

# European Union Foreign Affairs Journal

*eQuarterly for European Foreign, Foreign Trade, Development, Security  
Policy, EU-Third Country Relations and Regional Integration (EUF AJ)*

N° 02 – 2010

**LIBERTAS**

ISSN 2190-6122

Editorial .....	4
A big potential to save taxpayers' money: Diplomatic embassies and defense of EU Member States. <i>Hans-Jürgen Zahorka</i> .....	5
The EU conditionality after the Lisbon Treaty: What effects are there for Macedonia? <i>Marija Risteska</i> .....	8
The Arctic in Russia's Foreign Policy and the Baltic States. <i>Vytautas Sirijos Gira/Živilė Dambrauskaitė</i> .....	11
A Nordic Inspiration for Democracy in Belarus .....	29
The cooperative spirit of a modern labour market. <i>Erkki Tuomioja</i> .....	31
How is it - to live in North Cyprus? <i>Gunay Mahmudova</i> .....	35
The conflict in Nagorny-Karabakh and the fundamental principles of international law. Weaknesses and determinations of international organisations. <i>Fazil Zeynalov</i> .....	40
International Protection for Third Country nationals: Unsatisfying divergences in Member States' implementation of rules .....	60
Serbia: Human resources as a factor to attract foreign investment. <i>Jasmina Muric</i> .....	64
The Kibbutz in Israel. Democracy and economic efficiency. <i>Philippe Broda</i> .....	98
Coming from Sanskrit: The Romany language as a cultural fact in Europe. <i>Bajram Halili</i> .....	113
Documentation: "State of the Union 2010" EU Commission President Barroso's Speech from 7.9.2010 .....	119
Georgia should not forget what Zurab Zhvania said. <i>Sára Modzmanashvili-Kemecsei</i> .....	135
Reviews .....	135
Standpoint. By <i>Olivier Védrine</i> . Media in democratic society .....	138



## Part Time MBA Program "Management for Central and Eastern Europe"

### Program Structure

9 weeks of lecturing in 18 months - that is one week every two months. All participants stay in their jobs and come to the university classroom for one week every two months.



### Participants

This is the most international Modular MBA Program in Europe! Participants represent between 7 and 12 different European Nations!

### What graduates appreciate

- very international, exclusive and intensive learning atmosphere
- share experience with international guest faculties from Top Management Executives
- a time structure that enables to do a fully accredited international MBA without leaving the job



### Contact

European University Viadrina - MBA Office  
Gr. Scharnstr. 59, Frankfurt(Oder), Germany  
MBA Office: + 49 (0) 335 553416 419  
[www.mba-cee.com](http://www.mba-cee.com)  
[mba@mba-cee.com](mailto:mba@mba-cee.com)

Program is accredited by



**European Union Foreign Affairs Journal** (abbreviated: EUFAJ)  
*eQuarterly for European Foreign, Foreign Trade, Development, Security Policy,  
EU-Third Country Relations and Regional Integration*

**ISSN 2190-6122**

***Published by:***

LIBERTAS – Europaeisches Institut GmbH, Lindenweg 37, 72414 Rangendingen, Germany  
Phone +49 7471 984996-0, fax +49 7471 984996-19, e-mail: [eufaj@libertas-institut.com](mailto:eufaj@libertas-institut.com)

Managing Director: Ute Hirschburger

Registered at AG Stuttgart, HRB 243253, USt ID no.: DE811240129, Tax no.: 53 093 05327

Internet: [www.eufaj.eu](http://www.eufaj.eu), [www.libertas-institut.eu](http://www.libertas-institut.eu)

Subscription rate: 96 EUR/year (4 issues), students 48 EUR/year; single issue: 24 EUR, students 12 EUR. Students are asked to scan their student card together with the e-mailed subscription.

\* \* \*

***Chief Editor:*** Hans-Jürgen Zahorka

***Editor:*** Olivier Védrine, *Paris, France*

***Editorial Advisory Board:***

Židas Daskalovski, *Ph.D.*, assistant professor of political science at Kliment Ohridski University in Bitola, president of the CRPM think-tank in Skopje, Macedonia

Martin Pontzen, *Dr. rer. pol.*, economist, Bundesbank Director, German Federal Bank, Frankfurt/Main, Germany

***All authors are responsible for their published texts. If no author is mentioned, the Chief Editor is responsible. All texts published under a name do not necessarily represent the view of the editors or Advisory Board members. EUFAJ is committed to different views and a public discussion.***

\* \* \*

***Copyright:*** Copyright requests are welcome. Reprints of certain contributions are free of charge, for others a license fee may have to be negotiated. Please ask the publisher for copyright permission.

***Proposal for quotation:*** EUFAJ, 2-2010, then number of page (e.g. EUFAJ, 2-2010, 32)

***Papers, articles, reports, contributions:*** They should be sent to the Chief Editor by e-mail and as attachment in Word format (not in PDF). EUFAJ follows a generous policy towards authors, who may decide themselves if they write a scientific or more practical article, or with or without footnotes (please no end notes). We reserve the right of adding annotations and commenting shortly. No guarantee for unsolicited articles which, however, may remain in our archive. All contributions are requested in English language; abstracts in other languages are possible. EUFAJ is published in English.

## ***Editorial***

*Dear readers,*

This issue of EUFAJ may come a bit later as usual, but it comes with more dedication than ever. Besides saving taxpayers' money by common embassies and common instead of national military expenses we have this time also the EU enlargement in Macedonia, the labour market and foreign investment in Serbia, but also Nagorno-Karabagh from an Azerbaijan view and the question "How is it – to live in North Cyprus?" on our pages. This article is not from a diplomat, but from a 22 year old student of architecture, and this is why it is more direct, more courageous, and it shows clearly that European movement, peace and economic development can, in some parts of Europe at least, be assured only by a new thinking. We are happy to publish it.

In addition, there are also articles about the Israel institution of kibbutz as well as on the history of Romany language – since many centuries also a European cultural good. Not to forget the example of Nordic attempts on Belarus' future democratic tradition and a speech about media freedom in Azerbaijan.

It is not easy to compile such a paper – on one hand it should reflect European traditions of thinking and values, on the other hand also – why not? – dissenting voices from other countries, and if you work in compiling an issue you refrain from making an issue with a focus subject. But for the future we exclude nothing.

We have been happy to get positive grades for our mix of issues – and also for our independence. But this is self-evident.

With best regards,



*Hans-Jürgen Zahorka*

## ***A Big Potential to Save Taxpayers' Money: Diplomatic Embassies and Defense of EU Member States***

None of the Nordic countries (Denmark, Finland, Iceland, Norway, Sweden) will be able to have its own credible armed forces in the future, it is too expensive. Therefore, the Nordic countries must forge closer ties on defence co-operation. Having embassies around the world is also expensive and we should therefore work on common solutions, said former Finnish Minister of Defence, Jan-Erik Enestam, current Secretary General of the Nordic Council (or written locally: direktör i Nordiska rådet), in his keynote speech at a conference on the Lisbon Treaty in Stockholm on 7 May, 2010.

In February 2009 Thorvald Stoltenberg, Norway's former Prime Minister, presented his report "Nordic co-operation on foreign and defence policy" to the Nordic foreign ministers. The report presents a number of policy areas and occasions for closer and more wide-ranging Nordic partnerships in foreign and security affairs.

Since the report was presented the EU Treaty of Lisbon has entered into force, which, amongst other things, has introduced new conditions for foreign and security policies which will have an impact on Nordic co-operation.

Enestam said that the Stoltenberg report had not yet influenced the Nordic governments in the right direction, for example, in regard to embassies.

"It is difficult to understand why this is not already underway, despite the fact that the foreign ministers commissioned the report themselves. Belarus is an excellent example where only Sweden has an embassy today. We could share a Nordic representation there", according to Enestam.

"The costs of defence material for the armed forces are constantly rising and therefore co-operation becomes increasingly important. These cost increases will intensify the integration of the Nordic countries' armed forces, which may gradually join together in a Nordic defence union", said Enestam, and praised the Nordic MPs for being proactive in this matter.

He also proposed a loose "Nordic bloc" within the EU which could include the Baltic States.



Teija Tiilikainen, Director of the Finnish Institute of International Affairs, suggested that the Nordic countries should issue a Nordic declaration of solidarity in the event of an external attack and that such a declaration would strengthen the Lisbon Treaty.

Fredrik Doeser, Research Fellow at the Swedish Institute of International Affairs, said in his speech that the Lisbon Treaty could facilitate the development of Nordic security policies and a Nordic Security Service. The aim would be to increase Nordic influence in the EU", said Doeser.

Baldvin Þor Bergsson, journalist and political analyst from Iceland, called for help from NATO and the Nordic countries in the event of an attack on Iceland.

"Iceland must ask Sweden, in particular, why it calls for a declaration of solidarity with the EU but not with the other Nordic countries," said Bergsson.

The Lisbon Treaty entered into force on 1 December 2009 and thus put an end to many years of negotiations on institutional matters. The purpose of the Treaty is to simplify, clarify and streamline EU decision making. The Treaty amends the existing EU and EC treaties and consolidates their texts, but does not replace them. The Treaty of Lisbon introduces the framework and the tools that the EU considers necessary to meet future challenges and people's needs in a globalized world.

In this context it must be permitted to ask the EU: Why not "harmonizing" the purchase of military material, with the long-term objective with at least a partial merger of its armed forces, and why not entertaining common embassies – this might be much cheaper than the present ones, coming from a, well, traditional concept from the before-last century – and this also has to be said in a phase where state expenditures are like a car at the inspection point.

At the same time, on 31st May, 2010, another prominent voice pleads for common arms programmes for the EU Member States – in order to obtain huge savings by military synergy effects. All European states have to save their money as intensive as seldom before. Do these saving effects work against security, asked Deutschlandradio anchorman Jürgen Liminski a recognized security expert, Former Ambassador and Secretary of State in the German Ministry of Foreign Affairs, Wolfgang Ischinger, who is today the President of the Munich Security Conference, which for some days per year is the focus for everyone who has a say in security policy.

On the question by Deutschlandradio on savings in security policy, in particular on dangers for the security of soldiers e.g. in NATO or EU missions, he pleaded for "saving intelligently". Everything must be purchased and developed what is necessary in today's and future missions. But everywhere where the "classical defense issue" of Europe is concerned, this should not be subject to unorthodox saving. This should not mean that the protection and the interests of Europe's soldiers should be abandoned.

Does Europe not become more dependent of e.g. the USA as there is higher investment in security and arms technology? Ischinger says that saving money is a great opportunity for European Defense Policy: The 27 EU Member States with more than 500 million citizens have almost as many soldiers than the 300 million USA, but much less power and military efficiency. This is due to the fact that Europeans in the military field still think “very, very nationally”. Everyone has an helicopter training academy of its own, buys his own light weapons, even the smaller states buy for a lot of money a small number of fighter aircraft. Instead of continuing this small-state system the EU27 should create synergy. On the question if synergy would not contradict the principle of national states, Ischinger pointed out that this is “old European thinking”. There is a certain conflict between “vital interests” on national level or a bit of sovereignty and economic and financial implications of the crisis. But how much sovereignty do we still need, and Ischinger pleads clearly for a more common approach in Europe. That does not mean that e.g. basic capacities, for instance in modern electronic warfare, should be abandoned. But on the other hand: Is it really necessary that every country has a costly air force of its own? Wouldn't be it possible to guard airspace in a common way by some bigger states only? Is it necessary that every country with a piece of coast has a navy of its own? There are huge savings possible, and with the set-up of common military units (like the French and the German armies have already) also likely.

It is evident that at the fringes of the general political discussion it is already part of the discussion of governance: the question of embassies, the question of military expenses. In both fields there is a huge savings potential, and examples like the forthcoming change of the German Federal Armed Forces from a drafted army into a professional corps will only underline this. We do not live in the times anymore where national states were the only determinants – we live today in a inter-dependent system of a supranational structure, the EU, together with Member States; I would not continue to talk of national states anymore. These times are over.

A first step would be a calculation how much can be saved. Nobody has ever published a study about this (That does not mean that such studies do not exist). One thing is evident: There would be huge sums which could be saved for the taxpayers – around approximate 100 billion EUR in the EU27, with an open end mainly in the military sector. This amount has been compiled by this Journal, in a very rough calculation. 100 billion EUR, which could be invested otherwise.

We all have, from time to time, to ask if all state activities are still worth while, like we all have to ask from time to time if not new state activities should be launched. Maybe an innocent MBA Master thesis, which is much more detailed, would launch a new discussion?

*Hans-Jürgen Zahorka*

## ***The EU Conditionality After The Lisbon Treaty – What Effects Are There For Macedonia?***

**by Marija Risteska**

The EU accession process is pushing the applicant countries towards greater convergence with particular institutional models due to the:

- (i) speed of adjustment<sup>1</sup>;
- (ii) openness of national elites to EU influence<sup>2</sup>.

As it might emerge from facts, the Lisbon Treaty does not introduce new policy areas, legislation or policy models to which the acceding countries should converge. It does not advance the enlargement process, neither is responding to the quest to add certainty to it. The Lisbon Treaty, however, offers institutional reforms that may significantly change the approach of the Union towards the accession countries. This in turn will influence on the Europeanization of the Western Balkan countries and provide for further justification in the theoretical debates that the Europeanization is a process. Here the impact of the Lisbon treaty on the Macedonian accession to the European Union in particular shall be anticipated.

First of all, the Lisbon Treaty is designed to promote a new and inevitably more coherent approach in external relations of the Union. The Treaty of Lisbon will help the EU work more effectively and consistently around the world, but also and at first in the enlargement countries. The pressure now will not come only from the EU Commissioner for enlargement, but also from the President of the Council and the Higher Representative for Foreign and Security Policy. Though their offices are completely operational since end of April 2010, from the last visit of Macedonian Prime Minister Gruevski in Brussels can be seen the increasingly important role of the President of the Council who was the first to meet the Macedonian delegation. Once their office become operational one might expect greater consistency in the approach and accelerated

---

<sup>1</sup> Heather Grabbe argues that adaptation in Central and Eastern Europe to the EU happened much faster and more thoroughly than the adaptation to enlargement in the previous EU-15 members

<sup>2</sup> The last enlargement has shown that the CEE countries are more receptive to EU institutional paradigms than existing Member States, because EU models are being presented at the same time as their national policy-makers are seeking institutional models to replace or to create new structures.



pressure on Macedonia by end of 2010 and in the next few years, as the new roles will become more familiar, and strategies more clear for the holders of the new EU functions.

Secondly, the Lisbon Treaty introduces additional conditionality in respect to the adoption of the European Union Charter of Fundamental Rights. As Macedonia is a signatory country of the European Convention for Human Rights<sup>3</sup>, which is encompassed by the Charter, the country will have to look for ways to transfer in its legislation guarantees for the new rights regulated in the Charter, such as: data protection, biotechnics and the right to good administration.

Finally, most implications the Lisbon Treaty will occur have on national policy making. With the more active role of the European Parliament and the novelty to involve national Parliaments in monitoring, the Union is expected to look for a more engaging role of the national Parliaments in policy making in the acceding countries. In the Europeanization theory the legislative task of transposition of the Community directives and regulations in national law is presented as being largely administrative; there is an assumption that the *acquis* is not an appropriate subject for debate<sup>4</sup>; and therefore all candidate countries have so far introduced some kind of fast-track procedure for getting EU legislation through parliament. In the last enlargement the lack of debate in most CEE legislatures reflected a consensus on accession, but it also showed a lack of awareness of the details of the legislation being passed on the part of parliamentarians<sup>5</sup>.



*Marija Risteska holds a PhD in Political Science from Cyril and Methodius University in Skopje/Macedonia and Master of Arts in European Public Administration and Public Policy from Katholieke Universiteit Leuven/Belgium. Besides numerous policy studies on European integration of Macedonia, public policy development, good governance, health, gender, and migration, Marija has co-edited the book "Pravo na Evropska Unija za mali i sredni pretprijatija vo Makedonija" (European Law for SMEs), Ministry of Economy/Bato & Divajn, Skopje 2004 (in Macedonian language).*

*She has 10 years of consulting experience with the EU and all UN agencies, among others EU projects in the Balkans and work for the European Parliament. She managed a program from National Democrats International (NDI) from the USA, and the education portfolio of the World Bank in Macedonia. Risteska is the founder of the Center for Research and Policy Making.*

*Her e-mail address: [risteska@crpm.org.mk](mailto:risteska@crpm.org.mk)*

<sup>3</sup> Macedonia ratified the European Convention of Human rights on 10th April 1997

<sup>4</sup> As EU law takes primacy over national law for Member States

<sup>5</sup> Heather Grabbe "How does Europeanisation affect CEE governance? Conditionality, diffusion and diversity, Journal of European Public Policy Vol 8, Issue 4, pp. 1013-1031

This shall imply that the lack of involvement of parliamentarians and wider society in the accession process will become important in the EU accession process of Macedonia. So far the marginalization of the legislature had implications on the democratic deficit problem. It also ran against the EU's advocacy of stable democratic institutions and the development of capable law-makers. This was for a long time paralleled with the problems in the EU itself. But with the changes introduced with Lisbon Treaty it should be expected that the policy debates will be invigorated in Parliament.

This might have an effect on Macedonia, where the EU is expected to look for a more active role of the Parliament in policy development. Taking in account that the EU is for some time now pressuring the Macedonian government to open up the policy making process through policy dialogue to other actors (non state actors such as CSOs, interest groups and political parties non-represented in the Parliament), we can already anticipate that widely developed policy dialogue (in Parliament and outside of Parliament) may appear as an additional conditionality for Macedonia.

**eurONATUR** STIFTUNG

**schützt Lebensraum bedrohter Wildtiere. Wie?**



Wir informieren Sie gerne:  
[www.euronatur.org](http://www.euronatur.org)

Tel. 07732 / 92 72 0  
**eurONATUR** STIFTUNG

## *The Arctic in Russia's Foreign Policy and the Baltic States*

By Vytautas Sirijos Gira and Živilė Dambrauskaitė

*Recently the Arctic Region has appeared increasingly often among Russia's foreign policy objectives in the Russian foreign policy discourse. Competition for the Arctic Region among the five bordering states – USA, Canada, Denmark, Norway and Russia – grew intensive in the late 2008 –2009, as all the states (hereinafter A-5) announced or renewed their national strategies on the “absorption” of the Arctic in the short- and mid-term perspective. As the competition of the A-5 states for the Arctic gathers momentum, the growing global demand for oil and natural gas, which could be satisfied by energy resources of this region, as well as other Arctic-related issues make it possible to forecast that in the nearest future the Arctic will become one of the most significant regions that will be in the focus of attention of the international community.*

The growing topicality of the Arctic to Russia's foreign policy makes it necessary to review the development plans of the states laying claims to the Arctic and to assess the potential influence of Russia's declared intentions on active development of the Arctic on the Baltic States. Better understanding of the Arctic issue would enable timely response of the Baltic States to these changes. What consequences to Russia-NATO relations may the foregrounding of the Arctic issue have? How could the EU-Russia collaboration be developed in this region? What interests does Lithuania as well as the other Baltic States have in these international processes and why, despite the fact that these states are not explicitly involved in the current processes, the latter are still relevant to them? How can the resolution of the Arctic issue affect Lithuania's security situation?

\* \* \*

The Eastern Europe Studies Centre (EESC) has been founded in 2006 and is an NGO-like initiative in the framework of Vilnius University in Lithuania (see also the website [www.eesc.lt](http://www.eesc.lt)). From its Political Analysis and Research Division comes this contribution. The authors: Vytautas Sirijos Gira (left), Analyst, holds a Master degree (Political Science, Vilnius University). At the right: Živilė Dambrauskaitė, heading the Political Analysis and Research Division. She holds a Master in European Studies, Vilnius University. Both worked after some years as analysts at the Centre for Strategic Studies from 2008-9 at the Eastern Geopolitics Studies Centre (both Vilnius).

**EESC**

Eastern Europe Studies Centre



## Arctic's status quo

The **Arctic Region** may be defined as the area around the North Pole, including the Arctic Ocean and northern borders of the North America and Eurasia. The greater part of the Arctic Region is made up by the **Arctic Ocean** and its sea: **The Arctic Ocean is comprised of the Baffin Bay, Beaufort Sea, Chukchi Sea, East Siberian Sea, Greenland Sea, Hudson Bay, Hudson Strait, Kara Sea, Laptev Sea, White Sea and other tributary bodies of water. The Arctic Ocean is separated from the Pacific Ocean by the Bering Strait and from the Atlantic Ocean – the Greenland Sea and Labrador Sea.**

The **political status quo** is essentially formulated by four characteristics:

- To date the Arctic Region is already of strategic importance. The Arctic may comprise approximately 13 per cent of undiscovered world oil reserves (90 billion barrels of oil) and 30 per cent of natural gas reserves (47 trillion cubic meters).<sup>6</sup>
- The basis for the current state of affairs in the Arctic Region is the temporary “**agreement not to agree**” of the relevant actors. There are at least 5 territorial issues in the Arctic Region that are yet to be resolved. Due to the lack of a mechanism regulating the region's issues, to date the Arctic issues are found in direct dependency on the bilateral relations of the A-5 states. However, the tension in the region will remain relatively low until the assumptions of international law have come into effect, which would make the beginning of the competition for the Arctic possible. Taking into consideration the fact that issues of sovereignty and extraction of these resources have not yet been unresolved, the Arctic is a potential tension point in international relations.
- Presently neither the EU nor NATO are taking part in the settlement of the Arctic issues; however, taking into consideration the importance of the Arctic Region and the EU and NATO positions that have already been declared, the involvement of these organization may be but a matter of time.<sup>7</sup>
- The Arctic Region is not subject to any military actions or arms control mechanism. This is one of the major challenges for the region, and the settlement of this issue may have direct consequences for the security of the Baltic States.

