attempts for better balance and relation between UN General Assembly and the Security Council was the establishment of so-called the Little Assembly. Due to disagreements of the permanent members of the Security Council, some part of its political powers was transmitted to the General Assembly. This loaded already overloaded agenda of the Assembly and “it become essential, therefore, that the members be represented in some forum for longer periods if they were to assume there wider responsibilities.” (Bowett, 1957, p. 7) The Little Assembly has meetings between regular sessions of the General Assembly and was consisted of one representative of each member state of the UN to ensure continuity in the work of the General Assembly.

There is no doubt that the Little Assembly was established in order to reduce the inefficiency of the Security Council in resolving political issues and therefore significantly strengthened the role of the General Assembly in respect of their solution (Sharma, 1978, p. 83). Although it did not last long (only 3 years, up to 1950), the Little Assembly dealt with a number of important issues including the issue of voting precede in the Security Council, international political cooperation, important issues of political independence and territorial integrity of China. For the reform of the United Nations establishment of a body such as the Little Assembly might be a good solution. This could contribute in improvement of the General Assembly’s reputation and made a balance with the Security Council on important political issues.

Some documents emphasize the reaffirmation of the General Assembly as central point of UN reform. E.g. Millennium Declaration states the reaffirmation

of the “central position of the General Assembly as the chief deliberative, policy-making and representative organ of the United Nations, and to enable it to play that role effectively.” Also, Report of ex- Secretary General Kofi Annan “In Larger Freedom: Towards Development, Security and Human Rights for all” lists a series of recommendations devoted to strengthening the role of the General Assembly, notably rationalization of its work, accelerating the decision-making process, simplifying the agenda, and strengthening the role of the President of the General Assembly. It is also recommended greater focus of the General Assembly on international terrorism, migration and actual issues. Although the Report wasn’t entirely devoted to the General Assembly, its importance cannot be denied, as “an important step towards in the reaffirmation of role and place of General Assembly in the UN system” (Dimitrijević, 2014, p. 29).

Reports of ad hoc working groups on renewing the General Assembly denounced continued encroachment by the Security Council on issues which clearly fell under the powers and prerogatives of the General Assembly, including the areas of norm-setting, legislation, administrative and budgetary matters, and establishing definitions. Working groups were specifically concerned that the Security Council’s gradual but constant encroachment on the Assembly and the Economic and Social Council was most acute in the area of norm-setting and that it was most essential to counter and correct its activities in that regard first and foremost. Working groups also cited the work of the Special Committee on the Charter of the United Nations and on the Strengthening of the Role of the Organization, which could contribute to the process of revitalization, in particular with respect to the functional relationship of the principal organs (General Assembly, Report of the Ad Hoc Working Group on the Revitalization of the Work of the General Assembly, 17 July 2013).

CONCLUSION

The United Nations Charter is the most important legal document of the modern world. Although based on the sovereign equality of states, veto powers of the permanent members of the Security Council violate this principle in practice. The Charter determinates the General Assembly and the Security Council as the bearers of the most important functions of the United Nations. These two bodies are conceived as an organ of action (Security Council) and an organ for discussion (General Assembly). These two organs share together numerous authorities. However, there is an impression of disharmony in their relationship. On one side, the body composed of all member states in many respects is limited by the body composed of limited number of members. The veto power of only one of the permanent members of the Security Council may cause anon-adoption of some decision. Practice showed many examples of that.

Despite growing demands on the Reform of the Security Council and expansion of the number of its permanent membership members, the reform of the UN should not go only in that direction. Also, functions of the General Assembly should be expanded and less dependent of the Security Council, especially on making important decisions or appointment functions. Seventy year old practice showed that veto power and almost exclusively role of Security Council on the area of international peace and security did not work well.

Balance between two most important bodies of the UN systems could contribute in restoring reputation of the UN and achieving the objectives envisaged by the Charter. Establishment of the body such was the Little Assembly in the fifties could be one of the options. Ad hoc working groups for Renewing of the General Assembly demand more power for this body and suggest limitation of the Security Council authorities in some aspects of the UN system. Of course, all these demands depend on political wills of the UN members.

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Jelica GORDANIĆ

**ODNOS IZMEĐU GENERALNE SKUPŠTINE
I SAVETA BEZBEDNOSTI KAO ASPEKT REFORME
UJEDINJENIH NACIJA**

Apstrakt: Sedamdeset godina nakon osnivanja, organizacija Ujedinjenih nacija je u velikoj krizi, a zahtevi za reformu su sve brojniji. Sama Povelja UN ima veliki nedostatak- pravo veta stalnih članica Saveta bezbednosti krši načelo suverene jednakosti država. S obzirom na ovlašćenja Saveta bezbednosti, u najvećem broju slučajeva se za reformu Ujedinjenih nacija, kao prva asocijacija javlja reforma Saveta bezbednosti. Ali, imajući u vidu veze i zajedničke funkcije Generalne skupštine i Saveta bezbednosti, jedan od pravaca u kojim može teći reforma Ujedinjenih nacija jeste uspostavljanje ravnoteže u pogledu ovlašćenja ova dva organa, i davanje suštinski značajnih i konkretnijih ovlašćenja Generalnoj skupštini.

Ključne reči: Ujedinjene nacije, reforma, Savet bezbednosti, Generalna skupština, pravo veta, Povelja UN.

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EU ENERGY STRATEGY IN TERMS OF DIVISION OF COMPETENCES UNDER THE LISBON TREATY

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Abstract: In this analysis we examine the way energy policy is being regulated and implemented under the rules of the Lisbon Treaty. We observe all the chapters which directly or indirectly define and determine competences in this field or may have influence on the energy policy application in practice. For this reason, other policy spheres are also object of this analysis, namely those where competences are mutually overlapping, in order to determine whether this can complicate or sometimes even sacrifice the substantial goals of the energy policy. Our key target is to determine how such a division of competences influences the decision making processes and behaviour of relevant EU institutions in the field of energy policy. In the end, collected answers will help us to find out whether such a revised division may help or hinder the concept of unique energy policy of EU and its practical implementation in the Energy Union project.

Key words: EU Energy policy, the Treaty of Lisbon, EU institutions, division of competences, Energy Union project.

DEFINING THE CONCEPT OF ENERGY POLICY AND THE CONDITIONS IN THE ENERGY MARKET

Energy issues have lately gained an increasing significance in the policy of the European Union (hereinafter referred to as: the EU). Ever since the inception of the European integration, i.e. since the European Coal and Steel Community (ECSC, Treaty of 1951) and the European Atomic Energy Community (EURATOM, Treaty of 1957), these questions have occupied central part of the EU activities. However,

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these were never reviewed as a political issue and have never gone beyond the field of energy and economy. Such situation lasted until the first serious break in the EU energy supply in 2006 and 2009, when Russia cut off energy supplies export through the territory of Ukraine. It can be said that only then did the EU take the dependence on Russian energy products and the problem of supplying through the territory of Ukraine seriously, especially upon internal destabilization and conflicts in the country, followed by deterioration of relations with Russia after the EU introduced sanctions. Only after these events did the EU start to deal with energy policy seriously and defined it as a priority of its political agenda.

Before we try to answer above mentioned questions, we have to define the concept of energy policy first. The energy policy usually implies a complex of legislative measures, aimed at long-term stability of the internal market and ensuring the efficient functioning of the economy under the conditions of price volatility of natural, non-renewable energy resources (Safonova, 2013).

The energy sector is one of the major sectors in the EU, with a share of around 10% in the EU's GDP. The EU is a net importer of energy products, which means that it imports 53% of the total amount of energy sources used in the EU. Converted into euros, according to recent data, it is about EUR 400 billion a year, thus, in this respect, the EU is the largest energy importer in the world (COM 80, 2015, p. 2). According to the Report of the European Commission (hereinafter referred to as: the Commission) the EU energy bill as of May 2014 amounts up to a billion euros a day (about EUR 400 billion only in 2013).

Energy security, which implies continuous and stable energy supply is, therefore, one of the vital interests of each EU Member State (hereinafter referred to as: Member States). It directly affects all citizens of the EU, even though dependence on energy imports is not equally pronounced in all Member States (COM (2015) 57). The main problem of energy security is a big dependence on a single external supplier - in this case, Russia. Six Member States depend on Russia as the sole supplier of gas, of which for three of them (Latvia, Lithuania and Slovakia) gas represents more than a third of total energy needs.

In energy policy, competences are divided between the EU and the Member States, as stipulated in Article 4 of the Treaty on the Functioning of the European Union. Pursuant to Article 2, paragraph 2 of the Treaty on the Functioning of the European Union, when the Treaties confer on the Union a competence shared with the Member States in a specific area, the Union and the Member States may legislate and adopt legally binding acts in that area. The Member States shall exercise their competence to the extent that the Union has not exercised its competence, or has decided to cease exercising its competence; so many authors in this field argue that the Lisbon Treaty made a clear distinction between competences (Magoń, 2013, p. 181). However, even after the Lisbon Treaty the line of division of competences

among institutions as well as between member states and EU itself is still not clearly defined, as we will prove later on.

A few years after the adoption of the Lisbon Treaty, some authors from the European Policy Institutes Network, dealing with the research of whether the EU energy policy under the Lisbon Treaty represents a new area of policy, concluded based on informal interviews with 31 officials from the four main EU institutions, that energy policy does remain “business as it was before” (Braun, 2011, p. 10). Although this argument is contradicted by recent examples from practice showing that energy policy has lately had the characteristics of a separate policy branch as we will prove later on, the decision-making process, in addition to strengthening cooperation within and between the EU institutions, has reported equally pronounced trend of constant efforts to revise the division of competences arising from different interpretations of the roles of the post-Lisbon institutions.

In any case, the way in which the EU energy policy is addressed in the Lisbon Treaty, as well as the way in which its provisions are applied in practice, could be relevant indicators of the changing role of a Member State in relation to the EU. It can even be said that the issue of the division of competencies in this area is most indicative, given that energy resources are inexhaustible, and that energy demand has no equivalent supply on the market. Therefore, energy policy is a sensitive area of the fight over competences, in which it is most easy to test the Member States’ willingness to focusing towards a single energy policy.

ENERGY POLICY IN THE LISBON TREATY - AS A SEPARATE CHAPTER AND AS PART OF OTHER POLICIES

The Lisbon Treaty, which entered into force on 1 December 2009, was necessary to adapt the functioning rules, written for the EU comprising 15 Member States, to significantly enlarged Union with the then 27 Member States. Although by this Treaty the idea of United Europe has been definitely put aside, many authors argue that it has integrated EU additionally (Drozdiak, 2010, p. 5).

The first visible change in the special treatment of energy policy in the Lisbon Treaty is a separate chapter dedicated to energy policy. Until then, energy policy has been mainly dealt with through other policies: internal market policy, competition policy or environmental policy. In fact, the EU has previously used the competences laid down in other policies to regulate issues in the field of energy policy. Therefore, these changes in the Lisbon Treaty are often interpreted in literature as a great step forward - towards the “single” energy policy.

Under the heading XXI, Article 194 paragraph 1 of the Treaty on the Functioning of the EU establishes the four main objectives of the EU energy policy: “ensuring the functioning of the energy market; ensuring security of energy

supply in the Union; promoting energy efficiency and energy saving and the development of new and renewable forms of energy; and promoting the interconnection of energy networks” (TFEU, 2009, Art. 194). Legislative procedure is defined in the following paragraph: “...the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish the measures necessary to achieve the objectives in paragraph 1...” In this way, the Treaty of Lisbon allows the EU to determine the energy policy guidelines, thus partly transferring the powers in energy resources management and supply from the Member States to the EU.

Decisions are made on the proposal of the European Commission, which is followed by the Council’s decision-making by a two-thirds majority of Member States, with the consent of the European Parliament. This rule is limited by Article 194, paragraph 2 of the Treaty on the Functioning of the EU, according to which it “shall not affect a Member State’s right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply (without prejudice to Article 192(2)(C)”. In Article 192, paragraph 2, the provision on energy supply is very contradictory to the previous one and, due to high standards of environmental policy imposed, can almost always prevail in practice since it establishes that, in order to protect the environment: “the Council, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament, the Economic and Social Committee and the Committee of the Regions, shall adopt: measures significantly affecting a Member State’s choice between different energy sources and the general structure of its energy supply”.

Apart from representing a special chapter, energy policy is also an integral part of other policy spheres. In the chapter on economic policy, Article 122, paragraph 1 of the Treaty on the Functioning of the EU, the solidarity clause has been further strengthened, as follows: “... the Council, on a proposal from the Commission, may decide, in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy” (TFEU, 2009, Art. 122). In such situations, the Council makes decisions by qualified majority (TFEU, 2009, Art. 16).

Although the “measures in line with the economic situation” have neither here been precisely indicated, it is implied that this clause means that some of the Member States may be required to supply the affected Member State in case of crisis since this paragraph was added at the request of Poland to obtain written guarantees that it can count on aid from other Member States in case of an abrupt interruption in the supply of energy products. The main impetus for such a request was negative experiences on the ground: the first and second gas crises (2006 and 2009) as the culmination of conflicts in the supply of gas from Russia, which, unlike non-homogeneous policy

of the EU, easily implemented its energy strategy and scored on individual bilateral agreements with Member States (*Энергетическая стратегия России 2030*, 2009). However, the question is how the said solidarity clause will apply in practice in case of serious energy crises that might hit most of the Member States at the same time, especially, say, from next winter 2015-2016, when even greater problems are expected in energy supply due to sanctions imposed on Russia and uncertain short-term results of the goals set by recently proclaimed Energy Union (Commission launches work on Energy Union, European Commission - Press release, 2015). In addition, given that energy policy represents today a strategic sector of economy, heavily influenced by lobbyists of energy companies, no Member State has fully prepared to completely hand its competences over to others or to apply energy policy solely under directives adopted at the level above them (Magoń, 2013, p. 179).

On the other hand, in order for energy policy to become the EU policy, not completely in the domain of the Member States, it is necessary to simultaneously become an integral part of the EU foreign policy. Whenever the Member States defended their energy interests or made a foreign policy moves in accordance with bilateral agreements with third countries, the concept of directing towards a single energy policy would be brought to the beginning.

One example is the relationship of the individual Member States with Russia. For instance, Germany's advocacy at the beginning of Ukraine crisis, and before the outbreak of the civil conflicts, in May 2014 to put off the issue of imposing sanctions against Russia, contrary to the standing of the majority of other EU Member States (Germany: Merkel Not Ready To Back Economic Sanctions Against Russia, Stratfor, 2014). The reason for the above is the fact that Germany has the largest bilateral agreement with Russia on supplying energy via Nord Stream. Such a standing has spoken in favor of some authors' theses that the Commission's aspiration to establish a unique appearance on the external market for small Member States may be the only efficient way of solving their foreign policy problems, but for the developed Member States a unique appearance in practice can only be one of the ways of supplying (Safonova, 2013, p. 44). An example of Germany's position on imposing sanctions against Russia shows, in fact, the extent to which foreign policy measures are caused by bilateral agreements on energy.

In the area of external action, the Lisbon Treaty introduces some significant changes that could affect energy policy and division of competences between the EU and its Member States. Article 21, paragraph 2 of the Treaty on European Union states that the Union shall define and pursue common policies and actions, and shall work for a high degree of cooperation in all fields of international relations. This also implies, *inter alia*, "help in the development of international activities and measures to preserve and improve the quality of the environment and sustainable management of the world's natural resources in order to ensure sustainable development" (TFEU, 2009, Art. 21 par. 2). In carrying out these and

other measures and in ensuring consistency between the different areas of the EU external actions, as well as between these and other policies, Article 21 paragraph 3 of the EU Treaty states that “the Council and the Commission, assisted by the High Representative of the Union for Foreign Affairs and Security Policy, shall ensure consistency and shall cooperate to that effect.”

Similarly, pursuant to Article 218 of the Treaty on the Functioning of the EU, the Council continues to approve the start of negotiations in order to achieve international agreements, determines the negotiating guidelines and decides on the conclusion of the agreements with the consent of the European Parliament, so the Member States may still exercise certain influence when it comes to international agreements on energy cooperation. Article 218, paragraph 3 of the Treaty on the Functioning of the EU establishes that the Council, based on recommendations of the Commission and the High Representative of the Union for Foreign Affairs and Security Policy, where the issues relate exclusively or principally to the common foreign and security policy, shall adopt a decision authorizing the opening of negotiations with a third country and shall nominate a negotiator or head of the Union’s negotiating team. Article 17, paragraph 1 of the EU Treaty states that “with the exception of the common foreign and security policy...the Commission shall ensure the Union’s external representation.”

On the other hand, although the legal basis used for the external aspects of the EU energy policy is formally stipulated in Article 194 of the Treaty on the Functioning of the EU, it still remains unclear which part of the Treaty one should refer to in the external action in the field of energy and where to draw the line between the EU competences and competences of individual Member States. Therefore, as regards competitive, sustainable and secure energy supply, the Energy Strategy (the so-called Energy Strategy 2020), further emphasizes that the external dimension of the EU energy policy must be consistent with other external activities of the EU sectoral policies (COM (2010) 639 final).

THE ROLE OF THE EUROPEAN COUNCIL AND THE COMMISSION - CONFLICTS OVER COMPETENCES

As in previous years, in 2014 as well the European Council continued to play a decisive role in directing the EU policy and activities of other EU institutions in the most important policy fields, including energy policy. The European Council has thus played an important role in the adoption of a new framework for energy and climate policy, the so-called “Strategy 2030”, which defines the EU priorities in this field.

Article 15, paragraph 1 and Article 22, paragraph 1 of the EU Treaty state that the European Council shall define the common strategic interests and objectives

of the EU and shall not have legislative function. However, although the political reputation of the European Council considerably strengthened due to the Lisbon Treaty, some authors argue that it still cannot take maximum advantage of its competences. First of all, this is because it has a limited role in complex and high-technology policies such as energy, and always uses an expert opinion of the Commission and of its committees of permanent representatives and working groups of experts. The European Council is limited in institutional terms as well: it meets twice every six months (Article 15, paragraph 3 of the EU Treaty). The first President of the European Council, Herman Van Rompuy, once suggested that, due to the scale of the current issues, meetings should be held more frequently, on a monthly basis. However, the heads of state and government rejected this proposal (Braun, 2011, p. 14).

Many authors claim that it is unrealistic to expect that individual energy policies of the Member States, being firmly rooted in the foundations of national interests, would become absolutely consistent, but the mutual cooperation is being improved nevertheless. In fact, the experience from the recent history of energy supply has shown that their cooperation steadily enhances when common risk is identified. The common approach to risks is the first step in defining common strategies for the purpose of achieving a common goal. Interestingly enough, a common approach is forced primarily by leaders of the Member States most vulnerable in energy supply, while some stronger Member States, for example Germany, has reported a longer period of an increasing independence in foreign energy policy (Drozdiak, 2010, p. 15).

In the field of foreign policy, the European Council identifies interests and makes decisions on issues concerning specific countries or thematic units, such as energy: “Decisions of the European Council on the strategic interests and objectives of the EU relate to the common foreign and security policy and to other areas of the external EU activities. Such decisions may include the Union’s relations with a particular country or region, or may be thematic in their nature” (TEU, 2009, Art. 22). In this way, the European Council may directly affect the negotiation activities of the Member States at the conclusion of individual energy agreements. Therefore, the European Council fully uses its competences in providing political guidance. In Summit, held in June 2014, the Council adopted a strategic program of the EU for the next five years. One of the five priorities covered by the program is the Energy Union, with the accompanying long-term goals of climate policy which is aligned with it. These strategic guidelines were further elaborated by Jean-Claude Juncker in his political guidelines for the new Commission, upon becoming its head in November 2014. At the European Council meeting in December 2014, the Commission was requested to present its strategy by the 2015 March Summit, which it did by elaborating a project proposal for the European Energy Union (General Report on the Activities of the European Union, 2014, p. 117).

Apart from appointing Miguel Arias Cañete the Commissioner for Climate Action and Energy, one of the Vice-Presidents in Juncker's Commission was in charge solely of energy issues. Former Commissioner for Interinstitutional Relations and Administration, Maroš Šefčovič, was elected on this post. Not accidentally, we can say. Šefčovič had less discernible political career in his own country, Slovakia, but he demonstrated his strong views on energy policy on several occasions, before his official appointment. These views are fully in line with the Commission's ambitions in gaining the highest level of competence in energy policy. The most striking view is that the EU must have a homogeneous and much more aggressive and assertive energy policy, because it is absolutely unacceptable that Russia uses gas as a political weapon. Energy diplomacy should be at the very top of the EU foreign policy priorities, and on the internal market no Member State should modify its energy system without prior consultation with other partners in the EU system.

It is no coincidence either that the new Commissioner is coming from the Member State which takes gas supplies from only one supplier, i.e. Russia, and which is one of the Member States for which the Commission is trying to find a solution through the policy of diversification of supply. In this regard, the Commissioner Šefčovič was against the South Stream as a project with a company that "refuses to comply with the EU rules", and is of no use for the EU energy security. For this very reason, he was the first to openly support the South Stream closure as a good move for the EU, since it results in searching for alternative solutions and directs the EU towards the joint supply with gas resources.

In the external dimension of energy policy, the competences fall under the mandate of the Commissioner for Energy. In accordance with Regulation No. 944/2010, the Commission shall coordinate activities in relations with third countries, shall work on drafting the agreements on supply and transit of gas in crisis situations, and shall guarantee stable gas supply. Under this Regulation, the Commission shall be authorized to appoint a working group that would control the transit flows of gas supply in crisis situations and in consultation with the third countries involved, but also to assume the role of a mediator in the dispute if a crisis occurs due to a troublesome situation in a third country.

In practice, in energy projects of "European interest" (as were, for example, the South Stream and Nabucco), the Commissioner for Energy takes the lead, while the Union's High Representative for Foreign and Security Policy has a secondary role. The Council complains that the Commission tends to have control over the negotiations, while the Commission criticizes the Council for undermining attempts to speak with "one voice" in relations with third countries, and for this reason the Commission is forced to convince the Member States that it will not exceed its powers in the fields falling within the competence of the states. When it comes to the external representation of the EU in the field of energy policy, the High Representative for Foreign and Defense Policy represents the interests of the EU.

The Commission, on the other hand, strictly controls that the High Representative of the Union for Foreign Affairs and Security Policy does not exceed his powers.

The Directorate-General for Energy was established specifically to address inconsistencies, mutual overlaps and gaps in competences vested in the Commission in this area (Braun, 2011, p.17). Under the political guidance of the Commissioner for Energy, the Directorate General for Energy is responsible for the development and implementation of the European energy policy, in order to provide both citizens and businesses with sufficient quantities of energy products at an affordable price with the help of technologically advanced energy systems.

Until recently, many Member States have not shared the Commission's enthusiasm and have not been ready to invest additional resources in energy supply projects. Unlike the previous Commissioner, Günther Oettinger, who did not succeed in directing the Members States to allocate additional funds for energy supply projects, the new Commissioner for Climate Action and Energy, Miguel Arias Cañete, succeeded in doing so due to market circumstances. Right at the beginning of his mandate he was given the task to prepare the Strategy for the creation of the Energy Union. He already announced the laws for a unique electricity market to be adopted by the end of 2016, by also the reforms of the entire market: targeting the new concept of the Energy Union directly to consumers, informing them about the prices and costs and the availability of a minimum of three different sources of energy supply (Cañete, 2015). Maroš Šefčovič justified these goals under the pretext of the poor conditions on energy market, which made the current EU energy policy unsustainable in every sense and posed the need for urgent reorganization.

In his guidelines for the new Commission, Jean-Claude Juncker also named general principles of a new, restructured energy policy and announced the creation of this Union. He set diversification of supply as a priority, with an ambitious medium-term goal - to make the EU become the first in the world in developing renewable energy sources (Juncker, 2014, p. 7). The project on the creation of the Energy Union was officially launched in February 2015 with the adoption of the Framework Strategy for establishing the Energy Union, and it represents the first step towards creation of a single energy market.

We can say that the creation of the energy Union concept was also initiated because of dissatisfaction with the implementation of competences concerning energy policy, as soon after the launch of this project a serious debate arose between the European Council and the Commission. In the course of reforms, the Commission requested the reports on details of negotiations prior to signing of intergovernmental bilateral agreements with third parties and they should be prepared from the very start of the bilateral process, in order to timely provide for assessment of compliance with the principles of the internal market. Moreover,

the Commission also requested to be present at negotiations that preceded the signing of intergovernmental agreements. Member States were advised, without exception, to notify the Commission prior to signing any bilateral agreements with third countries, primarily with Russia. However, this would imply the Commission going beyond its authority, so the Member States made immediate efforts to prevent this proposal from being accepted.

The European Council generally supported the Commission's concept of the Energy Union. However, at the European Council meeting in March 2015, these reform proposals were significantly mitigated, because they were interpreted as the Commission's attempt to assign to itself the additional competences. The report on the meeting contained a decisive standing that the basic principle of the Energy Union was security of energy supply, and that nothing beyond that was acceptable. Donald Franciszek Tusk, President of the European Council, clearly expressed the position of the Member States that the Commission is not allowed to attend bilateral intergovernmental negotiations at the highest level. The Commission's counter-argument was that its presence at the negotiations would provide a unique appearance on the market and strong pressure on the other side in negotiations. Therefore, the Commission understood this report as absolutely diluting the concept of the Energy Union.

Moreover, the European Council mitigated Šefčovič's initiative according to which all bilateral energy contracts should be transparent and accessible to the Commission for review, and concluded that transparency should cover only the issues of gas supply, whereby gas negotiations still cannot be a political issue, but should rather remain exclusively in the sphere of economy and business. In this regard, the Member States accept the Energy Union more as an invitation to the companies from the EU Member States to team up for facilitated survival and better functioning in the energy market. This was mainly the position of strong Member States in European Council.

For the sake of comparison, when the European Council discussed the 2030 Strategy, the Member States separated in their positions to "old" and "new" Europe... Western Member States (primarily Germany, France, Great Britain, Denmark, Finland, and the Netherlands) supported the ambitious targets proposed by the Commission, together with coordinated climate policy, while the other Member States (mainly Hungary, the Czech Republic, Slovakia, Romania and Bulgaria) requested lowering of the level of demands and standards in order to prevent the impact thereof on their competitiveness (Kaveshnikov, 2014). Therefore, it is not the first time that the final decision of the European Council was published in the form of "diluted communications", thus leaving in a way to Member States to make their own decisions on the fulfillment of objectives proposed by the European Commission.

However, the Commission has announced it will begin to publish the annual reports on the progress of the Energy Union project, in order to shed light on current problems in this field and to focus the political debate, whereby it has demonstrated that it will continue to promote and defend its concept of the Energy Union in practice and strengthen its competences in energy policy. Moreover, some authors note the Commission's increasing tendency, over a longer period of time, for monitoring bilateral energy agreements of the Member States with third countries, as well as growing aspirations to "export" the rules of energy policy to neighboring countries as well (Aalto, 2014, p.6).

The Commission sees the support in strengthening of its competencies in forcing independent actions of the Agency for the Cooperation of Energy Regulators (ACER), which would have a supervisory role and thus successfully resolve all cross-border issues in the interest of the internal market and monitor its development in Member States. It seems that Member States, especially those energy-dependent, are increasingly ready for this kind of cooperation and the Commission knows how to motivate and support them through its funding programs. However, some authors warn that although regulatory mechanisms promote the "good governance", gradual strengthening of their proliferation can actually jeopardize the basic policy objectives and generate conflict over competences with parallel, somewhere also competitive, bodies of the Commission (Colgan et al., 2015).

As for the other two institutions, the Council and the European Parliament, one can say that their competences are more or less clearly defined in this area. Article 194 of the Treaty on the Functioning opens the room for strengthening the competences of the European Parliament in this area because the Parliament, together with the Council, establishes the measures to achieve the energy policy objectives. The introduction of Article 218, paragraph 6(a) of the TFEU, which relates to signing of the international agreements, further contributes to improving the role of the European Parliament in the field of energy issues, as it ensures that the European Parliament is immediately and fully informed of all stages of the procedure, and its consent is now required. This was also the case with energy projects of the EU's common interest (like Nabucco and South Stream), since no agreement could be reached without the consent of the European Parliament. The European Parliament has tried to obtain the attendance and the meetings of the Council Working Group dealing with energy issues, but surely, it was rejected because it would have greater competences than those assigned to the parliaments at the national level, whereby the balance would be disrupted between the legislative and executive powers.

The formal competences of the Council Chairman were significantly reduced upon the adoption of the Lisbon Treaty, particularly relative to the European Council with its Permanent Representative elected, but also relative to the position

of the High Representative of the Union for Foreign Affairs and Security Policy. Apart from the fact that the positions of the President of the European Council and the Chairman of the Council of Ministers are in some way conflicting, the so-called EU troika was established. In addition to the Minister of the Member State holding the Presidency, the EU troika comprises also the Ministers of former and future presiding Member States. This resulted in mitigating of sudden changes in the Council's agenda, which would occur every time the new Member State assumed the Presidency, thus diluting the national character of the Presidency as well. We can hereby expect that, in terms of energy policy, the priority line set by the European Council and the Commission would be followed more intensively. However, this still does not necessarily mean that the Member State holding the Presidency will not have the recourse to non-institutional mechanisms of impact on the EU agenda and priorities during its presidency.

CONCLUSION

In the end, we can close this analysis with conclusion that, beside the fact that competences among institutions have been more clearly defined in the Lisbon Treaty, it is still not clear what should be named as common energy policy or which part in decision making process belongs to exclusive competence of Member States. Moreover, many of these competences are overlapping with those in other policy spheres. Therefore, Article 194 lacks more clear definition on common energy goal guidelines.

Member States are still not ready to give up of competences they have in this policy area. This is especially indicative in behaviour of European Council, but there is still enough space for improving mutual cooperation with the Commission, as the supranational institution. On the other hand, Commission itself has shown its ambitions to play a greater role in implementation process of the energy policy. Actually, it appears that difficult situation in energy market makes Commission more decisive in decision making process and provides her space for more influential and more radical moves in terms of improving its competences. It seems that Commission might come out as an “invisible winner” of this process.

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Maja KADIJEVIĆ

ENERGETSKA POLITIKA EVROPSKE UNIJE SA ASPEKTA PODELE U OVLAŠĆENJIMA U LISABONSKOM SPORAZUMU

Apstrakt: U ovom radu analiziramo način na koji se energetska politika EU, shodno Lisabonskom sporazumu, reguliše i primenjuje u praksi. Obradeni su svi delovi ovog sporazuma kojima se direktno ili indirektno utvrđuju nadležnosti u ovoj oblasti ili u okviru neke druge oblasti koje mogu utiču na vođenje energetske politike. Stoga su obuhvaćene i sfere drugih politika sa kojima se ove nadležnosti na neki način preklapaju, da bismo mogli da utvrdimo koliko se zbog ovakvih preklapanja otežavaju ili žrtvuju ciljevi energetske politike. U ovoj analizi pokušavamo da damo odgovor na pitanje kako su promene u ovlašćenjima uticale na ponašanje nadležnih institucija EU i sami proces donošenje odluka u sferi energetske politike. U krajnjoj liniji, pokušavamo da utvrdimo u kojoj meri takva podela nadležnosti može doprineti ili odmoći konceptu stvaranja jedinstvene energetske politike EU i implementaciji novopokrenutog projekta Energetske unije u praksi.

Кljučне речи: Energetska politika EU, Lisabonski sporazum, institucije EU, podela nadležnosti, promene u ovlašćenjima, projekat Energetske unije.

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COMBINING THE TRADITION OF BUSINESS PRACTICE BETWEEN EAST AND WEST ON THE EXAMPLE OF HONG KONG

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*Acknowledgment: This article is dedicated
to my dear mentor and professor Blagoje Babić.*

Abstract: The economic history of Hong Kong development shows that combining two seemingly unmatchable business traditions - British and Chinese (Western and Eastern), has resulted in one of the most successful economic developments in history. The first section of the paper deals with economic development of Hong Kong during the British rule while the second one addresses its development during the period from 'return' to China to the present day. It also looks into how the British colonial rule affected the Chinese system of business practice and how it complied with British practices. This is followed by the analysis of how Hong Kong business practice system changed during the period after the return to China. The last part is dedicated to proving the hypothesis that combining two business practices and two business cultures results in a creation of a new business culture which has the characteristics of both Chinese and British business cultures.

Key words: Hong Kong, Eastern and Western tradition, economy, business culture.

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BASIC GEO-ECONOMIC DATA ABOUT HONG KONG

The city of Hong Kong was part of Great Britain from 1842 to 1997 when The People's Republic of China resumed control of it. It covers the area of 1,104 square kilometers, out of which 1,054 is mainland and 50 square kilometers is the sea. Hong Kong's terrain is predominantly hilly and mountainous and the climate is subtropical.

As it is largely urban area, only 1% of the territory is used for agriculture. Apart from the harbour with an outstanding strategic position the city has no natural resources. The city consists of the main regions: Hong Kong Island, Kowloon Peninsula and New Territories. The literal translation of the name Hong Kong would be "Fragrant Port", since this used to be an island where wood products and fragrances were traded. Hong Kong is composed of approximately 260 islands and has a land border with Shenzhen and Guangdong province.

According to the data from 2015, the city has the population of 7,141,106. Average life expectancy is 43.4 years while birth rate is 0.38%. As for ethnic groups, 93% of the population are Chinese, 1.9% Filipino, 1.9% Indonesian and about 3% is other nations.

From 1842 to 1997 Hong Kong was under British colonial rule when the People's Republic of China resumed the control and now has the status of the Special Administrative Region, like Macao.

Gross domestic product according to purchasing power parity was US \$397.5 billion in 2014, while the GDP growth rate in the same year was 2.3%. In the structure of GDP, agriculture accounts for 0.1%, industry 6.6% and tertiary sector 93.3%.

The export during 2014 amounted US \$528.2 billion and the main export partners were China, the USA and Japan. Top export products included electrical machines, textile, clothes, footwear, clocks, watches, plastic, precious stones and printed materials. The import in the same year was US \$560.2 billion and top importing countries included China, Japan, Taiwan, Singapore and the USA. The import primarily included raw materials, semi-finished products, consumer and capital goods, food and petrol.²

² On the official CIA website, the numbers for import are calculated by cost, insurance and freight (c.i.f.) or free on board basis (f.o.b.) method and export by free on board basis (f.o.b.) method. Note: Re-export and re-import are very important in Hong Kong's economy and they are adding to the total value of export and import, and at the end to GDP. The official statistics of World Bank and Hong Kong Government are all including re-export and re-import, when they are calculating export and import of Hong Kong in their statistics.

THE HERITAGE OF BRITISH COLONIAL RULE: THE “TRANSFER“OF EUROPEAN BUSINESS PRACTICE

Hong Kong had a very turbulent history and development during the centuries which resulted in a very particular economy. Although its development is normally related with colonial rule of Great Britain, the case of Hong Kong is a particularly good example of how colonial rule can be used in a good way and also how the return to the home country after more than 150 years can be used as a new momentum for further development.

In the middle of the XIX century China was at war with Great Britain. This war is known as The Opium War and it lasted from 1839 to 1842. The aim of the war was to make China allow new import of opium from Great Britain. Initially, Britain imported expensive goods like tea from China and China imported silver from Britain in return. However, silver export became too expensive for Britons, so they decided to offer China a new kind of goods which would be cheaper. That was opium. The opium originated from India, and was imported in China by the famous British East India Company. Naturally, as the opium import rose, the number of drug addicts increased in China. Chinese Government strictly forbade opium import and these led to brutal conflicts of the British navy and Chinese army. In this war China was defeated by the opponent that was equipped with -of-the-art weapons.

After the end of this war in 1842, China was forced to sign a treaty in Nanking, and it brought no benefits to the country as it was the defeated side. The fundamental terms of this treaty were the following: the British gained the extraterritorial status, Hong Kong was ceded to Great Britain, trading ports Canton, Xiamen, Fujou, Shanghai and Ningbo became open for all merchants regardless of their nationality, while the Chinese government had to pay for reparation for destroyed opium and war indemnity.

Not all the British were happy with the outcome of the war, or with what Britain gained. There is historic evidence showing that the British population thought that invading Hong Kong territory was a complete nonsense as not many benefits could be expected from the city that only has rocks and the sea. The book “Entrepreneurship and Economic Development of Hong Kong” by Toni Fu –Lai Yu states the following: “When Hong Kong was ceded to the British in perpetuity by the Treaty of Nanking in 1842, Queen Victoria was most distressed to know that only a piece of useless granite was added to her Empire. The British Foreign Secretary Lord Palmerston dismissed Captain Charles Elliot for the reason that he had “obtained the cession of Hong Kong, a barren island with hardly a house upon it. Now it seems obvious that Hong Kong will not be a Mart of Trade. However, entrepreneurs saw things differently. Earlier in 1836, Great Britain’s most significant opium trader, James Matheson (who was Scottish),

conceived the acquisition of Hong Kong Island as a factory for British and notably Scottish traders. He claimed in *The Canton Register* that: “If the lions paw is to be put down on any part of the south side of China, let it be Hong Kong; let the lion declare it to be under his guarantee a free port, and ten years it will be the most considerable mart east of the Cape. History has confirmed the entrepreneur’s insights.” (Yu, 1997, p. 1)

Between 1841 and 1857, the population of Hong Kong increased from 7,500 to 85,000 (mostly Chinese). The number of foreigners also grew by a few hundreds to about 1,600. (Schenk, 2010) During that period, the main business activities were trade, banking and transport by ships. It was when a number of small companies were founded by the Chinese and their primary aim was satisfying the needs of local communities. Foreigners opened several factories that produced sugar, cement and ice. Thus, Hong Kong did not experience industrialization or significant progress. Additional treaties with China from 1860 and 1898 allowed the inclusion of the regions of Kowloon and New Territories. (Chen, 2001, p. 189)

However, historic circumstances in China and the world that followed (overthrow of the Royal Imperial dynasty in China in 1911, the world economic crisis in 1930, the war between Japan and China in 1937, the World War II in 1940 and coming to power of Communist Party in 1949) contributed to the poor development of Hong Kong. The only thing that the city benefited from in this period was the fact that the majority of sailors and merchants used Hong Kong as a port instead of Shanghai. Up to 1950, Hong Kong served as a place of transit trade between China and the rest of the world. Still, after Mao Zedong’s coming to power, a large number of refugees from China came to Hong Kong, as a result of Kuomintang’s regime downfall. The majority of refugees came from Shanghai, and their immigration marked a new era in the development of Hong Kong. That was industrialization. Industrialization in Hong Kong was feasible since China broke off the ties with the West first, and then with the Soviet Union. That way China was excluded from Hong Kong economy. As a result, this city could no longer plan its development on being a mediator in the trade between East and West, but it had to find other means to move forward and that was industrialization.

The emergence of new immigrants from China in Hong Kong had the following consequences:

- more labour force ready to work,³
- adoption of production technology and cotton processing, and

³ Entrepreneurial class came to Hong Kong- craftsmen, workers and merchants after Mao’s revolution, while Taiwan refugees were predominantly the members of former government-politicians, army, and well-off Chinese who had difficulties getting used to the new circumstances in Taiwan (they were not ready to work hard and they thought they would be able to do business the way they used to in China).

– a new spirit of entrepreneurship, which enabled opening of a large number of small and medium companies - their number grew from 91% to 96.5% between 1955 and 1975 (the companies employing less than 100 people), and their export accounted for 40-50% of the total Hong Kong export on the annual level. (Schenk, 2010)

The period from the beginning of industrialization to the opening of China and introduction of “The Open Door Policy” was very successful for the economic history of Hong Kong. The data about GDP shown in Table 1 speak in favor of that.

Table 1. – Annual GDP and average GDP growth rate in Hong Kong from 1961 to 1980

Year	GDP (in HK \$ from 2005) HK millions of \$	GDP growth rate (%)
1961	79.354	-
1962	90.591	14.2
1963	104.824	15.7
1964	113.804	8.6
1965	130.292	14.5
1966	132.566	1.7
1967	134.804	1.7
1968	139.368	3.4
1969	155.096	11.3
1970	169.394	9.2
1971	181.516	7.2
1972	200.633	10.5
1973	225.323	12.3
1974	230.454	2.3
1975	231.404	0.4
1976	268.955	16.2
1977	300.686	11.8
1978	325.825	8.4
1979	363.777	11.6
1980	401.392	10.3

Source: http://www.statistics.gov.hk/publication/stat_report/national_income_bop/B10300032007XXXXB0201.pdf

Until 1960, Hong Kong did not have an official statistical service and the data about the previous periods would not be comparable with these from the official Statistical service (Census and Statistics Department, The Government of Hong Kong Special Administrative Region), which is why they were not taken into consideration.

According to Table 1, Hong Kong economy during the period from 1960 to 1980 was only successful twice: first between 1966 and 1968 – when the influences of Chinese cultural revolution were felt in Hong Kong, and then during the first oil crisis – when its price resulted in the increase of the cost of production and financial losses all over the world.

What were the characteristics of this period of development of Hong Kong and how did the Government of Hong Kong then consisting of British officials, influence the development of the city?

Today, Hong Kong is the best example of *laissez-faire* capitalism, where the freedom of capitalistic way of performing economic activities is dominant, as the government has a minimum influence on economic trends, and entrepreneurs make their own decisions about supply and demand. During the period of British rule and until this very day, Hong Kong was the first in the world according to the Index of Economic Freedom (constantly from 1995 to this day) followed by Singapore. Still, although many scientists think that such economic policy is the key factor of Hong Kong development (together with entrepreneurship development); there are others who argue that it also means marginalizing the role of the state in the development process, which is not true. The truth is that British governorship did everything to provide the freedom of earning a living to all interested parties. This meant low taxes, flexible labour laws, no public debts and free trade. Also, ever since 1950, a lot has been done to help people and companies. Namely, large amounts of money were invested in providing normal living conditions for the people like building council houses, infrastructure, and deforestation. This enabled:

- a) normal life for the citizens and development of production (real estate prices at that period were strictly limited so that everyone could afford accommodation and set up companies);
- b) foreign companies to invest more easily in Hong Kong as it had developed infrastructure. Together with that, public administration took an additional task upon itself to establish a good primary and secondary school systems in order to provide well educated and qualified workforce that mainly worked in production. Thus, state administration had its role and it did not let anything happen *ad hoc* - on the contrary, it had a very active role in creating business environment.

There were two phases of development of Hong Kong during the British rule: the first phase - industrialization that lasted from the 50's until the 80's of the 20th century and the second one, still ongoing phase of introduction of the "Open Door Policy" by Deng Xiaoping.

Hong Kong Industrialization started with emergence of immigrants from China to Hong Kong, after the victory of Communist Party of China. A large number of immigrants that came to Hong Kong wanted to work in accordance with the

capitalistic and not communist laws. Their will and desire to succeed in a new country initiated the industrialization process, which made a substantial shift in the business practices and development of Hong Kong. Namely, this is when the upswing of the two principal industry sectors began. It contributed to the great success of economy as a whole. These two included the textile industry and electronics industry (cassette decks production, music equipment, TV sets, video recorders, computers, chips, etc.).

During this phase, the production sector played the most important role in the development of Hong Kong economy because it provided the following: employment for a large number of people; increased export and higher export income; sufficient quantity of additional capital with the aim to transform the production from the primary industry forms (like clothes, textile, footwear, plastic or paper production) into a more sophisticated form of industry, like electronic.

This is shown in the following three tables (2, 3 and 4), which provide the data about the arrangement of output industry in different sectors, a number of workers employed in those sectors and their share in the export of Hong Kong (Yu, 1997, p. 67, 69, 70).

The tables show that clothes production and textile industry had the primacy and were followed by the production of machines and plastic, while electronics industry developed only later. The arrangement of workers by sectors was also the same, which means that clothes and textile industries had the largest number of employees. Initially, textile and clothes industry made the greatest contribution to export but their share started decreasing later on, while the share of electronics industry kept increasing.

Table 2 – Industrial production in Hong Kong by sectors and selected years
(in %)

Industry (distribution in %)	1973	1978	1983
Clothes (woven clothes and footwear excluded)	22	24	21
Textile industry	29	19	16.7
Plastic products	8	7	7
Paper products, printed materials and publishing	4	4	4.5
Metal products, machines and equipment	12	17	18.4
Leather, wood and cork	3	3	2.6
Food industry	5	4	4.4
Electrical and electronic products	11	14	18.3
Chemical, rubber and non-metal products	3	4	3.6
Other	3	4	3.5
Total	100	100	100

Table 3. – The number of employees in industrial production in Hong Kong by sectors from 1950 to 1980 (in %)

Industry	1950	1960	1965	1970	1975	1980
Clothes	2.4	23.8	25.6	28.8	37.9	30.9
Electronic products		0.1	1.5	7.0	7.9	10.4
Textile industry	30.6	24.4	19.1	14.0	12.5	10.0
Printed materials and publishing	7.1	4.3	4.4	3.3	2.9	3.0
Plastic products	0.3	8.3	12.8	12.9	9.4	9.7
Metal products	17.6	8.5	6.5	6.5	6.7	7.0
Machines				1.2	1.3	1.4
Watches and clocks		1.1	1.3	1.8	2.3	5.5
Food processing	4.2	3.9	3.5	2.5	2.5	2.5
Toys		3.3	5.9	7.2	5.5	6.2
Jewelry		0.4	0.6	0.5	1.2	1.2
Home appliances		0.4	2.2	0.5	0.9	1.8
Photographic and optical equipment		0.3	0.7	0.6	0.5	0.9
Other	37.8	21.5	15.9	13.2	8.5	9.5
Total	100	100	100	100	100	100
Total employment (in 000)	51	172	287	549	679	892

Table 4. – Share of Hong Kong manufacturing industry in export by sectors in the 1950-1980 period (in %)

Industry	1950	1960	1965	1970	1975	1980
Clothes	4.4	35.2	35.5	35.1	44.6	34.1
Electronic products			4.2	8.7	12.0	19.7
Textile industry	17.6	19.3	16.6	10.3	9.4	6.7
Watches and clocks		0.6	0.6	1.7	3.5	9.6
Plastic products		9.1	13.1	12.3	8.6	9.0
Jewelry		0.7	0.6	0.9	1.5	1.1
Metal products	2.4	4.1	3.1	2.8	2.6	3.0
Printed materials		1.1	0.9	0.7	1.0	1.1
Other	75.6	29.9	25.4	27.5	16.8	15.7
Total	100	100	100	100	100	100
Total export (in millions HK\$)	3.705	2.869	5.023	12.356	22.648	64.714

During this period of Hong Kong development, the following factors had substantial importance:

- involvement of Chinese entrepreneurs in the then profitable business,
- the fact that entrepreneurs were quick to adapt to the changes in product design and technology using imitation strategy of technologically advanced companies and countries,
- entrepreneurs' insistence on quick capital turnover because that was the only way they could make enough money with the aim to start a new production cycle.

It is important to point out that Hong Kong citizens running small businesses never invested money in research and development as they thought it was too expensive and their profit rates were already low. Although a significant number of companies were set up every year, not all of them were equally successful. Such phenomenon in this society was not considered a serious problem, as one failure did not necessarily mean that the next venture would also be a fiasco. On the other hand, both domestic and foreign companies struggled with the fact that their staff left the company after a few years, having learned enough to be able to start their own business. Still, young businessmen were not criticized because of this and it was considered normal. Also, nobody was judged or condemned for stealing knowledge or technology as they had already “stolen” it from someone else. Thus, the people of Hong Kong were always ready for new impulses on the market and setting up new businesses. Another interesting evidence for this can be found in the history of Hong Kong. Namely, local companies were mostly small and medium ones and they operated in subcontracting system. Big Hong Kong and foreign companies could not easily find local businesses that were able to fully meet their demand, so they usually recruited several subcontractors that would be involved in the same business activities.

Although successful entrepreneurs in Hong Kong were Chinese (more precisely, the greatest number of them came from Shanghai), financial motivation was always more important to them than moral – which is utterly in contrast with common Chinese business practice, where more motivation is one of the crucial characteristics of management. However, it is important to point out that this urge to get rich is a result of the “type of people” that settled in Hong Kong: those were the ones that chose capitalism as the business practice that suits them.⁴

The environment provided by the British colonial rule was favorable for their interests and goals as the government did nothing to either help them or constrain them in their wish to make great profits and increase capital.

⁴ In his book *“City on the Rocks: Hong Kong’s Uncertain Future”* from 1991, p. 67, the author Kavin Rafferty says the following: “More than any other place in the world, Hong Kong is dedicated to making money, and after that to making even more money.”

Deindustrialization was the second phase in Hong Kong development during the British colonial rule and it lasted from 1979 to 1997 which is when Hong Kong was returned to China. This term is quite clear, but the question is what exactly did it mean for Hong Kong business practice?

As already mentioned Den Xiaoping's coming to power in China in 1977 marked a new era, which was a shift from communist economy to market-oriented – which meant China's opening to the outside world. This "Open Door Policy" resulted in formation of special economic zones (SEZ), which were some kind of an experiment aiming to determine whether gradual opening of certain cities to foreign investors would have any benefits for China. This was actually the experience from Hong Kong, a former Chinese city, as Deng Xiaoping knew very well what economic results Hong Kong was delivering. Of course, he was aware he could not achieve the level of market liberalization that he had in Hong Kong but he chose Guangdong and Fujian, which are close to Hong Kong, with the aim to connect these regions with the city of Hong Kong. Deng particularly encouraged Guangdong province to adopt this open door policy for foreign investments as it was below average at that time, when it comes to development.

After establishing SEZ, a key turning point happened for both China and Hong Kong. Namely, British colonial rule liberalized the real estate pricing policy and in the end of the 1970s these prices rocketed dramatically which caused the increase in the costs of space renting. At the same time, thanks to the public administration efforts, the percentage of educated population increased and the cost of labour force was not as low as it used to be. Hong Kong entrepreneurs thus earned less, and individuals started closing their companies due to worsened conditions of work. However, the opening of China helped a great deal to Hong Kong, as it became again what it used to be before the World War II: a place of doing business and transit trade between China and the rest of the world, but slightly different this time. The fundamental characteristic of this transit period was that the businessmen from Hong Kong were now moving their production from Hong Kong to China as they could find abundance of cheap workforce there and they were also familiar with Chinese culture, negotiation style and setting up business. However, they did not stop at just moving their production to China, but they were trying to find other favorable locations for their businesses, like Malaysia, Thailand and the Philippines. Table 5 shows key factors that motivated Hong Kong entrepreneurs to relocate their businesses to other countries.

Table 5. – Key factors that motivated managers to move production from Hong Kong abroad

Motivating factors	Result (1-7 scale)
Shortage of labour in Hong Kong	5.6
High labour costs in Hong Kong	5.2
To facilitate the export to other regions	5.0
High land cost of and rent in Hong Kong	4.9
To open up new markets by directly investing there	4.3
Lack of technical and skilled labour force in Hong Kong	3.8
To circumvent tariffs and quota	3.6
Expanding existing markets	3.3
To avoid the pressure of competition from other firms	2.8
To exploit further the advantage of the managerial and marketing skills of the Hong Kong parent firm	2.6
Diversification of product	2.5
High capital costs in Hong Kong	2.0
To exploit further the advantage of the technical and production know-how of the Hong Kong parent firm	1.6
As a means of managing the financial assets of the Hong Kong firm	1.4
Lack of high levels of technology in Hong Kong	1.1
To make use of the outdated machines	0.9
Lack of management manpower in Hong Kong	0.4

Source: (Yu, 1997, p. 80)

Other economic sectors developed as a result of such rapid relocation of production to the places where it was more economical, which compensated for the lack of industry and employed the excess workforce. Due to inability to work in agriculture in Hong Kong and deindustrialization process, service sector developed, more precisely tertiary sector, which now accounts for 92% in Hong Kong's GDP. Thus, the development of banking and financial sectors, consulting companies, brokerage firms, tourism and hotels, transport and other everyday service activities enabled further development of Hong Kong. When it comes to this aspect, Hong Kong is no different from other developed countries, as the trend worldwide in the last twenty to thirty years has been to decrease the share of industry in GDP, and increase the share of tertiary sector.

Hong Kong entrepreneurs once again showed their abilities here - they responded to market changes quickly and switched to tertiary sector. Of course, this process of opening factories in new locations was not easy, and not always successful, but in most cases it was more than satisfying.

THE HERITAGE OF CHINESE LONG-LASTING CIVILIZATION: PRESERVATION OF CHINESE “OPEN-MINDEDNESS”

A new chapter in the history of Hong Kong began after its return to China. The period immediately before this return was confusing, to say the least. Although several meetings were held and a few treaties were signed between the British and Chinese during the eighties, businessmen and citizens were in panic because of the Chinese coming to power. A majority of western media was announcing a severe decline of Hong Kong. They thought that Chinese government would insist on Hong Kong's abandoning everything it had created, speculating that stock market would crash under Chinese influence which would result in people losing their jobs. This system of propaganda was partially successful in changing some things, but the major consequence was workforce leaving Hong Kong and relocation of a large number of companies to neighboring Asian and Pacific countries.

Still, the reality was completely different. Ever since 1997, Hong Kong has been developing. The evidence for that are relevant statistical data – starting from GDP, GDP growth rate, GDP *per capita*, economic freedom index, stock exchange income and standard of living in general. The principle which is still used in China today “one country, two systems”, meaning that Hong Kong, as it is, continues to exist within socialist China- proved to be true and successful in this case.

Since the takeover in 1997 and in the following fifty years, Hong Kong will be under the protected business system and Government. It is also a Special administrative region of the People's Republic of China (together with Macao). Generally, not much changed in Hong Kong after its return to China: the members of local government were now Chinese, public holidays no longer celebrated the royal British family, banknotes had Chinese symbols and not British, Yuan was used together with Hong Kong dollar, foreigners were required a visa to work, educational system slightly changed and everything else stayed the same.

The intensity of cooperation with Hong Kong increased - more money was invested in production in China, trade was intensified and the Chinese in their home country used the experience and position of Hong Kong companies to reach foreign markets. There is a lot of prejudice in the West about Chinese goods, including production technology, quality control, which is why certain countries introduced quotas in order to lower import of Chinese products which are much

cheaper than domestic goods. Thus, Chinese companies use Hong Kong companies to place goods and products in European, American, Australian and Canadian markets because the “Made in Hong Kong” label has a better reputation than the “Made in China” one. Also, many western companies that are still unsure of investing directly in China often use consulting companies or production companies from Hong Kong to place the funds through them in China, because Hong Kong companies have a better knowledge and understanding of Chinese business practice (Sang Ho, 2001, p. 227). That way Hong Kong regained the role of a ‘transit node’ for the trade and business with China.

The above mentioned suggests that the “Chinese open-mindedness”, i.e. willingness to accept and adapt to the new has definitely contributed to a new and successful phase in the development of both the home country and former colony.

In a way, from the moment it was taken over to this day, Hong Kong has experienced two critical situations that could have affected it even more severely, but they did not because it was part of China at the time. The first one was the 1997-1998 financial crises in Asia that started a day after Hong Kong was returned to China and the second is the still ongoing world economic crisis.

1. The first crisis in Asia, which was a currency crisis, left severe consequences on Hong Kong, primarily affecting its currency and stock market. It also affected the businessmen that were investing in the Asian-Pacific region, and that were hit by the crisis the most, like Thailand, North Korea, Indonesia and partially Japan.

By major interventions on financial markets, Hong Kong managed to defend its currency from speculators attacks and large amounts of money were spent on that. China handled the crisis much better, thanks to stability of Chinese economy, and its regulation mechanisms and not particularly great openness towards IMF and WB managed to diminish the negative effects of the crisis, although Chinese government realized that certain reforms must be enacted. Chinese stability in such situation together with effectiveness of the Central Bank of Hong Kong made it possible for them to overcome the crisis and come out in far better condition than the neighboring countries. In the years to come, China helped Hong Kong to recover even more rapidly, particularly through production and export.

2. The second crisis hit the whole world, including Hong Kong and China. However, the blow again was not as hard as was expected since Chinese economy was still in swing. The number of direct foreign investments decreased, export fell by 20%, and the unemployment rate increased, but Chinese government started helping industry on time with the aim to diminish the negative effects of the crisis. Also, it was necessary to provide help for Hong Kong, one of the leading world financial centers, to stay at

that position. Thus, in this case, the integration in big Chinese economy saved Hong Kong from a much worse scenario.

The data in Table 6 show the effects of opening of Chinese economy towards Hong Kong, focusing on the GDP and GDP growth rate from 1981 to 1997 when Hong Kong was taken over by China. The table suggests that Chinese opening had a positive effect on GDP growth rate in Hong Kong. Although China is not a single reason for GDP growth (as there were investments outside China), the greatest volume of trade and capital export was achieved with China.

Table 6. – Annual GDP and average growth rate of GDP in Hong Kong from 1981 to 1997

Year	GDP - \$HK millions (in \$HK from 2005)	GDP growth rate (in %)
1981	439.078	9.4
1982	452.174	3.0
1983	478.942	5.9
1984	526.382	9.9
1985	530.147	0.7
1986	588.657	11.0
1987	667.571	13.4
1988	723.945	8.4
1989	740.032	2.2
1991	812.666	5.7
1992	862.181	6.1
1993	914.285	6.0
1994	969.265	6.0
1995	991.492	2.3
1996	1033.065	4.2
1997	1085.300	5.1

Source: http://www.statistics.gov.hk/publication/stat_report/national_income_bop/B10300032007XXXXB0201.pdf

The trend of success in doing business with China continued after Hong Kong was taken over. However, immediately after its return to China, the GDP was negative, which certainly was the result of the following: impact of Asian financial crisis and withdrawal of a large number of investors who were worried about the future of their money and companies.