---

<sup>6</sup> Data from the US Geological Survey (USGS) Report, [www.usgs.gov/newsroom/article.asp?ID=1980](http://www.usgs.gov/newsroom/article.asp?ID=1980)

<sup>7</sup> EUFAJ Editor Olivier Védrine will give a lecture on the European Union's Arctic Policy – as far this is already developed – in autumn 2010 in Montréal/Canada, after research work in summer/autumn 2010. This will be reflected in “International Journal” in Canada and also in EUFAJ (issues 4-2010 or 1-2011).



## Boundaries of the Arctic Region

### Arctic Region Reference Map

([www.lib.utexas.edu/maps/islands\\_oceans\\_poles/arctic\\_ref802647\\_1999.jpg](http://www.lib.utexas.edu/maps/islands_oceans_poles/arctic_ref802647_1999.jpg))





### **The temporary “agreement not to agree”:**

#### **Why has the settlement of the Arctic dispute proceeded so slowly?**

The most controversial Arctic issues have to do with the territorial claims for the Arctic Region that A-5 countries make. It has to be pointed out that the A-5 states compete not so much for the boundaries of the territorial sectors of each state in the Arctic, but rather for the access to natural resources of the Arctic continental shelf.

Despite the intensive competition of A-5 states, at present territorial disputes do not hinder development cooperation:

- 1) Canada and Denmark cooperate by carrying out surveys in the Arctic, even though the question of the sovereignty over Hans Island has not yet been resolved;
- 2) The US and Canada cooperate by exploring the Arctic continental shelf in the Beaufort Sea despite the fact that issues on the territorial boundaries in the Beaufort Sea and status of the Northwest Passage are of present interest.
- 3) Canada and Russia share the objective to limit international navigation within their territorial waters (this issue is being discussed at bilateral negotiations) regardless of the fact that for the past two years Canada either has not approved or blocked all Russia's initiatives in the NATO-Russia Council (one of the pretexts being Russia's aggressive development plans in the Arctic<sup>8</sup>);
- 4) Russia, Denmark and Canada are considering the possibility to submit a joint application on the distribution of the Arctic continental shelf<sup>9</sup> to the UN Commission on the Limits of the Continental Shelf.

Considering the strategic significance of territorial ownership, the ability of the states to “freeze” the disagreements seems paradoxical. On the other hand, the implications for the provisional “agreement not to agree” are particularly pragmatic:

- The assumptions of international law for the “distribution” of the Arctic have not yet come into effect. In the geographical sense the Arctic is a frozen part of the World Ocean, therefore the most consistent and essentially the only regime of international law applied to the Arctic is the 1982 UN Convention on the Law of the Sea (UNCLOS). Its practical application is hampered by the fact that the US remains the only state among the A-5 states that has not yet ratified the UN-

---

<sup>8</sup> Pravda.ru, “Canada Stabs Russia...”, <http://english.pravda.ru/world/americas/02-12-2009/110902-canada-0>

<sup>9</sup> Edmonton Journal, “Mapping out Arctic Sovereignty”, <http://canada.com/edmontonjournal/news/story.html?id=1afa8be7-2055-49fc-ad7w-be54649e8737&k=19098>

CLOS. If UNCLOS came into force, the starting point for the negotiations would rest on the present sectors of the Arctic Region tentatively assigned to each of the A- 5 states. If the US ratified UNCLOS, nothing would prevent Russia, Canada, the US, Denmark and Norway from in-

**Table 1 - Territorial claims of A-5 states in the Arctic**

<b>Dispute parties</b>	<b>Disputed</b>	<b>Procedure for dispute resolution</b>
Canada and USA	Territorial border in the Beaufort Sea	Canada substantiates its position by maintaining that the boundary has to be parallel to the land border. Meanwhile the USA claim the maritime boundary to follow a line of equidistance from the coasts. The disputed territory is likely to be rich in hydrocarbon (oil and natural gas) reserves. <sup>10</sup>
Norway and Russia	Territorial boundaries in the Barents Sea	Moscow seeks to divide the Barents Sea into sectors, while Norway (claiming a number of sea sectors) does not accept Russia's position and seeks to define the disputed boundaries by the geographic middle line. Norway substantiates its claims by the fact that it has sovereignty over Bear Island in the Svalbard Archipelago, the shelf of which stores the world's largest natural gas reserves that are yet to be developed. <sup>11</sup>
Canada and USA	The Northwest Passage	Canada makes claims to the Northwest Passage, a sea route connecting Canadian Arctic islands. This is the shortest northern route from Europe to Asia. Canada deems this route to belong to its internal waters, whereas the USA and other countries argue that the Northwestern Sea Route is an international strait, since at its narrowest section its width exceeds 12 nautical miles (Canadian territorial waters boundary). <sup>12</sup>
Canada and Denmark (Greenland)	Ownership of Hans Island	Both countries are disputing sovereignty over Hans Island, a small uninhabited territory located in the middle of Kennedy Channel (separating Canada's Ellesmere Island from Greenland). Both countries make claims to this island, as it may become a weighty argument in the consideration of further claims to Arctic natural resources or access to the Northwest Passage. <sup>13</sup>
Russia and USA	Border issues in the Bering Sea	Changes are likely in the present-day Russia-US maritime boundary that extends north through the Bering Sea towards the Atlantic. The border was confirmed by a 1990 USA-USSR agreement, however has not yet been ratified by the Russian State Duma. Although Russia has inherited all international agreements signed in the times of the Soviet Union, some Russian politicians demand that negotiations be renewed and the agreement with the USA on the maritime boundary be revised.

<sup>10</sup> Walter B. Parker, John Harlow Byrne, "Sea Changes", <http://www.institutenorth.org/servlet/download?id=35>

<sup>11</sup> BarentsObserver.com, "Time for a Norwegian-Russian settlement", <http://barentsobserver.custorapublish.com/index.php?id=4556833>

<sup>12</sup> Carl Ek, "Canada-U.S. relations", <http://www.fas.org/sgp/crs/row/96-397.pdf>

<sup>13</sup> The Canadian Press, "Satellite imagery moves Hans Island boundary: report", <http://www.cbc.ca/technology/story/2007/07/26/hans-technology.html>

itiating an international process of “distribution” of the Arctic, that is, from giving legal status to their claims to the territorial, energy and military domination in the Arctic continental shelf and its extension. In other words, the competition for the Arctic will begin as soon as the US has ratified UNCLOS, which will precipitate negotiations not only of the A-5 states, but also of other international actors, namely efforts of NATO and the EU to interfere into the region’s processes.

- To date the initial positions for the negotiations, i.e. the boundaries of territorial claims, have not yet been defined. Of all the A-5 states only Russia and Canada acknowledge the present regime of sectoral distribution of the Arctic. Neither the US, nor Norway, nor Denmark support the division of the Arctic into sectors deeming it unfounded and regulations of the present international law. Due to this the initial positions of each of the states remain unclear. Russia was one of the first countries to submit an application on the enlargement of its continental shelf boundaries in the Arctic (as early as in 2001) to the Commission on the Limits of the Continental Shelf of the United Nations organization (which is the main institution determining the grounds for territorial claims).

In 2002 the UN Commission turned down Russia’s claims. Russia made arrangements to submit another application in 2010<sup>14</sup>. However it is possible to forecast that until 2013 Russia will not make any active steps in pursuit of justification of the boundaries of its sector of the Arctic continental shelf till Denmark and Canada have made their decisions on the issue. Meanwhile the latter intend to submit their applications to the UN Continental Shelf Commission regarding Arctic shelf boundaries in 2012 and 2013 respectively.

- A necessity to make sure that only A-5 states take part in the “competition for the Arctic”. According to the regulations of the 1982 UNCLOS Convention, Coastal States (hence the A-5 states) exercise sovereign rights over the continental shelf, seeking to explore and exploit its natural resources within 200 nautical miles (370 km) from the coastline to the outer limit of the territorial sea.

It is obvious that, in their pursuit to initialise territorial “distribution” of the Arctic beyond the boundaries of the continental shelf, the A-5 states primarily seek to give legal status to their territorial claims to the Arctic thus eliminating the possibility for any other third parties to make any changes.

---

<sup>14</sup> The more weighty arguments to be presented were the data collected during the Russian Arctic expedition (exploring the seabed of the Arctic Ocean), which was carried out in August 2007. On the basis of these data, Russia was making claims to another 1.2 mln km<sup>2</sup> of the ocean floor. Russia argues that the northern part of the Arctic Region and the North Pole are connected via the underwater Lomonosov Ridge, regarded by Russia as an extension of its continental shelf. The Lomonosov Ridge (which stretches across the floor of the Arctic Ocean to connect Russia and Greenland) is also claimed by Denmark and Canada, which both state that the Ridge is an extension of their continental shelf. – Carolyn Gramling, „Cold wars: Russia claims Arctic land“, <http://www.agiweb.org/geotimes/aug07/article.html?id=WebExtra080107.html>

The first step toward the enhancement of this status quo was made on May 29, 2008, when at the Conference on the Arctic Ocean which took place in Greenland, the US, Russia, Canada, Denmark and Norway passed the Ilulissat Declaration, in which they:

- emphasized the changes that were taking place in the Arctic and were related to the global climate changes;
- confirmed their obligations to resolve disputed territorial issues in accordance with the enforced international agreements (including UNCLOS);
- declined the necessity for a new international legal regime in the Arctic Ocean;
- assumed the obligation to ensure environmental protection of the Arctic at the national and intergovernmental (A-5) level and to enhance navigation security;
- expressed their interest in fostering scholarly cooperation and promoting scientific information exchange.<sup>15</sup>

The Ilulissat Declaration emphasized not only the wish of the A-5 states to come to an agreement regarding the resolution of their internal problems in the Arctic, but also the efforts these states took seeking to limit the activities of third parties in the Arctic: 1) by means of this Declaration the A-5 states demonstrated their exceptional status resolving issues pertaining to the territorial distribution of the Arctic, natural resources, navigational routes and so on; 2) having passed this Declaration, the A-5 states essentially blocked the way to the development of any other new legal regime (for example, by analogy with the Antarctic).

The aforementioned implications provide an explanation to the relatively low pressure in the resolution of the Arctic-related questions: the A-5 states are unanimous in their goal to ensure that the list of actors of the Arctic policy do not extend as well as in their expectation till the “rules of the game” have been defined. On the other hand, the question whether such internal agreement will survive the already ongoing “competition for the Arctic” remains open.

### **Russia’s strategy for the Arctic and strategy consequences of “opening” the Arctic**

The role of the Arctic in Russia’s foreign policy and nature of Russia’s competition with other A-5 states may have direct consequences for the Baltic States. Russia’s strategy selection in the competition for the Arctic will determine what function the Baltic States will perform: whether they will be observers, buyers of energy resources, or an object of geopolitical exchanges.

On September 17th, 2008, the Security Council of Russian Federation adopted the new Arctic Strategy<sup>16</sup> which emphasized the significance of the Arctic as the main source of Russia’s income (from the extraction and navigation of energy resources). What is documented is Russia’s goal to

---

<sup>15</sup> Brooks B. Yeager: „The Ilulissat Declaration: Background and Implications for Arctic Governance“, <http://www.arcticgovernance.org/getfile.php/991607.1520.vwurfpexxs/Ilulissat+Declaration+Implications+ver2+fr+CFM+12+05+08.pdf>

turn the Arctic into Russia's major strategic base of natural resources before 2020 as well as to maintain its status as the main state in the Arctic. The practical implementation of Russia's strategy in the Arctic is divided into three periods. These periods could also be considered as indicators of Russia's degree of activity in the Arctic policy:

- **First Stage (2008-2010):** Russia's preparation for the legitimization of the external boundaries of its sector in the Arctic (carrying out geological, cartographic research, etc.); development of opportunities for international cooperation (in pursuit of effective absorption of Arctic natural resources in the Russian sector); implementation of miscellaneous projects based on state-private partnership with the objective of promoting the development of energy as well as other economy spheres in Russia's Arctic sector;

- **Second Stage (2011-2015):** Legitimization at the international level of the external boundaries of Russia's sector in the Arctic and implementation of Russia's competitive advantage in the sphere of resource extraction and transportation. During this period it is expected to begin the process of restructuring the economy of the Arctic sector in order to accelerate the absorption of Arctic mineral raw materials as well as ocean biological resources and the development of the infrastructure of the Northern Sea Route.

- **Third Stage (2016-2020):** During this period the transformation of Russia's sector in the Arctic into the main natural resource base of strategic importance has to be implemented.

In fact, in Russia's strategic documents the declared active expansion of Russia in the Arctic in the short- and mid-term perspective coincides with the "opening" perspectives of the Arctic. According to US experts, there is likelihood that from 2013 onwards during the summer season (after melting of massive ice sheets) the Arctic Ocean will become partly accessible (meanwhile, other forecasts maintain that the total seasonal "warming" of the Arctic Ocean may be expected from 2030 onwards<sup>17</sup>). The seasonal "warmings" of the Arctic would allow the countries to begin the exploitation of energy resources and would dramatically decrease the navigation routes.<sup>18</sup> Nevertheless, shortened sea routes as well as the accessibility of Arctic natural resources would bring real benefit not earlier than 2025, while the technologies that will enable effective absorp-

---

<sup>16</sup> "Fundamentals of the State Policy in the Arctic for the Period Before 2020 and a Longer Perspective" ("Основы государственной политики Российской Федерации в Арктике на период до 2020 года и дальнейшую перспективу"), <http://www.scrf.gov.ru/documents/98.html>

<sup>17</sup> Sarah Clarke, "Climate changing faster than expected: scientists", <http://www.abc.net.au/news/stories/2009/11/25/2752579.htm>

<sup>18</sup> The Northern Sea Route passing along the Russian north coast and joining the North Atlantic with the North of the Pacific Ocean would shorten navigation routes by 5000 nautical miles (in comparison to the Suez Canal). The Canadian Northwest Passage, which connects Asia and Europe, would shorten navigation routes by 4000 nautical miles (in comparison with the Panama Canal).



tion of Arctic resources will only be developed around 2050. Given this, Russia and other states view Arctic resources solely as a long-term reserve.

Alongside the objective to turn the Arctic into a strategic minerals extraction base, in its strategic documents Russia tends to propagate rather actively the possibility of resorting to the military force in the Arctic. The latter statement is enhanced in Russia's strategy in the Arctic as well as in the 2009 new strategy for Russia's national security<sup>19</sup>. In the latter strategy the Arctic is for the first time directly related to Russia's defense of national interests. In Russia's Arctic strategy it is foreseen to dislocate special military forces ("Arctic Forces Group"), which would ensure the control of Russia's sector in the Arctic and would be answerable to the Security Service of the Russian Federation. The fact that the "arming" strategy of the Arctic will be coordinated directly by the FSS reveals that Moscow takes this question seriously, while the aforementioned national interests, the enhancement of which will be facilitated by Arctic natural resources, have to do not so much with the modernization of the economy, but rather with the consolidation and financing of Russia's political and economic power.

### **End of Cold War – Competition for Arming the Arctic?**

The Arctic issue is complicated by the fact that mechanisms<sup>20</sup> regulating international security are only partly applicable to the Arctic or are not applicable at all. On the other hand, due to the geographic position and climate of the Arctic, only particularly mobile military (naval and air) forces may be used in the region. Given this, traditional arms control mechanisms become virtually impossible.

In a situation where today's regimes for armament restraint are neither applied nor appropriate, the decision of any of the A-5 states to dislocate military forces in the Arctic Region may have a destabilizing effect. Western experts have already paid attention to the grave possibility for the Arctic to become another "hot spot".

On September 1, 2009, in its intelligence risk assessment, the Danish Defense Intelligence Service released forecasts regarding the future of the Arctic Region pointing out that access to the Arctic natural resources and shipping routes alongside the growing demand for oil in the medium to long-term perspective may result in a diplomatic crisis among the A-5 states, which neverthe-

---

<sup>19</sup> "National Security Strategy of Russian Federation for the period through 2020" ("Стратегия национальной безопасности Российской Федерации до 2020 года"), <http://www.scrf.gov.ru/documents/99.html>

<sup>20</sup> For example, the mechanism encouraging security and mutual confidence of the Organization for Security and Cooperation in Europe (OSCE), or flank requirements of the adapted Treaty on Conventional Armed Forces (A-CFE)

# NORD ESPACES BOREALIS VOYAGES



Reach the North Pole

[www.nord-espaces.com](http://www.nord-espaces.com)

[www.borealis-voyages.com](http://www.borealis-voyages.com)

+33 (0) 1 45 65 00 00



less should not grow into military conflicts<sup>21</sup>.

US experts leave open the possibility that opening of the Arctic may prompt confrontation among the states or short-term armed conflicts of low intensity; however, the competition for the Arctic should not develop into a large scale conflict:

1) although the Arctic Region is of strategic importance to all A-5 states (for instance, Russia's territories in the Arctic located beyond the Northern polar circle constitute 15-20 % of Russia's GDP), all A-5 states have major seaports in other oceans, due to which the blockade of seaports of the Arctic basin is of no vital importance to any of these states;

2) all A-5 states share the aspiration to restrict and control the activities of third parties in the Arctic as well as the dependence on the cooperation between high-tech companies and national governments in the absorption of Arctic resources<sup>22</sup>;

3) neither of the A-5 states is keen to maintain tension in the Arctic, as it would hinder commercial opportunities in the region.

Although chances are meager for a military conflict in the Arctic, to build up a favourable environment for commerce and resource extraction the A-5 states have to agree on mutual confidence mechanisms (including in the case of military issues).

### **Arctic institutional challenges for international politics**

One of the major Arctic-related problems is the lack of institutional regulation: although interested countries are members of various organizations, there is no institutional /international law regime that would be applicable to all Arctic territories and which would be able to establish "the rules of the game" in sensitive sectors (viz., "tough" security and commercial activities). All A-5 states sharing a border with the Arctic are members of OSCE and the Arctic Council<sup>23</sup>. In addition, all Member-states of the Arctic Council belong to the Council of Europe (the USA and Canada take part as observer states) and to the Barents Euro-Arctic Council (BEAC). Canada, Russia and USA participate in the G-8 group, which frequently has on its agenda issues that do not fall

---

<sup>21</sup> Mia Bennet, "Danish Defense Intelligence Agency Warns of Diplomatic Riffs", <http://arctic.foreignpolicyblogs.com/2009/09/04/danish-defense-intelligence-agency-warns-of-diplomatic-riffs/>

<sup>22</sup> National Intelligence Council, "Global Trends 2025: A Transformed World", [http://www.dni.gov/nic/PDF\\_2025/2025\\_Global\\_trends\\_Final\\_Report.pdf](http://www.dni.gov/nic/PDF_2025/2025_Global_trends_Final_Report.pdf)

<sup>23</sup> The Arctic Council was established in 1996 by the agreement of eight states bordering the Arctic Region (the US, Canada, Denmark, Finland, Iceland, Norway, Sweden and Russia). The Arctic Council is a high-level intergovernmental forum that seeks to develop cooperation between the Arctic Region states and local Arctic communities as well as activities coordination on various Arctic-related issues.

under the competence of other institutions. Of eight Member-States of the Arctic Council three are members of the EU, five are members of the European Economic Area, and five are NATO members.

In this network of overlapping institutions is only one gap:

At present the Northwestern region of the Pacific situated eastwards from Russia and connecting with the Arctic is not subject to any institutional mechanisms that would help resolve the problematic Northern transit routes issues. What prevents Asian countries and Russia from establishing an institution like the BEAC is the still-prevalent territorial disputes with Japan, i.e. issues which are not raised in the Shanghai Cooperation Organization (SCO). To generalize, one may distinguish three main institutional challenges of the Arctic-related issue:

- The most consistent and so far the only international law instrument in the Arctic is the aforementioned United Nations Convention on the Law of the Sea (UNCLOS), the provisions of which allow the countries to resolve many disputed issues related to the territorial jurisdiction, extraction of natural resources, navigation, environmental protection assurance, and so on. However, with the US non-ratification of this convention ways to oblige the A-5 states to observe the UNO decisions regarding the disputed Arctic territories remain unclear. Although both the former and present US administration support the ratification of the UNCLOS, part of Republicans and Democrats in the US Congress oppose ratification of this international agreement arguing that the UNCLOS violates US rights:

- 1) UNCLOS ratification will affect US companies involved in deep-sea mining which will be obliged to share these resources with companies of other countries;

- 2) UNCLOS restrictions on the freedom of US activities in international waters are unfounded.

Due to the fact that the UNO (besides the UNCLOS) does not have any specific institutions or instruments handling the specific issues of the Arctic, the region essentially remains a “vacuum” of a united institutional/legal regime<sup>24</sup>

- Institutions involved in tackling the Arctic issue (both the Arctic Council and the BEAC) are “mild” institutions in their nature as their decisions most often are permissive rather than mandatory and thus do not reflect the true state of affairs in the Arctic: the decisions of these institutions do not cover the “tough” (military) security agenda, nor development of economic trends in the Arctic.<sup>25</sup>

---

<sup>24</sup> Alyson J. K. Bailes, “Options for Closer Cooperation in the High North: What is Needed?”, [http://ndc.nato.int/download/publications/fp\\_07.pdf](http://ndc.nato.int/download/publications/fp_07.pdf)

<sup>25</sup> Ibid.

- Lacking any regulation, Arctic military security and economic issues crank up tensions between interested international actors (states and organizations): any unilateral attempt to resolve these problems may be viewed as illegitimate and stir up opposition<sup>26</sup>

### **The effect of the “tough” Arctic security issue on Russia**

The vacuum of security cooperation in the Arctic will inevitably have to be filled. Sooner or later the interested parties will be forced to take the initiative and enhance measures of mutual trust. The success of this initiative will depend on the international weight of the initiator and the support of the A-5 states. As long as the A-5 states lack mutual trust, the initiative from the outside is a highly probable outcome. With respect to that Russia's main problem lies in the fact that, given this situation, Russia would not be able to control the security and military cooperation initiatives in the Arctic.