From 2000 to 2010, average GDP growth rate in Hong Kong was approximately 4%, which is a great success- taking into account the recovery from Asian crisis and the new global financial crisis. Based on the presented data, we can definitely conclude that the return of Hong Kong to China has had mutual benefits. On the one hand, China has reinforced its economic and political positions with the assistance of Hong Kong in terms of knowledge, connections and finances. On the other hand, Hong Kong now has a new, globally powerful economy that gives it strength and momentum to move forward and make progress. Although they were separate entities for a long time, today the new “David and Goliath” work well as a unity and it seems as though they had never even been separated.

FERMENTATION OF NEW KIND OF MANAGEMENT

After the description of the British impact on the development of Hong Kong’s economy, this part of the paper will show that in this town, because of the 150 years’ colonization influence, there was a change in the original type of management (Chinese type), and that this was a reason why new type of management emerged – the Hong Kong’s type.

Chinese people make 93% of the population in Hong Kong. It means that, although in Hong Kong live many different nationalities, Chinese people are without doubt a dominant nationality. Judging by that, we could claim that Chinese business culture, as well as Chinese management practice, is dominant too. However, is that the case here? Next explanations will show what the current situation in this field is.

Of course, in Hong Kong we cannot overlook nationality, cultural norms and values that the Chinese people brought with them from different parts of China and that they nursed through one and a half century of British colonial Government. We can prove that by providing some facts: in Hong Kong people respect Confucianism, Taoism as well as Buddhism; people make business connections with mutual obligations – called *guanxi*; also all the beliefs and values that the people from mainland China have, are the same in Hong Kong. What was different in the old times, and today those differences are slowly starting to decline, was the economic and social model of development that was reflecting on their behavior. Today, for example in Hong Kong the wish for material wealth and personal achievement is much bigger than in mainland China. We can illustrate that with following everyday examples: in Hong Kong, when two friends meet each other during the Spring Festival (Chinese New Year), they greet each other with *Kung He Fat Choy* “wish you rich”; many of them worship God of Fortune; wealthy people put number 8 on their license plates because it means that they are rich. (Yu, 1997, p. 50)

In order to analyze similarities and differences between the business culture and management practice in China and Hong Kong, and as well to see the impact of Anglo-Saxon business culture on Hong Kong, the study from Ralston, Gustafson, Cheung and Terpstra (1993.) that was published in the *Journal of International Business Studies*, will be used in this paper. The aim of their research was to show what are the differences and similarities between management practice in the USA, Hong Kong and PRC that are coming mainly from their different cultural background.⁵

The authors of this study wanted to see through their research and statistical data is there a correlation within business culture in the USA and China from one side, and Hong Kong from the other side – is the process of divergence, convergence or crossvergence within business cultures happening in Hong Kong? *Divergence* for them is the process in which one business culture stays immune from the impact of other business cultures and keeps its identity, regardless of social and economic impacts that are coming from the other cultures. *Convergence*, on the other hand is a completely opposite process, and it means that one nation is adopting business experience and culture from different nations within one country. *Crossvergence* is the process between this two, and it allows the third alternative. Because we have two different business cultures and practices, through their interaction we can have new (third) way of business practice.

The authors first studied background of those three countries at that time. The USA had a liberal capitalism as economic model, it had a specific legal and justice system, in this country there was a high degree of individualism among the people, and also high degree of technical development. China, on the other hand, was a country in which ruled collectivistic Eastern culture, that was mixed with socialist market oriented economy and legal practice, and at the time this article was written (1993) had a low level of technical development (completely different situation with tech nowadays). Hong Kong was the mixture of those two previous systems, because at that time there was still British Government there, so we had a British system of law, economy and education with a high level of tech development, but on the other hand the Chinese people were the majority in this city, so there was a tremendous impact of Chinese culture and tradition on every day living. So, at that time we could say (and in some ways we still can), that the business system was coming from the West and cultural values were coming from the East.

⁵ Remark: This study is used as a relevant one, because although it has USA instead of UK, their business practices are very similar. We can show that by using Hofstede cultural dimension (more about them on next pages), that they are very similar countries: USA – PDI:40, IDV:91, MAS:62, UAI:46, LTO:29, UK - PDI:35, IDV:89, MAS:66, UAI:35, LTO:25.

Their study is exceptionally long, and here will be showed some part of it and authors' conclusions.

Ralston and al. study had a sample of total 326 managers, in order to see what their managerial and business values are, but on the other side also their cultural values: 62 of them coming from the USA, 182 from China and 82 from Hong Kong. Considering the fact that both the USA and China are geographically large countries and that there are differences between management practice in different parts of those two countries, the researchers decided to collect data from managers in the USA that are coming from northeast part of the country, and managers from Shanghai in China. Researchers at this study wanted to see what characteristics are usual for Western and Chinese business practice, and they chose to test it in all three countries, getting the results which will be shown in the next part of this paper.

Measures that were used to describe Western management practice were:

- *Machiavellianism* – is a measure of a degree to which person places self-interest above the interest of the group, and its higher value indicates that those societies are the one in which individual interests prevail;
- *Dogmatism* – the degree to which a person is not flexible or open to new ideas and the lower degree of it means that the person is more open to new things;
- *Locus of control* - individual feeling of selfcontrol;
- *Intolerance of ambiguity* – ability of people to make decisions in uncertain environment.⁶

Measures that were used to describe Chinese management practice were:

- *Confucian work dynamism* – is a measure for society's search for virtue, and it represents a way that a society respects social hierarchy;
- *Human-heartedness* – individual level of social consciousness and awareness, and it represents the level that people can have compassion towards others;
- *Integration* – it reflects the need of people for social stability, and in a way it tells us if the society is tolerant or not;
- *Moral discipline* – is speaking about the way that persons are controlling themselves when they are dealing with other people, and it shows their ability to be moderate and prudent.⁷

⁶ The reference values were: *Machiavellianism* – from 40-160 (higher score means that people are preferring greater use of social power), *Dogmatism* – from 10-70 (higher score means that many people in society are rigid and dogmatic), *Locus of control* – from 0-23 (higher score means that there are more people with less ability to be self-independent), *Intolerance of ambiguity* – from 5-40 (higher score means that most of the people are having the need for security).

⁷ The reference values had a scale from 1 until 9, and the higher scores meant that there is larger connection with traditional Chinese values.

This research showed that there are significant differences between those three countries, regarding all four Western dimensions, and three from four Chinese dimensions were different among them. Only moral discipline was not significant, because there was no big difference among the selected countries regarding that measure.

Also, it was observed that there are big differences among American and Chinese managers, and Hong Kong was in the middle – it was the example of joining those two practices. It meant that Chinese managers in Hong Kong had adopted some of the Western traditions (such as individualism and individual goals), but still they haven't forgot their Chinese tradition and values. The existence of free market economy and capitalism, led to the change of concept of materialism, but the spiritual aspect of culture –one that reflected hierarchy, status in society and also Confucianism, was intact. So they concluded that Hong Kong has a specific type of management that is immanent to this city, with characteristics that are coming both from West and East.

In order to even better explain the impact of the UK on Hong Kong's way of doing business, in this paper the Hofstede model of cultural dimensions will be used. This model uses five cultural dimensions that are explaining differences among cultures and they are: power distance index (PDI), individualism (IDV), masculinity (MAS), uncertainty avoidance index (UAI) and long term orientation (LTO). The values of these indexes are presented in Table 7:

Tabel 7. – Hofstede cultural dimensions for Hong Kong, China and United Kingdom

Hong Kong	China	United Kingdom
PDI= 68	PDI= 80	PDI=35
IDV=25	IDV=20	IDV=89
MAS= 57	MAS= 66	MAS=66
UAI=29	UAI= 40	UAI= 35
LTO= 96	LTO= 118	LTO =25

As we can see, the power distance index in Hong Kong is relatively high, but it is not among the highest in Asia. It means that in Hong Kong we do have a respect for all kinds of social, economic and political power, but still this index is not as high as in China. The UK has completely opposite index, and in this

For both groups of measures (Western and Chinese) a statistical method called multivariate analyses of covariance was used, and dependent variables were all the above mentioned 4 Western and 4 Chinese values.

country we have lower PDI, which means that there is more flexibility regarding using and accepting power. The average value for this index is 55, so it means the Hong Kong is right in the middle between China and the UK.

Individualism in Hong Kong is very low, which means that this city has a society that is collectivistic, same as China. In this kind of societies, close and extended family and friends are very important, they tend to do job in the groups and the opinion of the society matters a lot.

On the other hand, the UK has a very high index of individualism, actually among the highest in the world, which tells us that in this society individual needs and goals are most important.

Uncertainty avoidance index is very low for all three subjects. That means that they tend to be more flexible towards the uncertainty in their future and environment. They accept changes as they come and go, and they are not afraid of them.

Long term orientation is an index that is same for China and Hong Kong, and it derives from Confucian beliefs and values. In its doctrine, time is considered as a relative thing, so people should not be running after things, and they need to let things happen. On the other hand, the UK has a short term orientation, which means that people are oriented towards short term goals and towards present time.

Hofstede cultural dimensions are telling us that there is strong cultural connection between Hong Kong and China, which was already showed in Ralston study. Unfortunately, this study cannot give us answers as Ralston study could before, about the changing of management practice, because it only measures cultural dimensions. But having in mind that Hofstede research can show us that Hong Kong and China are not completely the same, we could conclude that due to different economic, social and political development there are some changes within Hong Kong that are making a new kind of hybrid management. This new type eventually led to high performance in the economy and led to many successes of Hong Kong on international business level.

CONCLUSION

Hong Kong for sure is a good example of combining two opposite economic and managerial practices that gave fantastic economic results. The success of this economy model which is shown in this paper, illustrates in what way British colonial Government with its guidance, management and law practice contributed to development of Hong Kong. On the other hand, the process of Hong Kong's transition to Chinese government was also successfully done and finalized. This paper proved that by joining forces of Chinese tradition and entrepreneurship together with British liberal capitalism, Hong Kong's economy achieved great results. Because of that, this city enjoys a lot of business benefits and still stays

among most attractive cities in the world, especially for financial and high tech companies. Also, it can be said that the growth of Hong Kong was, in a sense, a classroom development study for China, because development and success inspired Chinese Government to establish “The Open Door Policy “.

The combination of Eastern business practice, with Western business practice, led to formation of completely specific way of doing business that is unique in Hong Kong. That kind of doing business slowly starts to spread across the mainland China, and the future research in this field will show if this kind of doing business will change national and business culture in it. Considering that national, as well as business culture are pretty stable, e.g. they are very consistent, it will be very interesting to see in the next period, if and in what scale business culture in China changed, and is it becoming more like Hong Kong or not.

Never the less, without any doubt we can say that the development of Hong Kong is very instructive, and its specific way of doing business was among the most important things that led to success of its growth model. Because of that we can conclude that crucial changes (e.g. new foreign government) in the history of one town or a state do not necessarily have to be negative, and sometimes (such as the case is here) they can be even very positive.

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Katarina ZAKIĆ

SPAJANJE TRADICIJE POSLOVANJA ISTOKA I ZAPADA NA PRIMERU HONG KONGA

Apstrakt: Ekonomska istorija razvoja Hong Konga pokazuje da je spajanje dve naizgled nespojive tradicije u poslovanju – britanske i kineske (zapadne i istočne), dovela do toga, da imamo primer jednog od najuspešnijih ekonomskih razvoja u istoriji sveta uopšte. Rad će se u prvom delu baviti ekonomskim razvojem Honga Konga od ulaska Velike Britanije na teritoriju Honga Konga, a u drugom delu će se baviti njegovim razvojem od prelaska u ruke Kine do današnjeg dana. Takođe tom prilikom će se sagledati na koji je način britanska kolonijalna uprava uticala na uobičajeni kineski sistem poslovanja i kako je teklo usklađivanje kineske sa britanskom praksom poslovanja. Poslednji deo rada je posvećen dokazivanju pretpostavke da je usled mešanja ova dva sistema poslovanja i dve poslovne kulture, došlo do stvaranja nove poslovne kulture, koja ima karakteristike kako kineske tako i britanske poslovne kulture.

Ključne reči: Hong Kong, Istočna i Zapadna tradicija, ekonomija, menadžment praksa, poslovna kultura.

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MOVING-UP IN THE GLOBAL VALUE CHAINS AND THE QUALITY OF JOBS- EVIDENCE FROM SLOVENIA

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Abstract: This article focuses on the relations among business strategies and quality of work life of employees. Study is conducted in a small national export-led transitional economy. We started with the proposition that it is important to understand how managers adopt different employment policies as a response to intense competition pressure in globalized production process. This analysis explored how Slovene firms are inserted in Global Value Chains (GVCs) and what this has to do with the quality of work life of employees. Analysis showed that business strategy is linked to employee relations and quality of work life (QWL).

Key words: Quality of work life, Global Value Chains, Business strategy, Employee relations, Human resource practices, National export-led transitional economy.

INTRODUCTION

We are interested in the quality of work from the perspective of understanding what types and what quality of work predominates in a given national context, therefore joining the discussion on the distribution of different types and qualities of work, which is, because of various reasons in the present, falling. Post-Fordism (Vidal, 2013 a) – with its dominant logic of employment externalization – has impacted negatively on key aspects of job quality, such as wages, opportunities for training and promotion, security and work intensification. Vidal (2013 a) identifies four generic labour process types within post-Fordism – high-autonomy, semi-autonomous, tightly constrained and unrationalized labour-intensive processes –

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and constructs a typology of variations in job quality within each, thus providing a framework for analysing historical and cross-sectional variations in job quality.

Our discussion is moving towards discovering the reasons of why employers in one national export-led transitional economy opt for the different employment strategies, although most of them are subjected to the same dominant logic of competition and therefore subjected to the dominant institutional logic of employment policies.

The development of various employment policies of employers in the national context is not random. Business strategies depend to some extent on the position which organization occupies in the international division of labour, which is in this study conceived through Global Value Chains (GVCs) (Gereffi et al., 2005) and on where the organization wants to get in the international division of labour in the future. Slovene economy has a place on the European periphery and is in the process of transition as late arrivals faced with the challenge of the catching-up process (Coe et al., 2008; Sangmoon Park and Zong-Tae Bae 2004). Especially firms in catching-up economies and developing countries have to face many extra competitive pressures. Being part of GVC is one of the strategies to enter the international market. Discussions dealing with the social consequences of global value chains (GVC-s), the future of businesses, as well as the competing demands for the technological upgrading of companies (Gereffi et al., 2005; Humphrey and Schmitz, 2002, Schmitz and Knorrninga, 2000; Schmitz, 2006), recognize that participation in global production networks produces mixed results for the employees of these companies (Gibbon et al., 2008). Although global supply chains can provide new jobs and increase wages in poor regions, the growth of local employment can be accompanied by increasingly segmented conditions of employment (Nadvi, 2004).

This paper is organized as follows: first, the job quality research is discussed. Then conceptual framework of moving-up and up-grading of firms in GVC-s in catching-up transitional economies is considered and hypothesis developed. Third the analysis presented and finally, results are discussed.

JOB QUALITY AND JOB TYPES

Some authors have examined job quality in terms of individual perceptions of their jobs and working conditions; others have looked at variations in job quality in different occupations and segments of the labour market; and still others have sought to explain diverse patterns of job quality in different countries and institutional regimes.

Literature highlights that the better jobs are those that emphasize worker autonomy and discretion over the job (Kalleberg and Vaisey, 2005), therefore finding

its roots in work and industrial sociologists who focused on job features such as job autonomy, skill levels and effort.

Whether a job is considered good or bad depends on a large number of characteristics of one's work and working conditions, including: how much money and fringe benefits one receives from the job; the degree of job security; the extent to which jobs enable a person to use her skills and to develop further skills; the amount of flexibility allowed in working hours and schedules; and the degree to which workers are able to participate in decisions and to exercise autonomy and control over their work activities. Gallie (2007) took core dimensions of job quality to be: skill level, the degree of task discretion or autonomy, the opportunities for skill development, job security, and the extent to which jobs are compatible with work-family balance. However, the issue of work pressure was also addressed in the context of work-family conflict and that of pay in the context of changing skill profiles.

It has been shown that multiple factors and forces operating at multiple levels influence job quality. It is shaped by: at the micro-level, psychological characteristics such as personality traits and dispositions; meso-structures, such as how work is arranged and ordered within organizational divisions of labour; and macrostructures, such as the institutional regimes, employment policies and capital-labour relations within particular countries.

Holman (2013) found in his analysis the high proportion of high-strain jobs in EU societies and especially in transitional economies.

He argued that these country variations in job quality are rooted primarily in differences among institutional regimes in their employment policies and the relative organizational capacity of labour. As such, Holman (2013) argues that job quality in southern European and transitional regimes is likely to be low, and lower than in liberal regimes, as a result of differences in education and training systems and managerial practices. He finds that social democratic institutional regimes (Denmark, Finland, Sweden) have the greatest proportion of high-quality jobs, Southern-European countries (such as Italy, Greece, Spain) have especially high proportions of passive-independent and insecure jobs, whereas transitional institutional regimes (Eastern European countries) have high proportions of high-strain jobs.

He argued that the high proportion of high-strain jobs in transitional economies might be due to recent economic liberalization resulting in higher job demands and the legacy of autocratic styles of management from the communist era keeping job discretion low (Goergen et al., 2009; Whitley, 1999; Stanojević, 2014). This premise is interesting, but it is not enough for the articulation of approaches and the analysis of the quality of work and employment within each national context. The specific expression of job quality in a particular institutional regime might be explained by contextual, organizational or individual factors not considered in his research. Our paper tries to fill this gap.

In transitional economies the collapse of socialism, combined with the transition from a centrally planned and centrally managed economy to a market-driven one, with escalating inflation and novel forms of competition, had significant repercussions on the basic fabric and nature of organisations, their management and their employees (see, for example, Stanojević, 2006). To understand this dynamics, we now turn to shed some light into transitional economy, how it is organized.

GLOBAL VALUE CHAINS IN TRANSITIONAL ECONOMY

The Slovene transitional economy is intensely involved in integrating with the global economic flows. Operating on a global scale does not only bring companies advantages like lower costs and access to new markets. The liberalization of trade and the emergence of new information and other technologies have also enabled the rise of patterns of globalized production in various industries (Gereffi, 1999; Abernathy, Hammond and Weil, 1999; Arabandi, 2011; Arnold, 2010). Global customers, including retailers and the selling of brands are now providing both material components as well as specifications of production for manufacturers in developing countries who “manufacture and supply a number of products in a given time” to global customers (just-in-time-delivery). This results in the creation of direct connections between global customers and local manufacturers, as well as between global demand and local production.

These connections to global customers have dramatically changed the organization of production and employment practices especially in transitional economies. Globalization has created “a relentless battle to the death” type of competition, where companies pressure the local workforce in order to achieve a higher level of competitiveness in the global market be it in the form of Multinational Companies (MNCs) (Appelbaum and Christerson, 1995; Hale, 2002; Ross and Chan, 2002) or in the form of small companies participating in global supply chains. There are two sides to a modern organization dealing with production on a global scale. The first type of organization with “high-road” technological advances, innovations and highly developed human resource (HR) practices is the complete opposite of the other type, characterized by “low-road” HR practices with an overburdened, low paid workforce (Arnold, 2010).

While there are various approaches to the study of GVCs, one area of common concern is the impact of GVCs on the capabilities of local supplier firms and the opportunities that participation in these new forms of international organisation offer for upgrading and enhancing the knowledge and skills content of productive activity (Schmitz, 2006). Despite the positive account of the potential for knowledge transfer and the upgrading of supplier capability, empirical research on GVCs has also shown that a complex relationship exists between different forms of GVC governance, the ability of suppliers to absorb external knowledge and the

possibilities for further upgrading. Upgrading of capabilities as a result of insertion in GVCs is not automatic or guaranteed. This has led Humphrey and Schmitz (2002) to argue that different forms of chain governance have different implications for upgrading. In industries where supplier capabilities are weak, and where products and specifications are complex, captive relationships may exist where suppliers may be confined to a narrow range of tasks and be highly dependent on lead firms (Gereffi et al., 2005). The ability of supplier firms to absorb and internalise these external and novel managerial, organisational and technological practices, and upgrade their capabilities and reach better position in GVC-s by gaining business function of marketing, research and development is merely depending on supplier's capabilities to innovate. To answer Gereffi et al's (2001: 2) questions: 'What potential is there for firms, industries and societies from the developing world to "upgrade" by actively changing the way they are linked to global value chains?' Despite the significant role of internationalization of firms in developing countries, relatively little is known about strategy and behaviour patterns of firms in developing countries.

Many classifications of business strategies exist in literature (Porter, 1996; Mintzberg et al., 1998). For our analysis we chose the typology developed by Milles and Snow (1983). They divided organizations into four groups:

Table 1 Classification of business strategies by Milles and Snow (1983).

PROSPECTIVES	Search for new markets and cover a wide segment of market conditions, developing new products and constantly expanding developing fields
DEFENDERS	Develop a stable business strategy; they develop central technology and cover and control the central segment of the market.
ANALYSTS	Search for new markets and retain traditional markets; they maintain traditional products and markets and do not search for new production possibilities.
REACTORS	Characterized by constant instability and bad effectiveness, their basic characteristic being that they react inappropriately to their own environment.

This classification was used to serve as an indicator of dynamic patterns of strategic evolution and of a firm growth. It helps us understand the role of innovation in business strategy. The role of innovation is very important in interrelations in GVCs. Innovations largely show how many business functions can the firm integrate into its strategy and if it can move vertically from the lower parts of the chain of the added value in the GVCs to the higher levels of the chain of

added value. Moving vertically upwards from the reactor to the analyst, from defender to prospective firm it means generating more added value in their production process. The innovations strategy allows this. The degree of innovation of firms is an indicator of this vertical moving, irrespective of where and at what stage the company is currently located in the GVCs. Therefore, in our study, we used the intensity of innovation of a firm as an indicator of movement in the chain of added value in either the GVCs or the MNCs or the classical export.

PROPOSITIONS AND HYPOTHESES

Our first proposition is that in Slovene firms primarily choose the strategy of defenders and analysts. They maintain traditional products and markets and sometimes search for new production possibilities, however predominantly they just serve as subcontractors.

1a Firms with innovation strategy will be more successful than firms with other business strategies.

1b Firms with innovation strategy will be more innovative than firms with other business strategies.

Our second proposition is that a business strategy is transferred to HR practices and programmes.

2a Firms with innovation strategy will offer better jobs and higher quality of work life (QWL).

Organizational behaviour literature for example Hammer and Sanchez (2007) identified quality of work life (QWL):

‘as a personal reaction to the work environment and experiences such as perceptions of control, satisfaction, involvement, commitment, work-life balance, and the wellbeing in relation to someone’s job and organizations, with no one generally accepted definition of the term’. (p.651)

2b Firms pursuing a strategy of low cost will offer low quality jobs and lower quality of work life QWL.

Innovative business strategy (Porter, 1980) is likely to be associated with more sophisticated forms of human resource management (HRM), which include greater investment in training and higher levels of pay (e.g. Schuller and Jackson, 1987a).

Our third proposition is that HR practices influences the quality of work.

The role of human resources in an organization can be managed in different ways. It can be in “external” accordance with the business strategy and we can achieve “internal” adaptation (Schuller, 1992), high commitment and low commitment HRM (Schuller and Jackson, 1987). The HRM model developed in

an organization can be “soft” or “hard” (Legge, 1995) or of high and low road to HRM (Arnold, 2010).

3a High road HR practices will be related to job satisfaction.

Mohr and Zoghi (2006, 2008) have found that different approaches to improve work (job enrichment) tend to raise the level of satisfaction among employees.

3b High road HR practices will be related to job commitment

Upon realizing that the organization contributes to his well-being, an employee develops a high level of commitment to his organization and is bound to it (Guest, 1999; Vandenberg, Richardson, and Eastman, 1999; Origo and Pagani, 2008).

3c High road HR practices influences a balance of work and private life.

For the starting point of current analysis of the work-life relation and the understanding of employee well-being was used, which is on the UE level (EU Framework Five study) (Eurostat 2004), the European context, more highly respected. The analysis has shown that work intensification has been strongly detected in all eleven countries included in the analysis and that European workers have to negotiate with their superiors regarding matters of their interests and well-being (Prilleltensky and Prilleltensky, 2007).

METHODOLOGICAL FRAMEWORK: DATA, INDICATORS AND MEASURES

An empirical quantitative analysis was used as a method. Based on multistage probability sample of the Slovene general population - the adult residents of R Slovenia, older than 18 years, living on permanent address - the data were collected from a continuous academic survey called Slovene Public Opinion (Hafner-Fink et al, 2011). The whole sample size is 1082 persons, and the response rate was 61%. Analysis focused on employed persons only. It includes the respondents who were at that time employed in Slovene organizations and who had answered questions concerning their work and their organization. The analysed sample includes 584 people, while the fieldwork was carried out with the help of a personal interviews with the interviewers visiting respondents on their home address. The survey that was conducted from July to August 2011.

Table 2: List of observed variables and derived variables informed by Factor Analysis: Principal Component Analysis:

I. Nominal variable that describe four types of business strategies:

Constan Novel, In our organization we constantly seek and create novelty (prospectors)

Always Follow, In our organization we always keep up to date with our competition (analysers)

Mainly Persist, Most of the time in our organization we persist on developed programmes (defenders)

Costs Only, In our organization we are concerned about costs only (reactors)

II. Variables that describe HRM Practices:

We performed PCA that reveals 4 factors which we assumed to explain relation of organization to employees and their well-being (aigen values around 1 and explained 56% of variability in the space of selected variables for HRM practices):

First Factor: Organization respects employees' needs:

K13e, Our management takes employees' needs into account (factor loading .829)

K13f, My organization took measures to reconcile the work - family balance (.750)

K13d, My organization motivates employees to take part in education and training (.794)

Second Factor: My organization gives support to employees to reconcile work and family life:

K20h, My co-workers and colleagues understand and help me when it is impossible for me to finish my work due to family reasons (.870)

K20j, My superior understands and helps me when it is impossible for me to finish my work due to family reasons (.854)

Third Factor: Working for the organization is the matter of necessity

K11d, This moment I am working for this organization out of necessity on (.663)

K8b, Before crisis I worked for my organization more in the past than I do today (.790)

Fourth Factor: Intensification of work:

K8a, Today I work for my organization much more than I used to ten years ago (.560)

K8c, I cannot find time to work outside my paid employment to improve my living standard.(.583)

K8d, I have too much work to do manage on my own (.681)

K8e, I am constantly in hash time at my work. (.774)

K8h, My job is stressful. (.672)

K9 c, I am swamped with work. (.576)

K12c, The work demands at my job have increased over the last 3 years. (.664)

The reader can receive the results of all the factor analyses from the authors.

Table 2 (Continuation): Observed variables and others are index construct informed by Factor Analysis: Principal Component Analysis

III. To analyse the impact of HRM policies and practices on an organization we performed PCA for the following dimensions: employee reciprocal relation, work-family conflict, employee commitment, job satisfaction, the satisfaction with life in general and organizational performance (success and innovativeness):

1. For the dimension of employee reciprocal relations to an organization PCA revealed a one factor solution that explained the 58% variability and shows the calculative relation that an employee develops towards an organization:

K10a, I contribute more to the organization than it does to me. (.810)

K10b, I feel that I receive more from my organization than I contribute to it. (-.805)

2. For the family - work conflict PCA reveals two factors which explained the 61% variability and included two directions of the conflict. These factors are negatively related.

First factor is the conflict in direction from work to family:

K27a, Because of the time spent at work I miss family activities (.577)

K27b, I often come home from work so exhausted that I cannot contribute to family life (.582)

K27c, My success at the workplace does not help me in being a better parent or partner at home. (.569)

Second factor, is the conflict in direction from home to work:

K27d, Because of the time spent at home I miss my responsibility at work. (.764)

K27e, I have a hard time concentrating properly at work because of stress caused by family responsibilities. (.791)

K27f, My appropriate and indispensable behaviour at home is unsuccessful at work. (.752)

3. For the dimension of employee commitment PCA revealed a two-factor solution, which explained 49% of the variability regarding employee commitment:

First factor is affective commitment (Meyer, and Allen, (1997):

K11c, I would gladly base my entire career working for this organization. (.748)

K11f, I enjoy going to work every day. (.758)

K12b, I am determined to work harder in order to keep my job regardless of higher wage. 542)

Second factor is calculative commitment:

K11b, I have fewer opportunities to leave/change my organization. (.709)

K11e, One of the main reasons I stay in the organization is the feeling of moral obligation towards it. (.723)

K12a, I am prepared to work harder only in case of a higher wage. (.532)

4. Satisfaction with life in general:

5. F12a, How satisfied are you with your life in general?

6. Job satisfaction:

F12b, How satisfied are you with your job?

7. Successful of organization:

K7, Tell us how successful your company/organization is? (1-3)

8. Innovativeness of organization (Trott, 2012): **PCA** revealed a one factor solution, which explained 53% variability regarding innovativeness)

K19, Our organization enables employees to be creative at work. (.629)

K17 d, Our organization encourages employees to be innovative at work. (.836)

K17 c, Our organization reacts properly to employee proposals for improvements. (.812)

K17 b, In our organization new knowledge is used for product, service and process improvement. (.773)

K17a, Our organization creates new products, services faster than our competitors do. (.548)

Why is it reasonable to ask employees in the analysis of relations between business strategy, HRM policies and practices, efficiency and the success of an organization? Vandenberg et al. (1999) has shown that the effectiveness of the “High Involvement Work Practice – HIWP” system depends on the subjective perceptions and attitudes of employees. An individual’s convictions concerning organizational policies and practices have a much greater impact on the individual’s as well as the organization’s success than objective evaluation of the latter does (Buller, McEvoy 2012).

THE RESULTS OF THE ANALYSIS OF BUSINESS STRATEGIES’ LINKS TO THE FACTORS OF ORGANIZATION – EMPLOYEE RELATIONS AND ITS CONSEQUENCES

In our analysis analytic techniques, such as correlation coefficients, factor analysis and crosstabulations were used. It is evident from (table 3) appendix A of our study that business strategies are related to how organizations form relations with their employees by Milles and Snow (1983). the latter’s needs and consequently also with their families. We measured the relations of four different business strategies (First strategy: ‘We are continually searching and creating novelties’; second strategy: ‘We always follow the strong’; third strategy: ‘We mainly persist with already established programmes’; forth strategy: ‘In our organization we only deal with cutting costs’).

Table 3 Correlation Coefficients among four types of business strategies, HRM practices, performance and employee responses

	K14b Consta	K14c Always	K14d In general	K14gCo sts only	Intensifi catio	org_ meets	offers_s upport	Low _costs	Mean	Std. Deviat
Success	.186**	.162**	-.074	-.055	-.129**	.352**	.219**	-.106*	.76	.43
Innovativeness	.462**	.261**	-.114*	-.178**	-.114*	.546**	.320**	-.275**	16.26	3.23
Reciprocit	.020	.012	.041	.068	.172**	.030	-.124**	.099*	6.17	.89
Conflict_work	-.036	.044	-.056	.066	.471**	-.154**	-.148**	.124*	8.31	2.52
Conflict_fe	-.124*	-.052	.051	.103*	.046	-.097*	-.102*	.151**	6.05	1.78
Emotive comm	.210**	.120*	.050	-.139**	-.227**	.312**	.151**	-.233**	6.61	1.60
Calculativ_comm	-.005	.073	.089	.289**	.237**	-.161**	-.209**	.514**	5.67	1.61
K12a Pripare	-.016	.093*	.091	.135**	.126*	-.071	-.041	.202**	3.35	1.04
K12b Pripare	.141**	.011	.101*	-.011	.069	.107*	-.039	.006	2.91	.99
F12a Satisfaw	.173**	.005	.007	-.018	-.078	.170**	.166**	-.098*	4.00	.55
F12b Satisfaw-L	.194**	.103*	-.001	-.139**	-.259**	.370**	.309**	-.293**	3.78	.65
Mean	3.69	3.48	3.55	3.19	22.22	9.75	7.13	5.56		
Std. Deviat	.83	.89	.80	.96	4.91	2.35	1.66	1.51		

*. Correlation is significant at the 0.05 level (2-tailed).

**.. Correlation is significant at the 0.01 level (2-tailed).

Table 3 (column one) variable Const Novel shows the effect of the strategy that constantly searches and creates novelties (PROSPECTIVES). The analysis has shown (Table 3) that respondents evaluate organizations, which constantly search and create novelties, as innovative organizations. The level of connectedness shows that the correlational coefficient has a height of +.462 at significance level 1%. According to the respondents' opinion, this type of organization also proves successful in forming employee relations. The correlation coefficient is +.168 at 1% level of significance. Such an organization respects its employees' needs for development and training and has taken measures to ensure a work-family balance. This type of organization (superiors and colleagues) also provides support and help when the employees are in need of assistance due to an overload of family-related obligations. This is why such an organization has a high level of emotional commitment among employees. The correlation coefficient is +.210 at level of significance 1%. Such an organization is not oriented mainly toward the cutting of costs and does not have a work-family conflict. Employees are prepared to work more for their organization, are satisfied with their work and with their lives in general. Hypothesis 1(a, b) is confirmed.

According to our sample, 30% of respondents are employed in organizations where the management is innovation-oriented. Therefore, a good third of Slovene organizations are innovation-oriented and provide their employees with sufficient care. The latter give back to the organization by being emotionally committed and are prepared to invest more effort toward the organization's success.

Table 3 column 2 variable Always Follow depicts the second type of strategy which defines itself as “the followers who always follow the strong” (ANALYSTS). Organizations, which follow this type of strategy, are still marked by respondents as innovative. The correlation coefficient is .261 at level of significance 1%. Likewise successful are the organizations with the correlation coefficient of .162 at level of significance 1%. The organization respects its employees' needs for development and training and has taken measures to ensure a work-family balance. The employees of such organizations are also emotionally committed and strive toward organizational success.

The third type of business strategy have been labelled as (Table 3 column 3) variable Mainly Persist described as the strategy where the organization mainly persists with already established programmes (DEFENDERS). These organizations were not evaluated as being innovative by respondents. The correlation coefficient is negative - .114 at level of significance 5%. They compared it to the organization which is oriented toward cutting costs. The correlation coefficient is .242 at level of significance 1%. The respondents believe that such an organization does not respect its employees' needs for development and training and neither does it take measures to ensure a work-family balance. The correlation coefficient is -.143 at level of significance 1%. Employees stay in such an organization out of economic necessity and do not invest any additional work effort. Their effort is carefully proportioned and they never give to the organization more than they receive in return.

We have described the fourth type of business strategy (Table 3 column 4) variable Only Costs as the strategy used by an organization dealing only with the cutting of costs ((REACTORS). Such an organization has the most negative effects on its own business operations, as well as on its relations with employees. Such an organization is not innovative. The correlation coefficient is $-.178^{**}$. They mainly persist with already established programmes (r is $.242^{**}$). The intensification of work in this type of organization is high (r is $.208^{**}$). The organization does not respect its employees' needs for development and training and neither does it take measures to ensure a work-family balance. There is conflict present that can be felt by the employees when trying to create a balance between work and private life. The correlation coefficient is $+.103^{**}$. Employees stay in such an organization, because there is a lack of employment options for them in the open labour market (r is $.361^{**}$). They are mostly calculatively committed to the organization (r is $+.289^{**}$), which means they are not willing to invest any additional effort into the organization. Such organizations lack emotional employee commitment. Employees

are not satisfied with their work and are only prepared to work more for higher pay. Hypothesis 2b is confirmed.

THE CONNECTION BETWEEN THE DIMENSIONS OF WORK-FAMILY RELATIONS AND CHARACTERISTICS OF AN ORGANIZATION

This finding goes with the Value Chain research (It was checked in the analysis how the business strategy is linked to certain demographic variables of organizations. We found out that bigger organizations and those organizations which are export oriented (52.0%) follow the strategy of lowering costs. It is evident from crosstabs analysis that in contrast to smaller organizations (30.3%), bigger organizations (41.3%) have a greater tendency to disregard their employees' needs for development and also lack in the development of programmes for ensuring a work-family balance.

It is also evident from crosstabs analysis above that the more an organization is oriented toward foreign markets, the more it is oriented toward the strategy of cutting costs. As many as 52.0% of organizations oriented toward foreign markets are also strongly oriented toward cutting costs. Only 16.3% of organizations that are export-oriented have a low level of being exclusively oriented toward cutting costs. It is just the opposite concerning organizations that are mainly oriented toward the domestic market. 28.1% of the latter are not oriented only toward cutting costs. The other third of organizations (29.5%) has a mid-intensity level toward cutting costs. 42% of organizations oriented toward the domestic market are also oriented with high intensity toward cutting costs, in comparison with the group of export-oriented organizations, half of which (52% of organisations) are oriented toward cutting costs.

This finding goes with the Value Chain research (Schmitz, 2006) which has paid more attention to global compared to national chains. Comparisons with national chains show a surprising finding: local chains show substantial functional upgrading. Studies from India and Brazil, in particular, show that firms specialising in the national market are more likely to develop their own designs, brands and marketing channels (Tewari, 1999; Bazan and Navas-Aleman, 2004).

Table 3 below shows how the factor discovered in our factor analysis Oriented toward cutting costs and the persistence of employees to stay in the organization out of necessity is connected to other effects:

An organization's orientation toward cutting costs (variable Low Costs) (Table 3 column 8) and the persistence of employees to stay in an organization out of necessity is not related to success (r is $-.106^{**}$) or to innovativeness (r is $-.275^{**}$), nor is it related to the emotional commitment of employees (r is $-.233^{**}$). However,

the orientation toward cutting costs and the retention of employees in such organizations due to necessity is related to the work-family conflict (r is $+0.124^{**}$) (r is $+0.151^{**}$), and especially to the calculative commitment of employees (r is $+0.514^{**}$) and the reciprocity of employees in the transactional sense that they give as much to the organization as it does to them (related therefore to work, where employees do not invest a lot of effort). There is a high level of dissatisfaction with work and dissatisfaction with life in general.

On the micro level our analysis has confirmed that a connection exists between business strategies and the effect of these strategies on human resource policies and programmes, which can be seen in relation to the consideration of employees' needs. Organizations that implement the strategy of introducing and creating novelties are innovative organizations that respect their employees' needs for development and training and take measures to create a work-family balance (High road HR practices). Employees working in such organizations are willing to work more and are satisfied with their work and life in general (Hypothesis 3a, b, c is confirmed). Among these organizations, however, are not the ones oriented toward cutting costs.

Organizations, which are oriented only toward cutting costs and which are predominantly forced to persist with already established programmes, tend to suffer mainly bad effects on the success of their business, as well as on their employee relations. In these organizations we encounter a high level of work intensification (Table 3 column 5), which manifests in the form of employee fatigue. Hypothesis 2 b is confirmed. (The analyses of characteristics of intensification can be obtained by the authors.) These are unsuccessful and non-innovative organizations.

DISCUSSION AND CONCLUSION

A normative dominant logic of how 'high road' HRM practice influence good business results and well-being of employees does not seem to be implemented in big export oriented firms in Slovenia. Yet, management in predominantly small and local oriented firms in Slovenia factories adopted this logic more often. The remaining managers in big export oriented firms adopted a logic of 'low road' to HRM as was shown by present analysis they stuck in low end of GVC-s.

Current analysis showed how, workers in big export oriented firms in Slovenia remain tightly constrained: despite the normative logic being widely understood as 'best practice' and 'world class', the majority of managers deviated from this logic because they continued to understand their situation through the enduring cultural frame of Taylorism (Vidal, 2012a).

Present research focuses on why some managers use intensification of work but others do not, and to what extent there exists a logic of externalization shaping

managerial understanding of the situation explicitly and hence driving intensification in nearly the third of the Slovene firms. This is in accordance with value chain research comparing Global Value Chains with national chains and showing a surprising finding: substantial functional upgrading of national chains. Studies from India and Brazil, in particular, show that firms specialising in the national market are more likely to develop their own designs, brands and marketing channels (Tewari, 1999; Bazan and Navas-Aleman, 2004).

A key point is that these global economic networks represent a major innovation in the organisation of international business and the way countries and firms participate in the global economy (Meardi et al., 2013). Our main discovery was that large Slovene organizations and organizations oriented toward foreign markets are the ones which follow the low cost strategy. Most of the trade in goods at exports was contributed by the 50 largest exporters. They are stuck in the lower end of supply chains and it is hard to imagine how they will move-up in the GVCs to the higher end.

This indicates that Slovenia as one of the export led transitional economy which is in the process of penetrating global economic flows, to a large extent persists with firms' bad competitive strategies which drain the Slovene workforce and society. The last finding showed that normative dominant logic of high road HRM policies of Slovene managers and firms (Vidal 2013 a) that formulized HRM programmes are in fact not performed in practice. It can be concluded that HR in Slovene export oriented firms are efficiency oriented (Meardi et al., 2013) and are not oriented toward employee well-being. But these HR practices are not sustainable on the long run in fact they are dysfunctional regarding the success of organizations (Vidal, 2013 b) and social reproduction of Slovene society.

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NAPREDOVANJE U GLOBALNIM LANCIMA VREDNOSTI I KVALITETU RADNIH MESTA – DOKAZI IZ SLOVENIJE

Apstrakt: Članak se fokusira na odnose između poslovnih strategija i kvaliteta radnog života zaposlenih. Studija je sprovedena u maloj izvozno orjentisanoj tranzicionoj privredi. Počelo se sa pretpostavkom da je važno razumeti kako menadžeri usvajaju različite politike prema zaposlenima kao odgovor na veliki pritisak konkurencije u globalnim proizvodnim procesima. Ova analiza istražuje kako slovenačke firme ulaze u globalne lance vrednosti i kakve to veze ima sa kvalitetom radnog života zaposlenih. Analize su pokazale da je poslovna strategija povezana sa odnosima između zaposlenih i kvalitetom radnog života.

Ključne reči: kvalitet radnog života, globalni lanci vrednosti, poslovna strategija, odnosi između zaposlenih, praksa ljudskih resursa, izvozno orjentisana tranziciona privreda.

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Review papers

GOVERNMENT MEASURES WITH IMPACT ON THE EXPORTS PROMOTION THROUGH FREE ZONES

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Abstract: The establishment and manner of managing free zones represent the very focus of government development policies of the majority of countries participating in the international trade. Being an efficient solution for a number of complex economic problems at country level, especially in the areas of foreign trade, foreign debt, social policy, demographic policy, foreign exchange operations, economic development of underdeveloped regions, etc., the concept of a free export processing zone (free zone) has become an internationally recognised, often used and more efficient instrument relative to a number of standard instruments of government development policy. Moreover, free zones have shown special potential as an important instrument for export promotion. Improved connectivity of countries via free zones does not only add to the integration of such areas and make impact on their mutual economic and political relations, but also makes more solid basis for improved models of economic and political relations with their partners outside such communities. Various government political and economic goals result in various categories of free zones.

Key words: free zones, export promotion, government, international trade, development policy.

INTRODUCTION

In phenomenological terms, free zones can be traced very early (app. 300 B.C.) in Phoenicia – the town of Tyre and in towns of the Greek and Roman empires. For instance, the Greek island Delos enjoyed benefits of such a status and represented one of the wealthiest islands in the world for the period of one hundred years. Those were places where, according to the circumstances present at that time, trade flourished and wealth was abundant. Rudiments of the free zone idea may be found in the work of the Greek philosopher Xenophon, a disciple of Socrates, who was also interested in the economics. In his *Cyropaedia*, he thinks about ways

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for the Athens state to increase its revenues and the city to prosper, propagating the idea of “hospitality and privileges for foreign traders and mariners”. It is especially striking that he does not even exclude Spartans from such privileges and hospitality. Predecessors of today’s free zones (free export processing zones) were Middle Ages free cities, free ports and free port zones. The first free port was established in Livorno in 1574, followed by Naples, Venice, Genoa and a number of other Italian cities which were well-known trade centres at the time. Free cities were established in Hamburg in 1835, followed by Bremen and Kiel. In 1819, a free port was established in Singapore and in 1842, there was one in Hong Kong.

The main difference between a free port and a free port zone implied customs perimeter. In free port zones, only a part of a port specially equipped for warehousing and reloading of goods was exempted from customs duties. On the other hand, goods imported into free ports-cities were exempted from customs duties, so that customs borders were identical to city borders. 17th century featured increased restrictiveness in assigning the status of a free city, as well as a city zone exempted from customs duties and other levies. In 1888, the free zone *Freihaven* was established in the port of Hamburg, followed by free zones in port cities such as Trieste, Bremen and Kiel. There, the host countries first provided significant fiscal privileges and liberalisation of trade in goods related to construction or furnishing of ships in any manner. Nevertheless, as there is both an upside and a downside in all international trade aspects, free ports and free port cities became Mecca for crime of that period: contraband, smuggling and various forms of illegal trade – primarily in monopolistic commodity, causing a number of cases of abolishing the status of a free port or city in 19th century. This slowed down, not only formally, but also essentially, the development of free zones.

The first modern free processing zone was established in the Irish town of Shannon in 1959 and this concept evolved into the so-called Irish model. The success of this free zone paved the way to the establishment of a number of such institutions in Hong Kong, Mexico, India, Taiwan, Brazil, Singapore, etc. The interest of hosting countries, as well as investing companies, resulted in an increase of their number to 850 at the end of 20th century, including new free zones in China and a number of transitional countries. In time, the number of their economic and development goals and roles increased. Modern zones are not focused on tax reliefs or favourable loans, but on providing conditions for doing competitive global business. This implies improved infrastructure (modern communication, reliable energy sources and transport), well-educated workforce and efficient administration (‘one stop shop’ – offering various logistical services at preferential prices).

Free zones may be established in several ways: with private or state-owned capital or within a public-private partnership (the private capital being the prevailing method currently). The state in whose territory a free zone is established possesses full political power over it. In line with the exports orientation of free export

processing zones, the country of the establishment legally obligates the company (both resident and non-resident) operating within the zone to export a certain part of its output. All of the goods produced in a free zone and marketed are labelled as made in the country of the free zone. National economies may independently and in line with their economic sovereignty limit their sovereignty within clearly defined parts of their territories. Such zones where a national economy has limited customs supervision and where companies may operate more freely with having numerous customs and tax privileges are called free zones or free economic zones (Bjelić, 2008, p. 252).

TYPES OF BUSINESS ACTIVITIES PERFORMED IN FREE ZONES

Today, free zones differ substantially from their original forms, but they retain their important role in the international trade and still represent an important instrument for increasing production and national exports. Depending on the national legislation of each individual country², the most common business activities are: inward processing of goods, industrial production of goods for exports, warehousing and various services. The inward processing activities imply transfer of goods (without paying customs duties) into the zone temporary, changing of their properties by finishing, treatment and processing and their exporting as such. Reasons for this are various and often the intention is to obtain preferential administrative licences. They may be related to import of goods (avoiding of import duties for raw materials), origin of goods, transit processing³, tax reliefs, etc.

Free zones with industrial production of goods for exports have special government treatment implying various incentives and tax reliefs. All companies in the wider zone area both of the host country and neighbouring countries would have an indirect positive effect of industrial production in a free zone due to the fast penetration of new technologies, as well as managerial and organisational solutions. The warehousing activities imply several forms in practice, most common being the pure warehousing of goods within a free zone or combined warehousing. The former case implies no additional manipulation of goods, unlike the latter case where goods may be sorted, assembled, disassembled, labelled, cleaned, reloaded, uploaded and downloaded. The common feature of both types of warehousing is

²Legal regulations in all countries are rather liberal on business activities which may be performed within a free zone and accordingly, various business activities are performed, with observing the condition of not jeopardising lives and activities of people within the free zone and its wider area in any way.

³Goods are imported from country A, cheap workforce and raw materials from country B where the free zone is located are used, and the goods are intended for exports to country C.

the prohibition of changing core properties or purpose of goods. In literature, there are opinions that free zones should be completely replaced with customs warehouses. However, it is not acceptable since the two institutes have completely autonomous functions and essentially different roles in the international trade. This complies with the EU legislation which accepts two types of free zones - control type I free zones and control type II free zones. Control type I: characterised by certain perimeter fence with customs unit at entrance; goods enter such free zone with accompanying documents; Control type II: no fence, no customs unit at entrance or exit; goods are subjected to a declaration; essentially coming down to a standard customs warehouse. Free zone users enjoy a large number of privileges which customs warehouses, due to their institutional nature, cannot provide. This leads us to an apparently harmless question related to the efficiency of a customs unit within a free zone: do efficient customs within a free zone ensure detection and suppression of illegal activities within the zone or do efficient customs facilitate, to the greatest possible extent, legal trade? The best possible answer would be that the government, through customs operating within a free zone, facilitates legal trade to the greatest possible extent, without neglecting the responsibility for detection and suppression of illegal activities. To the honest businessman this is a refreshing attitude compared to the more traditional attitude of hindering all trade in the hope of finding some illicit trade. (Haywood, 2000a). In order to fully understand the term of free zone, it is important to explicitly differentiate between the following similar terms with essentially different meanings which often cause confusions:

Free processing zones – A free zone occurs when in a certain area of a national economy manufacturing exempt from customs duties and with lower taxes is organised. Being clearly territorially defined and physically bordered, it represents an island within a customs territory of a country (Bjelić, 2008, p. 253) and therefore, it is also colloquially, but incorrectly, called a customs free zone. It is called a free processing zone due to the fact that predominant activities are manufacturing and processing of goods by manufacturing companies. A free zone as an institute is associated with production incentivising, predominantly referring to export-oriented industrial production, capital investments and foreign trade promotion. Privileges for companies operating within a zone are allowed only if such companies export goods produced within the zone, and therefore, the term free export zone is often used. Exports of goods produced in a free export zone to third countries represent imports for such countries, performed in line with foreign trade regulations of the importing countries. Customs procedure and payment of imports customs duties comply with laws and regulations of importing countries. Placement of goods and services from a free zone to the host country territory is treated as imports and is subject to customs regulations of the host country. In case the products in question contain a domestic component, customs duties will be calculated by reducing the customs basis by the value of such component (Kozomara, 2003a). Meaning, in

case goods manufactured in a free zone are sold within the host country, such host country will pay customs duties as in the case of standard imports. Unlike a customs zone, a free zone may be in customs terms merged to other customs territory (of the host country) with being subject to other customs sovereignty. Such situation of a country using a part of the territory of another country as a free customs zone is positive not only from the foreign trade aspect; it has a positive effect to bilateral relations of the two countries, creating long-term strategic partnership.

Free trade zones/foreign trade zones/off-shore zones – Unlike free processing zones, they are not territorially separated from customs territories of the countries and they may even cover whole countries or a specific industry, but they are limited to doing international business only with foreign companies. The mechanism behind them is the following: a national economy decides to apply much lower tax rates (if any) to income and operations within a zone for companies doing mainly international trade. By applying favourable taxation and removing other barriers to international trade, with also applying laws which guarantee discretion of bank deposits, investments and business transactions, companies from developed countries are attracted. Therefore, such economies are called ‘tax havens’. Unlike free processing zones, free trade zones cover entire territories of national economies, but tax reliefs apply only to companies doing business with companies outside such economies, i.e. to off-shore business (Bjelić, 2008, p. 254). According to the International Labour Organisation (ILO, in the period 2007-2009, 20% of global turnover was made through free zones. Their number is actually the largest in the finance sector. There are also other specific free trade zones, such as the free insurance zone in New York, the USA. If a premium is high enough (app. over USD 100,000), insurance regulations of the New York State do not fully apply. The logic is the following: if an individual is able to pay such an insurance amount, the individual can protect himself/herself better than the state can (Haywood, 2000b).

New ways of doing business illustrate changes in the international economy. In addition to off-shoring, there is also outsourcing⁴ and off-shoring combined in case a company subcontracts its business or a factory abroad to another company. Reverse off-shoring is the latest phenomenon implying the case when a foreign company relocates a part of its operations (marketing, management) to the USA or a similar country, leaving the production part requiring cheaper workforce in its country of origin. There were a large number of such companies in the USA, due to the volume of the American market and their competitiveness. The underlying concept of free trade zones is that they represent an alternative state policy which promotes goals of the states. Sometimes, the concept covers a geographical region,

⁴Outsourcing is delegating a part of operations to an external organisation (outside the company but within the same country) specialising in the particular operations. This practice has been applied from 1980s.

but it often encompasses only a specific industry, such as banking, insurance, export-oriented companies or technology exports, and even immoral activities such as gambling and prostitution in places such as Monaco, Las Vegas, Macao or North Korea (Haywood, 2000c). In the literature, we may often see that ‘free zones are not free’. This is correct because they are in legal terms controlled by government institutions which established them and they cannot act autonomously regardless of the difference between regulations applied within the zones and in remaining territories within certain economies. At first sight, it may be confusing that regulations applied within a free zone are most often more liberal (e.g. LB regime of exports and imports) than regulations applied in the remaining territory of a country, not implying, however, that customs control is negligible, but the opposite.

Customs zones – A part of the territory of a certain state where goods under certain procedure and customs supervision is placed. Within customs zones, less complex activities are performed, such as warehousing, repacking, processing, finishing, customs clearance prior to distribution, etc. No manufacturing is allowed, and only allowed actions on stored goods are those necessary for their maintenance and preservation. They facilitate customs procedures and help in overcoming customs barriers in foreign trade. They are always an integral part of the territory where they are located, unlike free zones.

Free zones as the level of development of regional economic integrations – Several countries found a common interest in forming a free trade zone, such as the North American free trade zone or the North American Free Trade Agreement (NAFTA) formed by the USA, Mexico and Canada in 1994 with the area of over 21.29 million square kilometres. Such free zones support dynamics of mutual trade of member states, produce effects of the economies of scale, lift customs and off-customs barriers of member states in mutual trade, attracting FDIs from non-member states. A common mistake is the misuse of terms – common markets such as the EU, or customs unions such as MERCOSUR and zones of free trade such as the NAFTA and the proposed FTAA are not free zones. Free trade *zones* are predominantly established within one state, with several examples of inter-state zones, whereas free trade *areas* are established among states. In addition to economic ones, there are certain political motives in establishing a number of free zones worldwide, such as negotiations of the Customs Union led by Russia and Turkey from 2014 on potential joint establishment of a zone of free trade. Actually, this was a certain message to the EU from Turkey that had been the candidate for accession for decades and a potential sign of Turkey’s approaching to the BRIC countries. The Tripartite Free Trade Area (TFTA), a trade agreement on establishing a common African market, being work in progress for over five years, was initially signed in 2015 in Sharm el-Sheikh (Egypt) by representatives of three regional communities: Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community

(SADC). It was intended to be an African zone of free trade with the area from Cairo to Cape Town. Such zone of free trade composed of 26 countries and 626 million inhabitants and aimed at lowering mutual trade barriers would consequentially facilitate movement of goods and attract investors. The Agreement is expected to come into force in 2017.

Regional trade areas have a similar problem as zones among federation states – former customs problems become police problems due to removal of border crossing points (Haywood, 2000d). The fact that free zones have different customs regulations and that they may have special customs authorities may mislead into believing that they are not controlled. They are absolutely controlled. Even certain parts of the Kyoto Convention from 1979 (Annex F1 regulating customs) and the Vienna Convention against Illicit Traffic in Narcotic Drugs from 1988 see free export zones as zones outside border and customs territory of a state. In the said Annex 1, they are understood as being outside standard customs policy and not as an alternative customs regime. The majority of countries do not support the Annex, and the ones that support it ignore certain points. Small zones with areas of 50 – 500 ha are usually recognised as free trade zones. On the other side, millions of people live in large zones and there are often a number of smaller free zones with special purpose inside them. An example of such zones is the Special Economic Zones of China which were a pioneer in this category. International organisations approve the establishment and operation of free zones and they even incentivise governments to move in this direction. Free zones may be established under autonomous government enactments, as well as international bilateral or multilateral agreements.

MOTIVES OF HOST COUNTRIES FOR ESTABLISHING FREE ZONES

Varying by country, there are different economic, social, political and other circumstances underlying motives for action and priority goals of each individual country. Namely, the establishment and successful operation of the free processing zone in Shannon were supported by the following two facts. Firstly, due to the modernisation of airplanes, they did not have to land on the Shannon airport for kerosene refill, so that the airport became oversized and had surplus staff. Secondly, Ireland faced intense migrations of its population. In face of these problems, the Parliament passed the law on forming a fund for the establishment of a free industrial zone near the airport and accordingly, the company Shannon Free Airport Development Company was formed. In addition to trade and tourism, the company was engaged in production intended for the international market. Consequently, the airport and the industrial zone in its territory became an enclave exempted from Irish customs regulations (Kovačević, 2002a, p.147). In Taiwan, the establishment of zones was motivated by the wish to attract investors and boost exports. In

Philippines (Bataan zone), the motive was to support the development of underdeveloped regions. In Mexico (Maquiladora zone), the reason was the intention to stop the migration of Mexican workforce to the USA. China wanted to attract foreign capital.

The key preconditions for the successful establishment of free export processing zones from the host country standpoint are the following: positive and active approach of the government to the implementation of the free zone concept in its territory, geographically favourable position of the zone – with especially attractiveness if being a crossroads of important routes (river, sea, land), stimulating law on free zones free from all legal obscurities, attracting level of financial reliefs and benefits, transport infrastructure in place, cheap workforce and high-quality management, political stability and legal certainty, liberal imports-exports regime, minimised administrative procedures, investments guaranteed through agreements with other states, small transport costs and high-quality promotion.