**The Arctic and NATO-Russia relations:** A weighty NATO role in the security regulation in the Arctic seems justified as four out of the A-5 states (the US, Canada, Denmark, and Norway) are NATO members. In March 2008 the European Commission announced the report “Climate Change and International Security”<sup>27</sup> in which it warned the EU members of the potential conflicts in the Arctic. On the basis of this document Jaap de Hoop Scheffer, then NATO Secretary General, stated that, seeking to defuse potential tensions between the states competing in the Arctic, the Alliance would have to expand the participation of military contingents in the Arctic Region<sup>28</sup> This position was voiced again on October 1, 2009, by new NATO Secretary General Anders Fogh Rasmussen ([Speech by NATO Secretary General Anders Fogh Rasmussen on emerging security risks](#)). The foregrounding of the Arctic issue in NATO agenda would testify to the unanimous position of the US, Canada, Denmark and Norway on defense issues of the Arctic territories and expansion of Alliance's activities in the Arctic Region, which is seen as strategically sensitive to Russia.

NATO may also become a mechanism for an indirect military cooperation in the Arctic. For example, the development of military cooperation in the Arctic is of particular interest to Northern countries<sup>29</sup>, which at the Northern countries Foreign Ministers' meeting on June 8-9, 2009 in

---

<sup>26</sup> Ibid.

<sup>27</sup> EurActiv.com, “Solana to sound alarm over coming climate conflicts”, <http://www.euractiv.com/en/climate-change/solana-sound-alarm-coming-climate-conflicts/article-170880>

<sup>28</sup> Mail Online, „Nato to have military presence in the Arctic as melting ice leads to scramble for energy reserves”, [www.dailymail.co.uk/news/worldnews/article-1131848/Nato-military-presence-Arctic-melting-ice-leads-scramble-energy-reserves.html#ixzz0djTZ64ws](http://www.dailymail.co.uk/news/worldnews/article-1131848/Nato-military-presence-Arctic-melting-ice-leads-scramble-energy-reserves.html#ixzz0djTZ64ws)

<sup>29</sup> Denmark and Norway have corresponding Arctic sectors, Iceland does not have its own military forces, Sweden and Finland partly belong to the Arctic Region, however, do not have direct access to the Arctic continental shelf and are not NATO members.



Reykjavik (Iceland) announced their plans to further their military cooperation. The impetus for the expansion of military cooperation of the Northern countries was voiced by then Norway Foreign Minister Thorvald Stoltenberg in a report announced on February 9, 2009 and devoted to cooperation of the Northern countries in the spheres of foreign policy and security<sup>30</sup>.

The report provided a review the demand for cooperation in the light of global and regional security (including the Arctic). On the basis of this report Denmark, Iceland, Norway (all NATO members) as well as the neutral Sweden and Finland announced their intention to develop a military block that would ensure security of the relevant Arctic territories. The objectives of the block are to ensure security of the Icelandic airspace, to establish special patrol units, quick reaction forces and a common satellite-based surveillance system in the region. A more specific draft on Nordic military cooperation is expected to appear before the next meeting of Nordic foreign ministers in 2011.

The plans of Nordic countries to enhance joint military cooperation may be assessed in two ways. First, in their negotiations on Russia-related bilateral issues (Russian wood export duties, energy, etc.), Nordic countries obtain certain levers. Second, with Nordic countries strengthening common military forces, infrastructural and functional overlaps of their military forces with NATO forces as well as joint operations (for example, airspace surveillance, rescue operations and so on), Finland and Sweden may be encouraged to integrate in the Alliance's processes in the long run. But even if the latter did not seek integration into NATO, such security regime already means an indirect presence of NATO in the region.

This is why the development of cooperation of Nordic countries in the Arctic essentially means the "zero outcome" game to Russia's disadvantage. If the aforementioned initiatives are to be implemented, the region's security issues will turn into a lever in NATO's hands that will enable fortification of the position in relations with Russia.

### **The Arctic and EU-Russia relations**

Russia's analysts emphasize that, seeking to counterbalance the expansion into the Arctic of NATO's potential "tough" (military) force as well as the ambitions of other countries, Russia would have to consider the involvement of the EU in the resolution of the Arctic issues.

In what form could this EU-Russia cooperation proceed? Russia's foreign policy experts believe that the most beneficial scenario for Russia would be the renewal of the Northern Dimension. So far the EU does not have a consistent strategy in the Arctic, while to date the Northern Dimension

---

<sup>30</sup> Thorvald Stoltenberg, „Nordic Cooperation on Foreign and Security Policy: Proposals presented to the extraordinary meeting of Nordic foreign ministers in Oslo on 9 February“, <http://www.regieringen.no/upload/UD/Vedlegg/nordicreport.pdf>

format is the only EU instrument that at least in formal terms covers the Arctic Region. In 1997 the EU initiated the Northern Dimension policy which determined a cooperation framework for Northern European countries in the spheres of welfare and sustainable development; however, the Arctic Region was not included until 2006.

In 2006 the Northern Dimension policy was reviewed: it upheld equal rights in the partnership involving the EU, Norway, Russia and Iceland, and its geographic borders were extended to embrace the Barents Region. The Arctic and Sub-Arctic Regions, the Baltic Sea and the Kaliningrad Oblast of Russian Federation would have to become priority areas; however, in practice the Arctic remained EU's peripheral political sphere.

Russia's initiative for cooperation on Arctic issues would provide an opportunity for revitalization of the Northern Dimension direction. Ideally, it would allow the EU to contribute making relevant decisions and forming the Arctic energy policy<sup>31</sup>.

How would Russia benefit from this situation? EU involvement in the resolution of the Arctic issues would balance NATO's role thus substituting the "tough" security agenda for "mild" questions, and ever more bureaucratize and "wash out" ("to forumize") the existent institutional ties in the Arctic. On the other hand, such decision would enable Russia to build relations with the EU in a different fashion and to a certain extent to redraft the map of interest zones.

### **Consolidation of the "Northern vector" in Russia's foreign policy and interests of the Baltic States**

The Arctic policy is important to the Baltic States due to the fact that in the EU-Russia relations the Arctic range of problems may offer additional dividends dealing not only with the resolution of the Arctic issue, but also with Russia-EU relations, notably, Russia's interests in the Baltic Sea Region. If Russia succeeded in foregrounding the Arctic issue in the Northern Dimension policy, this would give rise to an opportunity to combine three Russia's foreign policy agendas:

- 1) Russia's relations with the Baltic States;
- 2) Russia's relations with the Nordic countries;
- 3) Russia's energy resources and commercial opportunities in the Arctic.

---

<sup>31</sup> Adele Airoidi, „The European Union and the Arctic: policies and actions“, [http://www.norden.org/en/publications/2008-729/at\\_download/publicationfile](http://www.norden.org/en/publications/2008-729/at_download/publicationfile)

Joining the three agendas would be particularly disadvantageous to the Baltic States, as the Baltic Sea Region might become a “hostage” of the Arctic Region. It should be taken into consideration that, despite the renewed EU “Northern Dimension” policy of 2006, Russia’s bonds are meager due to the poor interaction between the EU and NATO. This equips Russia with the possibility to implement a “multivectoral” foreign policy through the formation of unions with individual states on the basis of various interests.

Adding the Arctic issue to the Northern Dimension would not boost Russia’s international obligations, rather, the contrary is more likely: the content of the Baltic Sea Region policy would depend on the success of Arctic-related negotiations of the large countries. All this could provide premises for distinctive political “exchanges”: Russia’s obligations in the Arctic and provision of energy resources to Europe in exchange for discounts to Russia in the Baltic Sea Region.

- One of the most relevant issues to the security of the Baltic States is the extent to which the EU will seek to participate in the resolution of the “tough” security in the Arctic issues. If the Northern Dimension acquired the “tough” security aspect, Russia would automatically gain more influence on the security of the Baltic Sea Region. In exchange for armament restrictions Russia could make demands on the security infrastructure in the Baltic Sea Region. Another possibility rests on the idea that three of the A-5 states, viz. the US, Canada and Norway, are not EU members, and based on that Russia could come up with a regional security system, alternative to Euro-Atlantic structures (for instance, a Baltic States defense union, or European security agreement organization). The rise of such phenomena would have negative consequences to NATO’s agenda and efficiency as well as the security of the Baltic States.

- An undefined format does not ensure energy security interests of the Baltic States. The flexibility of the Northern Dimension policy opens vistas for the development of bilateral energy diplomacy, in which the obligations of the Northern Dimension have virtually no influence. This means that the development of energy infrastructure in the North-West or North-South directions will only reflect the interests of those countries which will be ready for direct negotiations with Russia (as, for example, the already mentioned “Nord Stream” gas pipeline in the Baltic Sea.). The skills of the Baltic States to defend their interests in this situation successfully are poor.

As long as the A-5 “agreement not to agree” is in effect, it is early to speculate on specific Arctic policy outcomes for the Baltic States. However, the announced positions of the main actors allow one to foresee the outlines of interests of the Baltic States in the development of this policy and identify the most favourable and most unfavourable scenarios, which could help form a purposeful Baltic States policy in an attempt to protect against surprises in the future.

(see next page Table 2)

**Table 2 - Scenarios for Russia and Baltic States interests in the Arctic**

Possible dynamic fields of Arctic policy	Russia's interests	Interests of the Baltic States
NATO's unified stance on security and military policy issues in the Arctic	NATO's involvement in "tough" security policy in the Arctic is unhandy to Russia which does not have direct influence on NATO's levers. Given this situation in the resolution of issues related to the military status of the Arctic, Russia would become "an invited guest" rather than a decision maker.	NATO's involvement in ensuring stability in the Arctic would be favourable to the Baltic States, since the security agenda of the Arctic would then be kept separate from the Baltic States security agenda.
Involvement of Nordic countries in ensuring security and defense in the Arctic	Involvement of Nordic countries causes little inconvenience to Russia in political terms, since the direct involvement of NATO which judging by Russia's national security standpoint, is analogous to but another NATO's expansion in Russia's space of interest	Such solution of the problem would bring about less tension to NATO-Russia relations than NATO's direct involvement while "mild" and "tough" security issues in the Arctic would be kept separate from EU-Russia relations. On the other hand, this initiative remains a grey area until a specific cooperation mechanism and Russia's role in this mechanism have been agreed upon.
Involvement of the EU in the resolution of the issues of the Arctic Region	EU involvement would allow Russia to counterbalance to a certain degree or to change the potential NATO involvement in the Arctic policy as well as the role of other A-5 states. For Russia this would imply a not too binding cooperation in the sphere of "tough" security and investment needed for the absorption of the resources.	EU-Russia cooperation is favourable to the Baltic States on condition that it is kept separate from issues dealing with the Baltic Sea Region and is devoted to solely energy and "mild" security questions. In the best-case scenario the Arctic issues would be incorporated in the EU-Russia energy dialogue, covering environmental, investment and energy supply issues.
The Arctic factor in the Northern Dimension	It would allow Russia to counterbalance the influence of NATO and the A-5 states, but also "cleanse" tough and mild security provisions as well as Russia's obligations. Russia would gain additional weight by resolving the Baltic Sea security issues and grounds for initiating the formation of defense alliances with a view to devaluing the role of NATO. Meanwhile the dimension of energy security would remain totally dependent on the type and possibilities of agreements between individual EU Member States and Russia.	This scenario is particularly unfavourable to the Baltic States. Should the Baltic Sea issues be coupled with the Arctic issues, interests of the Baltic States might become the exchange object between the EU and Russia. Meanwhile, as energy security issues are becoming less definite, the likelihood of the development of projects analogous to "North Stream" is increasing, i.e. projects which do not improve the state of energy security of the Baltic States, but cause ecological damage and make energy isolation probable.

# NEHEMIA UNIVERSITY

Nehemia University is a new, private university in **Pogradec/Albania**, ashore Macedonian-Albanian Lake Ohrid. Since the early 1990s, Bavarian aid organisations bogged down in Albania, where they set up a group of kindergartens, elementary schools (also for underprivileged children), secondary schools, medical and rural development projects – and now also a university. The Chairman of Nehemia Foundation, Arnold Geiger, obtained in 2008 the Federal Cross of Merit from the German Ambassador, for the “construction works” – for which already the old Nehemia was famous in the Middle East.

The University offers a **Master in European Studies**, besides Bachelor presence studies e.g. for a B.A. in Business Administration. The Master programme runs 24 months in “blended learning”, with distance studies (27 course units) and homework tasks, a Project Study (1<sup>st</sup> year), a Master Thesis (2<sup>nd</sup> year), Skype conversations between students and lecturers, and four presence courses of four days and one of two weeks. A team of altogether 35 lecturers from many countries is at the disposition of the students. The Lecturers love their job – for it includes also discussions with intelligent students from countries who are in Europe or in other parts of the world. Everything can be overseen – also the group size in the presence modules, where the size of a group will be between 5 and 9 students. In the presence modules skills and debates are in focus, skills like negotiation techniques, international project management, European policy and values communication, and many topical subjects from European policymaking.



Here are some pictures of a part of the Campus (with a modern Adidas sports field) and of the panorama with the Lake Ohrid at the left and Macedonian mountains in the background. Albania is becoming interesting, aspiring for EU accession, with many young, clever people, who are eager to learn and to work with their fellow students from other countries. You need just a Bachelor degree to be able to continue your Master studies. And students can enrol **at any time**.

The Rector of Nehemia University, Prof. Dr. Alexander von Freyhold (formerly Rector of Dual University Baden-Württemberg in Mosbach/Germany), takes the time to discuss with the students personally their problems, and the Course Coordinator for the Master in European Studies, Hans-Jürgen Zahorka, has prepared a Curriculum and online course material, which is always at the newest level, he coordinates also the Master in European Studies faculty. Accreditation is envisaged in Germany, the courses are following the EU Bologna principles, and tuition fees are very competitive. Students from all over the world are welcome – as Nehemia University is small, they are individually taken care of. This is part of our familiar climate. More: [www.nehemia-uni.org](http://www.nehemia-uni.org)





## ***A Nordic Inspiration for Democracy in Belarus***

"Are Nordic models applicable to Belarus?" was one of the themes of a historic meeting of Belarussian, Nordic and Baltic parliamentarians in Minsk, the capital of Belarus, earlier this year.

*Dagfinn Høybråten MP (Norway), a former President of the Nordic Council, and the person responsible for the original initiative to get involved with Belarus, chaired the last meeting between Belarus and Nordic parliamentarians. Member since 2005 of the Norwegian Storting for Rogaland Country he is at present – repeatedly – Member of the Standing Committee on Foreign Affairs and of the Norwegian Delegation for Relations with the European Parliament. He is also Head of the Delegation to the Nordic Council. Dagfinn Høybråten has indeed been the driving force in the preparations of the seminars (after several visits in Minsk), and during the seminars. He has skilfully been promoting the dialogue with the parliament of Belarus and has facilitated discussions between the parliament and the opposition.*



The roundtable discussion, which was hosted by the Nordic Council, was the fourth in the series but the first to be held in Belarus, where the Council has been active since now more than three years, from 2007. These meetings are designed to improve the dialogue between the regime and leaders of the opposition parties outside parliament and to promote democracy and civil society in the country. The main themes this time were, for example, the lessons to be learned from the Nordic model and the opportunities presented by the EU's new Baltic Sea strategy.

Many of the discussions revolved around the economy and the environment but like previous meetings heated debate did occasionally flare up between representatives of the government and the opposition. For example, the opposition raised the issue of the obstacles they face when it comes to providing an active opposition and standing for election, in particular the fact that it is almost impossible to set up new parties or voluntary organisations in Belarus.

A total of 50 members of parliament, civil servants and opposition politicians from nine countries attended the conference, which was chaired by Dagfinn Høybråten MP (NO), a former President of the Nordic Council, and the person responsible for the original initiative to get involved with Belarus. Another event in the Belarus partnership programme was a youth conference in Vilnius, the capital of Lithuania, in June 2010. An exchange programme for politicians, including members of the opposition, between the Nordic countries and Belarus is also planned.

"We hope that our neighbours in the East will soon move towards integration into the European family, in the form of the Council of Europe, by ratifying and applying the European Declaration of Human Rights," Høybråten said. The most recent seminar took place in Minsk, 22-23 march 2010. It was believed to be a step forward to be able to meet both the opposition and the parliament in the same room, in Belarus, to discuss common matters of today. Issues that are very much discussed in any country today - energy, climate change, nuclear power – were chosen, and during the seminar in Minsk 'Nordic Model' (welfare, economy, democracy), and the EU Baltic Sea Strategy was broadly discussed.

*The Nordic countries started their dialogues in winter 2007, and have until now organised four seminars. Three of them have taken place in Vilnius, and the most recent was organised in Minsk. Dagfinn Høybråten was president of the Nordic Council in 2007, and the seminars started at this point. All seminars have been attended by a large number from the opposition of Belarus (8-10), while the parliament has sent around two representatives. This time however, there were around 8-10 representatives from the parliament, and also one minister who attended. The discussions were at times lively (like during previous seminars). The opposition raised their voice of course, which is one of the very few opportunities they can meet and discuss with the parliament. These seminars have been very much appreciated by both sides - that was at least the impression of the Nordic participants. It has been important for them to provide some sort of platform that has allowed politicians to meet and discuss common matters of today. One aim was to facilitate a dialogue between the opposition and the parliament. It was the analysis of the situation that these kinds of seminars are very much needed: They provide the opposition with a possibility to talk to politicians from the parliament. And it puts some sort of pressure on the parliament to respond to questions, or at least discuss with their 'colleagues'*



*This picture (left) shows the atmosphere of one of the seminars (photo by courtesy of Siv Friðleifsdóttir MP, Icelandic politician and formerly Minister for Social Affairs in Reykjavik)*

All these efforts come at the right time, as Belarus will have elections (or "elections"?) soon. At the same time, the European Union prepares a bigger project in the direction of naming pilot regions for decentralisation, for a vivid local economy, for a more democratic local government. Now, that Belarus takes part in the Eastern Partnership, this is a must for the European Union, and it will complete perfectly what is done by the Nordic countries. It comes also at the right time as only recently the body of an independent blogger and online journalist has been found, with no indication of a suicide – just the contrary. He had been harassed already two times at the end of the 1990s by government suspects. All this left the OSCE as well as the EU Foreign Minister, Ms. Catherine Ashton, demanding an investigation into this death.

And these efforts come also at a time where Belarus will have to choose – passively - between commercial uncertainty and leaps in the behaviour of Russia and – actively - a more EU-adapted governance, the EU being a calculable partner which, alas, would require democratic standards. A not so insignificant part of Belarus demands just this, until now in vain, although president and government sometimes opt in favour of the EU, but prefer by and large to remain in a position where they are, above all, the number one in the country.

\* \* \*

*As an interesting example of the speeches held at the Nordic, Baltic and Belarusian seminars we hereafter print the contribution by Erkki Tuomioja PhD, Finnish M.P. and former Minister of Foreign Affairs in Helsinki. He is also a former chairman of the Nordic Council. Often the “European Model”, which today basically follows the “Nordic Model” is discussed in the USA. Now, the “Nordic Model” is discussed in countries like Belarus who were invited to enter European structures, e.g. the Council of Europe, if the conditions are right. One of the reasons Belarus follows the policies it does is that the economic policy of Western European countries may not be fit for Belarus. This contribution by Erkki Tuomioja, a Social Democrat, does not attack anything – it just is positively formulated.*

**Erkki Tuomioja, M.P., PhD, on: The Nordic Model: The cooperative spirit of a modern labour market**  
(at the Nordic, Baltic, Belarus Conference on the Role of Politicians in Changing Societies, Minsk, in Spring 2010)

To begin with a few words on the origins of the Nordic Model. I think it important to point out that the Nordic Model was not deliberately conceived. There never was any blueprint for a model bearing this name. It evolved over time and had been and it had been under construction before anyone thought of giving it the name, which was done more by outside observers of the Nordic countries.

Since then the Nordic countries have started to use the concept quite freely and the Nordic Council frequently invokes it without difficulties, as we do not usually engage in defining what we actually mean by it.

But if I was asked to name the particularly defining features of the Nordic model I would, without denying the importance of other features as well, first mention the concept of *folkhemmet*, or people’s home, as first used by Per Albin Hansson in 1928. Again there are many interpretations of this concept, but I refer to the way this changed the prevailing concept of social policy which started out from the premise that social services and social security were to be provided only for the needy poor in varying degrees, into a concept of universal services and universal benefits to which every citizen was equally entitled.

That this concept was introduced by the Social-Democrats lead originally to accusations of class betrayal by the more traditional and extreme left, but this has faded away as the result of the universal benefits model have become apparent in terms of the most equal distribution of income and wealth and the lowest incidence of poverty than with any other social models.

The concept of *folkhemmet* is no longer used except in a historical context, one reason being, I suspect, that after the Second World War it became somewhat tainted with Nationalist or even Fascist visions of unitary societies. What survives is the principle of universality in social policies which was a central corner stone in the post-war construction of the Nordic welfare modal. One way of explaining the principle is to say that everyone contributes and everyone benefits, and as long as the middle-classes also subscribe to this view the model will retain its support. Up to now this has been the case, as witnessed by the lack of any serious tax rebellions in the Nordic countries, where promises of tax reductions have not been great vote-winners, rather they are policies that have been forced by governments on the reluctant electorates who fear the run-down of public services as a consequence.

For the Nordic model to survive and continue to produce good results it is vital that the quality of public services be maintained. If people begin to perceive, as many in my country Finland have begun to, that public health services are deteriorating - not primarily the quality of the service offered, but rather its accessibility - then these services will be used mainly by the poorest people who have no alternative, as those with more means will prefer to use the booming private health service with slightly higher costs (but with a sizable public subsidy). And, as the saying goes, services for the poor are poor services. It therefore vital not to allow such a vicious circle to strengthen, otherwise it will undermine the Nordic model in a serious manner.

### **Nordic labour markets**

Another way of expressing this defining feature of the Nordic model is inclusiveness. It can and does mean many things, but one of the central features is in the cooperative spirit of the modern labour market. It has been based on the free right to organize and the understanding, that everyone has more to gain through cooperation and agreement, than can be achieved through strife and strikes.