The standpoint of the World Trade Organisation (WTO) to FEPZs is that their operation is not prohibited, due to the fact that they are considered the forms which support the expansion of international trade. Declaratively, the WTO aims at the form of trade done within free zones – customs and taxes free trade. In the literature, there is an objection to the WTO that there is no clear standpoint on the future status of free zones since they practically separate the host country's foreign trade policy into two 'sub-policies', the one applicable to businesses within the zone and the other applicable to businesses outside the zone. Further, the opinion of the WTO is that effects of free export processing zones to the global economy are nearly the same as the effects of subsidies. These experts' argument relies mostly on the fact that the WTO principally prohibits exports subsidies (Agreement on Subsidies and Countervailing Measures), whereas companies within free zones use exports subsidising in various manners, through tax reliefs, exemptions from paying imports charges or in another manner. Nevertheless, in the WTO's practice, free export processing zones have not been the subject of any dispute or explicitly mentioned in any document. WTO agreements do not directly treat the FEZ concept, but the Agreement on Subsidies and Countervailing Measures represents the international standpoint on this issue. It is especially reflected through the fact that exports subsidies are prohibited in the majority of countries since 2003 and local content subsidies are prohibited in all countries. This means that many countries will have to revise their free zone laws in the following years and certain types of zones will completely disappear. The structure of economic incentives will be changed in order to alleviate or avoid conflicts of interest. Noteworthy, these rules cover only goods and not agriculture or services, and therefore, they will not affect customs-free regulations in many cases. They do not cover tax reliefs specifically provided for production companies in order to stimulate exports either (Haywood, 2000). Free zones in the territories of member countries of the WTO, the EU or any other

similar regional integration are more attractive for corporate investments due to the fact that penetration to markets of all other member countries is facilitated. This is even more important motive in attracting foreign capital to a free zone than solid raw materials base, developed infrastructure or workforce characteristics (primarily its low price). On the other side, literal globalists believe that the WTO will, through its rules, achieve the level of liberalisation of trade among countries sufficient to minimise customs levies, thus eliminating advantages of production within FEPZs relative to other parts of countries, concluding incorrectly that such zones do not have the future (Kozomara, 2005a, p. 528).

OVERVIEW OF FREE ZONES WORLDWIDE

There are about twenty different names for various types of free zones in the world, some of them being: special economic zones (SEZs)⁵ – China, Poland; free economic zones – Russia; free zones – Turkey, Ireland, Venezuela; maquiladoras – Mexico; free trade and industrial zones – Iran and free export processing zones – Philippines. The practice of launching free trade zones in Latin America emerged in 1920s, first in Argentina and Uruguay and then spreading all over the region in 1960s and 1970s. There, they were also understood as a potential mechanism for development purposes. There are a number of types of free zones in Latin America formed in line with government goals and national characteristics, forming the following six broad categories of free trade zones (Braga, 2002b):

1. Mexican, Central American and Caribbean *maquiladoras* (a factory imports both raw materials and machines with no customs duties, then exports the products usually to the country of the equipment importing);
2. Brazilian EPZs (export processing zones) and Argentinean ‘*zonas francas*’ (free economic zones);
3. Manaus (the capital of the Brazilian province Amazonia) FTZs and Argentinean Special Customs Zone Tierra del Fuego (an archipelago off the southernmost tip of Argentina across the Strait of Magellan);
4. Other MERCOSUR FTZs of Uruguay and Paraguay;
5. FTZs of the Andean community, and
6. Chilean FTZs.

Regionally largest is the Brazilian free trade zone *Franca de Manaus*. It was established in 1967 by the Brazilian government amidst the Amazonian rainforest with the aim of attracting foreign investments to the area and boosting its development. Its operating licence was valid until 2023 and in 2014, it was extended to fifty more years – until 2073. Due to its location and size - 11,401 km², Manaus

⁵ SEZs belong to the group of largest zones with a huge number of employees.

is a unique combination of rural and urban power and potential. In 2002, there were over 300 industries with 50,000 employees. App. 97% of its production is placed in the local market, as the case is with the zone Tierra del Fuego, and therefore, they are called 'imports processing zones'.

In the period from the establishment of the first modern free zone – Shannon to date, app. 5,000 free zones have been established worldwide and according to estimates, over 20% of total international trade is done through them. More prominent zones worldwide made gradual progress, from small and strenuous production to capital and expertise, development centres, global logistics and corporation headquarters. Modern zones are not focused on tax reliefs or favourable loans, but on providing conditions for doing competitive global business. This implies improved infrastructure (modern communication, reliable energy sources and transport), well-educated workforce and efficient administration. But it also implies efficient customs operation (Haywood, 2000f).

“The first USA zones were established in 1934 in free port areas, offering the possibility of liberal transport and processing of foreign goods and aiming at boosting and improving foreign trade and opening new jobs. Since 1950, the USA free zones have been offering the possibility of manufacturing, displaying and stock exchange sale of almost all types of goods. Therefore, from 1980 to 1990, 156 basic free zones and 145 sub-zones were established in the USA, resulting in the increase of exports through free zones as hubs from USD 1.55 billion in 1980 to over USD 125 billion in 1990. In 2001, the New York State gave concessions for establishing 58 free zones or their sub-zones with huge fiscal and other privileges in order to move industrial and manufacturing plants from the New York City area to its surroundings” (Miloš and Rudić, 2005, p.126). In 2013, the EU had 74 free zones subjected to the EU’s customs regulations. Some of more prominent zones are the Shannon free zone – Shannon Duty-Free Processing Zone (SPZ) which evolved into an industrial park on the west coast of Ireland, the Portuguese Madeira Free Trade Zone and the Polish Katowice Special Economic Zone.

According to the 1923 Agreement, Greece gave a concession to the Kingdom of Serbs, Croats and Slovenes for using a part (94,000 square kilometres) of the Thessaloniki port as its customs free zone for the following 50 years. The concession expired in 1975, ratification documents were exchanged, the last anchored ship was unloaded, cargo receipt and shipment were stopped, and the Thessaloniki port, as an excellent strategic and geographical location (crossroads of Europe, Asia and Africa), has recently become an investment target for China. Serbian legal regulations envisage establishment of free zones with local, foreign and mixed capital. In 2015, there were 13 free zones in Serbia. For the Serbian economy, the most important are the following existing large free zones: Pirot, Zrenjanin, Novi Sad and Subotica. The fDi Magazine of Financial Times included two Serbian free zones among 34 best free zones worldwide for 2014: Free Zone Zrenjanin – in the

category of incentives offered to investors and the Free Zone Pirot – in the category of incentives offered for reinvesting. In recent years, the majority of prizes went to free zones from the UAE.

There is an interesting case of inter-Korean economic cooperation through the Kaesong Industrial Complex – KIC. It was established as a joint venture and located in the north, close to demilitarised zone, representing the largest North Korean special economic zone. It also has a unique status and different legal and administrative regime relative to other SEZs in North Korea. By 2013, it attracted 123 South Korean companies which employed over 50,000 of North Korean and app. 800 South Korean workers. In 2013, there was a period of suspension of its operation due to political tensions between the two countries. It is assumed that opportunity costs from the suspension of inter-Korean economic relations were not equal and that South Korea, as the less dependent partner, was less vulnerable and that the situation, as any other, was less costly for it. After reopening of the zone in the same year, the majority of South Korean investors returned. At the same time, the two countries opened the issue of international investing in the zone for the first time. Due to their characteristics, free zones in China are analysed in more detail here.

SPECIAL ECONOMIC ZONES IN CHINA

The establishment of four special economic zones in the coastal area in 1980 marked the beginning of free market reforms of Deng Xiaoping, implying the first step of China into the period of its fascinating exports and growth. For five consequential years, its economic growth stood at app. 10% p.a., resulting in the 2007 income per capita of 19,000 yuans or USD 2,760. In 1978, the income per capita was only 380 yuans.

A side effect of the establishment of special economic zones was the attenuation of the shock of opening the Chinese economy to the world, since such manner had proved to be politically more acceptable in practice of a number of countries than radical economic measures. Foreign capital was attracted also by large privileges for investing in the Chinese zones, regardless of the fact that they were established in areas with no infrastructure and industry, which was another characteristic of the Chinese development. A large number of reform moves were first tested in the SEZs and then spread to other regions up to the country level. In a certain manner, SEZs served as ‘experimental laboratories’ for reforms of the whole country and by its nature, the major effects of the SEZ concept showed to be justified on long-term.

Chinese special economic zones were predominantly established in 1980s in cities-ports Shenzhen, Shantou, Zhuhai, Xiamen, Hainan, with special areas

established within them and intended for technological and economic development. For the establishment of the first special economic zone with tax and trade privileges the city of Shenzhen – near Hong Kong was selected. The island of Nagnan was completely turned into a special economic zone. Chinese special economic zones cover very large areas with millions of inhabitants. They often contain smaller free zones with special purpose having significant independence which encompasses legal, administrative, executive and sometimes court functions. They may have their own customs, taxes and even ministries of foreign affairs. The independence caused some zones to flourish but it also has its downside with smuggling and similar illegal activities which are additionally supported by price disparities within zones and outside them.

An objection to the Chinese concept of SEZs is the problem of crime and corruption present in them, as well as favouring of development of some regions on account of others.

One of the largest Chinese zones Shenzhen, near Hong Kong, received USD 15 billion of foreign investments in its first stage of development (Braga, 2002a). Shenzhen zone was transformed from a small fishermen town with no economic development base to a large, modern and cosmopolitan city with population of 14 million people. This economic centre, together with 8 other cities-zones such as Zhuhai, initiated the development of the entire Pearl River Delta region surrounding the South China Sea, making it a Pearl River Delta Economic Zone phenomenon.

Figure 1. Pearl River Delta Economic Zone



Source: HKTDC Research

Figure 2. Participation of Pearl River Delta Economic Zone in GDP of China

PRD Composition of GDP (%)			
	1990	2008	2013
Primary Industry (%)	25.8	2.4	2.0
Secondary Industry (%)	45.3	49.9	45.3
Tertiary Industry (%)	28.9	47.7	52.7

Source: Guangdong Statistical Yearbook 2014

Source: HKTDC Research.

Differences in conditions for doing business within Chinese free zones and outside them are large. The differences are visible in the areas such as: registration of corporations, fx operation administration and customs administration. “Comparison of free trade zone and non-free trade zone: Free trade zone - 1) Bonded system is adopted in free trade zones. The goods transported into the free trade zone from abroad, or vice versa, shall be exempted from the import duties, and import and export license. The goods transported into domestic non-trade zone from the free trade zone are regarded as imported goods; and vice versa, exported goods; 2) EDI system are applied in free trade zones with computer network linking between customs and enterprises.

Non-free trade zone - 1) Bonded system is only carried out in bonded warehouse or bonded factories. For goods shipped into China from abroad, the import customs clearance shall be proceeded; and vice versa, the export customs clearance shall be proceed; 2) Only a few large-scale enterprises are approved to employ EDI for customs declaration.”⁶

In August 2013, the State Council of China approved the establishment of a pilot free zone in Shanghai. The idea was to use the pilot zone to support Chinese global competitiveness, enable free flow of capital, facilitate trade and investments in key segments, build a new improved platform for cooperation with other countries and contribute to efforts in establishing the ‘new concept of Chinese restructured economy’, improve transformation of state functions, enable more thorough reforms and more intense opening of the economy and spread its positive experience to other parts of the country. Initiation of a pilot project within a limited zone was a cautious and prudent move of the Chinese policy since potential mistakes of the concept may be more easily observed and removed in the process on a smaller area. Covering 28.78 square kilometres, the new zone was built on the basis of existing bonded zones – Waigaoqiao Free Trade Zone, Waigaoqiao Free Trade Logistics Park, Yangshan Free Trade Port Area and Pudong Airport Comprehensive Free Trade Zone. The control and management of the zones follow

⁶ Kaizen Corporate Services Limited. Available at <http://www.by-cpa.com/html/news/20076/754.html>

the same model thus facilitating and promoting trade better, primarily in key, high technology areas and segments.

Figure 3. Areas covered with Shanghai's Free-Trade Zone



Source: China's Free Trade Zones, Presented by Richard Cant
Originally from the Wall Street Journal

Export processing zones, bonded logistics parks, cross-border industrial zones and the newly-established special supervision area will all be integrated under the umbrella term comprehensive bonded zones. It seems that the FEZ concept is not inexhaustible and that it has, as all other things, its natural limits. What works in manufacturing may not work in other sectors. The Shanghai Free Trade Zone, launched in 2013 and focused on finance, has been disappointing according to some opinions. Economists fret that it is impossible to tinker within the zone with China's capital controls, for instance, without the effects spilling over to the rest of the economy. Perhaps as a result, the authorities have been cautious: in a recent survey, three-quarters of American firms in Shanghai said the zone offered them no benefits.⁷

⁷ The Economist, April 4, 2015, Available at: <http://www.economist.com/news/finance-and-economics/21647630-free-trade-zones-are-more-popular-everwith-politicians>

Table 1. Comparison of China’s FTZs

	Shenzhen	Xiamen Xiangyu	Ningbo	Zhangjiagang	Shanghai
Size	3.42km ²	9km ²	2.3km ²	4.1km ²	11.03km ²
Key Sectors	Warehousing, logistics, trade, export processing	International trade, export processing, transit trade	Electronics and information, manufacturing and processing	Logistics of chemical products, warehousing	Free trade, export processing, logistics
Current State	Major investors: Wal-Mart, Sony, Samsung, AEON	Major Investors: Micron, Maersk	Major Investors: Exxon, Samsung, Carrefour	Major investors: Chevron Phillips, Dow Chemical	Major Investors: Intel, HP, GE, IBM
Advantages	-Largest export base in the Guangdong Province -One hour from airport -All 4 trade zones located in Shenzhen Special Economic Zone	-Close to Taiwan (attract investment easily) -19th largest port in the world by container traffic	-3 hour drive from Shanghai -near Beilun Harbor, 4th largest port in terms of container traffic	Connected with the Yangtze River and the sea, within a 2 hr drive of Shanghai, Hangzhou, Suzhou	- First FTZ with the concept of a free trade port -Draws a large talent pool from Shanghai
Limitations	-High investment costs -Zone lacks land resources -Zone is easily affected by global economic situation (foreign exchange rates)	Typhoons hit Xiamen yearly	-Utility, land, and labor costs are high -Very sensitive to foreign exchange rates	Fierce competition from other development zones in Jiangsu Province	Operating costs are high

Source: Dezan Shira & Associates, Richard Cant, March 13, 2014

Attempts to replicate the successful ‘Chinese model’ of special economic zones have not yielded satisfactory results. Theoretically, everything seems possible, but the Chinese economy and social setting are unique. In such a surrounding, everybody ‘gamble’ on development. Nevertheless, the main, unhidden idea of Chinese FEZs – entry into the international market is already justified.

WORLD FREE ZONE ORGANISATIONS

World Economic Processing Zones Association (WEPZA)

The WEPZA’s foundation in Colorado (USA) in 1978 represented an important step in improving the efficiency of zones and their mutual cooperation. The foundation was initiated by the UN and the WEPZA’s main body is the Secretariat led by the Secretary General. The Association has a business, but non-profit character. The WEPZA is authorised to present possibilities of member zones and their interests at international organisations. Membership in the Association brings positive effects of the economies of scale through unified procurement of member zones, jointly organised transport, joint promotion, etc. Advantages are also present

in the selection and training of managers of free zones within the WEPZA, where positive experiences in managing a zone are much more efficiently transferred. Conferences organised by the WEPZA are a possibility for exchanging business information between member zones.

World Federation of Free Zones (FEMOZA)

Aiming at the promotion of free trade and the improvement of a range of other goals of free zones, especially in developing countries and transitional countries, this non-government and non-profit organisation was founded in Geneva in 1999. Its main body is the Executive Committee composed of 5 members, elected by the General Assembly every 5 years. Its membership may be active, honorary and associated. Active membership may be taken by private individuals or legal entities, national authorities or associations, with the EUR 1,000 membership fee. Such members have a number of benefits including technical training in various areas, access to a specific database of international production and trade, logo of FEMOZA on all documents, international promotion through the organisation etc. In addition to membership fees, the organisation is financed from marketing activities, event organisation, sponsorships, etc.

World Free Zones Organisation (WFZO)

This new, multinational and non-profit organisation of free zones was established in Geneva, Switzerland, in 2013 practically as a supervisory body in charge of certain economically fastest-growing regions in the world. The headquarters will be in Dubai (UAE), not by chance, considering its contribution to the development of free zones worldwide since 1980s. Currently, there are 22 very successful zones in Dubai and app. 25% of UAE's GDP comes from free zones. They also make 75% of the country's exports. The board managing the organisation is composed of managers of free zones from 14 countries worldwide. The board is chaired by Mr. Mohammed Al Zarooni, Director General of the Dubai Airport Free Zone and Silicon Oasis. The WFZO has a discretionary right to limit membership, although all UN member countries have the right to apply for it. The membership will have three possible forms: full membership with voting right; associated membership without voting right (companies from free zones) and observer status (UN agencies or agencies of similar multinational bodies). Despite the fact that free zones observe the business rules of the WTO, they do not do it to the full extent. Therefore, ethical business norms and safety will be some of top WFZO functions.

CONCLUDING REMARKS

The strength and credibility of the free zone concept increased over years, so that it was accepted by a growing number of countries. Today, around one fifth of the international trade is done through free zones which are capable of being a tool of integrative policy of economic development. The notion that free zones are static, demanding to maintain, focused on small regions, exploited enclaves stimulated by incentives or privileges is overcome. Perceptions of free zones are different today. They are seen as a dynamic concept attractive for investments and led by high-quality management. Despite the fact that there are examples of unsuccessful free zones in the international practice (mostly due to bad locations, infrastructure or uncompetitive regulations), the majority of zones have achieved the goals of their establishment. Each country or region has its sovereign right to regulate its free zones so that the type and percent of benefits which may be obtained vary accordingly. Although regulations for the majority of free zones are very similar, potential costs and gains must be weighted in each individual case of investing. Transport and customs procedures are very expensive nowadays and free zones are capable of relaxing them. General advantages lie in the following: economies of scale, economic synergy, efficient customs procedure, tax reliefs, logistic efficiency and smaller workforce expenses. Local administrations may offer additional benefits.

The free zone mechanism supports exports-based industrialisation and in cases of developing countries – it may be used for reducing regional misbalances. The range of achieved effects of FEPZs in different countries is substantial: from very positive, through medium ones to those below expectations. Countries which have recognised the potential for their development in free zones are today among most dynamic in the world. Free export processing zones have emerged worldwide primarily due to positive experiences of the following countries: China, Taiwan, South Korea, Philippines, Malaysia, Hong Kong, Ireland, Mexico, Brazil, UAE and Turkey. Considering the fact that free zones represent a mechanism for exports promotion free from all WTO restrictions, they are even more important for countries in need of both investors and exports effects. In the literature, there is an objection to the WTO that there is no clear standpoint on the future status of free zones since they practically separate the host country's foreign trade policy into two 'sub-policies', the one applicable to businesses within the zone and the other applicable to businesses outside the zone. With the adoption of the free zone concept in 1970s, not only China, but other Eastern Asia countries as well stepped into accelerated liberalisation, limited and locally controlled though, which was more efficient than promoting unified liberalisation of all industries and all services. In this way, these Asian countries had control over the process of their economic opening, stimulating at the same time exports through facilitated availability of

import material for selected industries, without completely reducing imports barriers. Free zones are often used as experimental laboratories for implementing new policies and approaches. This was the case with the Chinese pilot free zone in Shanghai. Economic interdependence through free zones opens also nonconventional and unexpected political solutions for many problems among sometimes even ‘hostile’ countries. An example is the Kaesong Industrial Complex representing the key barometer for inter-Korean relations. These are relations between geographically close, but politically distant countries North Korea and South Korea.

Free zones are an important political tool which fully legitimately operates in international relations. Despite their flaws, free export zones represent a very efficient tool for the development of countries and the promotion of their exports.

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Dragica LUKOVIĆ

DRŽAVNE MERE KOJE UTIČU NA PROMOCIJU IZVOZA KROZ SLOBODNE ZONE

Apstrakt: U samom fokusu državne razvojne politike većine zemalja učesnica međunarodne trgovine, nalazi se osnivanje i način upravljanja slobodnim zonama. Svojim efikasnim rešavanjem niza složenih državnih privrednih problema, posebno u oblastima spoljnotrgovinskog poslovanja, spoljnih dugova, socijalne politike, demografske politike, deviznog poslovanja, privrednog razvoja nedovoljno razvijenih područja i drugih, koncept slobodne eksportne proizvodne zona (skraćeno - slobodne zone), se nametnuo kao međunarodno priznat, često korišćen i efikasniji instrumenti u odnosu na niz klasičnih instrumenata državne razvojne politike. Slobodne zone su poseban potencijal ispoljile i kao značajan instrument promocije izvoza. Viši stepen povezanosti zemalja kroz slobodne zone ne samo da pojačava integrisanost ovakvih područja i utiče na njihove međusobne ekonomske i političke odnose, već je sam stabilnija osnova za povoljnije modele ekonomskih i političkih veza sa njihovim partnerima kombija ovih zajednica. Različiti politički i ekonomski ciljevi država diktiraju sam različite kategorije slobodnih zona.

Cljučne reči: slobodne zone, promocija izvoza, država, Međunarodna trgovina, razvojna politika.

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BOOKS REVIEW

ECONOMIC DIPLOMACY

Vladimir Prvulović, *Economic Diplomacy*. Megatrend University, Belgrade, 2015. p. 413.

The book “Economic Diplomacy“ by Vladimir Prvulović, full-time professor at John Naisbitt University (former Megatrend University) in Belgrade, which has experienced its sixth edition, is a pioneering work in this important field of social science, not only in Serbia, but also abroad. As professor Prvulovic noticed at the beginning of this book, some rare publications in Serbia only mentioned the term “economic diplomacy“, and in the international frame, there is only one book with the ambitions similar to his work, which is, as expected, published in France, the country where modern (economic) diplomacy has its roots.

Considering this unsatisfactory circumstances, which shows misunderstanding of the importance of economic diplomacy both as diplomatic praxis and field of scientific research, Prvulovic’s book is to establish a new scientific discipline and a branch of practical diplomacy for undergraduate and postgraduate studies in Serbia. Therefore, over thirteen years Prvulović deals with economic diplomacy as a discipline which, previous to his work at Megatrend University, unfortunately had not been studied in our faculties and colleges. His long-standing work in diplomacy, combined with brilliant scientific career, makes this pioneering book inevitable for everyone who wants to acquaint with the matter.

The book consists of eleven chapters, four hundred pages, which consider the main topics of economic diplomacy: process of globalization (ch. III), international economic communication (IV), business espionage (V), economic warfare (VI), business negotiation (VII), public relations (VIII), characteristics of a modern economic diplomat (IX), etc. The book is enriched with the forty-two specific case studies that analyze the most current events in the world of economy and diplomacy. These case studies are a special quality of this work - tight intertwining of theory and praxis, continuous following of actual processes and phenomena in the country and the world, gives permanent freshness to Prvulovic’s book and makes it very interesting for reading and studying. If someone wants to find out, for example, why Greece, after period of economic success, fell into dramatic crisis which yet takes place, why Irish economic “miracle“ failed, or what are the consequences of Assange and Snowden affairs, he can find these answers in this book. And that is the reason why the book, as author itself promised (and accomplished it), is published in revised editions at

regular intervals - in order to be in touch with important economic and diplomatic events in the world which need theoretical reflection. Therefore, the author's scientific goal is to identify, comprehend, analyze and try to overcome the negative effects of global and local economic and diplomatic crises.

Prvulović has no doubt that the study of economic diplomacy is necessary at the beginning of the third millennium and that economic diplomacy is the number one priority in the future diplomatic activity. French economic diplomacy is thereby exemplary because France had made pioneering steps in the transformation of its classic into modern economic diplomacy. Its practical significance is illustrated by the quote of French President Jacques Chirac during his visit to Brazil in March 1997: "Whenever I travel abroad, I have no inhibitions. I am going there to sell French products". Chirac in these simple words explain the essence of economic diplomacy.

And if one search for its scientific definition, Prvulović gives us the one: "Economic diplomacy represents a specific and subtle combination of diplomacy in its classical sense, economic science and the science of management, methods and techniques of negotiation with foreign partners, public relations and gathering of economic information important for the economy of one's country or company, with the aim of penetrating the world market". The main function of economic diplomacy is "the protection of national economic interests in international economic relations". Applying these insights to our case, "the economic diplomat of the new era is supposed to enable and assist the economic performance of Serbia, selling its products, fighting for foreign investment in the Serbian economy, conquering new and the survival of traditional foreign markets".

"Fighting", "conquering", "survival" ...Prvulović constantly warns we must never forget that the field of economic diplomacy is a "battlefield". Political and economic pressure are often used in international relations, and „the laws of real business warfare are dominant, rather than the rules of etiquette and good manners (*le bon ton*). On the world business scale 'the big fish mercilessly devours the small one' being bigger in this way, only to become the 'prey' of large multinational mega companies, who master the human and production resources, market and profit in a particular area. Markets are conquer only by the strongest, so that in this respect there is no room for thinking about humanity, justice and equal opportunities". This constitutes the necessity and importance of economic diplomacy: it "helps especially developing countries to manage in the global economic arena ruled by the 'big fish' with the piranha appetite". This sounds brutal, but reality is such. Economic espionage, hackers, pirates, counterfighters, unfair competition, blackmail, corruption, sanctions, all these phenomena from the dark side of economic diplomacy, and not only "the art of negotiations" or regular public relations, are illustrated and analyzed in Prvulović's book. But, the

rule that “small fish“ is eaten by “piranha“, like every rule, allows exceptions. With developed abilities and knowledge in “diplomacy“, “small fishes“ certainly strengthen their possibilities to survive. It seems to be the one of the important points of Prvulović’s book.

Because economic diplomacy is, like other praxises and professions, the type of human activity, it leads us to the serious question of human resources. According to Prvulović, “the most important question for the Serbian economy and future economic diplomats is the question of criteria and methods of selection of human resources. All previous models of employment on the basis of party obedience would have to give way to an open competition for the strict and fair selection, according to exact and publicly available criteria“. Only autonomous (from parties’ ignorance and voluntarism) and authoritative experts and negotiators in economic affairs, can satisfy the interests of national economic expansion which is, as we said above, the main function of economic diplomacy.

Bearing all this in mind, Prvulović conclude: “There is a great political, economic, scientific and social interest of our country to return to the world stage. The key question is: how can we do that? This can only be achieved by means of modern and highly educated human resources, revised opinions and new knowledge, and they have to become trump cards for the coming era. The discipline of Economic Diplomacy will contribute to the achievement of this goal - the return to the developed countries and integration into the world economic mosaic“.

We are sure that „Economic Diplomacy“ by professor Vladimir Prvulović makes great contribution to understanding the importance of economic diplomacy in our foreign policy. Therefore, every student and person who seek diplomatic career must keep this book as the main source of scientific information and knowledge in that field in Serbia.

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DOCUMENTS

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS*

A EUROPEAN AGENDA ON MIGRATION

(Brussels, 13.5.2015)

I. Introduction

Throughout history, people have migrated from one place to another. People try to reach European shores for different reasons and through different channels. They look for legal pathways, but they risk also their lives, to escape from political oppression, war and poverty, as well as to find family reunification, entrepreneurship, knowledge and education. Every person's migration tells its own story. Misguided and stereotyped narratives often tend to focus only on certain types of flows, overlooking the inherent complexity of this phenomenon, which impacts society in many different ways and calls for a variety of responses. This Agenda brings together the different steps the European Union should take now, and in the coming years, to build up a coherent and comprehensive approach to reap the benefits and address the challenges deriving from migration.

The immediate imperative is the duty to protect those in need. The plight of thousands of migrants putting their lives in peril to cross the Mediterranean has shocked us all. As a first and immediate response, the Commission put forward a ten point plan for immediate action. The European Parliament and the European Council have lent their support to this plan and Member States have also committed to concrete steps, notably to avert further loss of life.

The response was immediate but insufficient. This cannot be a one-off response. Emergency measures have been necessary because the collective European policy on the matter has fallen short. While most Europeans have responded to the plight of the migrants, the reality is that across Europe, there are serious doubts about whether our migration policy is equal to the pressure of thousands of migrants, to the need to integrate migrants in our societies, or to the economic demands of a Europe in demographic decline.

* Accessed November 04, 2015, from http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/background-information/docs/communication_on_the_european_agenda_on_migration_en.pdf

To try to halt the human misery created by those who exploit migrants, we need to use the EU's global role and wide range of tools to address the root causes of migration. Some of these are deep-seated but must be addressed. Globalisation and the communication revolution have created opportunities and raised expectations. Others are the consequence of wars and crises from Ukraine to the Middle East, Asia and North Africa. The impact of global poverty and conflict do not end at national frontiers.

Europe should continue to be a safe haven for those fleeing persecution as well as an attractive destination for the talent and entrepreneurship of students, researchers and workers. Upholding our international commitments and values while securing our borders and at the same time creating the right conditions for Europe's economic prosperity and societal cohesion is a difficult balancing act that requires coordinated action at the European level.

This calls for a set of core measures and a consistent and clear common policy. We need to restore confidence in our ability to bring together European and national efforts to address migration, to meet our international and ethical obligations and to work together in an effective way, in accordance with the principles of solidarity and shared responsibility. No Member State can effectively address migration alone. It is clear that we need a new, more European approach. This requires using all policies and tools at our disposal – combining internal and external policies to best effect. All actors: Member States, EU institutions, International Organisations, civil society, local authorities and third countries need to work together to make a common European migration policy a reality.

II. Immediate action

The first part of this European Agenda on Migration responds to the need for swift and determined action in response to the human tragedy in the whole of the Mediterranean. The European Council statement of 23 April 2015¹ and the European Parliament Resolution a few days later,² illustrated the consensus for rapid action to save lives and to step up EU action.³

¹ Special meeting of the European Council, 23 April 2015 – statement: <http://www.consilium.europa.eu/en/press/press-releases/2015/04/23-special-euco-statement/>. This part of The European Agenda on Migration incorporates and further develops the initiatives included in the Roadmap that the Commission presented as a follow up to the Statement of the European Council of 23 April.

² [http://www.europarl.europa.eu/oel/popups/ficheprocedure.do?lang=en&reference=2015/2660\(RSP\)](http://www.europarl.europa.eu/oel/popups/ficheprocedure.do?lang=en&reference=2015/2660(RSP)).

³ The Union's common policy on asylum, immigration, visa and external border controls is based on Title V (Area of freedom, security and Justice) of the Treaty on the functioning of the European Union (TFEU). Under Protocols 21 and 22 to the Treaties, the United Kingdom, Ireland and Denmark shall not take part in the adoption by the Council of proposed measures pursuant to Title V TFEU. The United Kingdom and Ireland may notify the Council, within three months after a proposal or initiative has been presented, or at any time after its adoption, that they wish to take part in the adoption and application of any such proposed measure. At any time Denmark may, in

This swift response must also serve as the blueprint for the EU's reaction to future crises, whichever part of the common external border comes under pressure from East to West and from North to South.

Saving lives at sea

Europe cannot stand by whilst lives are being lost. Search and rescue efforts will be stepped up to restore the level of intervention provided under the former Italian 'Mare Nostrum' operation. To triple the budget for the *Frontex joint-operations Triton and Poseidon*, the Commission has already presented an amending budget for 2015 and will present its proposal for 2016 by the end of May. When implemented, this will expand both the capability and the geographical scope of these operations, so that Frontex can fulfil its dual role of coordinating operational border support to Member States under pressure, and helping to save the lives of migrants at sea⁴. In parallel to this increase in EU funding, assets (ships and aircrafts) are being deployed by several Member States. This welcome solidarity will need to be maintained for as long as the migratory pressure persists. The new Triton Operational Plan will be presented by the end of May.⁵

Targeting criminal smuggling networks

The criminal networks which exploit vulnerable migrants must be targeted. The High Representative/Vice President (HR/VP) has already presented options for possible *Common Security and Defence Policy (CSDP) operations* to systematically identify, capture and destroy vessels used by smugglers. Such action under international law will be a powerful demonstration of the EU's determination to act.

More will be done to pool and better *use information to identify and target smugglers*. Europol will immediately strengthen its recently established joint maritime information operation (JOT MARE) – and its focal point on migrant smuggling. The result will be a single entry point for inter-agency cooperation on smuggling.⁶ Frontex and Europol will also develop profiles of vessels which could be used by smugglers, following patterns to identify potential vessels and monitor their movements. Finally, Europol will identify illegal internet content used by smugglers to attract migrants and refugees, and request its removal.

accordance with its constitutional requirements, notify the other Member States that it wishes to apply in full all relevant measures adopted on the basis of Title V TFEU.

⁴ This support is in addition to the substantial assistance available to these Member States from Home Affairs funds of which Italy is the major beneficiary in absolute terms and Malta in *per capita* terms.

⁵ As Triton and Poseidon are Frontex-coordinated operations which relate to the protection of external borders, they build on the Schengen *acquis* in which Ireland and the United Kingdom do not participate (see footnote 25 below). This fact does not exclude the United Kingdom vessels from participating in Search and Rescue operations, in the Mediterranean, in coordination by Triton and Poseidon.

⁶ The European Maritime Security Agency, the European Fisheries Control Agency and Eurojust should also contribute to this work.

Responding to high-volumes of arrivals within the EU: Relocation

Member States' asylum systems today face unprecedented pressure and, with the summer arriving, the flow of people to frontline Member States will continue in the months to come. The EU should not wait until the pressure is intolerable to act: the volumes of arrivals mean that the capacity of local reception and processing facilities is already stretched thin. To deal with the situation in the Mediterranean, the Commission will, by the end of May, propose triggering the emergency response system envisaged under Article 78(3) TFEU.⁷ The proposal will include a temporary distribution scheme for persons in clear need of international protection to ensure a fair and balanced participation of all Member States to this common effort. The receiving Member State will be responsible for the examination of the application in accordance with established rules and guarantees. A redistribution key based on criteria such as GDP, size of population, unemployment rate and past numbers of asylum seekers and of resettled refugees can be found in the Annex.

This step will be the precursor of a lasting solution. The EU needs a permanent system for sharing the responsibility for large numbers of refugees and asylum seekers among Member States. The Commission will table a legislative proposal by the end of 2015 to provide for a mandatory and automatically-triggered relocation system to distribute those in clear need of international protection within the EU when a mass influx emerges.⁸ The scheme will take account of the efforts already made on a voluntary basis by Member States.

Pending the implementation of these two measures, Member States will need to show solidarity and redouble their efforts to assist those countries on the frontline.

A common approach to granting protection to displaced persons in need of protection: Resettlement

In addition to the relocation of those already on EU soil, the EU has a duty to contribute its share in helping displaced persons in clear need of international protection. This is a joint responsibility of the international community, with the United Nations High Commissioner for Refugees (UNHCR) given the task of identifying when people cannot stay safely in their own countries. Such vulnerable people cannot be left to resort to the criminal networks of smugglers and traffickers. There must be safe and legal ways for them to reach the EU. The UNHCR has endorsed a target of 20,000 resettlement places for the EU per year by the year 2020.⁹ Some Member States have already made a major contribution to global resettlement efforts. But others offer nothing – and in many cases they are not making an alternative contribution in terms of receiving and accepting asylum requests or helping to fund the efforts of others.

⁷ This proposal would not apply to Denmark and would apply to the United Kingdom and Ireland only if they make use of their respective “opt-in” right (see footnote 3).

⁸ On the scope of such proposal see footnote 3.

⁹ Statement of UNHCR Deputy Director, Progress Report on Resettlement, Meeting of the Standing Committee of the Executive Committee of the High Commissioner's Programme, Geneva, 26-28 2012.

By the end of May, the Commission will make a Recommendation proposing an *EU-wide resettlement scheme to offer 20,000 places*. This scheme will cover all Member States, with distribution criteria that can be found in the Annex, such as GDP, size of population, unemployment rate and past numbers of asylum seekers and of resettled refugees, and will take account of the efforts already made on a voluntary basis by Member States. The EU budget will provide dedicated funding of *an extra EUR 50 million* in 2015/2016 to support this scheme. If necessary this will be followed up with a proposal for a binding and mandatory legislative approach beyond 2016.¹⁰ In addition to this common effort, the Commission calls on Member States to make use of the existing possibilities offered under the Asylum Migration and Integration Fund and pledge further resettlement places under their national programming, with the funding swiftly adjusted.

In addition, Member States should use to the full the other legal avenues available to persons in need of protection, including private/non-governmental sponsorships and humanitarian permits, and family reunification clauses.

Working in partnership with third countries to tackle migration upstream

The EU can also take immediate action to intervene upstream in regions of origin and of transit. The Commission and the European External Action Service (EEAS) will work together with partner countries to put in place concrete measures to prevent hazardous journeys.

First, the EU should step up its support to the countries bearing the brunt of displaced refugees. *Regional Development and Protection Programmes* will be set up or deepened, starting in North Africa and the Horn of Africa, as well as by building on the existing one in the Middle East. EUR 30 million will be made available in 2015/2016 and should be complemented by additional contributions from Member States.

Second, *a pilot multi-purpose centre will be set up in Niger* by the end of the year. Working with the International Organisation for Migration (IOM), the UNHCR and the Niger authorities, the centre will combine the provision of information, local protection and resettlement opportunities for those in need. Such centres in countries of origin or transit will help to provide a realistic picture of the likely success of migrants' journeys, and offer assisted voluntary return options for irregular migrants.

Third, migration will become a specific component of ongoing *Common Security and Defence Policy (CSDP)* missions already deployed in countries like Niger and Mali, which will be strengthened on border management. A dedicated summit will be organised in Malta in the autumn with key partners, including the African Union, to develop a common approach with the region addressing the causes of irregular migration and the protection of people in need, as well as smuggling and trafficking of people.

This work will be closely connected to broader political initiatives to promote stability. Of particular importance is the action led by the HR/VP to address the

¹⁰ On the scope of such proposal see footnote 3.

situation in *Libya*, with full support to the UN-led efforts to encourage the process of setting up of a Government of National Unity. Persistent efforts to address the crisis in *Syria* have been accompanied by €3.6 billion in humanitarian, stabilisation and development assistance inside Syria and to help Syrian refugees in countries like Lebanon, Jordan, Turkey and Iraq. These are only some of the most obvious of political crises which will have a profound impact on migration to the EU in the months to come. Close attention will also be paid to our eastern partners, the Western Balkans and Asia fostering existing cooperation frameworks.

Using the EU's tools to help frontline Member States

More will be done to help deal with the immediate challenge faced by Member States in the frontline of migrant arrivals.

First, the Commission will set up a new 'Hotspot' approach, where the European Asylum Support Office, Frontex and Europol will work on the ground with frontline Member States to swiftly identify, register and fingerprint incoming migrants. The work of the agencies will be complementary to one another. Those claiming asylum will be immediately channelled into an asylum procedure where EASO support teams will help to process asylum cases as quickly as possible. For those not in need of protection, Frontex will help Member States by coordinating the return of irregular migrants. Europol and Eurojust will assist the host Member State with investigations to dismantle the smuggling and trafficking networks.

Second, the Commission will mobilise an additional EUR 60 million in *emergency funding*, including to support the reception and capacity to provide healthcare to migrants in the Member States under particular pressure¹¹. An evaluation of needs is under way.

<i>Key Actions</i>	<ul style="list-style-type: none"> • A funding package to triple the allocation for Triton and Poseidon in 2015-16 and to finance an EU-wide resettlement scheme. • Immediate support to a possible CSDP mission on smuggling migrants. • A legislative proposal to activate the emergency scheme under Article 78(3) TFEU by the end of May, on the basis of the distribution key included in the Annex. • A proposal for a permanent common EU system for relocation for emergency situations by the end of 2015. • A Recommendation for an EU resettlement scheme by the end of May followed if required by a proposal for more permanent approach beyond 2016. • EUR 30 million for Regional Development and Protection Programmes. • Pilot multi-purpose centre established in Niger by the end of 2015.
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¹¹ To this end Member States can use funds available under the Asylum Migration and Integration Fund. Countries particularly affected by an influx of migrants and asylum seekers may also request assistance as appropriate from the EU civil protection mechanism.

III. Four pillars to manage migration better

The migration crisis in the Mediterranean has put the spotlight on immediate needs. But it has also revealed much about the structural limitations of EU migration policy and the tools at its disposal. This is an opportunity for the EU to face up to the need to strike the right balance in its migration policy and send a clear message to citizens that migration can be better managed collectively by all EU actors.

As outlined by President Juncker in his Political Guidelines, a robust fight against irregular migration, traffickers and smugglers, and securing Europe's external borders must be paired with a strong common asylum policy as well as a new European policy on legal migration. Clearly, this requires an enhanced coherence between different policy sectors, such as development cooperation, trade, employment, foreign and home affairs policies.

A clear and well implemented framework for legal pathways to entrance in the EU (both through an efficient asylum and visa system) will reduce push factors towards irregular stay and entry, contributing to enhance security of European borders as well as safety of migratory flows.

The EU must continue to offer protection to those in need. It must also recognise that the skills needed for a vibrant economy cannot always immediately be found inside the EU labour market or will take time to develop. Migrants who have been legally admitted by Member States should not be faced with reluctance and obstruction – they should be given every assistance to integrate in their new communities. This should be seen as central to the values Europeans should be proud of and should project to partners worldwide.

But by the same token, the EU needs to draw the consequences when migrants do not meet the criteria to stay. Unsuccessful asylum claimants who try to avoid return, visa overstayers, and migrants living in a permanent state of irregularity constitute a serious problem. This corrodes confidence in the system. It offers strong arguments for those looking to criticise or stigmatise migration. It makes it harder to integrate those migrants staying in the EU as of right.

The EU must continue engaging beyond its borders and strengthen cooperation with its global partners, address root causes, and promote modalities of legal migration that foster circular growth and development in the countries of origin and destination. This reflection will be addressed more broadly by the Strategic Review initiated by the HR/VP to assess the impact of changes in the global environment, as well as by the forthcoming Review of the European Neighbourhood Policy which will also aim to set out proposals in close partnerships with our neighbours for a more focused cooperation on issues of common concern, including migration.

This Agenda sets out four levels of action for an EU migration policy which is fair, robust and realistic. When implemented, they will provide the EU with a migration policy which respects the right to seek asylum, responds to the humanitarian challenge, provides a clear European framework for a common migration policy, and stands the test of time.¹²

¹² Concerning the scope of the measures which already apply and/or will be proposed, under Title V TFEU, to implement the Agenda, see footnote 3 on the “opt-in” rights concerning the United Kingdom and Ireland and the “opt-out” status concerning Denmark.

III.1 Reducing the incentives for irregular migration

There are many different motivations behind irregular migration. But often, it ends in deep disappointment. The journey is often far more dangerous than expected, often at the mercy of criminal networks who put profit before human life. Those who fail the test of asylum face the prospect of return. Those who live a clandestine life inside Europe have a precarious existence and can easily fall prey to exploitation. It is in the interests of all to address the root causes which cause people to seek a life elsewhere, to crack down on smugglers and traffickers, and to provide clarity and predictability in return policies.

Addressing the root causes of irregular and forced displacement in third countries

Many of the root causes of migration lie deep in global issues which the EU has been trying to address for many years. Migration should be recognised as one of the primary areas where an active and engaged EU external policy is of direct importance to EU citizens. Civil war, persecution, poverty, and climate change all feed directly and immediately into migration, so the prevention and mitigation of these threats is of primary importance for the migration debate.

Partnership with countries of origin and transit is crucial and there are a series of established bilateral and regional cooperation frameworks on migration in place¹³. These will be enriched by stepping up the role on migration of *EU Delegations* in key countries. Delegations will in particular report on major migratory related developments in the host countries, contribute to mainstream migration issues into development cooperation and reach out to host countries to ensure coordinated action. *European migration liaison officers* will be seconded in EU Delegations in key third countries, in close cooperation with the Immigration Liaison Officers Network¹⁴ and with local authorities and civil society, with the purpose of gathering, exchanging and analysing information.

A good example of where there is much to be gained from stepping up cooperation is *Turkey*. Since the beginning of 2014, Turkey has received EUR 79 million to contribute to its efforts to deal with the pressure on its refugee management system and to help prevent hazardous journeys in the Eastern Mediterranean. Deploying a dedicated Frontex liaison officer in Turkey will take cooperation one step further.

With a budget allocation of EUR 96.8 billion for the 2014–2020 period, *EU external cooperation assistance*, and in particular development cooperation, plays an important role in tackling global issues like poverty, insecurity, inequality and unemployment which are among the main root causes of irregular and forced migration. This includes support

¹³ Rabat Process, Khartoum Process, the Budapest Process, the Prague Process, the EU-Africa Migration and Mobility Dialogue.

¹⁴ Council Regulation (EC) No 377/2004 of 19 February 2004. The Immigration Liaison Officers are representatives of the Member States who are posted in a non-Member State in order to facilitate the measures taken by the EU to combat irregular immigration (OJ L 64, 2.3.2004, p. 1). The United Kingdom and Ireland “opted-in” to this Regulation (see footnote 3).

in regions of Africa, Asia and Eastern Europe where most of the migrants reaching Europe originate from.

As well as addressing long-term root causes, the EU helps to mitigate the impact of crisis at a local level. This needs a sustained effort: more than 70% of the world's refugees and Internally Displaced Persons (IDPs) are trapped in situations of displacement for five years or more. The EU is a leading international donor for refugees with EUR 200 million in ongoing projects from development assistance and over EUR 1 billion of humanitarian assistance dedicated to refugees and IDPs since the beginning of 2014. A strategic reflection is now under way to maximise the impact of this support, with results expected in 2016.

The fight against smugglers and traffickers

Action to fight criminal networks of smugglers and traffickers is first and foremost a way to prevent the exploitation of migrants by criminal networks.¹⁵ It would also act as a disincentive to irregular migration. The goal must be to transform smuggling networks from 'low risk, high return' operations for criminals into 'high risk, low return' ones. An action plan will be brought forward by the Commission by the end of May.

Cooperation with third countries is of critical importance. Most of the smugglers are not based in Europe, and those who are arrested on the boats in the Mediterranean are normally the last link in the chain. Cooperation to crack down on the local and international criminal groups that control smuggling routes will be a major focus of the intensified cooperation set out above.

EU Agencies can also assist Member States' authorities in intensifying their action against *criminal networks of smugglers*. Agencies help identify smugglers, investigate them, prosecute them, freeze and confiscate their assets. Action will build on immediate efforts to identify, capture and destroy vessels before they are used by criminal networks (see above). Proactive financial investigations, aiming at seizures and recovery of criminal assets, and actions against money laundering connected to migrant smuggling will be supported through enhanced cooperation with Financial Intelligence Units on financial flows and new cooperation with financial institutions, such as banks, international money transfer services, and credit card issuers. This will also draw on the improved information-sharing set out in the European Agenda on Security.

In order to strengthen the instruments available to prosecutors to address smuggling networks, the Commission will improve the existing EU legal framework to

¹⁵ These efforts will also be pursued under the European Agenda for Security and the Maritime Security Strategy. Migrants smuggling and trafficking are two diverse yet interlinked criminal activities perpetrated by criminal networks. The difference between the two is that in the former, migrants willingly engage in the irregular migration process by paying for the services of a smuggler in order to cross an international border, while in the latter they are the victims, coerced into severe exploitation which may or may not be linked to the crossing of a border. In reality, the two phenomena are not easy to disentangle as persons who start their journeys in a voluntary manner are also vulnerable to networks of labour or sexual exploitation.

tackle *migrant smuggling* and those who profit from it.¹⁶ In order to take specific action against traffickers' networks and provide assistance to victims of trafficking, the Commission will also complete the initiatives foreseen in the current strategy against *Trafficking in Human Beings* and look at how work can be further improved in 2016.¹⁷ Another potential source of exploitation comes from employers inside the EU. Whilst promoting better integration into the labour market of legal migrants, the Commission will step up action against illegal employment of third country nationals, inter alia through better enforcement and application of the *Employers Sanctions Directive*,¹⁸ which prohibits the employment of third-country nationals who have no right to stay in the EU. It will also prioritise infringement procedures relating to this Directive.

Return

One of the incentives for irregular migrants is the knowledge that the EU's return system – meant to return irregular migrants or those whose asylum applications are refused – works imperfectly. Smuggling networks often play on the fact that relatively few return decisions are enforced – only 39.2% of return decisions issued in 2013 were effectively enforced.

To increase the enforcement rate, we first need to ensure that third countries fulfil their international obligation to take back their own nationals residing irregularly in Europe.¹⁹ The EU should be ready to use all leverage and incentives at its disposal. The

¹⁶ Some of the measures adopted by the Union prior to 1 December 2009 with regard to police cooperation and judicial cooperation in criminal matters no longer apply to the United Kingdom since 1 December 2014, on the basis of Articles 9 and 10 of Protocol 36 to the Treaties, which set out a specific “block opt-out” and “opt-back-in” procedure (see decisions adopted by the Commission and the Council on the measures notified by the United Kingdom, OJ L 345, 1.12.2012, p. 1 and OJ C 430, 1.12.2014, p. 1). In 2002, the EU adopted rules to crack down on migrant smuggling: Directive 2002/90/EC establishing a common definition of the offense of facilitation of unauthorised entry, transit and residence (OJ L 328, 5.12.2002, p. 17) and Framework Decision 2002/946/JHA on the strengthening of the penal framework to prevent the facilitation of unauthorised entry, transit and residence (OJ L 328, 5.12.2002, p. 1). The United Kingdom and Ireland “opted in” both the Directive and the Framework decision. Nevertheless, for the United Kingdom, the Framework decision no longer applies by virtue of the block opt-out provided for in Protocol 36 referred to above. The United Kingdom may however still decide to “opt-in” to this Framework Decision.

¹⁷ Concerning the scope of those initiatives and the measures already in force, see footnotes 3 and 17.

¹⁸ Directive 2009/52/EC of the European Parliament and of the Council of 18 June 2009 providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals, OJ L 168, 30.6.2009, p. 24–32. The United Kingdom and Ireland did not “opt-in” to this Directive and are therefore not bound by it or subject to its application.

¹⁹ A specific obligation exists in the Cotonou Agreement with the ACP countries. In accordance with Article 13 of the Cotonou Agreement, each Member State of the European Union shall accept the return of and readmission of any of its nationals who are illegally present on the

recently agreed *Pilot Project on Return* to Pakistan and Bangladesh will offer an important practical demonstration of the way forward.²⁰ The EU will *help third countries to meet their obligations* by offering support such as capacity building for the management of returns, information and awareness campaigns, and support for reintegration measures. The Commission will also revise its approach to readmission agreements,²¹ prioritising the main countries of origin of irregular migrants.

In parallel, Member States have to apply the *Return Directive*.²² The Commission will give priority to monitoring implementation of the Directive, with a more swift return system going hand-in-hand with the respect of the procedures and standards that allow Europe to ensure a humane and dignified treatment of returnees and a proportionate use of coercive measures, in line with fundamental rights and the principle of *non-refoulement*.²³ The implementation of the EU rules on the return of irregular migrants is now being assessed thoroughly in the framework of the Schengen Evaluation Mechanism, and a '*Return Handbook*' will support Member States with common guidelines, best practice and recommendations.

While the EU has common rules on return, it lacks effective operational cooperation. Frontex is currently offering considerable support to Member States, but its mandate must be reinforced to increase its capacity to provide comprehensive operational assistance. Currently, Frontex can only coordinate return missions but not initiate its own. On the basis of the ongoing evaluation to be concluded this year, the Commission will propose to *amend the Frontex legal basis* to strengthen its role on return.²⁴

territory of an ACP State, at that State's request, without further formalities; and each of the ACP States shall accept the return of and readmission of any of its nationals who are illegally present on the territory of a Member State of the European Union, at that Member State's request and without further formalities.

²⁰ Council Conclusions on EU Return Policy adopted at the Justice and Home Affairs Council meeting of 5 and 6 June 2014.

²¹ A readmission agreement facilitates the return of third-country nationals. Contracting parties will readmit to their territory without any formality persons with the nationality of that country who are residing without authorisation in the other country or who have crossed its frontier illegally.

²² Directive 2008/115/EC, of 16 December 2008, on common standards and procedures in Member States for returning illegally staying third-country nationals, OJ L 348 98, 24.12.2008, p. 98–107. The United Kingdom and Ireland did not “opt-in” to this Directive and are therefore not bound by it and not subject to its application.

²³ *Non-refoulement* is a principle of international law, endorsed by the Charter of fundamental rights, according to which a person must not be returned to a place where there is a serious risk of death penalty, torture or inhuman or degrading treatment.

²⁴ Frontex was established by Regulation 2007/2004 (OJ L 349, 25.11.2004, p. 1). As a development of the Schengen *acquis* in which Ireland and the United Kingdom do not participate, the latter Member States are not part of Frontex. There is however cooperation with Ireland and the United Kingdom pursuant to Article 12 of the Regulation, in particular regarding the organisation of joint return operations.

<i>Key Actions</i>	<ul style="list-style-type: none"> • Addressing the root causes through development cooperation and humanitarian assistance. • Making migration a core issue for EU delegations. • An action plan on smuggling in May 2015. • Stronger action so that third countries fulfil their obligations to readmit their nationals. • Adoption of a Return Handbook and monitoring of the implementation of the Return Directive. • Reinforcement and amendment of the Frontex legal basis to strengthen its role on return.
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III.2 Border management – saving lives and securing external borders

The measures described above to address the situation in the Mediterranean today have been developed as emergency measures in response to a specific crisis. It would be a illusion to believe that this is a short-term need which will not return. The reinforcement of Frontex and the setting up of new forms of cooperation with Member States should be seen as a level of support and solidarity which is here to stay.

The rules of engagement agreed for *Triton* operations should be seen as the model for future action on the whole of the external land and sea border. Every crisis will be different, but the EU needs to heed the lesson and be prepared to act in anticipation of a crisis, not just in reaction.

Coastguards have a crucial role both for saving lives and securing maritime borders. Their effectiveness would be improved through greater cooperation. The Commission, together with relevant agencies, will support such cooperation and, where appropriate, the further pooling of certain coast guard functions at the EU level.

Identifying *risk trends* is increasingly necessary for effective operational preparedness. The roll-out of Eurosur²⁵ has provided a good model on which to build and should be used to the full by all civilian and military authorities with a responsibility for maritime border surveillance. The relevant agencies should develop an effective situational picture to feed into policy-making and response preparation at national and European levels.²⁶

²⁵ Regulation 1052/2013 of 22 October 2013 establishing the European Border Surveillance System (EUROSUR): an information-exchange system designed to improve management of the EU external borders, OJ L 295, 6.11.2013, p. 1 EUROSUR enables near real-time sharing of border-related data between members of the network, consisting of Schengen countries and Frontex. As EUROSUR is a development of the Schengen acquis in which Ireland and the United Kingdom do not participate, those Member States are not part of EUROSUR. The limited cooperation at regional level foreseen in Article 19 of the Regulation is currently under scrutiny before the Court of Justice (pending Case C-88/14).

²⁶ Coordinated by Frontex with input from EASO, Europol, the EU Satellite Centre and the European Maritime Safety Agency.

The EU has an established policy to help Member States build up sound and consistent external borders. The Internal Security Fund already provides over €2.7 billion to Member States for the period from 2014–2020. But while rules on border control are in place, border management today varies, based on a patchwork of sectorial documents and instruments. In 2016, the Commission will consolidate this into a *Union standard for border management* to cover all aspects of the Union’s external border management.

Managing our borders more efficiently also implies making better use of the opportunities offered by IT systems and technologies. The EU today has three large-scale IT systems, dealing with the administration of asylum (Eurodac), visa applications (the Visa Information System), and the sharing of information about persons or objects for which an alert has been created by the competent authorities (Schengen Information System). The full use of these systems can bring benefits to border management, as well as to enhance Europe’s capacity to reduce irregular migration and return irregular migrants. A new phase would come with the “*Smart Borders*” initiative to increase the efficiency of border crossings, facilitating crossings for the large majority of ‘bona fide’ third country travellers, whilst at the same time strengthening the fight against irregular migration by creating a record of all cross-border movements by third country nationals, fully respecting proportionality. Following initial discussions on the first proposal and to take into account concerns raised by the co-legislators, the Commission intends to present a revised proposal on Smart Borders by the beginning of 2016.²⁷

The development of high standards inside the EU will also make it easier for Europe to support third countries developing their own solutions to better manage their borders. Initiatives in key African and neighbourhood countries could be supported by Frontex as well as by EU funding and related initiatives in the context of EU neighbourhood and development policies. The goal should be to encourage more secure borders, but also to *strengthen the capacity of countries in North Africa* to intervene and save lives of migrants in distress.