Strikes (and even lockouts by employers) do occur - indeed, the right to strike is recognized as one of the fundamental principles of a free society - but their incidence is low and their duration usually short, and they are managed in a very organised manner with zero-tolerance for violent or threatening behaviour.

The rate of labour organization has been historically very high in the Nordic countries and still remains so, even if there has been a slight decrease in the last decades. In Finland it remains overall close to 70 %, but in industrial occupations and the public sector it is almost 85 %. This also reflects a weakness of our modern labour markets, namely the low rate of organisation in the private service sector where wages are lowest and where part-time and temporary work has been increasing. The overall organisation rate is about the same 70 % in Denmark and Sweden, while in Norway it is slightly lower, 55-60 %. No other region in the world reaches comparable figures.

In Finland over 90 % of all wage-earners are covered by collective agreements, and over 70 % in the private sector. Also unorganized workers in a sector where there is a collective agreement are covered by it.

In past decades collective agreements used to be based on comprehensive income agreements which all the central organisations, both employers and trades unions, has signed and which were then more or less across the board applied in all sectors of the economy. It was common that the government was in one way or the other involved as a party to the agreements, some times more, some times less, even to the extent of agreeing to tax cuts or benefits to the parties as an inducement for them to come to agreement.

In the Nordic model it is common for the labour market parties to negotiate and make agreements not only on wages and conditions of work, but more broadly about pensions, unemployment benefits and other social policies. Today employers' organisations are more reluctant than before to enter into national comprehensive agreements, leaving it to the organisations in each industry to come to agreement between them, but even when this is the case the agreements usually more or less follow the standard set by those representative parties which are the first to come to an agreement.

Today there is an increased tendency from the employers' organisations and business to call for more flexibility in agreements, preferably even to replace national agreements with local agreement on the company level. This has remained absolutely marginal, also due to the fact that national agreements leave more and more leeway for taking into account local and company specific circumstances and needs, but the overall framework of national agreements ensures that this cannot take place unilaterally at the cost of the weaker party.

But even without centralized and national income agreements the labour market partners continue to discuss and cooperate on social issues. In almost all European countries one of the greatest challenges we face is aging population and how to ensure the sustainability of our pensions systems. This cannot be done without having people willing and able to stay in work until a later age. This today is the central issue that the Finnish government and social partners are negotiating about. Given the fact that our whole system of pensions was more or less created in

negotiations between the social parties in the 60's and that they have since then continued to cooperate on fine-tuning the system to ensure its sustainability, I remain fairly confident that adequate solutions can be reached even now.

### **Globalization and the Nordic model**

Globalisation poses new challenges for everyone. Given the fact that the world's population has trebled only in my own lifetime from 2,3 billion to 6,9 billion people it is obvious, that few if any of the ways mankind has interacted with its natural environment or arranged the interaction of human societies, nations and states, are workable in today's globalized world where interdependence in all thing, good and bad, is a fact of life that no country, be it a military Hyper-Power or a small microstate, can escape.

The Nordic countries have not even tried to do so. On the contrary, as small open economies that have always been dependent on international trade we are usually identified as keen free-traders. This I think needs to be stressed: the Nordic countries have been essentially open free trade economies who have a keen interest in combating protectionism world-wide, but at the same time do not subscribe to market fundamentalist principles and understand, that for free trade to be sustainable it has also to be regarded as fair for the least developed countries.

That the Nordic countries are thus par excellence winners in globalisation can hardly be contested. This view is strongly supported by the fact that almost invariably all the five Nordic countries are to be found among the ten top countries in any of the international beauty contests where countries are ranked on the basis of their competitiveness, efficiency of administration, educational standards, lack of corruption, use of IT-technology, Human security, environmental standards and so on.

I call these beauty contests because they are based on perceptions rather than objective criteria, but the consistency of the favourable results for the Nordic countries indicate that there must be something more involved than what is in the eye of the beholder. Even many of those, who not so long ago were proponents of Neo-liberal solutions have reluctantly come around to a recognition, that the Nordic countries' relative success has not come about in spite of our high-tax welfare states, but rather it is the Nordic welfare state and our model of labour market cooperation that is the key to this success.



# Revue Défense Nationale



Lancée en 1939 par le Comité d'études de défense nationale, la Revue Défense Nationale assure depuis lors la diffusion d'idées nouvelles sur les grandes questions nationales et internationales qu'elle aborde sous l'angle de la sécurité et de la défense. Son indépendance éditoriale lui permet de participer activement au renouvellement du débat stratégique français et à sa promotion en Europe et dans le monde ([www.defnat.com](http://www.defnat.com)).

**Abonnement (11 numéros) - France : 90 € - UE : 120 € - Autre : 130 €**

(tarifs valables jusqu'au 1<sup>er</sup> mars 2010)

PAPIER OU NUMÉRIQUE (*VIA INTERNET*)

Paiement en ligne ([www.defnat.com](http://www.defnat.com))

PUBLICATION DU COMITÉ D'ÉTUDES DE DÉFENSE NATIONALE

BP 8607, 75325 Paris cedex 07 - Tél. : 01 44 42 38 23

## *How is it – to live in North Cyprus?*

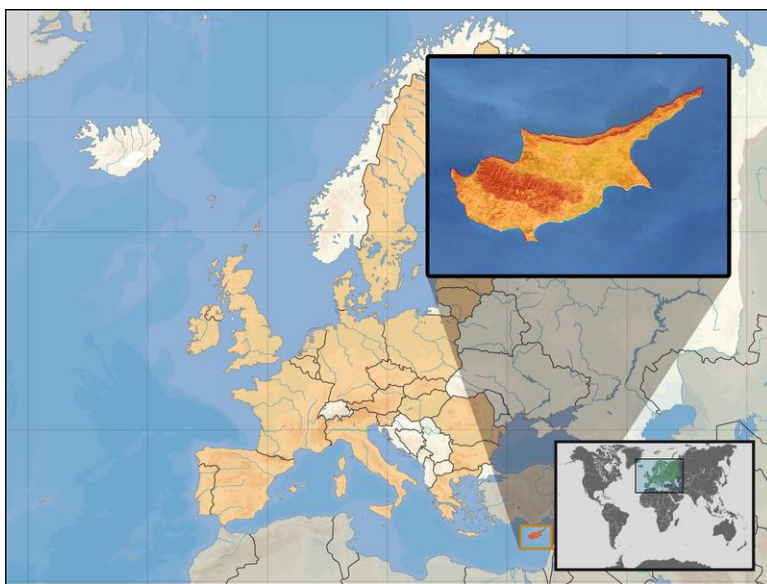
**By Gunay Mahmudova**



*Gunay Mahmudova has two citizenships: from Azerbaijan and from Cyprus. After graduating at the Eastern Mediterranean College, she made her first degree (B Arch) as future architect at the University of the Eastern Mediterranean, Famagusta, North Cyprus. At present, she lives in Paris and just finished her diploma (Concepteur & Décorateur) in her collection at the Ecole supérieure des arts modernes where she follows now Master studies. She has worked in architecture offices in Ankara/Turkey and Famagusta on Cyprus. Her multinational background and her family which was and is mainly composed of artists and mathematicians provided her with six languages, and she wanted to step in the tradition of her great-grandfather, an architect. While in Paris, she could not stay Vice President of the “New Style Architecture Club” at the Eastern Mediterranean University – and an active member of the Cyprus Tango Dance Club. She just asked herself: How is it to live in North Cyprus?*

Cyprus, the island of copper and today’s third largest island in the Mediterranean Sea: It had played and is still playing an important role in the Eastern Mediterranean in terms of its strategic and physical location, just in the triangle of three different continents. From pre-historic times it has been used as a world merchandising capital and was attractive for different countries as a step or a passage. This is the reason why various empires tried to keep the golden key of Mediterranean waters and bridge to world’s busiest and important countries. Plus it has special meanings both for Christians and Muslims.

Roman Empire, Byzantines, Lusitans, Venetians, Ottomans and British were just some grand rulers of this tiny island. But how it ended up as two different government systems after all?



Following the Roman Empire and some short Muslim control of Cyprus in 1191 it has been taken under control by King Richard Lionheart during the Christian Crusades. Then the island has been sold to Lusitans and from 1192-1489 the Orthodox Church of Cyprus has been taken under the rule of the Vatican. During those times, Cyprus had become a center of pirates and smugglers. Between 1489-1571 under Venetian control, despite all the rights that were taken from the hands of Orthodox's, the island had been reinforced architecturally and with castle walls. There were also minorities like Jews, Armenians and Turks living on the island. Following in 1571, the island's control had shifted to Ottomans. After some cruelties they tried to make peace and gave all former rights back to orthodox churches. In addition to that, they left the orthodox churches untouched while all the catholic churches had been transformed into mosques. They also accepted many immigrants to increase the population of the island.

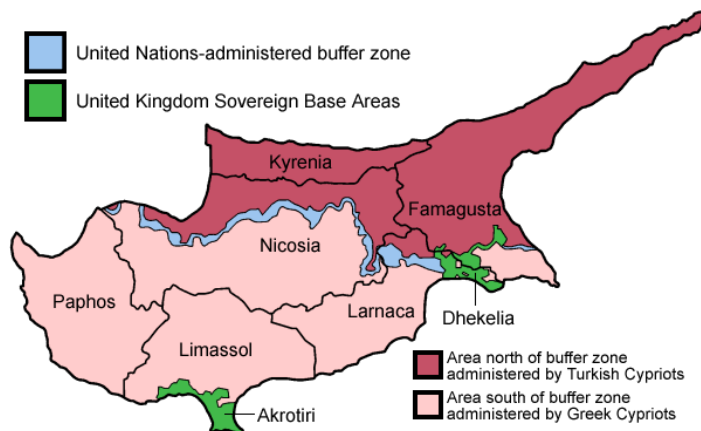


*St. Nicholas Church has been transformed into Lala Mustafa Paşa Mosque, Famagusta*

In 1878 the Ottomans were losing their power and the British took advantage by renting the island. Throughout World War I they took control of the whole island (1914). Under British control, Greek Cypriots proclaimed unification with Greece (ENOSIS) as a Greco-Turkish island, where Greek Cypriots were the majority and the Turkish Cypriots the minority. This proclamation was rejected by Turkish Cypriots - and that is how the problems got started. Soon EOKA<sup>32</sup> started violence and terror against minorities, thus as a response to this, TMT<sup>33</sup>, had been formed by Turkish Cypriots. Within the time, violence became severe, and this from both sides. The British were supporting and provoking both the sides to each other. In the following years, in 1960, the Republic of Cyprus was established with different rules and exceptions for two different parties in order to be fair and keep the peace. Still this had not worked. After wars and massacres, the island had been divided into two parts (1974) where in the south there are Greek Cypriots and in the north Turkish Cypriots, living separately in one tiny island. Additionally in the middle there is a United Nations administered buffer zone and two different English sovereign base areas (Dhekelia and Akrotiri).

<sup>32</sup> Remark by the editor: EOKA = A Greek-Cypriot guerilla, terrorist organization between 1955 and 1959, originally fighting British colonial rule: *Ethniki Organosis Kypriou Agoniston*, for National Organisation of Cypriot Fighters)

<sup>33</sup> Remark by the editor: TMT = Turkish Resistance Organisation, launched as reply to EOKA – and not less ferocious: in 1958, EOKA killed 55 Turkish Cypriots while TMT killed 60 Greeks



Shortly that is how Cyprus is divided into two, and lots of people had to immigrate, leave their hometowns and still are homesick today.

### Economy and politics

Since the establishment of North Cyprus, from 1980's, this half of the island had been forgotten and ignored officially. It is not allowed to import or export, travel

with a national passport worldwide through a national airport without having connections, or there are no representatives in any international platforms, plus no international aid from any organizations! But how it could survive more than 30 years without all these?

Turkey as one guarantor of North Cyprus (according to the Zürich and London agreements, England, Turkey and Greece are the three guarantors of Cyprus to keep the safety and independence of the whole of Cyprus) is helping with a certain amount of aid each year. In addition to that, the wheels of the national economy is turned with the support of local goods. Therefore, with limited supports, people learned to be the part of the cruel world.

Today N. Cyprus is importing and exporting their goods through the ports of the Turkey. There are six international universities with students from different countries but mostly from Turkey. As a result different to all other countries, because of embargoes, more than fifty percent of the economy automatically became dependant of Turkey. The other half is earned by trade, tourism and by supporting their own local goods by conscious consumers.

Unlike to its economy, politically it is totally independent from Turkey. They have no rights or any influence on N. Cyprus's politics except being a guarantor in international platforms. Today, it is also totally independent from the south, has its own parliamentary, democratic and political systems where the population holds free elections. The prime minister is at the head of the council of ministers and the assembly of the republic has 50 seats. The president has been selected by popular votes every five years. Since 2003, elections are even more competitive and exciting (after Annan's Plan).

Like politicians, public is also divided into two. There is one ideology that proclaims unification for one Cyprus whereas the other is against. Therefore this polarization makes public votes unproblematic, and choices are made. If the promises and words are kept, the public continues its preferences, and if not, they shift their choices totally.

## **Cultural and social life**

Like all Mediterranean cultures, Turkish Cypriots are warm, hospitable, loud, relax and modestly continuing their lives under shiny days. 99% percent of the population has education. 12 years of pre-primary, primary and secondary education is followed by 4 years higher education. They enjoy eating and drinking, swimming through the year. They are quite trendy but during summer times, shorts and sandals are mostly preferable. Turkish spoken in Cyprus has strong dialect since there were so many rulers, cultures and languages spoken at once and transported until today. Therefore Cyprus's Turkish is usually found very hard to understand by people from Turkey. Plus a great part of the population could speak English since it was British colony from 1878-1960. (Plenty of rules taken from English's until today like: left flow of traffic, etc...)

Considering that there are 350 sunny days, Turkish Cypriots are so positive especially youth populations are very optimist for their futures. However as I stated above, even they within themselves are divided two. There is one group who wishes for united Cyprus where they can freely express themselves in any international platforms. They are totally against racist ideologies against Greek Cypriots, and not accepting to be depended to other country. They believe in being just a Cypriot instead of Turkish or Greek Cypriot. There are even international peace building workshops for both Greek and Turkish Cypriots where they are being prepared to live together in the future. (Youth Encounters for Peace, Bold Leaders etc... are some of them). They are sharing the same culture, agriculture, weather, Mediterranean coasts and physical appearance for hundreds of years. Even during war, civil supported each other by hiding or helping their Greek or Turkish Cypriot friends in order to survive and stay alive. This is like dividing an apple into two and expecting one side to be different from the other. On the other hand the other group believes that without a force and guarantee of Turkey and its solidier N. Cyprus and its citizens are in danger. Old population, who lived and saw the war and cruelties, are afraiding and hesitating for unification. This is hard for them to forget and live the future. Same for Greek Cypriots. There are some who believe these two different language and religion could never live together, may be it is because, they are one of the religious countries in Europe. Whereas in North part of the island, great part of the population either don't believe in religion or just believe but doesn't practice it.

## **Tomorrow**

According to the Annan plan result (2004), 64.90% of the citizens of north are hoping to live in a united Cyprus like the rest of the world is wishing for. The main aim of this hope is known, namely to belong to a known country and freely express themselves and to be represented their own internationally known government. Shortly, they want to be officially recognized. Whereas there are not a small percentage that couldn't forget what had happened, these people are already pleased that they could freely use their language and have their own rights and governors even if



they are not known internationally after war. That's more than enough for them. In addition to that, the rest of the population, who are living abroad mostly in United Kingdom, Australia, Canada, USA, Germany and Turkey (almost 300.000 people) are quite against unification.

After Annan's Plan, 64.90% were for it and 35.09% (with a 87% turnout) against, in Northern lands, whereas in the South it was vice versa (24.17% for, 75.83% against, with a turnout of 88%). So Cyprus as Southern lands has entered the European Union, but those who were all Cypriots including those from the north were given a EU passport individually. After all in the future there are three possibilities:

- 1- United Cyprus
- 2- Two different international republics (which seems quite impossible)
- 3- EU member Cyprus and North Cyprus

## Conclusion

Ever since from the last century, the Cyprus conflict is making busy world politics which need to be solved, concluded and accepted by everyone whether they like it or not. No! This is not the case. The problem is complex and fair solution needs time. The fact that cannot be ignored is that Turkish Cypriots exists at Northern part of the island although they are not known officially.

Me? What am I thinking? Once forgotten and forgiven, let the past and live the future. Once new generations and their children start to believe in tomorrow without having two different nationalist ideologies, overcome the stereotypes and accept the fact of being just Cypriot (and European!) more than Turkish or Greek Cypriot. And once they start to understand that they are not just neighbors but co-patriots that lived and shared the same lands more than 400 years - then this will be the time for one Cyprus!

## References:

Ali Çakıroğlu, Ahmet Sözen, (2004) *Setting the Stage for resolving Cyprus Conflict*

Zenon Stavrinides, (1999) *The Cyprus Conflict*

[http://en.wikipedia.org/wiki/Cyprus\\_dispute](http://en.wikipedia.org/wiki/Cyprus_dispute)

<http://www.cyprus.com/cypriot-people---culture.html>

[http://en.wikipedia.org/wiki/Cypriot\\_Annan\\_Plan\\_referendum,\\_2004](http://en.wikipedia.org/wiki/Cypriot_Annan_Plan_referendum,_2004)

# ***The Conflict in Nagorno-Karabakh and the Fundamental Principles of International Law***

## ***The Weaknesses and Determinations of International Organizations***

By Fazil Zeylanov<sup>34</sup>



The laws of armed conflict are intended to regulate the use of military force. Their development has had a positive impact both in terms of *jus ad bellum* and *jus in bello*. If the first task is to encompass all rules concerning the potential use of force in international relations, the second task is more concerned with regulating the conduct of hostilities. The use of force is no longer a legitimate choice left to the discretion of a sovereign state. Its use should not go against the principles enshrined in the charter. We are no longer living in the times when the end justified the means.

But in this study we will limit ourselves to the analysis of the *jus ad bellum* in the light of the conflict in Nagorno-Karabakh between Armenia and Azerbaijan. This will allow us to see the uncertainties and gaps in the implementation of international legal standards.

Some studies show that war changes its nature and occurs less between nation states<sup>35</sup>. Carl von Clausewitz already spoke of a “true chameleon”, as the nature of war changes itself from one case to another. Certainly the evolution of international law has played a positive role, but in order to render war in an outdated specific method, humanity needs a new way of thinking and perhaps a new type of person. Niccolo Machiavelli said that man is evil by nature, and it is in the nature of man, according to Hans Morgenthau, that the objective laws that govern politics have their origins<sup>36</sup>. War remains a social phenomenon but the evolution of society, the high cost of

<sup>34</sup> Fazil Zeylanov is working as Researcher at the Centre for Strategic Studies in Baku/Azerbaijan. He also wrote the article on “The Energy Security of Europe and the Role of Azerbaijan” in EUFAJ 1/2009, p. 29. He is Doctor of Law (University Pierre Mendès France – Grenoble II, France) and also fluent in French.

<sup>35</sup> DUFOUR (J.-L.) et VAÏSSE (M.) – *La guerre au XX<sup>e</sup> siècle*, Paris, Hachette, 1993, p. 8.

<sup>36</sup> ROCHE (J.-J.) – *Théories des relations internationales*, Paris, Montchrestien, 2<sup>ème</sup> édition, 1997, pp. 19-40.

war, shared universal values, and the full and unequivocal implementation of the principles and norms of international law can convince or encourage politicians to be more responsible.

However, the characteristics of interstate wars persist. It is because states seek to avoid direct involvement by using minorities and the media to camouflage their military intervention. The conflict in Nagorno-Karabakh falls into this category of wars. It is an armed conflict in the traditional sense as described by Clausewitz and involves two state actors, Armenia and Azerbaijan. These are fundamentals on which we must insist for two reasons: firstly, understanding the true nature of a conflict facilitates the search for peaceful solutions and secondly, it can offer a means to control or limit damage in the case of an open conflict.

We will therefore attempt to provide some answers to better understand the reasons that impede the peace process and the nature of legal principles, compliance with which should contribute to a peaceful settlement. After studying the character of interstate conflict (A), we will review the role of international organizations (B), the legal principles governing peace agreements (C) as well as the position of the OSCE and the Council of Europe concerning these principles (D).

#### **A. The Internationalization of the armed conflict between Armenia and Azerbaijan.**

The existence of the Soviet Union kept the conflict within the confines of an internal crisis and came under its internal affairs. But in the context of heightened regional tensions, the proclamations of independence by Armenia and Azerbaijan had two immediate effects: a further escalation in the level of violence with a military eruption of armed tanks, heavy artillery and combat aircraft, and a continued internationalization of the conflict between two sovereign States. However, Armenia did not officially declare war on Azerbaijan to avoid being accused of armed aggression. Nonetheless, evidence abounds as to its participation and the international nature of this conflict is outlined in the report by Human Rights Watch:

“The Republic of Armenia is not involved in any internal conflict, aside from that with Azerbaijan. [...] As a matter of law, Armenian army troop involvement in Azerbaijan makes Armenia a party to the conflict and makes the war an international armed conflict”<sup>37</sup>.

During the period of armed conflict, Armenia has opposed any peace plan proposed by international mediators because the plans prevented its armed forces from acting on the territory of Azerbaijan. Professor Stephane Yerasimos stresses that the first initiatives failed because “the Armenian side rejected the proposal of a buffer zone of ten kilometres between the two republics,

---

<sup>37</sup> Human Rights Watch/Helsinki – *Azerbaijan: seven years of conflict in Nagorno-Karabakh*, December 1994.

which would halt aid in men and equipment to Armenia Karabakh<sup>38</sup>. Armenia benefited greatly from the support of the Soviet army<sup>39</sup> after it effectively chose a pro-Russian stance, signing an agreement on the 6<sup>th</sup> April 1992 authorising the establishment of Russian military bases on Armenian soil and under article 3, providing Russian military assistance<sup>40</sup>. At the same time, Azerbaijan led by the popular front, had taken a pro-western stance by getting closer to the transatlantic power structures and distancing itself from Russia<sup>41</sup>, eventually disturbing the military and the conservatives holding power in Moscow. The developments will show that the goal of Russia was not to support the Armenian cause but to bring the Azeri government to its knees. Since then, Armenia is pursuing a well defined strategy: protracting political negotiations in order to win time and advancing militarily on the ground until the balance of power becomes favourable, while avoiding the risk of being a party to the conflict. In this connection it is interesting to note that the Armenian authorities, who previously claimed the annexation of Nagorno-Karabakh, are opting for it to have independence. This is an option which would allow Armenia to remain an outsider in the conflict. Similarly, it has resorted to a “strategy of terror”, although it is inconsistent with the norms of international humanitarian law, to break down the resistance of civilian population and affect their psychological morale. It must be remembered that during the taking of Khodjali (26<sup>th</sup> February 1992) assisted by the human and material resources of the 366<sup>th</sup> Russian motorised infantry regiment, a “massacre” of the Azeri population occurred inflicting death on 613 innocent civilians<sup>42</sup>. It was an inhumane act, the purpose of which was clearly the extermination of civilians, which constituted a “crime against humanity” and required criminal responsibility for leaders of Armenia and the Russian military.

Azerbaijan had to wait for Heydar Aliyev to come to power, a politician of international standing and former politburo member of the communist party of the USSR, to re-organise the army and stop the advance of the Armenians. His wisdom and experience has brought great pride to the country. He also laid down the foundations for a new balanced multi-faceted foreign policy. Whilst strongly affirming his choice of integration to Europe, the new design aimed to improve relations with the neighbouring countries and establish strategic partnerships based on common interests. This cooperative approach has contributed to the stabilisation of the region and the undertaking of significantly large regional economic projects.

<sup>38</sup> YERASIMOS (S.) – *Caucase : le retour de la Russie*, Politique étrangère, n°1, printemps 1994, p. 70.

<sup>39</sup> Russia had maintained its military bases in Armenia and not withdrawn the 366<sup>th</sup> motorized infantry regiment from Nagorno-Karabakh, which provided military assistance to the armenian armed forces, eventually leading to the successive military victories of Armenia.

<sup>40</sup> YERASIMOS (S.) – *Caucase : le retour de la Russie* ... op. cit. p. 77.

<sup>41</sup> GADZIEV (K.-S.) – *Geopolitika Kavkaza*, Moscou, Mezhdunarodnye otnoseniâ, 2003, p. 101; EU – *CEI/Turquie : s'il gagne aux élections présidentielles, Eltchibei quittera la CEI pour se rapprocher d'Ankara*, Agence Europe, n°5745, le 6 juin 1992, p. 5.

<sup>42</sup> *Qarabağ müzakire olunur*, Society for humanitarian research, Conciliation resources, Baku, 2006, p. 18.

But, in total, 20% of the territory of Azerbaijan (14000 square kilometres and 4000 square kilometres of Karabakh) have been occupied, which, in turn, has amassed about one million refugees and displaced persons within Azerbaijan. It was under the auspices of Russia that the cease fire was signed on the 12<sup>th</sup> May 1994 in Bishkek. This froze the situation militarily but the negotiations haven't yet led to a mutually agreed peace deal.



## B. How International organisations are facing the aggression

We will therefore see the role played by the OSCE (1) and the Security Council of the United Nations (2) before clarifying the responsibilities of Armenia in the conflict (3).

### 1. The takeover of the management of the conflict by the OSCE

After the break up of the Soviet Union, the OSCE<sup>43</sup> was in the process of becoming a regional organisation able to manage conflicts. It was with this in mind that in March 1992 it took on the peace process by creating the “Minsk Group”, and tried to find a final political solution. The OSCE committed itself for the first time to crisis management<sup>44</sup> by adopting a mediation approach. It oversaw the conflicting parties during negotiations within the political framework of

<sup>43</sup> The CSCE was created in 1975 and renamed the OSCE from 1<sup>st</sup> January 1995. But we use the name of the OSCE in order to avoid confusion.

<sup>44</sup> GHEBALI (V.-Y.) – *L’OSCE dans l’Europe postcommunisme, 1990-1996 : vers une identité paneuropéenne de sécurité*, Bruxelles, Bruylant, 1996, p. 262.



the “Minsk Group”. However it found itself immediately paralysed in the face of the evolution of the military situation. Moreover, given the demands of Azerbaijan that there be an end to the violation of its international borders, the Armenian leadership, encouraged by its military victories, boycotted the meetings of the “Minsk Group”.

The reasons for the failure of the OSCE are numerous: firstly, it did not have the means of applying diplomatic pressure to avoid the aggravation of the conflict and prepare the way for negotiations; secondly, it was trying to resolve the conflict without defining a legal framework, which would serve as a basis for a political settlement; finally, the diverging interests of the participating states prevented it from taking appropriate decisions necessary to deal with the aggression occurring on Azerbaijan’s territory. The OSCE was, therefore, powerless to stop the military escalation, which benefited only Armenia who expanded the territories occupied by its armed forces.

Two factors explain this situation: firstly, at that time, the European organisations didn’t highlight the Armenian aggression, but declared themselves attached to Azerbaijan’s territorial integrity. The declarations adopted by the European Community on 22<sup>nd</sup> May 1992<sup>45</sup>, then 19<sup>th</sup> June<sup>46</sup>, and the Council of the North Atlantic<sup>47</sup>, in Oslo, June 4<sup>th</sup>, went in the same direction. However, the absence of an explicit condemnation from these organisations only encouraged the Armenians in its invasion of more territory. The only condemnation came from the European parliament which in the framework of an emergency debate “insisted that Armenia ceases its attacks on Azeri towns and villages”<sup>48</sup>. The vice president of the Commission, Yiannis Paleokrassas, also demanded “a stop in the sending of military armaments by the Armenians to the Armenian forces present in Nagorno-Karabakh”<sup>49</sup>.

Secondly, Azerbaijan found itself isolated and could not make its voice heard about its just cause within the OSCE. Its legitimate demands failed to compete against the general consensus and the game of personal interests. Indeed, the Baku authorities tried twice to use institutional means to condemn the military aggression of Armenia, or at least to have a judgement:

-The first time was after the occupation of the Azeri towns of Shusha and Lachin on the 9<sup>th</sup> and 17<sup>th</sup> May 1992. An emergency meeting of the Conference participants in Rome was convened on

---

<sup>45</sup> EU – *Coopération politique : Déclaration sur le Haut-Karabagh*, Agence Europe, n°5736, le 23 mai 1992, p. 4.

<sup>46</sup> EU – *Nagorny-Karabakh : Déclaration des douze*, Agence Europe, n°5754, le 20 juin 1992, p. 6.

<sup>47</sup> *Déclaration concernant la crise centrée sur le Haut-Karabakh (Oslo, 4 juin 1992)*, Documents d’Actualité Internationale, n°14, le 15 juillet 1992, pp. 264-265.

<sup>48</sup> EU – *PE/Arménie et Azerbaïdjan : Le PE met en garde contre l’aggravation du conflit au Nagorny-Karabakh*, Agence Europe, n°6066, le 17 septembre 1993, p. 5.

<sup>49</sup> *Ibid.*

May 21<sup>st</sup>, where the USA presented a proposal condemning the spread of the conflict to other areas of Azerbaijan and emphasised the territorial integrity of Azerbaijan. But Armenia declared its opposition to the document in Rome<sup>50</sup>. It was at that time that Azerbaijan decided to seek the use of the procedure of “consensus minus one” which was rejected by some countries such as France and Greece<sup>51</sup>.

- The second time was after the taking of Kelbajar, a region situated outside Nagorno-Karabakh, in April 1993. Azerbaijan used the emergency mechanism in Berlin demanding an emergency meeting of the Committee of Senior Officials (CSO), which was held in late April. Mario Raffaelli, the chairman of the Minsk Group, with the USA and the Swedish Chairman of OSCE presented a proposal calling for “an immediate and complete withdrawal of occupying forces from Kelbajar and other recently occupied areas of Azerbaijan”<sup>52</sup>. Armenia rejected that proposal and the opposition from some countries in favour of Armenia made it again impossible. Armenia has thus not been condemned.

This situation illustrates the main reasons for the failure of the OSCE to uphold the ideals of the organisation and also the institutional mechanisms that were put into place at the end of the cold war. Ambitious targets were dampened in this way.

## 2. Referral to the Security Council of the United Nations

The OSCE clearly failed in the mediation process and felt obliged to go to the Security Council of the United Nations. The Council is the main body responsible for maintaining international peace and security. Its main task is not to ensure compliance with the Charter, but to maintain peace which requires firmness when faced with situations that may disrupt the peace. Let us recall the reaction of this world body to the invasion of Kuwait by Iraq, which demonstrated that an essential pillar of international security in the new world order is that the recourse to force is no longer acceptable. However subsequent events in other parts of the world show us a different vision of reality. Whilst limiting ourselves to the conflict in Nagorno-Karabakh, it should be noted that not even two years had passed between the occupation of Kuwait and the occupation of 20% of the territory of Azerbaijan. Nothing had changed during that time except for the pursuit of selfish interests, as emphasised by theoreticians of the school of realism, these selfish interests have resurfaced at the expense of legal norms.

---

<sup>50</sup> The document of Rome called for the withdrawal of Armenian forces from Azerbaijani town of Shusha and Lachin and the return of Azerbaijani refugees. International observers could also verify that the corridor with Armenia was well used for humanitarian purposes. KARAM (P.) et MOURGUES (P.) – *Les guerres du Caucase : des tsars à la Tchétchénie*, Paris, Perrin, 1995, p. 139.

<sup>51</sup> RAMELOT (V.) et REMACLE (E.) – *L’OSCE et les conflits en Europe*, Les dossiers du GRIP, n°203/204, juillet-août 1995, p. 118.

<sup>52</sup> *Ibid.* p. 119.

In this context, the referral to the Security Council, the only way to halt the military aggression, evidently did not justify the hopes. After the taking of Kelbajar, the council voted on the 29<sup>th</sup> April 1993 on its first resolution number 822 on Nagorno-Karabakh<sup>53</sup>; this resolution, and those that followed 853 (1993), 874 (1993) and 884 (1993) emphasize the principles of territorial integrity, condemn the Armenian occupation and call for a withdrawal of occupation forces. But the Council failed to take real action and pass an appropriate judgement about the violation of the purposes and principles of the Charter. Several remarks are necessary:

Firstly, in the appreciation of the Security Council the following situations are noted, under article 39 of the Charter, “the existence of a threat against the peace, a breach of the peace or an act of aggression”. This is indispensable for “a legal definition of certain facts”<sup>54</sup> before the implementation of the instruments of the system of collective security. The Council describes the situation in Nagorno-Karabakh as a “threat against peace”. It is the term most used by the Council, but difficult to define. The term “act of aggression” is very specific but never used because it requires immediate action. On the other hand, the term “breach of the peace”, whilst rarely used, portends real action by the Council. Not one of its resolutions doesn’t allow the implementation of coercive action in the face of military escalations. The reference to the “threat against peace” under chapter VII of the Charter is not in fact sufficient to allow the states to use “lawful” force against a state that continues to threaten the peace<sup>55</sup>.

Secondly, the Council condemned the occupation of territories of Azerbaijan, but merely referred to “local Armenian forces”<sup>56</sup>. It avoids emphasizing the role of Armenia in the conflict in an indirect way. The Council was certainly aware of the illegality of the military enterprise which brought in to play the question of territory. This situation contradicted without doubt the *jus ad bellum*, according to which a “just war” is possible when “lawful” force is used and when this is not used against the territorial integrity or the political independence of the states involved. But we are speaking of “unlawful force” when aggression or occupation of a territory occurs. In this case, Armenia is in clear violation of the principles of international law, and faced with such a situation, the intervention of the Security Council is needed. However, the approach adopted by the council is clear: whilst condemning the occupation it fails to determine the responsibilities of Armenia and therefore designate an aggressor. This happened without doubt for many reasons: 1) Resolution 3314 of the General Assembly of the United Nations retains the possibility of the Security Council to exclude “prima facie evidence sufficient to prove an act of aggression”<sup>57</sup>, ju-

---

<sup>53</sup> Res/822, New York, 30 April 1993.

<sup>54</sup> DUPUY (P.-M.) – *Droit international public*, Paris, Dalloz, 2000, p. 535.

<sup>55</sup> *Ibid.*, p. 556.

<sup>56</sup> Res/822, New York, le 30 avril 1993.

<sup>57</sup> A/Res 3314 (XXIX), New York, le 14 décembre 1974, Annexe, Article 2.

rists would prefer that the proof be definitive<sup>58</sup>. 2) The five permanent members of the council are free to have a personal opinion and are entitled to “discretionary powers” which they use<sup>59</sup>; 3) The interests of the great powers, especially that of Russia were at stake. At the time, Azerbaijan, led by the government of Elchibey, whose sympathies were pro-Turkish, threatened the regional interests of Moscow, especially of certain conservatives grouped around the military. From this perspective, the conflict in Nagorno-Karabakh was a means of pressuring the authorities in Baku. Let it be remembered that certain authors have emphasised that elements of the Russian 7<sup>th</sup> Army participated in the attack on Kelbajar from Armenian territory<sup>60</sup>.

Finally, the Security Council which had adopted a prudent approach<sup>61</sup> from the start, left the field open to the mediation efforts of the OSCE. The important responsibility was therefore given to the pan-European Organisation to pursue a peace process and put into place a peace keeping operation. But the position of the Council did not favour the achievement of a peaceful solution as the OSCE lacked any effective means of action. Furthermore, the lack of a formal definition for the term aggression incited the Armenian army with the help of elements from the Russian army to continue the military action. In effect, one can say that the Security Council lost the opportunity to contribute to a peaceful solution. The goal of the system of collective security is not to punish those countries that violate these principles but to eliminate the reasons for the threat<sup>62</sup>. From this point of view, stating that the conflict in Nagorno-Karabakh was an “act of aggression” would have forced Armenia to face its responsibilities and moderate its negotiating stance hence improving the chances of a successful peace process within the framework of the territorial integrity of Azerbaijan.

### 3. The responsibilities of Armenia during the aggression

Although the Security Council has refrained from determining the responsibilities of Armenia, the applicability of the term aggression is no doubt. But in which case is the term aggression applicable? The question that arises is to know in a general way if aggression is the illegal and undeclared use of armed action by one State against another?

---

<sup>58</sup> ZOUREK (J.) – *Enfin une définition de l'agression*, Annuaire français de droit international, volume 20, 1974, p. 25.

<sup>59</sup> SOREL (J.-M.) – *Le caractère discrétionnaire des pouvoirs du Conseil de Sécurité : remarques sur quelques incertitudes partielles*, Arès, vol. XXI, n°55, pp. 13-29.

<sup>60</sup> YAKEMTCHOUK (R.) – *Les conflits de territoire et de frontière dans les Etats de l'ex-URSS*, Annuaire Français de Droit International, n°39, 1993, p. 419.

<sup>61</sup> EU – *ONU/Arménie – réaction prudente du Conseil de Sécurité à l'égard de la situation au Nagorny-Karabakh - envoi éventuel d'une mission d'enquête*, Agence Europe, n°5729, le 14 mai 1992, p. 6.

<sup>62</sup> DUPUY (P.-M.) – *Droit international public*, Paris, Dalloz, 2000, p. 536.

From this point of view, can the conflict of Nagorno-Karabakh be constituted as a case of aggression by Armenia proven by its military actions against Azerbaijan? To establish the involvement of Armenia in this conflict, it is necessary to refer to the concept of indirect aggression. This is an old concept that was outlined at the same time as making war was outlawed by the Paris Pact as an instrument of national policy. The framework of the law of war therefore requires a clear definition of armed attack for the new rules to retain their effectiveness. Until then, international law permitted states to use armed force in the scope of international relations in order to protect interests and benefits. From this viewpoint, war was a specific instrument of state power. Even as a last resort it provided diplomacy with a significant support. The Paris Pact completed the system of the League of Nations but also required a definition of aggression. The representatives of the Soviet Union at the Conference on Disarmament proposed on the 6<sup>th</sup> February 1933, a draft definition that was referred to the committee on security questions in the League headed by Greek lawyer Nicolas Politis, also called the Politis Committee<sup>63</sup>. The committee considered the four criteria that made up the draft proposal in its preparation of the “Act relating to the definition of an aggressor”. But a fifth element was added; “Support given by armed groups formed on their own territory and invading another State”<sup>64</sup>. The merit of this fifth element is that it deals with problems arising from cases of aggression identified in an armed attack in international relations, with emphasis on the indirect nature of the attack, in order to determine the liability of a State. After the Second World War, the need to develop a definition of aggression led to long debates in the United Nations institutions. Some opposed it by pressing the argument that such a definition would encourage States to use other indirect ways to give a legal appearance to their actions. It was necessary to recognise that in a world dominated by cold hearted monsters it would be increasingly difficult to identify actions that could fall within the traditional framework of aggression which is the first method used by armed forces against a territory, the sovereignty and the military forces of a foreign State. Raymond Aron stresses that in a heterogeneous system, “(a)ll forms of indirect aggression are common practice”<sup>65</sup>. In this respect resolution 2625 of the UN General Assembly, adopted at its twenty-fifth session, October 24, 1970 on Friendly Relations among States, simply underlines the need for every State to refrain from organising or assisting irregular forces and armed gangs “for incursions into the territory of another State”<sup>66</sup>.

The long discussions finally led to the adoption of Resolution 3314 by the UN General Assembly, December 14, 1974. Theoretically it was an important step for maintaining International Peace and Security as it was meant to discourage States from stepping over the line and facilitat-

<sup>63</sup> ZOUREK (J.) – *Enfin une définition de l'agression* ... op. cit., p. 13.

<sup>64</sup> Further actions which constitute aggression are: Declaration of war on another state: Invasion by armed forces, even without declaring war, on another state's territory; Attack by armed forces on another state's territory, ships or aircraft; Naval blockade on ports or the coastline of another state. *Ibid.*, pp. 13-14.

<sup>65</sup> ARON (R.) – *Paix et guerre entre les nations*, Paris, Calman-Lévy, 8<sup>ème</sup> édition, 1984, p. 130.

<sup>66</sup> A/Res 2625 (XXV), New York, le 24 octobre 1970.



ing acts of aggression<sup>67</sup>. Whilst emphasising territorial inviolability, the text stresses that “aggression is the most serious and most dangerous of the illegal uses of force”<sup>68</sup>. The Resolution incorporates the developments brought about by earlier work and lists, in article 3, the seven cases that constitute an act of aggression, but it is not exhaustive in accordance with article 4, allowing the Security Council to evaluate other acts which may occur. What matters is that it retains the concept of indirect aggression in article 3, paragraph g: “The sending by a State, or in its name, of groups, armed bands, irregulars or mercenaries, to engage in acts of armed force against another State of such gravity as to be listed above, or making a commitment to a substantial involvement therein”. The International Court of Justice supports this definition of indirect aggression in the *Nicaragua v. USA* case which it considers to be “as an expression of customary international law”<sup>69</sup>. According to the ICJ, as enumerated in Article 3, paragraph g of the resolution constitutes a true military aggression under the same heading as the actions of regular armed forces crossing an international border. An important development took place with the notion of indirect aggression according to which Armenia could be clearly in violation of the prohibition of the use of force, inviolability of borders and the integrity or inviolability of the territory of Azerbaijan.

1. It allowed military groups to use its territory to launch joint attacks on Azerbaijani territories;
2. It had links with the military forces of Nagorno-Karabakh in an armed struggle against Azerbaijan<sup>70</sup> and coordinated its operations even if Erevan always tried to declare its neutrality<sup>71</sup>;
3. It had an effective control over the military forces in Karabakh;
4. Its armed forces have occupied seven villages in the Gazakh border regions of Azerbaijan and a village in the region of Sadarak in Nakhichevan, an enclave between Armenia, Turkey and Iran.

We can therefore note that the conflict in Nagorno-Karabakh is an “act of aggression” against the territorial integrity of Azerbaijan. The undeniable implication of Armenia as a part of this military enterprise incurs its international responsibility.

---

<sup>67</sup> A/Res 3314 (XXIX), New York, le 14 décembre 1974, Annexe, préambule, neuvième considérant.

<sup>68</sup> *Ibid.*, Annexe, préambule, cinquième et septième considérants.

<sup>69</sup> Case concerning military and paramilitary activities in and against Nicaragua (*Nicaragua v. United States of America*), Judgment of 27 June 1986, ICJ, Reports of Judgments, 1986, p. 103, paragraph 195.

<sup>70</sup> The OSCE mission, charged with the observation of the presidential elections in Armenia, established the presence of the Armenian army on Azerbaijan territory: « it is of extreme concern that one of the mobile boxes has crossed the national borders of the Republic of Armenia to collect votes of Armenian soldiers posted abroad (Kelbajar) ». ODIHR – *Republic of Armenia, Presidential election*, Final Report, 16 and 30 March 1998, Chapter Election day, p.8.

<sup>71</sup> It should be noted that Armenia has not recognized the independence of Nagorno-Karabakh.

### C. The principles that divide

The international legal order, as outlined by Pierre Marie Dupuy, is characterized by a certain normative hierarchy dominated by *jus cogens*. The introduction of this in international law has helped to regulate the anarchy of sovereignties and consequently pacify international relations. This is because, under article 53 of the Geneva Convention, standards have been set and accepted by the international community as a whole and cannot be deviated from by any state. There is a certain difference between territorial integrity and the right of people to self-determination. The first stems from the principle of sovereignty, therefore, a value shared by the international community, and is the basis of peaceful coexistence around which international relations revolve. Today we witness a multitude of subjective interpretations of the concept of self determination, political components of people's rights, the goal of which is to justify certain military actions. For example, applying this principle to minorities does not only contradict the spirit of the principle itself but challenges the international legal order and could affect the organisation of the international security system. So the question that arises is how one could assert the supremacy of a peremptory norm, accepted by the community as a whole, if it is nullified by the military. It is worth remembering the sad fate of the collective security system established by the League of Nations whose impotence in the face of aggression by Japan and later Italy led to the loss of its credibility and break down. We are faced with the same dilemma, although more than seventy years have passed and certain legal principles have been asserted against the selfish interests of states in search of power and security.