<i>Key Actions</i>	<ul style="list-style-type: none"> • Strengthening Frontex’s role and capacity. • Union Standard for border management. • Strengthening EU coordination of coast guard functions. • A revised proposal on Smart Borders. • Strengthening the capacity of third countries to manage their borders.
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III.3. Europe’s duty to protect: a strong common asylum policy

The EU needs a clear system for reception of asylum-seekers inside the EU. In 2014, a record 600,000 people applied for asylum in the EU. All asylum applications must be processed and protection granted to those who qualify. One of the weaknesses

²⁷ With regard to the scope of such proposal see footnote 3.

exposed in the current policy has been the lack of mutual trust between Member States, notably as a result of the continued fragmentation of the asylum system. This has a direct impact on asylum seekers who seek to “asylum shop”, but also on EU public opinion: it encourages a sense that the current system is fundamentally unfair. But the EU has common rules which should already provide the basis for mutual confidence, and a further development of these rules will allow for a fresh start.

A coherent implementation of the Common European Asylum System

The priority is to ensure a full and coherent implementation of the Common European Asylum System. This will be supported by *a new systematic monitoring process*, to look into the implementation and application of the asylum rules and foster mutual trust. In addition, working with the Member States and European Asylum Support Office (EASO), the Commission will give further guidance to improve *standards* on reception conditions and asylum procedures to provide Member States with well-defined and simple quality indicators, and reinforcing protection of the fundamental rights of asylum-seekers, paying particular attention to the needs of vulnerable groups, such as children.²⁸ The Commission will also prioritise transposition and implementation in practice of the recently adopted legislation on asylum rules when considering *infringement procedures*.²⁹

EASO will at the same time step up *practical cooperation*, developing a role as the clearing house of national Country of Origin Information – the factual information on which asylum decisions are based. This would encourage more uniform decisions. Other key measures are training³⁰ and a new dedicated network of reception authorities, which could lay the foundation for pooling reception places in times of emergency.

Strengthening the Common European Asylum System also means a more effective approach to *abuses*. Too many requests are unfounded: in 2014, 55% of the asylum requests resulted in a negative decision and for some nationalities almost all asylum requests were rejected, hampering the capacity of Member States to provide swift protection to those in need. The legislation includes specific provisions to fight against abuses, for example by allowing swift processing of unfounded asylum applications. To reinforce this, the Commission will work with EASO and Member States to develop guidelines to maximise such possibilities.

²⁸ In order to look at the specific vulnerabilities of children, not only those having a migrant’s background, the Commission will develop a comprehensive strategy to follow up on the Action Plan on Unaccompanied Minors (2011–2014) to cover missing and unaccompanied children.

²⁹ Directive 2013/32/EU of 26 June 2013 on common procedures for granting and withdrawing international protection, OJ L 180, 29.6.2013, p. 60; Directive 2013/33/EU of 26 June 2013 laying down standards for the reception of applicants for international protection, OJ L 180, 29.6.2013, p. 96. The United Kingdom and Ireland did not “opt-in” to these Directives.

³⁰ EASO Training Curriculum, a common vocational training system designed for asylum officials and other target groups such as managers and legal officers throughout the EU.

Another problem arises with asylum applications from third country nationals who do not require a visa to come to the EU. These cases can be dealt with in part through the post-visa liberalisation monitoring mechanisms³¹. To reinforce this, the Commission will also propose strengthening *Safe Country of Origin provisions* of the Asylum Procedure Directive to support the swift processing of asylum applicants from countries designated as safe.³²

Dublin system – greater responsibility sharing across Member States

Though the recent legal improvements date only from 2014, the mechanism for allocating responsibilities to examine asylum applications (the “Dublin system”³³) is not working as it should. In 2014, five Member States dealt with 72% of all asylum applications EU-wide. The EU can provide further assistance, but the rules need to be applied in full.

Member States are responsible for applying the Dublin system. In particular, they should allocate the resources needed in order to increase the number of transfers and cut delays, proactively and consistently apply the clauses related to family reunification, and make a broader and regular use of the discretionary clauses, allowing them to examine an asylum application and relieve the pressure on the frontline Member States. At Union level, the European Asylum Support Office (EASO) will support Member States by establishing a dedicated *network of national Dublin Units*.

Member States must also implement fully the rules on taking migrants’ *fingerprints*³⁴ at the borders. Member States under particular pressure will benefit from the Hotspot system for providing operational support on the ground (see above). The Commission will provide, by the end of May, guidance to facilitate systematic fingerprinting, in full respect of fundamental rights, backed up by practical cooperation and exchange of best practices. The Commission will also explore how more biometric identifiers can

³¹ This allows the EU to take preventive action in partnership with the countries of origin, developing targeted information campaigns and reinforcing cooperation in border management and the fight against smugglers.

³² Directive 2013/32/EU, quoted above.

³³ Regulation (EU) No 604/2013 of 26 June 2013 establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person (OJ L 180, 29.6.2013, p. 31). The United Kingdom and Ireland have notified their wish to take part in the adoption and application of this Regulation. Denmark participates in the Dublin system through a separate international agreement it has concluded with the EU in 2006. The criteria for establishing responsibility run, in hierarchical order, from family considerations, to recent possession of visa or residence permit in a Member State, to whether the applicant has entered EU irregularly, or regularly.

³⁴ Regulation (EU) No 603/2013 of 26 June 2013 on the establishment of Eurodac (recast). The United Kingdom and Ireland have “opted-in” to this Regulation. Denmark participates in the Eurodac system through a separate international agreement it has concluded with the EU in 2006.

be used through the Eurodac system (such as using facial recognition techniques through digital photos).

When the Dublin system was designed, Europe was at a different stage of cooperation in the field of asylum. The inflows it was facing were of a different nature and scale. When the Commission undertakes its *evaluation of the Dublin system* in 2016, it will also be able to draw on the experience from the relocation and resettlement mechanisms. This will help to determine whether a revision of the legal parameters of Dublin will be needed to achieve a fairer distribution of asylum seekers in Europe.³⁵

<i>Key Actions</i>	<ul style="list-style-type: none"> • Establishing a new monitoring and evaluation system for the Common European Asylum System and guidance to improve standards on reception conditions and asylum procedures. • Guidelines to fight against abuses of the asylum system. • Strengthening <i>Safe Country of Origin provisions</i> of the Asylum Procedure Directive to support the swift processing of asylum applicants from countries designated as safe • Measures to promote systematic identification and fingerprinting. • More biometric identifiers passed through Eurodac. • Evaluation and possible revision of the Dublin Regulation in 2016.
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III.4 A new policy on legal migration

Europe is competing with other economies to attract workers with the skills it needs. Changes in the skills required by the EU between 2012 and 2025 are expected to show a sharp increase in the share of jobs employing higher-educated labour (by 23%).³⁶ Shortages have already been seen in key sectors such as science, technology, engineering and healthcare. Europe needs to build up its own skills base and equip people for inclusion in today's labour market. The Commission will present a new Labour Mobility Package and a new Initiative on Skills³⁷ in 2015, but even with a determined effort over the medium and long term we are unlikely to be able to fully match the needs.

The EU is also facing a series of long-term economic and demographic challenges. Its population is ageing, while its economy is increasingly dependent on highly-skilled jobs. Furthermore, without migration the EU's working age population will decline by

³⁵ Concerning the scope of such new initiative see footnote 3.

³⁶ Descy, Pascaline (2014), "Projected labour market imbalances in Europe: Policy challenges in meeting the Europe 2020 employment targets", in OECD/European Union, *Matching Economic Migration with Labour Market Needs*, OECD Publishing (<http://dx.doi.org/10.1787/9789264216501-12-en>).

³⁷ Both initiatives are already envisaged in Annex 1 to the Commission's work programme for 2015.

17.5 million in the next decade. Migration will increasingly be an important way to enhance the sustainability of our welfare system and to ensure sustainable growth of the EU economy.

This is why, even if the case for legal migration will always be difficult at a time of high unemployment and social change, it is important to have in place a clear and rigorous common system, which reflects the EU interest, including by maintaining Europe as an attractive destination for migrants³⁸.

Well managed regular migration and visa policy

Decisions on the volume of admissions of third country nationals coming to seek work will remain the exclusive competence of Member States. But there is a specific role for the EU. Over the next seven years, European programmes such as Horizon 2020 and Erasmus+ will attract talented individuals to the EU. The Directive on Students and Researchers, now under negotiation by the co-legislators, aims to give these groups new mobility and job-seeking opportunities. The swift adoption of the legislation would allow these strategically important groups to see the EU as a welcoming environment for their work.³⁹

The next step should be an attractive EU-wide scheme for highly qualified third-country nationals. The *Blue Card Directive*⁴⁰ already provides such a scheme, but in its first two years, only 16,000 Blue Cards were issued and 13,000 were issued by a single Member State. By the end of May, the Commission will launch a public consultation on future of the Blue Card Directive. A review of the Directive will look at how to make it more effective in attracting talent to Europe. The review will include looking at issues of scope such as covering entrepreneurs who are willing to invest in Europe, or improving the possibilities for intra EU mobility for Blue Card holders.

Another sector with important economic impact is *services*. The services sector includes well-trained, highly-skilled foreign professionals who need to travel to the EU for short periods in order to provide services to businesses or governments. The Commission will assess possible ways to provide legal certainty to these categories of people, also in order to strengthen the EU's position to demand reciprocities when negotiating Free Trade Agreements (FTAs).

³⁸ The Commission will also undertake an evaluation and assessment (*fitness check*) of the existing acquis on legal migration with a view to identifying gaps and inconsistencies and consider possible ways of simplifying and streamlining the current EU framework in order to contribute to a better management of legal migration flows. Concerning the scope of such new initiative see footnote 3.

³⁹ COM/2013/0151 final. Concerning the scope of this proposal see also footnote 3.

⁴⁰ Directive 2009/50/EC of 25 May 2009 on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment, OJ L 155, 18.6.2009, p. 17–29. The United Kingdom and Ireland did not “opt-in” to this Directive and are not bound by or subject to its application.

Member States' role in these decisions calls for a more direct and open dialogue to build common thinking and policy approaches and exchange best practice at European level. The Commission will support Member States in promoting a permanent dialogue and peer evaluation at European level on issues such as labour market gaps, regularisation and integration – issues where decisions by one Member State have an impact on others.

The Commission will also establish a platform of dialogue to include input from business, the trade unions, and other social partners, to maximise the benefits of migration for the European economy and the migrants themselves.

The EU needs the tools to identify those economic sectors and occupations that face, or will face, *recruitment difficulties or skill gaps*. Existing tools already provide some information, but a more complete picture is needed.⁴¹ Existing web portals, such as the EU Migration portal and Europe's Job Mobility Portal (EURES) can also play an important role in facilitating job matching for third country nationals already in the EU. In matching migrants' skills, a particular problem is the lack of recognition of qualifications acquired by migrants in their home country. The EU can help to improve understanding of qualifications gained outside the EU.⁴²

The efforts to develop our new legal migration policy mirror the *modernisation of our visa policy*.⁴³ In 2014, the Commission tabled a revision of the Visa Code and proposed the establishment of a new type of visa: the Touring Visa.⁴⁴ The adoption of these proposals will provide the EU with more flexible visa policy tools, aiming to maximise the positive economic impact of attracting more tourists, and visitors on personal or professional grounds while minimising the risks of irregular migration and security. The Commission will also conclude by the end of 2015 its current *review of which nationalities require visas* and may propose to lift visa requirements for some nationalities, on a reciprocal basis, or to re-impose visa requirements for others. This will take into account the ongoing political dialogues with key countries on migration and mobility matters.

⁴¹ Such as the Skills Panorama and the Skills Alliances.

⁴² For example through the European Qualification Framework and in the context of the upcoming revision of the EUROPASS system.

⁴³ The common visa policy mainly provided for in the Visa Code (Regulation 810/2009) sets out the rules for the issuing of short stay visas to third country nationals travelling for the purpose of e.g. tourism, business, private visits family/friends, cultural and sport events. It is part of the Schengen *acquis* in which Ireland and the United Kingdom do not participate. In 2014, the Schengen States issued approximately 15.8 million visa which represents an increase of approximately 60% compared to 2009. A recast proposal of the Visa Code is currently under discussion in the Parliament and the Council (COM(2014) 164).

⁴⁴ It is a new type of visa both for visa-exempt and visa requiring third-country nationals with a legitimate interest in travelling around the Schengen area for more than 90 days in any 180-day period (COM(2014)163). This proposal builds on the part of the Schengen *acquis* in which Ireland and the United Kingdom do not participate.

Effective integration

Our migration policy will succeed if underpinned by effective integration policies. Although the competence lies primarily with Member States, the European Union can support actions by national governments, local authorities and civil society engaged in the complex and long term process of fostering integration and mutual trust.

Funding is provided by the Asylum Migration and Integration Fund (AMIF). But the European Regional Development Fund (ERDF) and the European Social Fund (ESF) can also be of particular importance.⁴⁵ For the new programming period (2014–20), at least 20% of ESF resources will contribute to social inclusion, which includes measures for the *integration of migrants* with a particular focus on those seeking asylum and refugees as well as on children. The funds can support targeted initiatives to improve language and professional skills, improve access to services, promote access to the labour market, inclusive education foster inter-cultural exchanges and promote awareness campaigns targeting both host communities and migrants.

Maximising the development benefits for countries of origin

The EU's legal migration policy should also support the development of countries of origin.⁴⁶ The United Nations will shortly adopt the *Sustainable Development Goals (SDGs)*, and migration-related targets should be included, alongside targets in areas such as promoting decent work, youth employment, wage and social protection policies which can help countries of origin to create better economic opportunities at home. The EU will continue to actively support migration-related targets as part of the final overall framework, and to emphasise the importance of harnessing the positive effects of migration as a horizontal means of implementation for the post-2015 development agenda. This would complement the work of the EU's *Mobility Partnerships*⁴⁷ and our efforts to mainstream migration issues into key development sectors.

The Commission will also make available at least EUR 30 million to support partners with capacity building on *effective management of labour migration*, focusing on empowering migrant workers and tackling exploitation. To mirror the success of Europe in establishing a single market underpinned by labour mobility, the EU has also launched a EUR 24

⁴⁵ The implementation of these measures will be assessed by the end of 2015 to see whether Member States have met their objectives and whether any reprogramming of ESF resources is required.

⁴⁶ Commission Communication: "Maximising the Development Impact of Migration" (COM(2013)292 final); Council Conclusions on Migration in EU development cooperation of 12 December 2014.

⁴⁷ The Commission Communication: "The Global Approach to Migration and Mobility" (COM/2011/743 final). These are the most elaborated bilateral cooperation frameworks in the field of migration. They offer a political framework for comprehensive, enhanced and tailor-made dialogue and cooperation with partner countries, including a set of targets and commitments as well as a package of specific support measures offered by the EU and interested Member States. They include the negotiation of visa facilitation and readmission agreements.

million initiative to support free movement in the Economic Community of West African States. Regional labour mobility schemes encouraging *South-South mobility* can bring an important contribution to local development. The Commission will also promote ethical recruitment in sectors suffering from a lack of qualified workers in countries of origin by supporting international initiatives in this field.

One way in which the EU can help to ensure that countries of origin benefit from migration is through *facilitating cheaper, faster and safer remittance transfers*. Adoption of the proposal for a “EU Payment Services Directive II”⁴⁸ would help to strengthen the regulatory environment for remittances, and at least EUR 15 million will be made available through the Development Cooperation Instrument to support flagship initiatives in developing countries.

<i>Key Actions</i>	<ul style="list-style-type: none"> • Modernisation and overhaul of the Blue Card scheme. • A platform for dialogue with social partners on economic migration. • Stronger action to link migration and development policy. • Re-prioritising funding for integration policies • Cheaper, faster and safer remittance transfers.
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IV. Moving Beyond

This Agenda primarily focuses on offering solutions that will allow Europe to move forward in these areas in the short and medium term. But if we are to address these issues in an effective and sustainable manner in the longer term, European cooperation in the area of migration needs to go further.

The initiatives contained in the Agenda will be critical in shaping an effective and balanced European migration policy. Within the scope of the Treaties and its relevant Protocols, the Commission will launch parallel reflections on a number of areas:

1. *The completion of the Common European Asylum System*: The EU Treaties looks forward to a uniform asylum status valid throughout the Union. The Commission will launch a broad debate on the next steps in the development of Common European Asylum System, including issues like a common Asylum Code and the mutual recognition of asylum decisions.⁴⁹ A longer term reflection towards establishing a single asylum decision process will also be part of the debate, aiming to guarantee equal treatment of asylum seekers throughout Europe.
2. *A shared management of the European border*: The scaling up of action in the Mediterranean exposes the reality of the management of external borders

⁴⁸ COM/2013/0547 final.

⁴⁹ Mutual recognition of positive asylum decisions means the recognition by a Member State of the positive asylum decisions taken by another Member State.

increasingly being a shared responsibility. As well as a European System of Border Guards,⁵⁰ this would cover a new approach to coastguard functions in the EU, looking at initiatives such as asset sharing, joint exercises and dual use of resources as well as the possibility of moving towards a European Coastguard.

3. *A new model of legal migration:* The EU Treaties reserves the final decision on the admission of economic migrants for Member States. However, the EU needs to look at how to marry this limitation with the collective needs of the EU economy. In particular, the Commission will look at the possibility of developing, with the Member States, an “expression of interest system”. This would use verifiable criteria to automatically make an initial selection of potential migrants, with employers invited to identify priority applicants from the pool of candidates, and migration taking place after the migrant is offered a job. This would allow for the creation of an “EU-wide pool” of qualified migrants, accessible to both employers and Member States’ authorities – but with the actual selection and the admission procedure remaining national, based on Member States’ actual labour market needs.

ANNEX

European schemes for relocation and resettlement

Relocation

‘Relocation’ means a distribution among Member States of persons in clear need of international protection.

On the basis of a distribution key, the Commission will, by the end of May, propose triggering the emergency response system envisaged under Article 78(3) of the Treaty on the Functioning of the European Union and introduce a *temporary European relocation scheme* for asylum seekers who are in clear need of international protection.

The *distribution key* will be based on *objective, quantifiable and verifiable criteria that reflect the capacity of the Member States to absorb and integrate refugees*, with appropriate weighting factors reflecting the relative importance of such criteria (*see Table 1 below*). This key will be based on the following elements⁵¹:

- a) the size of the population (40%) as it reflects the capacity to absorb a certain number of refugees;
- b) total GDP⁵² (40%) as it reflects the absolute wealth of a country and is thus indicative for the capacity of an economy to absorb and integrate refugees;

⁵⁰ Study on the feasibility of the creation of a European System of Border Guards (http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/borders-and-visas/border-crossing/docs/20141016_home_esbg_frp_001_esbg_final_report_3_00_en.pdf), the ongoing study on the future of Frontex.

⁵¹ Taking into account previous discussions in the context of Resettlement and Relocation Forum.

⁵² GDP *per capita* is not to be used as considerations *per capita* are already reflected in the criteria on the size of the population.

- c) average number of spontaneous asylum applications and the number of resettled refugees per 1 million inhabitants over the period 2010-2014 (10%) as it reflects the efforts made by Member States in the recent past;
- d) unemployment rate (10%) as an indicator reflecting the capacity to integrate refugees.

Actual numbers to be relocated to each Member State will depend on the total number of persons to be relocated and will be included in the legislative proposal.

The receiving Member State will be responsible for the examination of the asylum applications in accordance with established rules and guarantees.

In applying the baseline distribution key the specific crisis situation shall be taken into account. The Member States from which relocation will take place should not themselves contribute as a relocating Member State. The proposal will reflect the position of the UK, Ireland and Denmark as set out in the respective Protocols to the Treaties.

Resettlement

'Resettlement' means the transfer of individual displaced persons in clear need of international protection, on submission of the United Nations High Commissioner for Refugees and in agreement with the country of resettlement, from a third country to a Member State, where they will be admitted and granted the right to stay and any other rights comparable to those granted to a beneficiary of international protection.

The Commission will, by the end of May, adopt a Recommendation for an *European resettlement scheme*.

This scheme will cover all Member States. Associated States will be invited to take part in the scheme. The share of the overall pledged resettlement places will be allocated to each Member State on the basis of the same distribution key as explained above for the relocation scheme (see Table 2 below).

The scheme will consist of a single European pledge of 20,000 resettlement places.

The Commission will contribute to the scheme by making additionally available a total of €50 million for 2015 and 2016.

The *priority regions for resettlement* will include North Africa, the Middle East, and the Horn of Africa, focusing on the countries where the Regional Development and Protection Programmes are being implemented. The scheme is to establish strong links with these programmes.

The *cooperation of the United Nations High Commissioner for Refugees (UNHCR)* and other relevant organisations will be called upon to assist in the implementation, in line with current practice (identification, submission, transfer, etc.). Practical *involvement of the European Asylum Support Office* in the scheme can also be envisaged. Each Member State will remain responsible for individual admission decisions.

The Commission is aware of the *risk of spontaneous secondary movement* of resettled persons. This will be addressed by making resettlement conditional upon agreement

of the resettled person to remain in the resettling State for a period of at least 5 years, informing them of the consequence of onward movement within the EU and the fact that it will not be possible to acquire legal status in another Member State or gain access to social rights. Swift identification and return of persons who do not abide by such agreement is already possible under the EU law. The Commission, in cooperation with the Member States and the relevant Agencies, will develop further tools for the practical application of these measures.

Table 1 European relocation scheme

Member States^{53 54}	Key
Austria	2,62%
Belgium	2,91%
Bulgaria	1,25%
Croatia	1,73%
Cyprus	0,39%
Czech Republic	2,98%
Estonia	1,76%
Finland	1,72%
France	14,17%
Germany	18,42%
Greece	1,90%

⁵³ The Union's common policy on asylum, immigration, visa and external border controls is based on Title V (Area of freedom, security and Justice) of the Treaty on the functioning of the European Union (TFEU). Under Protocols 21 and 22 to the Treaties, the United Kingdom, Ireland and Denmark shall not take part in the adoption by the Council of proposed measures pursuant to Title V TFEU. The United Kingdom and Ireland may notify the Council, within three months after a proposal or initiative has been presented, or at any time after its adoption, that they wish to take part in the adoption and application of any such proposed measure. At any time Denmark may, in accordance with its constitutional requirements, notify the other Member States that it wishes to apply in full all relevant measures adopted on the basis of Title V TFEU. Should the United Kingdom and Ireland decide to "opt-in" to the relocation scheme, the percentage of Member States' contributions will be adapted accordingly. Should Denmark and the Associated States decide to voluntarily participate in the relocation scheme, the percentage of States' contributions will also be modified accordingly.

⁵⁴ The percentages set out in the distribution key will be adapted to take account of the specific crisis situation addressed by the emergency relocation scheme under Article 78(3) TFEU. The Member States from which relocation will take place should not themselves contribute as a relocating Member State.

Member States	Key
Hungary	1,79%
Italy	11,84%
Latvia	1,21%
Lithuania	1,16%
Luxembourg	0,85%
Malta	0,69%
Netherlands	4,35%
Poland	5,64%
Portugal	3,89%
Romania	3,75%
Slovakia	1,78%
Slovenia	1,15%
Spain	9,10%
Sweden	2,92%

Calculations are based on statistical information provided by Eurostat (consulted on 8 April 2015).

Table 2 European resettlement scheme

Member States⁵⁵	Key	Total allocation based on 20.000 persons
Austria	2,22%	444
Belgium	2,45%	490
Bulgaria	1,08%	216
Croatia	1,58%	315
Cyprus	0,34%	69
Czech Republic	2,63%	525

⁵⁵ If the Associated States decide to participate in the resettlement scheme, the key and the total allocation will change accordingly.

Member States	Key	Total allocation based on 20.000 persons
<i>Denmark</i> ⁵⁶	1,73%	345
Estonia	1,63%	326
Finland	1,46%	293
France	11,87%	2375
Germany	15,43%	3086
Greece	1,61%	323
Hungary	1,53%	307
<i>Ireland</i> ⁵⁶	1,36%	272
Italy	9,94%	1989
Latvia	1,10%	220
Lithuania	1,03%	207
Luxembourg	0,74%	147
Malta	0,60%	121
Netherlands	3,66%	732
Poland	4,81%	962
Portugal	3,52%	704
Romania	3,29%	657
Slovakia	1,60%	319
Slovenia	1,03%	207
Spain	7,75%	1549
Sweden	2,46%	491
<i>United Kingdom</i> ⁵⁶	11,54%	2309

Calculations are based on statistical information provided by Eurostat (consulted on 8 April 2015).

The percentage calculations were made to five decimal places and rounded up or down to two decimal places for presentation in the table; allocations of persons were made on the basis of the full figures to five decimal places.

⁵⁶ Whilst the proposed resettlement scheme will take the form of a Recommendation, the Union's common policy on migration is based on Title V TFEU. Therefore, the specific aspects referred to in footnote 3, concerning Protocols 21 and 22 to the Treaties, on the position of the United Kingdom, Ireland and Denmark, will be taken into account.

European Commission
Humanitarian Aid and Civil Protection

Syria crisis

Echo Factsheet*

Facts and Figures

Estimated number of people in need of humanitarian assistance inside Syria: 12.2 million

In hard to reach/besieged areas: 4.6 million

Estimated number of internally displaced: 7.6 million (UNOCHA)

Number of refugees - registered & awaiting registration: 4 088 099

· Lebanon: 1 113 941

· Turkey: 1 938 999

· Jordan: 629 266

· Iraq: 249 463

· Egypt & North Africa: 156 375 (UNHCR)

EU funding Total (Commission and Member States): Over € 4.2 billion

Key messages

- The Syria conflict has triggered the *world's largest humanitarian crisis since World War II*. Humanitarian needs continue to rise, population displacements are increasing, and an entire generation of children is being exposed to war and violence, increasingly deprived of basic services, education and protection.
- The European Union and its Member States collectively are leading the international response. More than *€4.2 billion have been mobilised for relief and recovery assistance* to Syrians in their country and to refugees and their host communities in neighbouring Lebanon, Jordan, Iraq, Turkey and Egypt.
- Through its humanitarian partners, the European Commission is supporting *humanitarian programmes which provide millions of people with life-saving assistance including food and safe drinking water, non-food items, shelter, emergency medical treatments and protection*.
- The EU calls for the *respect of International Humanitarian Law (IHL)*, the protection of civilians, especially children and women, and condemns all indiscriminate attacks on civilians by all parties of the conflict. The EU also calls for all parties to the conflict to *allow unhindered humanitarian access*, across conflict lines as well as borders, to ensure safe delivery of humanitarian aid and medical care to all people in need.

Humanitarian situation and needs

Humanitarian situation

The humanitarian situation has continued to deteriorate with uninterrupted violence and conflict from Government forces and Armed Opposition Groups. Hostilities have

* Accessed October, 14, 2015, from http://ec.europa.eu/echo/files/aid/countries/factsheets/syria_en.pdf

damaged and destroyed emergency field hospitals, schools, water, and electricity services in densely populated areas where both local communities and the internally displaced reside. The total number of people in need of humanitarian assistance in Syria has reached 12.2 million, approximately 7.6 million of whom are internally displaced; the largest number of internally displaced persons in any country in the world. Civilians continue to be the primary victims of the conflict. Rape and sexual violence, enforced disappearances, forcible displacement, recruitment of child soldiers, summary executions and deliberate shelling of civilian targets have become commonplace.

Major challenges

The *magnitude of humanitarian needs* is overwhelming in all parts of the country. The main priorities are treating and evacuating the wounded, providing food aid, water, sanitation and hygiene, health, and shelter. Prices of basic commodities continue to rise and the availability of food stocks in many parts of Syria is at risk. With 11.7 million people having fled their homes both inside Syria and to the neighbouring countries, shelter needs are high. Children and the elderly are most at risk.

In the area of *health*, the long-lasting consequences of the conflict with shortages of qualified medical personnel and life-saving medicines, and the destruction of health infrastructure have left many without access to basic medical care. Medical facilities continue to be targeted by aerial bombardments, resulting in fatalities and destruction of facilities. Delivery of essential medical supplies and equipment, especially in opposition-controlled areas, is often blocked and the provision of aid to besieged and hard-to-reach areas is particularly difficult.

Despite increasing cross-border activities (under resolution 2165 and 2191), *Humanitarian access* is decreasing, aggravating living conditions for the populations in Government and opposition-controlled areas. Recent UN and NGO reports have extensively documented the sharp reduction of access in the country, while the numbers of those in need of assistance keep increasing throughout the country. The most recent report of the UN Secretary-General on the implementation of Security Council resolutions 2139, 2165 and 2191 states that as many as 4.6 million people are residing in areas that are difficult for humanitarian actors to reach, with more than 422,000 residing in besieged areas. Concerns about *security and safety of humanitarian personnel* remain as high as ever in all parts of Syria, with ambulances and UN vehicles regularly attacked and humanitarian workers kidnapped and killed.

Refugees from Syria are now the biggest refugee population from a single conflict in a generation with over 4.08 million Syrian refugees in neighbouring countries and the larger region. Countries bordering Syria are approaching a dangerous saturation point, particularly *Lebanon*, which hosts almost 1.2 million Syria refugees and has, along with Jordan, the largest per capita refugee population in the world. *Turkey* is currently hosting more than 1.9 million Syrian refugees, the largest number of Syrian refugees in one country in the world.