We will now briefly review the principle of territorial integrity (1) and the rights of people to self determination (2). The interpretation shows that minorities cannot decide themselves that they have the right to undermine the principle of territorial integrity.

#### 1. The principal of territorial integrity

In general, the international community supports the territorial integrity of the Caucasian states. This principle means that the territory of any state cannot be divided or forcibly torn away and occupied<sup>72</sup>. It should not be confused with territorial inviolability of a state which means that its territory cannot be subject to any military action or, otherwise, by another state for annexation.

In developing the principle of territorial integrity, the prohibition of using war to settle disputes between states plays an important role. After the Second World War the principle was enshrined in several international legal documents. Article 2, paragraph 4 of the Charter, stresses that mem-

---

<sup>72</sup> IBAYEV (V.) – *Ermanistan-Azerbaycan munaqicesi beynalxalq hüququn jus cogens prinsipleri prizmasinda*, Bakou, Ed. Chenlibel nechriyyati, 1999, p. 68.

ber states refrain from the threat or use of force against the territorial integrity or political independence of any state. States are thus obliged to respect the territorial integrity and territorial inviolability which are essential principles in the functioning of the organisation<sup>73</sup>.

This principle is also enshrined in the final Act of the OSCE in the section known as the Decalogue. This document recognises the territorial integrity of states and inviolability of borders<sup>74</sup>. For the first time, territorial integrity and inviolability of borders are highlighted as different principles of international law<sup>75</sup>. The final Act emphasises that participating states are committed to respect the territorial integrity of other states and to refrain from interference.

These principles are considered to be fundamental principles of international law and essential for maintaining peace and international security. In the conflict in Nagorno-Karabakh, the resolutions of the Security Council, reflect the importance of these principles and emphasise the territorial integrity of states and therefore of Azerbaijan and condemn the use of armed forces for the occupation of territories. Resolution 822 reaffirms that, “the sovereignty and territorial integrity of all states in the region must be respected”, and recalls “the inviolability of international borders and the inadmissibility of the acquisition of territory by force”<sup>76</sup>. During his visit to Azerbaijan in October 1994, the Secretary General Kofi Annan, stressed that his organisation’s position on Nagorno-Karabakh is based on four principles: the territorial integrity of Azerbaijan, the inviolability of its borders, the inadmissibility of using force for the occupation of territories, and the withdrawal of troops from occupied territories without any preconditions<sup>77</sup>. The principle of territorial integrity remains a fundamental principle of international law.

## 2. The right of the people to self determination

Originally, the right of people to self determination was a simple political norm: it arose from the principle of nationality of the nineteenth century and was made into the “fourteen points” of US President Wilson at the end of the First World War. It found a legal basis in 1945 in the UN Charter and in 1966 in the International Covenants on Human Rights.

However, the content and the origin of these rights have not been well clarified and are subject to different interpretation by states according to their national interests. The definition of the people

---

<sup>73</sup> *Ibid.*, p. 71.

<sup>74</sup> CSCE, *Acte final de la Conférence d’Helsinki (1975)*, Helsinki, 1<sup>er</sup> août 1975, Questions relatives à la sécurité en Europe, Section : Déclaration sur les principes régissant les relations mutuelles des Etats participants.

<sup>75</sup> IBAYEV (V.) – *Ermanistan-Azerbaycan munaqicesi beynalxalq hüququn jus cogens* ... op. cit. p. 73.

<sup>76</sup> Res/822, New York, le 30 avril 1993, Préambule.

<sup>77</sup> HASANOV (A.) – *Azerbaycanin xarici siyaseti : avropa dövlətləri və ABCh (1991-1996)*, Bakou, Ed. Azərbaycan dövlət neçriyyati, 1998, p. 209.

is not an easy task and causes the rise of legal and political problems. Indeed, the search for the definition of the people, lost its relevance since it is impossible to determine the parameters for identifying which populations could be called the people and enjoy this right. Up to now, this quality is only reserved for people of the colonies. The authors are unanimous on this subject. Professor Frederic Sudre emphasises that “the people, as a matter of law, exists only in the law of decolonization. [...] the practice of the United Nations concerns the obligation to decolonize and not the right of peoples to determine their own fate”<sup>78</sup>. This exposes foremost, the right of colonized people to build their own an independent state and that the use of force is legitimate if it cannot achieve an independent state through peaceful methods<sup>79</sup>. In the framework of the UN, its scope is limited to decolonization and does not appear to go beyond. According to Philippe Moreau Defarges, “the right of the people to self determination should not threaten the integrity and the unity of the existing states. Therefore, once decolonization is complete, all the people will have determined themselves”<sup>80</sup>. The advisory opinion of the International Court of Justice also confirms the application of this principle to colonized peoples. The Court issued two advisories: one for Namibia (June 21, 1971) and the second for the Western Sahara (October 16, 1975). It confirms the principle of self determination but extends it territories under colonial rule<sup>81</sup>.

Principle VIII of the Helsinki final Act also establishes that under self determination “all peoples always have the right to determine, in total freedom, when they want and however they wish their internal and external political status, without outside interference”<sup>82</sup>. This formulation is part of the political context of the time and has a special meaning: “a people have the permanent right to determine their external political status, and this does not mean access to independence, as agreed by the UN but rather, maintaining independence”<sup>83</sup>. The principle wanted to provide in effect an opposition to Brejnev’s doctrine of limited sovereignty. The Copenhagen document develops a new thinking which goes in the same direction with more clarity<sup>84</sup>. It affirms “free choice” of which the contents refer to internal self determination and oppose external interference.

But does this principle give the right to minorities to demand the creation of their own state? In terms of minority rights, they cannot be separated from one state or undermine its borders in the

---

<sup>78</sup> SUDRE (F.) – *Droit européen et international des droits de l’homme*, Paris, PUF, 6<sup>ème</sup> édition, 2003, pp. 102-103.

<sup>79</sup> ARDANT (Ph.) – *Que reste-t-il du droit des peuples à disposer d’eux-mêmes ?*, Pouvoirs, n°57, 1991, p. 45.

<sup>80</sup> MOREAU DEFARGES (Ph.) – *L’Organisation des Nations Unies et le droit des peuples à disposer d’eux-mêmes*, Politique Etrangère, n°3, 1993, p. 662.

<sup>81</sup> See: YACOB (J.) – *Les minorités dans le monde. Faits et analyses*, Paris, Desclée de Brouwer, 1998, p. 60.

<sup>82</sup> CSCE, *Acte final de la Conférence d’Helsinki (1975)*, Helsinki, 1<sup>er</sup> août 1975, Questions relatives à la sécurité en Europe, Chapitre 1, principe VIII.

<sup>83</sup> BREDIMAS (A.) – *Les droits des minorités nationales*, In. La CSCE : dimension humaine et règlement des différends, sous la direction de DECAUX (E.) et SICILIANOS (L.-A.), Paris, Montchrestien, 1993, p. 79.

<sup>84</sup> CSCE, *Document de la Réunion de Copenhague de la conférence sur la dimension humaine de la CSCE*, Copenhague, le 29 juin 1990, paragraphe 4.

name of self determination<sup>85</sup>. All international texts relating to the human rights of minorities such as the Charter of Regional or Minority Languages, the Framework Convention for the Protection of National Minorities, other texts of the Council of Europe, and OSCE documents are all clear on this subject. Article 21 of the Framework Convention, stresses nothing can be construed as a right to undermine the territorial integrity and political independence of states. Minorities can therefore take advantage of their rights without threatening the territorial integrity of the state, by participating at all levels of political life in a society. The decision of the Arbitration Commission for the former Yugoslavia stated this position when it awarded to the colonized people the right to independence and to the minority groups, the right to cultural identity<sup>86</sup>. In addition, the general idea is that the right of the people must apply to the whole population not a minority in the territory of the state<sup>87</sup>. Indeed, “the right of peoples to self determination is justified by reference to the nation state: the whole nation must be able to form a government”<sup>88</sup>. In the context of the disintegration of the USSR, this right is recognised for the federal republics and not for the minorities living within them. Article 2, paragraph 1 of the Constitution of Azerbaijan, also defines the right of self determination and to form an administration belonging to the Azerbaijani people. Speaking in the same way is the International Covenant on civil and political rights of the 19<sup>th</sup> December 1966 Article 27, devoted to minorities, people belonging to ethnic, religious or linguistic minorities living within states. Indeed this formulation does not treat minorities as communities but as groups of individuals who should not be denied the right to express their identity<sup>89</sup>. By insisting on the absence of discrimination, it accentuates the individual which rules out the possibility for a minority to claim the right to independence. However, minorities living in a democratic country should not push to the extreme limit the right to self determination<sup>90</sup>. Thus, minority rights meaning those of people’s rights to establish an independent state has been rejected by the international community<sup>91</sup>.

Minorities are practising unilateral “secession” more frequently within the ex-soviet area. This means that “a particular group tries to separate an area from a state of which it forms a part and create a new state on that piece of the territory”<sup>92</sup>. But there is no unilateral right of secession and this cannot be derived from the right of people to self determination<sup>93</sup>. It is interesting to recall the Commission of jurists entrusted by the League of Nations to study the legal aspects of the

<sup>85</sup> BENOÎT-ROHMER (F.) – *La question minoritaire en Europe*, Ed. du Conseil de l’Europe, Strasbourg, 1996, p. 21.

<sup>86</sup> DUPUY (P.-M.) – *Droit international public*, Paris, Dalloz, 2000, p. 130.

<sup>87</sup> IBAYEV (V.) – *Ermanistan-Azerbaycan munaqicesi beynalxalq hüququun jus cogens* ... op. cit. p. 86.

<sup>88</sup> ARDANT (Ph.) – *Que reste-t-il du droit des peuples à disposer d’eux-mêmes ?* ... op. cit. p. 51.

<sup>89</sup> MOREAU DEFARGES (Ph.) – *L’Organisation des Nations Unies et le droit des peuples* ... op. cit. p. 660.

<sup>90</sup> PLOQUIN (J.-Ch.) – « *Un défi pour le monde organisé* », La Croix, le 11 mars 1992.

<sup>91</sup> GUILHAUDIS (J.-F.) – *Séparation, sécession et sécurité humaine*, Arès, vol. 19, n°47, 2001, pp. 29-31.

<sup>92</sup> CRAWFORD (J.) – *La pratique des Etats et le droit international relativement à la sécession unilatérale*, Rapport d’expert présenté à la Cour suprême du Canada, le 19 février 1997.

<sup>93</sup> DINH (N.-Q.), DAILLIER (P.) et PELLET (A.) – *Droit international public*, Paris, L.G.D.J., 1999, p. 521.



problem of the island of Aland, which is still valid: “(t)he positive international law does not recognise fractions of peoples, such as the right to secede by a simple act of will from a state to which they belong”<sup>94</sup>. It follows that the Armenian minority of Nagorno-Karabakh in Azerbaijan cannot claim the right of the people to justify their unilateral secession which will never be recognised by the international community.

It is clear that in the present context ambiguities and equivocations weigh heavily on the notion of the right of people and face double difficulties for itself as a norm accepted unequivocally by the international community as a whole: first it is a simple political principle which has been transformed into a rule of international law. After the process of decolonization, it is mainly interpreted in the framework of internal self-determination. Only in cases of absence of such possibilities can the rights of people include the right to independence<sup>95</sup>; and then the identification of “people” is the subject of fierce debate to which there is no consensus. It is the reason why we are witnessing around the world a challenge to the interpretation of the notion that could put territorial integrity at risk.

#### **D. Statement by the OSCE and the Council of Europe on the principles of conflict resolution**

The position of the OSCE (1) and the Council of Europe (2) concerning the principles of conflict resolution in Nagorno-Karabakh are in line with what we have just demonstrated.

##### **1. The position of the OSCE**

The OSCE, as the main framework for the peace process in Nagorno-Karabakh, has maintained a position of discretion on the ruling principles on which parties hold differing views. This position was not likely to push forward the peace process. Heydar Aliyev called the Minsk group to comment on the basic principles of the peace process and underline the importance of the international legal framework for a peaceful settlement. He added that the lack of a position gave false hopes to Armenia regarding the possible detachment of this region of Azerbaijan.

The international context also reflects the importance of respecting the principles of *jus cogens*, including that of the territorial integrity of States. The awareness among Russian leaders after the first conflict in Chechnya is a good illustration<sup>96</sup>. The question returned to centre stage of the

---

<sup>94</sup> Cited by CRAWFORD (J.) – *La pratique des Etats et le droit international relativement à la sécession* ... op. cit.

<sup>95</sup> DINH (N.-Q.), DAILLIER (P.) et PELLET (A.) – *Droit international public*, Paris, L.G.D.J., 1999, p.516.

<sup>96</sup> BREAUULT (Y.), JOLICOEUR (P.) et LEVESQUE (J.) – *La Russie et son ex-empire, reconfiguration géopolitique*

OSCE when the acting Chairman of the Organization, the Swiss Minister of Foreign Affairs, Flavio Cotti, said that conflict prevention was a priority of his presidency<sup>97</sup>.

Thus, during the OSCE summit in Lisbon on December 2 and 3, the principles governing the peaceful settlement of the Nagorno-Karabakh conflict are listed in paragraph 20 of the final text and obtained the consensus of all participating countries except Armenia. This opposition was blocking the adoption of the Summit document by lack of consensus. President Aliyev then showed a steady determination<sup>98</sup>, leading the Chairman of the OSCE to make a declaration annexed to the final text that does not mention this question. All the OSCE participating states adhere to the three principles stated there, these being:

- The territorial integrity of the Armenian Republic and of the Republic of Azerbaijan.
- A definition of the legal status of Nagorno-Karabakh in an agreement based on self-determination which confers on Nagorno-Karabakh the highest degree of autonomy inside Azerbaijan.
- A guarantee of security for Nagorno-Karabakh and the entire population, including mutual obligations to ensure compliance by all parties to the ruling<sup>99</sup>.

The Armenian delegation made a statement declaring its displeasure at the emphasis on the principle of self-determination<sup>100</sup>. The Armenians were trying to oppose the Lisbon principles but were isolated, as the international community has never supported any situation created by armed force. The Lisbon Summit marked a turning point in the peace process and had a positive effect on the affirmation of the fundamental principles of international law which are a basis for negotiations.

## 2. The position within the Council of Europe

The Council of Europe does not have the legal competence to deal with military issues. But this does not prevent the parliamentary Assembly from expressing an interest in the Caucasian conflicts. In view of the deplorable living conditions of refugees and displaced persons, the parliamentary Assembly called for their return without any preconditions<sup>101</sup>. Then it agreed with the

---

*de l'ancien espace soviétique*, Paris, Presses de Sciences Po, 2003, p. 50.

<sup>97</sup> EU – OSCE : *les priorités de la présidence suisse en 1996*, Agence Europe, n°6632, le 21 décembre 1995, p. 3.

<sup>98</sup> HASANOV (A.) – *Azerbaycanın xarici siyaseti : avropa dövlətləri və ABCh ...* op. cit. p. 240.

<sup>99</sup> OSCE, *Document de Lisbonne 1996*, Lisbonne, 1996. *Déclaration du président en exercice de l'OSCE*, Chapitre II, Annexe I.

<sup>100</sup> OSCE, *Document de Lisbonne 1996*, Lisbonne, 1996. *Déclaration de la délégation de l'Arménie*, Chapitre II, Annexe II.

<sup>101</sup> Résolution 1047 (1994) sur le conflit du Haut-Karabakh, adoptée par la Commission Permanente, agissant au nom de l'Assemblée parlementaire, le 10 novembre 1994, paragraphe. 6.

position taken by the OSCE, saying the political settlement should be based on the principles enshrined in the Helsinki Final Act and the Charter of Paris for a New Europe. Resolution 1119 has formulated the principles for any negotiations:

- The inviolability of borders;
- The guarantee of security to all people of the areas in question, especially with the presence of multi-national peacekeeping forces;
- The status of broad autonomy for Abkhazia and Nagorno-Karabakh to be negotiated by the parties concerned;
- The right of return by the refugees and displaced persons<sup>102</sup>.

The Parliamentary Assembly has supported the principle of territorial integrity of states and emphasised the autonomy that should enable minorities to enjoy their rights and preserve their cultural differences. Autonomy must be construed in such a way as to assure the territorial integrity<sup>103</sup>.

Similarly, another important point appeared when the Assembly was looking to intensify the action of the Council of Europe in the peace process. The Assembly recommended to the Committee of Ministers to “re-launch the political dialogue with the authorities of Armenia and Azerbaijan”<sup>104</sup> to promote the search for a negotiated solution. It also invited the parties to conform to Resolutions 822 (1993), 853 (1993), 874 (1993), 884 (1993) of the Security Council of the United Nations “in particular by refraining from any armed hostilities and by withdrawing military forces from occupied territories”<sup>105</sup>. This was an important position and resulted in three assumptions: firstly, the resolution implicitly confirmed the nature of the interstate conflict in Nagorno-Karabakh and secondly recognised the occupation of the territories of Azerbaijan and therefore noted the aggression that was carried out against Azerbaijan; finally, it reaffirmed the inviolability of the principle of territorial integrity by demanding that the Armenians liberate the occupied territories.

Even if the Council of Europe avoids intervening in an area that does not fall under its statute, its position on the principles of conflict resolution is similar to those of the OSCE and demonstrates how the international community holds onto the principle of territorial integrity. This assertion

---

<sup>102</sup> Résolution 1119 (1997) relative aux conflits en Transcaucasie, adoptée par l’Assemblée parlementaire le 22 avril 1997, point 5.

<sup>103</sup> Assemblée parlementaire – *Expérience positives des régions autonomes comme source d’inspiration dans la résolution de conflits en Europe*, Rapport de Commission des questions politiques, Doc. 9824, 3 juin 2003, point 11.

<sup>104</sup> Recommandation 1251 (1994) relative au conflit du Haut-Karabakh adoptée par la Commission permanente, agissant au nom de l’Assemblée, le 10 novembre 1994, paragraphe 5.

<sup>105</sup> Résolution 1416 (2005) sur le conflit du Haut-Karabakh traité par la Conférence de Minsk de l’OSCE, adoptée par l’Assemblée, le 25 janvier 2005, paragraphe 3.

may contribute to creating a climate conducive to a peaceful solution and thus ensure a sustainable legal order not only in the region but worldwide.

### **As a conclusion**

The conflict in Nagorno-Karabakh is without doubt a very complex conflict and is located in a sensitive geopolitical environment, which by its very nature does not facilitate a quick solution. Obviously, we have not had time to address the geopolitical complexities of the Southern Caucasus, but by emphasising a legal approach we have tried to highlight the challenge posed by the conflict in Nagorno-Karabakh for the international legal order. The goal is not to judge the value of the legal principles and norms of international law, but to demonstrate the scope and consequences that may arise.

It must be emphasised that the independence or annexation of Nagorno-Karabakh to Armenia from the standpoint of international law has no chance of success. The current *status quo* is fragile and is a major threat to stability and regional cooperation. Armenia remains aloof of all regional projects and its economy is suffering badly as a consequence of the world financial crisis. To overcome this situation and restore confidence, regional cooperation would be advantageous for all parties. Seeking a compromise that gives a high priority to the question of territorial integrity would bring an adequate solution.



Zehn kleine **Kraniche** die flogen mutig los...  
Und wieviele sind wieder zurückgekommen?

Wir informieren Sie auf unserer Webseite über die Routen der Zugvögel. Über 100 Millionen Vögel werden jährlich allein in Europa geschossen. Bei uns erfahren Sie, wo Zugvögel besonders gefährdet sind. Nur gemeinsam können wir diese faszinierenden Tiere schützen! Bitte werden Sie Zugvogel-Pate und unterstützen Sie unsere Arbeit!

## **euRONATUR**

EuroNatur – Konstanzer Str. 22 – D-78315 Radolfzell – [www.euronatur.org](http://www.euronatur.org)

Spendenkonto 818 2005 – BLZ 370 205 00 – Bank für Sozialwirtschaft Köln

EuroNatur (Stiftung Europäisches Naturerbe) ist Träger des DZI-Spendensiegels.



# **Index of European Union Foreign Affairs Journal**

**Includes all issues which have appeared until now:**

**1-2009**

**1-2010**

**2-2010**

You can download the permanent Index via [www.eufaj.eu](http://www.eufaj.eu).

The Index is structured as following:

## **1. Articles & Authors**

## **2. Book Reviews & Reviewers**

## **3. Documentation**

## **4. Key words**

(without key words from bibliographies and book reviews)

## **5. Names**

(without names from bibliographies, footnotes and [most] book reviews)

## ***International Protection for Third Country Nationals: Unsatisfying Divergences in Member States' Implementation of Rules***

**How third country nationals are treated within the European Union is a particular aspect of the policy of the EU towards third countries. Now there is a move in the Commission – a move which has been caused by the Member States, not by the supranational institutions like the Commission or the Parliament. Generally the question is permitted: Would not a Regulation – and not a Directive – have been better? A Regulation could not be changed, the implementation would be – well, more or less - harmonised. A piece of practical EU law.**

EU Member States have widely diverging interpretations of the so called Qualification Directive, which has nothing to do e.g. with professional qualifications but sets minimum standards for identification of people in need of international protection. This is normal in complex systems, e.g. within federalism: In the USA there is the Arizona initiative where people who are suspect – due to their appearance only! – can be controlled by the police on their immigration papers etc. In Germany we always saw different practices in extradition of foreigners who had not any more a legal way to stay – in some of the federal states it was not implemented as strictly as in others. In the EU we see the same phenomenon.

In a follow-up report of the Directive, the European Commission identifies deficiencies in certain provisions as well as several issues of incomplete and/or incorrect transposition by EU Member States. Those deficiencies have led to lower protection standards than those established by the Directive, as well as disparities among Member States both in the granting of protection and in the form of the protection granted.

*"The vagueness and the ambiguity of the standards set by the Directive have led to substantial discrepancies among national rules. The Commission evaluated and proposed amendments to the Directive in October 2009, in order to reduce the risk for further diverging interpretations among Member States. I now call on the European Parliament and the Council to adopt those amendments", said European Commissioner for Home Affairs Cecilia Malmström. She added: "The Commission will continue to examine and pursue all cases where problems of transposition and/or implementation have been identified in order to ensure correct application of the common standards set by the Directive."*

The Qualification Directive (2004/83/EC) was designed to define common criteria for the identification of persons in need of international protection and to ensure that at least a minimum

level of benefits is available for these persons in all Member States. The Commission report on its implementation highlights that the level of protection granted differs among Member States, affecting asylum flows. Several issues of incomplete and/or incorrect transposition of the Directive have also been identified.

Vagueness and ambiguity of several concepts in the Directive leaves room for widely divergent interpretations by Member States; an important share of decisions taken on individual cases are overturned on appeal, as they are based on criteria which are insufficiently clear and precise.

On the basis of a thorough evaluation of the implementation of the Directive, the Commission adopted on 21 October 2009 a proposal to recast the Qualification Directive. The proposed amendments are to remedy to the identified deficiencies, which are due to the imprecision of the standards themselves.

## Background

Member States had to transpose the Directive by 10 October 2006. Following expiry of the deadline for transposition, infringement procedures were opened against all Member States which failed to communicate or to fully communicate their transposition measures. Subsequently, in accordance with Article 226 of the Treaty (of Nice), the Commission addressed 19 letters of formal notice and 13 reasoned opinions. The decision to bring the cases before the Court of Justice was taken against nine Member States. Five cases were withdrawn<sup>106</sup> and judgments were given for four<sup>107</sup>. At present, all Member States have communicated that they have transposed the Directive<sup>108</sup>.

On 21 October 2009, the Commission presented a proposal for the amendment of the Qualification Directive, with the aim of:

- clarifying certain legal concepts used to define the grounds for protection, such as "actors of protection", "internal protection" or "membership of a particular social group". For instance, gender issues will be better taken into account while assessing an application. These clarifications will enable national authorities to apply the criteria more robustly and to identify more quickly persons in need of protection and those who are not;

---

<sup>106</sup> Cases C-2008/220, C-2008/190, C-2008/19, C-2008/269, C-2008/543

<sup>107</sup> Case C-293/08, judgment of 5.02.2009, *Commission v Finland*; Case C-256/08, judgment of 30.04.2009, *Commission v United Kingdom*; C-322/08, judgment of 14.05.2009, *Commission v Sweden*; C-272/08, judgment of 9.07.2009, *Commission v Spain*

<sup>108</sup> Sweden was the last Member State to fully transpose the Directive by a law which entered into force on 01 January 2010

- eliminating the differences in the level of rights granted to refugees and beneficiaries of subsidiary protection which can no longer be considered as justified. The amendments concern the duration of residence permits, access to social welfare, health care and the labour market.
- enhancing effective access to rights already granted by the Directive by taking into account the specific integration challenges faced by beneficiaries of international protection. For instance, they cannot ask the authorities of their country for documentary evidence of their academic and professional qualifications. Accordingly, the proposal seeks to help them overcome such practical obstacles, by facilitating the recognition of their qualifications, their access to vocational training as well as to integration facilities.

Not because of the EU but because of some Member States, the whole EU has not the best image for its immigration practice. It is time to follow a common, generous policy towards third country nationals – the EU being also the biggest hub of economy in the world. This goes diametrically opposite to the behaviour of some bureaucrats who think they can play now “god”, humiliate then others – and leave a bad image for the European Union. There are just few complaints about this as many of the people concerned come from systems where this kind of treatment was an everyday business. But in the EU we should not talk only, but practise the transition from government to governance.

*For more information please consult the Homepage of Cecilia Malmström, Commissioner for Home Affairs: [http://ec.europa.eu/commission\\_2010-2014/malmstrom/welcome/default\\_en.htm](http://ec.europa.eu/commission_2010-2014/malmstrom/welcome/default_en.htm), or Justice & Home Affairs Newsroom: [http://ec.europa.eu/justice\\_home/news/intro/news\\_intro\\_en.htm](http://ec.europa.eu/justice_home/news/intro/news_intro_en.htm)*

# ieseg

SCHOOL OF MANAGEMENT  
LILLE - PARIS



Live in France, study in English  
**in a top business school**

## Master of International Business

([www.ieseg.fr/mib](http://www.ieseg.fr/mib))

- International management
- Intercultural perspectives

## Summer Academy

- European business and management  
([www.ieseg.fr/summer-academy](http://www.ieseg.fr/summer-academy))

## Master in Management

([www.ieseg.fr/master](http://www.ieseg.fr/master))

Majors in

- Audit-control
- Finance
- Operations management
- Human resources management
- Information systems management
- General management
- Marketing
- International negotiation

## International focus

- Courses taught in English
- International academic staff
- 136 partner universities in 37 countries
- Exchange programs
- Internships abroad

**contact**

[admissions@ieseg.fr](mailto:admissions@ieseg.fr)



# ***Serbia: Human Resources as a Factor to Attract Foreign Investment***

**By Jasmina Muric**



*Jasmina Muric is a candidate for MBA Management in Central and Eastern Europe at European University Viadrina Frankfurt (Oder), Germany, in Slubice/Poland, holding also a BA in Administrative Law from the University of Belgrade, Law Faculty. During the recent 13 years she has working on improving the legal framework in Serbia and EU integration process in various sectors: NGOs, governmental bodies and business corporations.*

*The objective of her study is to present human resources potentials in Serbia, as one of attractive factors for investing in the country. Direct foreign investments are essential for developing the Serbian economy, which is an important factor of stabilization in the whole region.*

## **1. Introduction**

Serbia is one of the few European countries that are not members of the European Union. Since, due to the unfortunate circumstances that affected the former Yugoslav republics, it did not catch up with the transition process with the countries of Central and Eastern Europe (CEE) during the 1990s, this task is still awaiting it at the time of economic crisis.

Generally speaking the year of 2009 was not without results: Serbia was included in the White Schengen List, the transitional trade agreement got unfrozen and on 22<sup>nd</sup> December, 2009 Serbia formally submitted its application to join the European Union. Serbia's economic development is a very important factor in strengthening the stability of the country, and this development is not possible without the entry of foreign capital and external incentives.

The following facts are often referred to as the reasons why one should invest in Serbia: an excellent geo-strategic location, market potential, growing economy, attractive taxes and incentives, and human resources. When it comes to Serbia's human resources, it is often said that they are highly educated, highly productive and that their prices are significantly lower than in the EU countries.

The task of this article is to present the state of human resources in Serbia more widely. This picture is certainly only one part of the broader picture, i.e. the picture of investment benefits in Serbia that will, for better understanding, also be briefly presented.

At the beginning of creating this article the following stakeholders were identified: the Government, employers, chambers of commerce. The material for making conclusions was obtained from the research that was done through a questionnaire. The questionnaire was forwarded to twenty companies, and answers were obtained from fifteen of them. The questionnaire consists of fourteen questions related to the structure of employees, ways of finding and engaging employees, the ratio of employees to conducted trainings, the attitude of employees towards change and to some other characteristics. In addition to this questionnaire, an interview was done with a university professor of human resource management, as well as an interview with the representative of the Serbian Investment and Expert Promotion Agency (SIEPA).

This study also analyzes the legal framework that regulates the relationship between employees and employers, as well as important recommendations of the state in this field. In addition to the research, the situation in the labor market is also presented, i.e. the unemployment picture.

Based on all above mentioned parameters, the conclusions that closely describe human resources in Serbia as being attractive for investments were made.

## **2. General information about Serbia as a candidate country for investments: Information on population, education, and working experiences**

### *2.1 Territory*

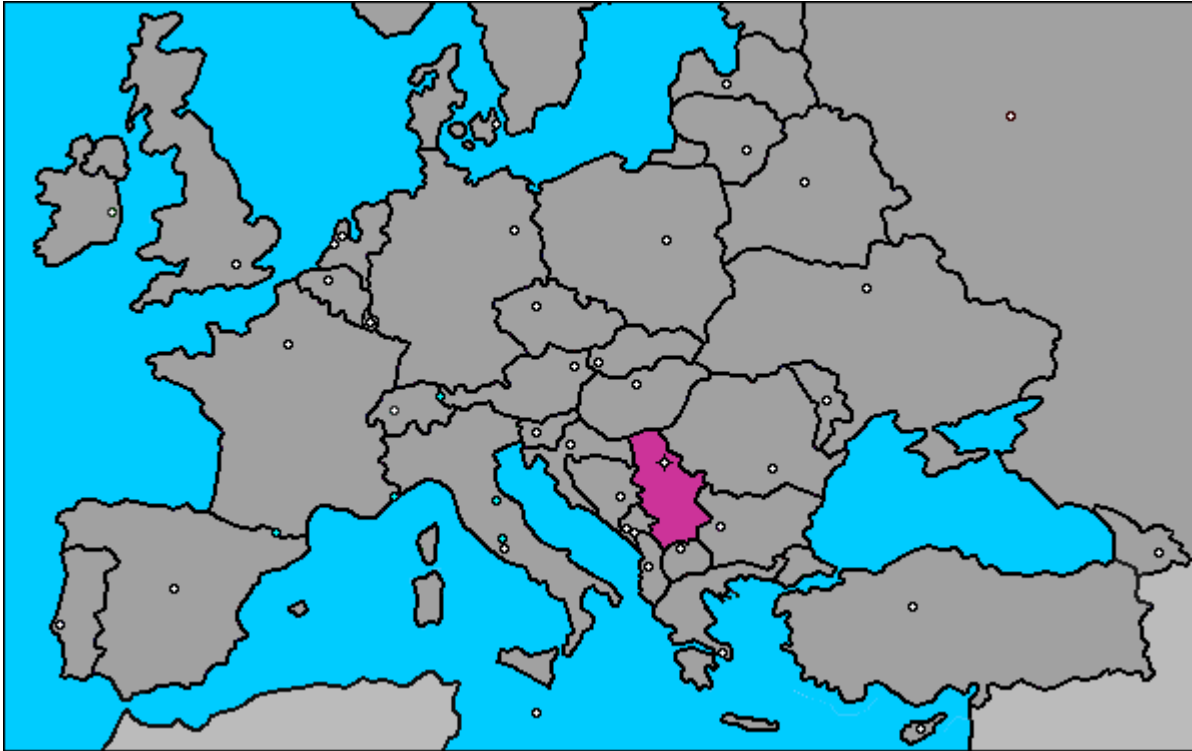
According to official sources <sup>109</sup>Serbia is located in the central part of the Balkan Peninsula, on the most important route linking Europe and Asia, occupying an area of 88.361 km<sup>2</sup>. Serbia is in the West European time zone (one hour ahead of Greenwich time). Its climate is temperate continental, with a gradual transition between the four seasons of the year.

Serbia is referred to as the cross-roads of Europe and as a geopolitically important territory. The international roads and railways passing down its river valleys make up the shortest link between Western and Central Europe, on the one side, and the Middle East, Asia and Africa, on the other.

These roads follow the course of the valley of the Morava River, splitting in two near the city of Nis. One track follows the valleys of the rivers Southern Morava and Vardar to Thessaloniki; the other, the river Nisava to Sofia and Istanbul.

---

<sup>109</sup> The Government of the Republic of Serbia,  
<http://www.arhiva.serbia.sr.gov.yu/cms/view.php?id=1014>, 12th March 2010.



Serbian rivers belong to the basins of the Black, Adriatic and Aegean Seas. Three of them, the Danube, Sava and Tisa, are navigable. The longest river is the Danube, which flows for 588 of its 2.857 kilometer course through Serbia. The Danube basin has always been important for Serbia. With the commissioning of the Rhine-Main-Danube Canal in September 1992, the Black Sea and the Near and Far Eastern ports have come much nearer to Europe. Serbia is linked to the Adriatic Sea and Montenegro via Belgrade-Bar railway.

Northern Serbia is mainly flat, while its central and southern areas consist of highlands and mountains. The flatlands are mainly in Vojvodina (the Pannonian Plain and its rim: Macva, the Sava Valley, the Morava Valley, Stig and the Negotin Marches in Eastern Serbia). 55 per cent of Serbia is arable land, and 27 per cent is forested. Of its mountains 15 reach heights of over 2,000 meters, the highest being Djeravica in the Prokletija range (2,656 m).

The length of Serbia's border is 2,397 km. To the East Serbia borders Bulgaria, to the North East Romania, to the North Hungary, to the West Croatia and Bosnia and Herzegovina, and to the South Albania and Macedonia.

## 2.2 Population

The ethnic population of the Republic of Serbia is heterogeneous, which resulted from the country's turbulent past. The majority of the population of Serbia are Serbs, but another 37 nationali-

ties also live on its territory. All citizens have equal rights and responsibilities and enjoy full ethnic equality.

The Constitution of the Republic of Serbia guarantees the rights to minorities, in accordance with the highest international standards. The last 2002 census puts the population of Serbia at 7,498,001 excluding Kosovo and Metohija, which is 92.3 percent of the population of Serbia. Serbs make up 82.86 percent of the population, Hungarians 3.91 percent, Bosniaks 1.82 percent, followed by Roma 1.44 percent, Croats 0.94 percent, Albanians 0.82 percent, Slovaks 0.79 percent, Vlachs 0.53 percent, Romanians 0.46 percent, Bulgarians 0.27 percent, etc.

The official language in Serbia is Serbian and the alphabet in official use is Cyrillic, while Latin script is also used. In the areas inhabited by national minorities, the languages and alphabets of the minorities are in official use, as provided by law.

The main religion of Serbia is Christian Orthodox, the faith of the Serbian people. The Serbian Orthodox Church, which has been autonomous since 1219, has played an important role in the development and preservation of the Serbian national identity. The Romanian, Bulgarian and the majority of the Roma population are also Christian Orthodox. Beside the Christian Orthodox population, there are also other religious communities in Serbia: Islamic, Roman Catholic, Protestant, Jewish and others.

### **3. Why invest in Serbia**

As stated in the introduction, when thinking about Serbia as a state in which to invest, then one must think about several factors such as investment safety, investment incentives and liberalized trade. The Serbian Government established the Serbian Investment and Export Promotion Agency (SIEPA), whose main task is to provide all the information about the attractiveness of business in Serbia, business conditions and to organize promotion of Serbia as a desirable destination for investment<sup>110</sup>. The Serbian Investment and Export Promotion Agency (SIEPA) present the following facts<sup>111</sup> as the most attractive factors for investing in Serbia:

#### **3.1 Investment Safety**

Since the onset of economic reforms in 2001, Serbia has grown into one of the premier investment locations in Central and Eastern Europe. By the end of 2008, FDI inflow in the country exceeded €12 billion, while in the past three years alone, Serbia attracted nearly over €9 billion of inward foreign direct investment.

---

<sup>110</sup> Serbian Investment and Export Promotion Agency, [http://www.siepa.gov.rs/site/en/home/1/brief\\_guide/reasons\\_to\\_invest/investmentincentives/](http://www.siepa.gov.rs/site/en/home/1/brief_guide/reasons_to_invest/investmentincentives/), 15<sup>th</sup> March 2010

<sup>111</sup> Serbian Investment and Export Promotion Agency, <http://www.siepa.gov.rs>, 10<sup>th</sup> March 2010

The list of leading foreign investors is topped by world-class companies and banks such as Telnor, Lafarge, Mobikom, Banca Intesa, AB InBev, Coca Cola, and many others.

Serbia's strong FDI track-record is substantiated by internationally recognized awards for local Greenfield investors. Between 2004 and 2006, Greenfield projects in Serbia were awarded by OECD for the largest investment projects of this type in South East Europe. The first award was presented to Ball Packaging Europe (headquartered in USA), followed by METRO Cash & Carry (Germany), and Israeli Africa-Israel Corporation/Tidhar Group for their Airport City Belgrade real estate project.

International companies in Serbia are guaranteed equal legal treatment as local ones. They are allowed to invest in any industry and freely transfer all financial and other assets, including profits and dividends.

Investment projects in the country are insured against non-commercial risks by all major national and international investment and export insurance agencies. Protection of foreign capital is further safeguarded by Bilateral Investment Treaties signed between Serbia and 33 other countries.

### **3.2 Investment Incentives**

Various state grants and tax incentives are available now for investors. Apart from an attractive package of tax incentives, state grants in the range between €2,000 and €10,000 per new job created are now available for Greenfield projects in production, services, and R&D.

#### *SIEPA grants*

For large investors in the automotive, electronics, and IT industries, a special financial package is available. If a project's value exceeds €200 million, with the minimum of 1,000 new jobs created, the state may cover up to 25% of the investment.

For smaller-scale Greenfield and Brownfield projects in the manufacturing, services, and R&D sectors, non-refundable state funds are offered. They range from €2,000 to €5,000 in manufacturing, from €2,000 to €10,000 in service sectors, while R&D projects can receive between €5,000 and €10,000.

#### *The National Employment Service Grants*

The National Employment Service (NES) grants include:

- the Employment Subsidies Program,
- the 'Employment Through Severance Pay' Program,
- the Apprentice Program, and
- the Re-Training Program.



#### *Corporate Income Tax Holiday*

Companies are exempt from Corporate Income Tax for a period of 10 years starting from the first year in which they report taxable profit if they invest in fixed assets an amount exceeding approximately €7 million, and throughout the investment period they employ at least 100 additional employees.

#### *Corporate Income Tax Credits*

The amount of tax due can be reduced by 20% of the amount invested in fixed assets for the respective tax period. A number of sectors are entitled to receive a tax credit, totaling 80% of investment made in fixed assets.

#### *Corporate Income Tax Deduction for new employment*

A 2-year tax reduction, amounting to 100% of gross salaries and related employee contributions, is available for the employment of new workers, providing that their number is not reduced during this period.

#### *Corporate Income Tax Holiday for concessions*

A 5-year tax holiday is granted for concession-related investments, from the day the concession investment has been completed. No tax is due if income is derived before the completion of the concession investment.

#### *Carrying forward of losses*

The tax loss stated in the tax return can be carried forward and offset against future profits over a period up to 10 years.

#### *Accelerated depreciation*

The taxpayer has the right to accelerated depreciation of fixed assets at rates of up to 25% above those prescribed. This relief is provided for fixed assets that are used for ecological purposes but also scientific research, education and staff training, and computer hardware.

#### *Salary tax exemptions*

The employer who hires certain categories of workers on a permanent basis is exempt from paying salary tax over the periods of 3 or 2 years.

### **3.3 Liberalized Trade**

Logistics and FTA's are often reasons to locate foreign business. As a logistics base, Serbia is a perfect place for a company to locate its operations if wanting to closely and most efficiently serve its EU, SEE or Middle Eastern customers. It borders the EU, at the Hungarian state line,

offering a possibility of production outside the European Union. At the same time, businesses can enjoy all the benefits of working outside the EU, while being able to provide services and transport goods in projected and flexible time frames.

Externally, Serbia can serve as a manufacturing hub for duty-free exports to a market of 1 billion people. It includes the European Union, the United States of America, Russia, South East Europe, and Belarus.

This customs-free regime covers most key industrial products, with only a few exceptions and annual quotas for a limited number of goods.

The recently signed Free Trade Agreement with Turkey became effective starting May 2010, while the FTA with EFTA members (Norway, Switzerland, Iceland, and Liechtenstein) was concluded in December 2009 and active since April 2010.

#### *European Union*

The European Union has granted Serbia exceptional trade measures, enabling exports of all products originating from Serbia without customs and other fees. For a limited number of products (baby beef, sugar, and wine), annual import quotas remain in effect.

#### *United States*

Trade with the United States is pursued under the Generalized System of Preferences (GSP). U.S. trade benefits provide for a preferential duty-free entry for app. 4,650 products, including most finished and semi-finished goods and selected agricultural and primary industrial products. Certain sensitive goods (e.g. most textile products, leather goods, and footwear) are not eligible for duty-free exports. The list of eligible goods is reviewed and adjusted twice per year, with input from U.S. industries.

#### *Russia*

The Free Trade Agreement with Russia, signed in August 2000, makes Serbia particularly attractive to foreign investors in the manufacturing sector. The Agreement stipulates that goods produced in Serbia, with over 50% value added in the country, are considered to be of the Serbian origin. For exports to Russia, the FORM A Certificate is required as a proof of goods origin. The only tariff charged is the customs record keeping tariff, amounting to 1%.

The list of products, excluded from the Free Trade Agreement, is revised annually. In April 2009, duty-free regime was extended to the following goods: all drugs, confectionery products, apple juice, malt beer, fresh grape wines, all soaps, wool clothing, refrigerators, freezers and all refrigerating devices, washing and drying machines, wooden upholstered seats, wooden office furniture, sleeping bags, sheets, and similar goods.

### *CEFTA*

The Central European Free Trade Agreement (CEFTA) is the trade agreement between countries in Central and South East Europe, which has replaced bilateral agreements between the following countries in the region: Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Moldova, Montenegro, Serbia, and the United Nations Interim Administration Mission (UNMIK) in Kosovo. The Agreement has been in effect as of July 2007, providing companies in Serbia with an opportunity to reach the 29 million people market free-of-customs.