The number of Syrian refugees arriving to Europe seeking international protection has increased in 2015. UNHCR reports that since the beginning of the

Syria crisis until August 2015, the total number of asylum applications from Syrians reached 428,735.

The European Union's Humanitarian Response

The European Union is a leading donor in the response to the Syria crisis with *over €4.2 billion of total budget mobilised by the Commission and Member States collectively in humanitarian, development, economic and stabilisation assistance.*

The Commission has announced that it will increase its humanitarian assistance to the Syria and Iraq crisis by *€200 million*, to address needs inside Syria and Iraq, as well as the needs of Syrian and Iraqi refugees and host communities in neighbouring countries. This additional funding will go towards addressing the shortfall in funding for the Syria crisis, providing immediate resources to humanitarian organisations operating inside Syria and in the neighbouring refugee hosting countries, to enhance life-saving assistance to people in need.

An EU comprehensive strategy was already launched earlier this year to tackle the crises in Syria and Iraq, which included *€1 billion in funding over 2015/16.*

During the Third International Pledging Conference for Syria in Kuwait in March 2015, the EU and its Member States pledged *€1.1 billion – the largest pledge by any donor – in humanitarian and development assistance to the Syria crisis.*

Almost half of the Commission's humanitarian assistance goes to immediate life-saving emergency humanitarian operations *inside Syria.* The Commission's humanitarian assistance provides safe drinking water, sanitation and hygiene, provisions of food, child protection activities and emergency items to people inside Syria in need of humanitarian assistance. *The European Commission's humanitarian aid is supporting over 1.15 million Syrian refugees with the provision of lifesaving health assistance and medical care including vaccination programmes of children.*

In *Lebanon*, where there are no official camps, many refugees live in sub-standard shelter such as garages and tents. Through funding of International Non-Governmental Organisations in the country, *the Commission is providing shelter assistance for the benefit of over 110 000 of the most vulnerable Syrian refugees living in dire housing to improve their living conditions.* The Commission's humanitarian funding in Lebanon also enables the provision of aid to Syrian refugees such as food aid, clean water, sanitation, health services and protection. Counselling and legal assistance to survivors of violence is also an important area of EU.

In *Jordan*, the Commission's humanitarian aid goes to food aid, provisions of clean water and sanitation, health services and protection. The majority of the funding goes to Syrian refugees living outside of refugee camps in Jordan, where the majority of those who have fled the war in Syria now live. However, the assistance also helps Syrian refugees in Zaatari and Azraq camps. *With the support of the Commission, UNICEF has initiated an unconditional Child Cash Grant programme to assist ten thousands of children of the most vulnerable Syrian refugee families living in host communities*

in Jordan. Under this programme, a monthly cash transfer is made to eligible families, helping to provide the means to meet children's basic needs.

In *Turkey*, the Commission's humanitarian funding is supporting vulnerable refugees in Turkey who have fled violence in both Syria and Iraq, in particular refugees living outside of camps. The Commission's humanitarian funding in Turkey is prioritising programmes that provide about 110 000 of the most vulnerable refugee families across the provinces of Hatay, Kilis, Gaziantep, Sanliurfa, Mardin, Diyarbakir and Batman with paper or electronic vouchers with which they can buy basic assistance including food and emergency items. Many Syrian children have not received any education for the last years and are at risk of becoming a lost generation. Through the EU Children of Peace initiative, the Commission has allocated humanitarian funding in Turkey in order to prevent a lost generation of Syrian children. *Through the initiative, about 7 000 Syrian children are ensured access to quality education.*

JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL*

ADDRESSING THE REFUGEE CRISIS IN EUROPE: THE ROLE OF EU EXTERNAL ACTION

(Brussels, 9.9.2015)

I The current refugee crisis and its international context

The European Union (EU) is facing the largest refugee crisis since the end of World War II. The current situation has to be seen in a broader context of violent conflict and destabilisation in other parts of the world. It is a crisis of unprecedented magnitude that largely originates from conflicts and persecutions in Europe's wider neighbourhood. The violent conflicts in Syria and Iraq or instability and poverty in parts of Africa have forced millions of women, men and children to flee their homeland in search of protection and a decent life, including to the European Union.

The European Union is stepping up its response to this crisis based on the principles of solidarity and responsibility and in full respect of its values and international obligations. Since the beginning of 2015, the EU has reoriented and mobilised all its external action instruments to respond to the refugee crisis with three objectives: saving lives, ensuring protection of those in need and managing borders and mobility.

Migratory flows increased substantially in 2014, notably through the *Central Mediterranean route*. The year 2015 has seen so far a further dramatic aggravation of the situation. The numbers of those crossing into the European Union through what is called the *Eastern Mediterranean route* amount to 182,740¹, an enormous increase in comparison to 2014. Migrants move into the Former Yugoslav Republic of Macedonia and Serbia and then onwards into Hungary and other European Union Member States along the so-called *Western Balkan route*. By August 2015, 142,649 irregular entries had been registered in Hungary through this route.

While the composition of migration flows is mixed, there is an exponential increase in the number of persons seeking international protection, notably from Syria, Iraq and Afghanistan. In fact, 90% of those using the Eastern Mediterranean route are nationals from one of these three countries. Irregular migrants using the Central Mediterranean route come mostly from Sub-Saharan Africa, and they often also come from conflict areas: approximately 20% are from Eritrea, 12% from Somalia, still, 10% are from Syria.

* Accessed November 04, 2015, from http://ec.europa.eu/priorities/migration/docs/com-2015-40_en.pdf

¹ Frontex weekly statistical updates: January – August 2015

This route has changed composition in comparison to 2014, when it was used by most Syrian refugees. However, it maintains similar volumes of crossings (106,290 until August 2015). The swift changes in the composition of migratory flows and the routes used are an indication of the ability of migrant smugglers to adapt to new circumstances.

While European citizens may perceive the current migratory pressure as dramatic, the European Union is by no means the most affected region in the world. According to the United Nations High Commissioner for Refugees (UNHCR) the world reached the *highest number of refugees and displaced persons* since World War II in 2014: 59.5 million. More than 85% of these persons live in developing countries. A very large number of persons are displaced within their own country² and refugees often seek first shelter in neighbouring countries. For example, the largest part of Syrian refugees is hosted by Lebanon, Jordan and Turkey. Most African migrations take place within Africa itself: more than 8.4 million internal migrants in West Africa alone. This shows that the current migration and refugee crisis is not only, nor principally, a European problem. It is a major international challenge. The European Union is at the forefront of international efforts aimed at addressing conflicts and instability and supporting affected populations.

The European Union's policy framework and response

Over the last months, EU institutions have mobilised all their efforts to respond to this global crisis. The European Council and the Commission, notably through the *European Agenda on Migration*³ have developed the main elements of the European response to migratory challenges both internally and internationally.

The first priority remains saving the lives of those attempting to cross the Mediterranean in their path towards Europe. But, clearly, protecting people in need, deploying urgent humanitarian assistance, securing access to asylum, and addressing root causes, in particular conflict, political violence, abuse of human rights and poverty, is essential. These objectives must remain at the heart of the European Union's response.

In the face of the current crisis, precedence is being given to actions that have greater immediate impact on migration flows. At the same time, long-term engagement on these matters is necessary to address root causes. The European Union aims to strengthen political dialogue, cooperation, exchange of knowledge and experience with partner countries, civil society organisations and local authorities, in order to support human mobility as a positive element of human development. Cooperation with a rights-based approach encompassing human rights will contribute to address challenges, including South-South migration, and the situation of vulnerable migrants.

² Based on the numbers of the UN Internal Displaced Monitoring Centre, the numbers of internally displaced persons in July/August 2015 were the following: Syria (7,600,300); Iraq (3,171,600); Sudan (2,192,830); South Sudan (1,645,392); Pakistan (1,375,900); Nigeria (1,500,000); Somalia (1,133,000); Afghanistan (805,409); Chad (130,000); Cameroon (80,000); Niger (50,000).

³ COM(2015)240

The present Communication – part of a broader package of proposals adopted by the European Commission – describes the external action by the European Union to address the refugee crisis. It builds upon a solid structure of international engagement at bilateral, regional and multilateral levels in this field based notably on the 2011 Global Approach to Migration and Mobility.⁴

Key financial instruments are being mobilised. With a budget allocation of EUR 96.8 billion for the 2014-2020 period, European Union external cooperation, including development cooperation worldwide, plays an important role in addressing poverty, insecurity, inequality or unemployment. This includes European Union support in areas such as growth and job creation, peace and security, human rights and good governance for regions and countries where refugee flows originate.

In the context of the current crisis and in addition to the Syria Trust Fund, the European Commission is also proposing to EU Member States a new *European Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa*. Trust Funds enable the EU, its Member States and contributing donors to respond to different dimensions of emergency situations by intervening jointly, flexibly and quickly, in response to changing needs. The proposed Trust Fund will support stability, promote resilience, economic development, security, and migration management. It will provide the EU and its Member States with a swift and flexible tool capable of delivering more rapid results. It will assist in leveraging EU support. At the same time it provides a platform for stronger political visibility and will contribute to a more integrated and coherent approach. The Trust Fund is expected to be one concrete deliverable of the Valletta Summit in November 2015. The European Commission and the High Representative of the Union for Foreign Affairs and Security Policy expect Member States to consistently and generously contribute to it.

Key issues and European Union response

The European Union is active across the world. The following are the most relevant countries and regions for the current crisis:

Syria and Iraq

The EU has been supporting diplomatic initiatives to find political solutions since the beginning of the conflicts in Syria and Iraq. In this context, the Commission and the High Representative have set out the policy framework for a regional strategy, including the fight against Da'esh in a Communication⁵ adopted earlier this year, including financial commitments of EUR 1 billion. *More than 4 million Syrians have fled their country* in addition to the 7.6 million internally displaced and more than 230,000 killed. *The vast majority of Syrian refugees are in Lebanon, Jordan and Turkey* and the numbers keep growing, putting enormous political, economic and social pressure

⁴ COM(2011)743

⁵ JOIN (2015) 2 final

on these countries. Since the beginning of 2015, as the neighbours' capacity to accommodate new refugees has reached its limits and border policies have become more restrictive, there has been a sharp increase both in internal displacement and in direct refugee flows to the EU, in particular Greece.

Since 2011, the European Union and its Member States have mobilised over EUR 3.9 billion in humanitarian, development, economic and stabilisation funding to address the needs of internally displaced, refugees and host communities in Syria, Iraq, Jordan, Lebanon or Turkey. Out of the total contribution, the EU budget has contributed close to EUR 1.8 billion.

An EU Regional Trust Fund in response to the Syrian Crisis⁶ was established to provide a coherent and reinforced response on a regional scale. In addition to support to neighbouring countries hosting refugees, the assistance is also directed to humanitarian, stabilisation and development efforts inside Syria, including reestablishment of local governance and provision of basic services. The Commission calls upon Member States to further contribute to the Trust Fund.

An EU Office in Gaziantep (Southern Turkey) assists in coordinating operations. A *Rapid Reaction Mechanism for cross border operations* in Syria has been created for this purpose. Moreover, the EU also promotes the use of Regional Development and Protection Programmes to support key countries of refuge and/or transit in the Middle East.⁷ Adding a 'development' component to previous regional protection programmes, *Regional Development and Protection Programmes are focused on providing protection* to those in need, but also on *enhancing resilience* of refugees, internally displaced persons and host communities, and addressing protracted refugee crises where humanitarian assistance cannot provide a long-term solution.

The EU has commended the enormous efforts undertaken by *Lebanon, Jordan and Turkey* in hosting refugees fleeing the violence in Syria and Iraq and has continued to provide assistance. Substantial projects supporting community centres, food security, livelihoods, schooling and vocational training for refugees in the region are currently financed by the European Union, including EUR 855 million in humanitarian assistance within Syria, but also in Lebanon, Jordan and Turkey.

In *Iraq*, more than 3.1 million persons have become internally displaced after three years of conflict. Although the number of Iraqis seeking international protection in the European Union is still limited compared to Syrians, their number might rise considerably in the near future. In 2015, the European Commission has allocated EUR 65.55 million in humanitarian assistance in response to the Iraq crisis. EU humanitarian aid to the country, including the Kurdistan Region of Iraq, comprises emergency life-saving response to the most vulnerable and medical assistance. The EU is stepping up political and diplomatic work in order to support all the efforts for greater unity and inclusiveness in the country.

⁶ http://ec.europa.eu/enlargement/neighbourhood/countries/syria/madad/index_en.htm

⁷ EUR 12 million support

Turkey

Turkey is the country that currently hosts as a whole the greatest number of refugees worldwide.

A dedicated dialogue is being opened with *Turkey* to identify ways to support Syrian refugees as well as to enhance border control and fight organised crime responsible for smuggling of irregular migrants. The dialogue with Turkey examines further cooperation to find a solution to the Syrian crisis.

In 2015, funding to Turkey related to the crisis in Syria amounts to EUR 175 million. Funding from the Instrument for Pre-accession Assistance⁸ in the area of home affairs is moving up from *EUR 130 million* for the period 2007-2013 to an indicative allocation of *EUR 245 million* for the period 2014-2016. Turkey will also benefit, together with Western Balkan countries, from a new regional migration management programme. EU financial assistance also supports Turkey's efforts to comply with the requirements of the EU-Turkey readmission agreement.

A Frontex Liaison Officer will be deployed to Ankara by the end of the year to enhance operational cooperation. Efforts to swiftly identify and return those who are not in need of international protection will be supported in Turkey as well as in other countries of transit.

Since the beginning of 2014, the European Commission is also carrying out a visa liberalisation dialogue with Turkey. This includes the development of an integrated border management in line with EU policies, in terms of land and sea border security and surveillance and customs' controls enforcement. The dialogue also provides policy guidance aiming to prevent and fight organised crime, terrorism and corruption, enhance judicial cooperation, law enforcement cooperation and personal data protection.

Western Balkans

The European Union has also stepped up its support to non-EU *Western Balkans countries*, which are currently receiving unprecedented refugee flows, primarily from Syria. This includes enhancing reception and asylum processing capabilities, and stepping up cooperation to fight organised crime responsible for migrant smuggling. To this end, the European Commission is finalising a region-wide programme of support for protection and sensitive migration management in the Western Balkans, which will focus on three areas: identification of migrants, intra-regional and interregional information sharing and mechanisms to offer return solutions, while applying practical protection safeguards to reflect specific needs of migrants.⁹

⁸ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014.

⁹ EUR 8 million support

Humanitarian aid of EUR 1.75 million has already been approved for Serbia and the former Yugoslav Republic of Macedonia to provide for the emergency assistance to refugees transiting to Hungary.

In addition to the substantial assistance already provided under the Instrument for Pre-accession in previous years in the areas of border management, migration, asylum and policies, the European Commission is considering further country-specific assistance to strengthen capacities in the area of asylum, migration and visa policy with a view to reinforcing the protection of vulnerable categories of migrants and victims of trafficking in human beings. In the particular case of the former Yugoslav Republic of Macedonia and Serbia, the EU is supporting the long-term development of migration and asylum policy.¹⁰

Operational cooperation among the border guard authorities of the Western Balkans and EU Member States should be further developed. Cooperation could include activities in relation to risk analysis, training, and sharing best practices. Frontex has signed working arrangements and built cooperation with Serbia, Montenegro, Albania, Bosnia and Herzegovina and the former Yugoslav Republic of Macedonia, and stands ready to play an active role in this endeavour.

Africa

Africa, and in particular Sub-Saharan Africa, continues to face demographic pressure, environmental stress, extreme poverty, internal tensions and institutional weaknesses, which in some parts have spilled over into open conflict, increased fragility, displacement, criminality, terrorism and radicalisation, as well as irregular migration and trafficking and smuggling as well as an even greater humanitarian caseload. The European Union is tackling these challenges together with African partners through its regional strategies (Sahel, Horn of Africa, Gulf of Guinea), humanitarian aid, development policy and assistance programmes in the region and through its strong commitment to implement the resilience agenda.

The conflict and the absence of state structures has turned *Libya* into a major crossing point for Sub-Saharan Africans into Europe, and primarily Italy. The European Union is actively *supporting the UN-led dialogue between Libyan* parties in order to reach a peaceful settlement and stands ready to support a future government of national unity. In the meantime, the Commission is providing humanitarian and development assistance to vulnerable migrant population stranded in Libya.

Niger, one of the poorest countries in the world, is the key transit route towards Libya. The European Union is supporting Niger's development, as well as its security.¹¹ In the *Sahel* region, the European Union also supports the political process

¹⁰ EUR 24 million committed/planned in the former Yugoslav Republic of Macedonia and EUR 44 million committed/planned in Serbia.

¹¹ EUCAP SAHEL Niger supports the Nigerien authorities in the prevention, control and management of irregular migration flows through Niger and in particular Agadez.

in *Mali* and the peace agreement with armed groups in the North. This engagement contributes to stability with the training of Malian armed forces and security forces.¹² Further support to border management is being considered. The Union's CSDP missions in Niger and in Mali also contribute to support efforts to prevent trafficking in human beings and smuggling of migrants.¹³ The EU is currently supporting the creation of a 'multipurpose centre' in Agadez, a major transit hub. It will offer assistance and information to stranded migrants and support those who are willing to return or integrate in host communities.

The European Union is also active *in supporting the regional response against Boko Haram*, including supporting the Multinational Joint Task Force (MNJTF) and Niger, Chad, Cameroon and Nigeria. Further efforts will be pursued to address the humanitarian situation. *Nigeria* remains a major source of irregular migration in the European Union. The migration dialogue with Nigeria, in addition to cooperation in the fight against Boko Haram, is currently addressing readmission and returns.¹⁴

The European Union's efforts also aim to re-establish governance and stability in the *Central African Republic*.¹⁵ This includes support to the political process, economic recovery, and stabilisation with a military advisory mission. Further deterioration of the situation in the Central African Republic would gravely affect regional stability, the already severe humanitarian situation and could also result in displacements.

In *Somalia*, the European Union supports the reconstruction of a viable State and the re-establishment of a secure environment through the African Union Mission in Somalia¹⁶ and the EU military Training Mission. The EU development cooperation programme is lending massive support to stabilisation, state-building and development in Somalia under the New Deal.

The lack of economic perspectives and human rights' violations are push factors for emigration from *Eritrea*. In 2014, 36,990 Eritreans applied for international protection in the European Union. A quarter of a million have sought refuge in Ethiopia and Sudan. The EU is currently reviewing how best to work with Eritrea to

¹² The EU's civilian CSDP mission in Mali (EUCAP Sahel Mali) supports the restructuring of the Malian domestic security forces (i.e. the police, the 'gendarmierie', and the 'garde nationale'). The objective is to help the Malian authorities ensure constitutional and democratic order and the conditions for lasting peace. The mission combines training activities and strategic advice.

¹³ In the framework of the EU's Comprehensive Approach (JOIN(2013) 30), CSDP missions will be articulated with development programmes in order to maximise overall efficiency.

¹⁴ A Common Agenda on Migration and Mobility was signed with Nigeria in 2015 covering cooperation on legal migration, irregular migration, migration and development and international protection.

¹⁵ To this end, the European Union together with France, Germany and the Netherlands, created the Békou Trust Fund in 2014.

¹⁶ AMISOM: <http://amisom-au.org/>

address irregular migration. In December 2014, the Government of Eritrea announced that as of 1 January 2015 the duration of the national service, which was of indefinite duration, would be limited to eighteen months for new recruits. Monitoring of the implementation of this decision will be crucial, since the indefinite duration of the national service is a major push factor for migration. Dialogue with Eritrea is also pursued in the *Khartoum Process*, which allows the European Union to engage with all countries in the *Horn of Africa*. The Khartoum Process seeks to enhance regional cooperation on migration issues. *A new National Indicative Programme of EUR 200 million has been negotiated for Eritrea, with a focus on economic development, employment and governance.*

More than 2 million persons have fled their homes in *South Sudan*. The EU and its Member States have provided more than EUR 377 million in humanitarian assistance since 2014. The EU also financially and politically supports the Intergovernmental Authority on Development-led process and the mechanism to monitor compliance with the end of hostilities. The EU has also supported the efforts of the African Union and the United Nations to end the conflicts in Sudan which continue destabilise that country.

The conflict in *Yemen* has also an impact on the Horn of Africa as it hosts over 250,000 registered refugees from the region, 95% of them from Somalia. The EU has played an active role in supporting the transition since 2011 and is now fully engaged in the international efforts to seek a political solution to the crisis in Yemen.

Many African countries, particularly in the Horn of Africa, such as Ethiopia, Sudan and Kenya, and in Lake Chad host large refugee communities very often leading to protracted situations. Existing development programmes and humanitarian aid already provide support linking relief reconstruction and development. Strengthening the resilience is therefore key.

The European Commission and the High Representative will continue working towards finding durable solutions to prevent and unlock protracted displacement. Without development opportunities, tensions between populations can lead to the destabilisation of entire regions instigating massive secondary movements, including to Europe. By contrast, ensuring refugees and internally displaced persons become economic contributors reduces their economic impacts and costs and contributes to growth, beneficial to both the displaced and their hosts.

The European Commission will come forward with a new, development-oriented approach towards forced displacement, which will be implemented alongside humanitarian assistance from the outset of a crisis. Pilot projects have been launched this year for North Africa and the Horn of Africa. Following the example of the Middle East Regional Development and Protection Programmes, two other such protection programmes, for North Africa and for the Horn of Africa have been launched this year.

The United Nations and the broader international community

This crisis is not only a European but a major international challenge. Cooperation with key international partners and with the United Nations, in particular

UNHCR and the United Nations Development Programme (UNDP) as well as with organisations such as the International Organisation for Migration (IOM), is essential. UNHCR has special responsibilities in addressing the refugee crisis. The EU is further reinforcing cooperation with UNHCR in order to improve the effectiveness of its support to countries hosting large refugee populations, and the management of flows within the European Union. The EU is also engaging with other international partners which have strong capabilities, including within the Middle-Eastern region, in its efforts to increase the overall assistance and resettlement opportunities to persons in need of international protection.

Cooperation in readmission and return of irregular migrants

An effective policy of return of migrants, who have entered the territory of a host country irregularly and do not qualify for international protection, is a necessary component of a coherent EU strategy to discourage irregular migration. At present, percentages of return in EU Member States are relatively low. In 2014, less than 40% of the irregular migrants that were ordered to leave the EU departed effectively.

Article 13 of the Cotonou Partnership Agreement with African, Caribbean and Pacific (ACP) countries, provides the legal basis to engage jointly on return and readmission of ACP nationals. The EU is determined to enhance cooperation with African partners towards an effective implementation of readmission schemes.

In addition to full implementation of existing readmission agreements¹⁷ and speedy conclusion of on-going negotiations¹⁸, efforts will concentrate on *practical cooperation measures* on return, including enhanced development of assisted voluntary return schemes. In this respect, the *recently agreed pilot project on return to Pakistan and Bangladesh* will offer important experience on the way forward. The European Union needs to increase its action to encourage returns of irregular migrants along the routes. *EU support for the creation of a multipurpose centre in Agadez serves this purpose.*

The EU Action Plan on Return¹⁹, adopted in parallel to this Communication, addresses this area of policy.

Fighting organised crime responsible for migrant smuggling and human trafficking

Tackling criminal networks is an essential part of the European Union's effort to save lives and prevent the exploitation of migrants. Enhancing international cooperation between police and justice systems of countries of origin and destination, as well as with

¹⁷ Currently 17 readmission agreements are in force: Hong Kong, Macao, Sri Lanka, Albania, Russia, Ukraine, the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, Montenegro, Serbia, Moldova, Pakistan, Georgia, Armenia, Azerbaijan, Turkey and Cape Verde.

¹⁸ Negotiations are ongoing with Morocco and Tunisia.

¹⁹ COM(2015) 453

relevant EU agencies and Member States is crucial. In many countries, this will require supporting the development of police, justice and border management capabilities.

The European Union is a key actor when it comes to improving partner countries' capacities on border management, and on implementing voluntary return and reintegration, taking an integrated approach which ensures borders are secure but at the same time allows swift movements of legitimate flows of people and goods.

The European Agenda on Migration sets out a number of initiatives to strengthen EU instruments available to address smuggling networks, notably an EU Action Plan against Migrant Smuggling.²⁰ Migration liaison officers and security experts deployed in key EU delegations will contribute to cooperation on these matters. A number of CSDP operations and missions are already playing an important role in the fight against organised crime.

The European Union Naval Force Mediterranean (*EUNAVFOR MED*) is a *crisis management operation* to provide surveillance, intelligence gathering and potential operational engagement against smuggling activity in the Southern Central Mediterranean in full respect of international law.²¹

EUCAP Sabel Niger is in the process of being reinforced to enable it to support the Nigerien authorities to control irregular migration flows through Niger and in particular Agadez.²² The enlarged mandate of the mission will principally aim at: (i) strengthening the Nigerien legal framework on migration, border control and the fight against criminal activities related to irregular migration; (ii) building the capacities of the Nigerien security services in charge of border management, migration control and the fight against organised crime; and (iii) improving the efficiency of the judiciary. *EUCAP Sabel Mali* is already indirectly contributing to the prevention of irregular migration, training the internal security forces. It reached its full operational capacity in August 2015. A similar expansion of its mandate, as in Niger, is currently being studied. Other initiatives and CSDP missions in other countries in the Sahel and in the Horn of Africa are also being considered, in coordination with Member States' bilateral actions.

Conclusions and way forward

In order to address the refugee crisis and manage challenges and opportunities jointly, the ability of the European Union to engage with partners in third countries will be key. The EU-Africa Migration, Mobility and Employment Partnership, the

²⁰ COM(2015) 285 final

²¹ Council Decision (CFSP) 2015/778 of 18 May 2015 on a European Union military operation in the Southern Central Mediterranean (*EUNAVFOR MED*) (OJ No L 122, p. 31, 19.5.2015).

²² The opening of a field office in Agadez will provide the mission with an increased understanding of the migration flows and related issues, as well as with the possibility to work on a daily basis with the authorities who are responsible for managing the migration flows.

Rabat and Khartoum Processes, the Prague and Budapest Processes²³, the Union for the Mediterranean, the Silk Routes Partnership for Migration, the Eastern Partnership, or the ACP-EU migration dialogue are instrumental in this regard.

Several of the challenges outlined in this Communication can and are being addressed through political and diplomatic efforts. First and foremost, renewed efforts are being devoted to address the root causes of this crisis, namely the war in Syria and Iraq. The High Representative is pursuing high-level dialogues on these issues, as requested by the European Council, leveraging the European Union's support to countries and regions and building on already existing partnerships.

Cooperation with countries of origin and transit is being conducted at bilateral level using all existing frameworks; in particular those provided by *Mobility Partnerships*²⁴, the *Common Agenda on Migration and Mobility* or *readmission agreements*. Engagement on other issues, including trade and development, will also be seized to discuss cooperation in the field of migration.

EU Delegations will also intensify contacts with local authorities. Delegations in key countries of transit and origin are being reinforced through the deployment of *European Migration Liaison Officer (EULMOs)*, as foreseen in the European Agenda on Migration.

In addition, the European Union is organising two high-level conferences as mandated by the European Council of June 2015:

1. *The Valletta Summit on Migration* (11-12 November 2015) will bring together the leaders of European and key African countries, notably those who are party to the Khartoum and the Rabat Processes, as well as the African Union Commission and the Economic Community of West African States' Commission. The summit will discuss, *inter alia*, development benefits of migration, root causes, legal migration and mobility, international protection and asylum, prevention and fight against migrant smuggling and trafficking of human beings, and cooperation on return and readmission.

2. *The high-level Conference on Eastern Mediterranean/Western Balkans route* (autumn 2015) will bring together EU Member States, Western Balkan countries and Turkey in order to discuss refugee and migrant flows transiting through the Eastern Mediterranean/Western Balkan routes.

For many years, the European Union has addressed refugee and migratory challenges through its external action, combining political, development and humanitarian assistance tools. Today's refugee crisis is an acute manifestation of longstanding and complex problems; the roots of the crisis are manifold and will not be solved immediately. Comprehensively addressing these will require an

²³ The Budapest Process brings together countries from East and Central Asia to South-East and Western Europe.

²⁴ Mobility Partnerships offer a comprehensive framework for bilateral cooperation on mobility, migration and asylum issues. Seven Partnerships have been signed so far with: Cape Verde, the Republic of Moldova, Georgia, Armenia, Morocco, Azerbaijan and Tunisia.

approach that encompasses short- and long-term efforts. Most importantly, solidarity and responsibility will be essential and the different instruments at the Union's disposal, from diplomacy to financial assistance will have to act jointly.

The European Commission and the High Representative call on Member States to show determination when addressing the plight of refugees and the problems that push people to leave their countries. Solidarity, responsibility and unity are necessary to live up to the legal, institutional and moral obligations that the European Union faces today.

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