CEFTA envisages the abolishment of customs restrictions for industrial and agricultural products in the CEE countries by 2010. In addition, the Agreement stipulates accumulation of products origin, meaning that products exported from Serbia are considered of the Serbian origin if integrated materials originate from any other CEFTA country, the European Union, Iceland, Norway, Switzerland (including Liechtenstein) or Turkey, provided that such products have undergone sufficient processing (if the value added there is greater than the value of the materials used in Serbia). For exports to the member countries of CEFTA, the EUR 1 Certificate is required as a proof of goods origin.

### *Belarus*

The Free Trade Agreement with Belarus envisages mutual abolishment of customs and non-customs duties in trade between the two countries. There are only a few exceptions to the Agreement, including sugar, alcohol, cigarettes, as well as used cars, buses, and tires.

### *EFTA*

The Free Trade Agreement with the European Free Trade Association (EFTA) is active since April 2010. EFTA is an intergovernmental organization set up for the promotion of free trade and economic integration to the benefit of its four member states: Iceland, Liechtenstein, Norway and Switzerland. The agreement will enable export of Serbian products customs free to a market of 13 million people.

### *Local market*

Internally, with 7.5 million people, the Serbian market is the 2nd largest in South East Europe. The average net monthly salary rose from merely €194 in 2004 to €402 in 2008. Coupled with rapid consumer loan expansion, this fueled a sharp increase in local demand. It was particularly reflected in a double-digit surge of retail trade turnover on an annual basis.

A consumption pattern indicates a shift towards durable consumer goods. In 2007, food and beverages accounted for 40.3% of an average household budget, while e.g. furniture, apparel, and footwear made up 10.6%.

In response to expanding local demand, international retail chains have opened up dozens of new stores across the country. By illustration, from 2004 to 2008 total retail and wholesale foreign investment reached more than €1.4 billion.

### 3.4 International agreements

Current status:

- Serbia's application for the WTO accession accepted; accession can be expected soon after 2010
- The Stabilization and Association Agreement and Interim Trade Agreement with the EU in power
- Regional free trade agreement (CEFTA), ratified by Serbia in 2007, integrates the countries of the South East Europe, thus creating a possibility for companies to place their goods customs free to a market of close to 30 million people.
- Serbia is the only European country with free trade agreements with the EU, Russia and Belarus. Apart from its favorable economic agreements with both the East and West, such steps could be soon undertaken with Turkey and Iran.
- The trade with US is pursued under Generalized System of Preferences (GSP). The GSP program provides preferential duty-free entry for more than 4,650 products.
- Serbia is member of Black Sea Economic Cooperation.

#### *Free trade agreements*

Although Serbia has signed SAA and Interim Agreement with the EU in April 2008, their entering into force is delayed due to political reasons. As of January 2009, Serbia decided to unilaterally abolish or gradually reduce import duties for goods with EU preferential origin as envisaged by the Interim Agreement. This means that, for the moment, Serbia grants autonomous trade measures to the EU.

On the other side, from 2001 Serbia is benefiting from the Autonomous Trade Measures (ATM) granted by the EU, making it possible for nearly all Serbian exports to enter EU exempt from customs duties. Such treatment is applicable for products with preferential Serbian origin, determined in accordance with the Pan-European rules of preferential origin. Hopefully, EU will soon start to apply the Interim Agreement, thus enabling preferential trading between Serbia and EU to become two-way instead of two autonomous regimes as it is at the moment.

As mentioned, Serbia also ratified CEFTA in September 2007. This FTA should be the first step for all the parties concerned in their accession to the Pan-Euro-Med system of origin and a step forward in the EU accession process (Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and UNMIK/Kosovo).

Rules of origin defined in CEFTA are based on Pan-European preferential rules of origin. The main purpose of CEFTA is that its parties establish a free trade area in accordance with its provisions and in conformity with the relevant rules and procedures of the WTO. This free trade area will be established in a transitional period ending at the latest on 31 December 2010.

Serbia has in force FTA with the Russian Federation, which is not the case with other Balkan countries and this is also one of Serbia's advantages for attracting foreign investors. However, this FTA is not modeled by FTA template based on pan-European preferential rules of origin, and therefore it has certain specificities that have to be considered.

As of 31 March 2009, FTA signed with Belarus started to temporarily apply, with similar rules as envisaged in the FTA between Serbia and Russian Federation.

#### **4. Unemployment**

Unemployment occurs when a person is available and willing to work but currently without work.<sup>112</sup> The prevalence of unemployment is usually measured using the unemployment rate, which is defined as the percentage of those in the labor force who are unemployed. The unemployment rate is also used in economic studies and economic indices such as the United States' Conference Board's Index of Leading Indicators as a measure of the state of macroeconomics.

Mainstream economics believes in the main that unemployment is inevitable, and a necessary evil to prevent inflation; this is disputed by some schools of heterodox economics. The causes of unemployment are disputed. Keynesian economics emphasize unemployment resulting from insufficient effective demand for goods and services in the economy (cyclical unemployment). Others point to structural problems and inefficiencies inherent in labor markets; structural unemployment involves mismatches between demand and supply of laborers with the necessary skill set, sometimes induced by disruptive technologies or globalization. Classical or neoclassical economics tends to reject these explanations, and focuses more on rigidities imposed on the labor market from the outside, such as unionization, minimum wage laws, taxes, and other regulations that may discourage the hiring of workers (classical unemployment). Yet others see unemployment as largely due to voluntary choices by the unemployed and the time it takes to find a new job (frictional unemployment). Behavioral economics highlights phenomena such as sticky wages and efficiency wages which may lead to unemployment.

There is also disagreement on how exactly to measure unemployment. Different countries experience different levels of unemployment; traditionally, the United States experiences lower un-

---

<sup>112</sup> Wikipedia, Unemployment, <http://en.wikipedia.org/wiki/Unemployment>, 27th February 2010



employment levels than countries in the European Union, although there is variant there, with countries like the UK and Denmark outperforming Italy and France and it also changes over time (e.g. the Great Depression) throughout economic cycles.

#### *Employment figures in Serbia*

According to the Statistical Office of the Republic of Serbia, 1,857,716 persons were employed in November 2009 in Serbia, of which 1,373,101 in enterprises, institutions, cooperatives and organisations and 484,615 private entrepreneurs, self-employed persons and their employees. Compared to the previous month, employment decreased by 0.15% or 2,733 persons, and compared to the same period of the previous year employment decreased by 6.72% or 133,702 persons.

#### *Unemployment rate<sup>113</sup>*

The officially registered unemployment rate in November 2009 was 25.70%.

#### *Characteristics of unemployed persons in the register of the National Employment Service (NES)*

Characteristics of job seekers: In the end of December 2009, 812,350 persons were registered as job seekers, of which 54.11% or 439,545 were women.

The structure of job seekers was as follows:

- 730,372 unemployed (active) persons,
- 80,613 persons temporarily incapable or unavailable to work,
- 767 persons employed in temporary or seasonal jobs, or part-time jobs,
- 524 persons whose rights stipulated by the Law are suspended,
- 74 persons seeking to change their job.

#### *Characteristics of unemployed persons*

By the end of December 2009, 730,372 unemployed persons were registered in NES, among which 386,125 (52.86%) were women. Unemployment increased by 0.97% or 7,022 persons compared to the previous month.

In December 2009, there were 39,985 newly registered persons, among which 15,692 were first time job seekers (49.29% or 7,735 were women), whereas the remaining 24,293 persons have been previously employed (46.09% or 11,196 were women). Compared to the previous month, the category of newly registered first-time job seekers increased by 17.88% (2,381 persons), whereas the category of newly registered unemployed with previous experience increased by 19.39% or 3,947 persons.

---

<sup>113</sup>National Employment Service, <http://www.nsz.sr.gov.yu/page/about/sr/statistika/publikacije.html>, 15th March 2010

### *Unemployed persons by duration of unemployment*

According to the duration of unemployment, the largest participation in the registered unemployment was that of persons unemployed for 1-2 years (17.57%), followed by 3-5 years (12.74%), up to 3 months (11.76%), 5-8 years (11.27%), 2-3 years (9.63%).

Out of the total number of unemployed persons, 64.37% or 470,158 persons have been unemployed longer than 12 months (long-term unemployment), among which 55.42% or 260,544 were women.

### *Unemployed persons by age*

The participation in the registered unemployment according to the years of age is as follows: 25-29 years (12.85%), 30-34 (12.48%), 45-49 (12.07%), 50-54 (11.99%) and 35-39 (11.94%)

### *Unemployed persons by education level*

The structure of unemployed persons by level of educational attainment in December 2009 did not change significantly compared to the previous month:

I - 218,160 (29.86%), II - 37,992 (5.20%), III - 195,810 (26.80%), IV - 199,491 (27.31%), V - 8,383 (1.14%), VI - 33,285 (4.55%), VII - 37,219 (5.09%), VIII - 32 persons

(Explanation: I - Unfinished primary school, II - Primary school finished, III - Three-year secondary vocational education, IV - Secondary school finished, V - Secondary school and professional qualifications, VI - College, VII - University degree, VIII - Graduate school (Master's degree))

### *Regional structure of unemployment*

At the end of December 2009, the largest participation in the total number of unemployed persons was registered in the following regions: Belgrade (12.62%), Juzno-backi (8.95%), Raski (6.79%), Nisavski (6.54%) and Macvanski (4.99%), whereas the lowest was in: Branicevski (1.28%), Kolubarski (1.70%), Borski (1.74%), Zajecarski (1.94%) and Severnbanatski county (2.04%).

Compared to the figures from the previous month, the largest increase in the number of unemployed persons was recorded in Jablanicki county (4.00%), whereas the largest decrease was in Belgrade county (1.07%). Compared to the figures from the previous year, the largest increase in the number of unemployed persons was recorded in Severnbacki county (18.50%), whereas the largest decrease was in Belgrade county (6.02%).

The largest participation of unskilled workers in total unemployment was registered in the following counties: Pcinjki (48.18%), Severnbanatski (47.30%), Borski (44.97%), Raski (44.97%) and Branicevski county (42.97%), whereas the largest participation of skilled workers was regis-

tered in: Belgrade (80.76%), Nisavski (74.01%), Macvanski (68.08%), Sumadijski (67.52%) and Rasinski county (66.79%).

The largest participation in total unemployment of the unemployed who had been unemployed longer than 12 months (long-term unemployment) was registered in the following counties: Raski (76.23%), Nisavski (70.29%), Sumadijski (70.25%), Rasinski (70.23%) and Zlatiborski county (69.98%), whereas the lowest was in: Severnobački (48.37%), Srednjobanatski (54.87%), Severnobański (56.12%), Kolubarski (57.20%) and Branicevski county (57.28%).

#### *Requests by employers for NES jobmatching services in vacancy*

In December 2009, there were 10,416 requests for NES jobmatching services (65.87% fixed-term contracts and 34.13% for indefinite period). Compared to the same period of the previous year the number of requests decreased by 71.65%. The structure of requests for NES jobmatching services, according to the levels of educational attainment, was as follows:

I – 2,107 (20.22%), II – 544 (5.22%), III – 2,408 (23.11%), IV – 1,910 (18.33%), V – 92 (0.88%), VI – 466 (4.47%), VII – 2,787 (26.75%) and VIII – 102 (0.97%) persons

#### *Recruitment from the register*

17,868 persons (36.13%) were recruited from the register of the National Employment Service and 31,594 (63.87%) without its assistance (job-to-job transfer). Compared to the same period last year, recruitment from the NES register decreased by 21.76% (4,969 persons), and compared to the previous month it decreased by 8.80% (1,722 persons)

### **5. Where one could find future employees - Headhunting companies; National Employment Services.**

Employers recruit prospective employees in Serbia in several ways: - by a method of internal recruitment, i.e. based on personal recommendations or by sending a request to the National Employment Services; by publishing a public advertisement in newspapers, on specialized web pages, or nowadays by engaging a recruitment/headhunting agencies.

**The National Employment Service** is a state employment institution, first established in 1829. It is important to mention that the First Labour Market was founded in 1921, as a result of the Law on protecting workers' rights and whose aim was regulation of labour market. Nowadays, the National Employment Service has grown into a modern public service, providing services to employers and to the unemployed.

**Services provided to the unemployed** could be as follows:

**T2 UNEMPLOYMENT AND EMPLOYMENT BY LEVEL OF EDUCATION AND SEX DURING DECEMBER OF 2009\***

V		VI		VII-1		VII-2		VIII		Contents
Total	Women	Total	Women	Total	Women	Total	Women	Total	Women	
8.466	1.486	32.539	19.733	35.847	22.198	591	295	30	8	UNEMPLOYED PERSONS IN THE NED OF THE PREVIOUS MONTH
372	76	2.291	1.364	3.482	2.078	65	35	5	1	NEWLY REGISTERED PERSONS IN THE REPORTING PERIOD
70	17	939	547	1.744	1.018	29	13	1	0	1. First-time job seekers
302	59	1.352	817	1.738	1.060	36	22	4	1	2. Have been employed before
451	104	2.104	1.318	6.335	3.909	190	108	60	26	TOTAL EMPLOYED PERSON IN THE REPORTING PERIOD
209	45	699	365	2.354	1.372	97	56	21	9	Indefinite term contracts
160	31	817	586	2.272	1.537	27	18	5	2	Recruited from NES Unemployment Register
421	72	1.486	887	2.344	1.449	45	23	3	1	DELETED FROM THE REGISTRER AND DISCOUNTED RECORD KEEPING IN THE REPORTING PERIOD
8.383	1.481	33.285	20.101	36.606	22.562	613	308	32	7	UNEMPLOYED PERSONS IN THE END OF THE REPORTING PERIOD
855	318	11.405	7.569	15.367	10.242	133	69	2	0	Out of the total unemployed persons - first-time job seekers
9.650	1.686	36.133	21.979	39.733	24.613	689	357	35	8	JOB SEEKERS
8.383	1.481	33.285	20.101	36.606	22.562	613	308	32	7	Unemployed persons
1.249	204	2.751	1.824	2.745	1.811	70	44	2	0	Temporarily incapable or unavailable to work
11	1	69	49	318	223	6	5	1	1	Persons employed in temporary or seasonal jobs, or part-time jobs
4	0	23	3	45	6	0	0	0	0	Suspended work contract rights according to the Law
3	0	5	2	19	11	0	0	0	0	Employed persons seeking to change their jobs

\*Source: National Employment Service

a. **Career management and advising** which includes a) group informing, b) assessment of employability and individual employment plans, c) active job-search training programs, and d) counseling.

b. **Additional education and trainings** for trainees and trainings for well-known employers.

c. **Entrepreneurship development and employment programmes** that include informing about business centres, organizing business start-up trainings, coordinating government self-employment subsidies, and coordinating financial self-employment subsidies.

**Services provided to the employers** could be as follows:

Trainings for the unemployed as per request of well-known employers, selection and classification of candidates as per request of the employer, organization of monitoring programmes and of specialized trainings. Coordination of subsidies for opening new workplaces, and coordination of exemption from social security contributions

### **Headhunting agencies:**

After the changes in the political life of Serbia in 2000, the economic life also begins to change. More and more foreign and multinational companies appear on the Serbian market and, with their coming, also bring a new HR culture. To save time and costs, recruiting new staff is left to experts who establish HR agencies. HR agencies in Serbia are most often licensed and belong to big chains. Apart from recruiting and headhunting services, they also offer other services such as: organizing trainings, team building, evaluations, etc. Currently in Serbia the most famous headhunting agencies are as follows: Adecco, Dekra, Human Capital Solution, Link Consultants International, Neumann International, Profil Group, Trenkwalder, Walton International Search Associate and others.

### **Employment Fairs**

One of the novelties recently has been the organizing of employment fairs. Organizers of such events can be various. Municipalities, employers' associations, universities, the association of HR agencies can all appear as organizers, but the largest organizer of employment fairs is the National Employment Service.

## **6. Legal regulations - Labour legal regulations, and the role of the State and of Unions in labour conflicts**

### **Labour law - The title of the law**

The title of the Law itself points to the essential changes that were made in this area. The name of the Law is Labor Law and it regulates rights, obligations and liabilities based on labour. The previous Republic Law on Labor Relationships defined the labour relationship as the principal characteristic of labour law.

### **The basic provisions**

The Law determines general and particular sources of law, which regulate the rights, obligations, and liabilities related to labor:

- the laws that have to comply with the international conventions and treaties;
- collective agreements;
- the employer's rulebook; and
- employment contract.

According to the Law, it is no longer obligatory to conclude a collective agreement. The only obligation on behalf of the employer and the union is to negotiate in order to conclude collective agreement.



The labour relationship may be regulated solely by provisions of the employer's rulebook and the employment contract, if none of the unions can establish, in accordance with legal requirements, that they properly represent the employees concerned, or if the parties to a collective bargaining do not achieve an agreement after negotiation. In that case, the employment relationship may be regulated by the employers' rulebook and the employment contract or solely by the employment contract.

### **The basic rights, obligations and liabilities**

This legislative aspect was previously settled solely by the Federal authorities. The new Republic law partly supersedes and repeats provisions of the Federal law with a few amendments, such as the omission of the provisions on collective agreements. The right of employees to establish a works council or to participate in management has been abolished.

The new provisions prohibit discrimination based on sex, birth, language, race, nationality, political conviction, etc. This was necessary in order to fulfill obligations undertaken as a signatory to international conventions.

### **Establishing the labor relationship**

General requirements for entering into the labour relationship remain the same: the employee has to be older than 15 years and to be medically fit to work (general work ability). Special requirements may be determined by decision of the employer.

The labour relationship is established by an employment contract concluded between the employer and the employee.

The new Law does not regulate the means by which the labour relationship must be concluded, which means that the employer is no longer obliged to notify unoccupied work positions to the relevant employment organisation. The obligation to make public announcements of unoccupied work positions is also not prescribed by the new law.

### **Types of employment contracts**

An employment contract may be concluded for an indefinite period of time (permanent employment contract) and for a fixed period of time (temporary employment contract).

Temporary employment may be agreed for certain jobs, as decided by the company, for a period of time no longer than 3 years. If the employee continues to work more than five working days after the expiry of the term provided by the temporary contract, his employment will be deemed to have become permanent.

The Law foresees some other types of employment contracts, such as:

- trial period (no longer than three months);
- high-risk work;
- work outside the office area;
- special terms for first-time employees.

The possibility to conclude a contract for voluntary work no longer exists, since the right to an adequate salary is one of the basic rights of the employee.

### **Disposition of employees**

The new law does not regulate the disposition of employees at all, which means that the employer is not limited by any provision to arrange the disposition of the workers.

### **Working hours**

Full time employment is 40 hours per week. Overtime work cannot last longer than 4 hours per day, and not more than 240 overtime hours per year. The former law allowed for 10 hours' overtime work per week.

### **Annual leave and paid leave**

The relevant provisions of the new law are the same as in the previous law regarding minimum breaks during the working day (30 minutes), between consecutive working days (12 hours) and weekend break (24 hours).

The law prescribes a minimum of 20 working days' paid annual leave. The main distinction between the former and the new law is in the fact that the new law does not prescribe the obligatory criteria for determining duration of the annual leave.

The right to paid leave is reduced to 5 working days during the calendar year in total. The Law specifies reasons for which paid leave may be approved; it is a short list in comparison to the provisions of the previous Law.

### **Protection of employees**

The major changes in protection of employees concerns the duration of maternity leave. Maternity leave lasts up to three months counting from the day of delivery and may commence up to 45 days prior to expected date of delivery. After the expiry of maternity leave, the mother or father of the child may use the right to paid leave for the purpose of infant care for a total 365 days, counting from the day on which maternity leave began.

### **Wages and salaries**

The right to be paid salary, one of the basic rights of the employee, is established by the Law, but not in as much detail as it was in the previous Law. It is provided that all employees should be

paid the same for equal work, or for the same value of work, from the same employer. Also, the minimum salary is specified for the standard employment output during full working hours. If there is no agreement between the Government, the association of employers and the trade union, the minimum salary mentioned above, will be established by the Government of the Republic of Serbia according to criteria which are determined by the Employment Law.

The employee has a right to increased payment for overtime work, work during the night, during the holidays and shift work.

For sick leave the employee has a right to 65% of the salary that he/she would have received if he/she were working. According to the previous General Collective Agreement, the employee had a right to 80% of the salary during sick leave.

### **Termination of the labour relationship**

The labour relationship can be ended in one of the following ways:

- Independently by the decision of either employer or employee;
- By the decision of either employer or employee;
- By the mutual agreement of employer and employee.

The reasons for termination of the employment contract are provided by the Law. The employer must justify his/her decision each time it intends to terminate the employment contract.

The employment contract can be terminated if any of the reason mentioned below appears:

- An employee does not achieve satisfactory work output;
- An employee does not have the appropriate knowledge and capabilities for his/her work position;
- If an employee violates his/her working obligations;
- If an employee misuses his/her right to sick leave;
- If an employee does not observe the disciplinary code at work;
- If the employee does not return to work within 15 days after the expiry of the deadline for unpaid leave;
- If the employee perpetrates a criminal act at work or in relationship to work;
- If for the reason of the altered technological and economic requirements, there is no longer a need for a certain work position.

For the last of the reasons mentioned above, the employment contract can be terminated only if the employer cannot find another working position for that employee, i.e. to requalify for doing some other job. This obligation is imposed only on employers who have more than 50 employees. In any case, the employer is obliged to pay the employee a severance payment. The amount of this severance payment depends on the years of service of the employee.

If the employment contract is terminated for reasons of unsatisfactory work output or insufficient knowledge and capabilities, the amount of the severance payment depends on the time spent in the service of that particular company.

The termination of the employment contract is the only sanction for the breach of work-related obligations, although the termination is only the way of ending the labour relationship.

In the new Employment Law there are no provisions concerning the responsibility of employees, disciplinary fines or the competent authorities for proceedings in those cases, which existed in the previous law. This makes relations between the employer and employees much easier than they were before.

### **Protection of the employees' rights**

The employer is responsible for making decisions about the employee's rights, obligations and responsibilities. Arbitration is established as a facultative organ for resolution of disputes. In case that in a particular company, arbitration is not provided for, the decision of the General Manager is final.

If the employee goes to court to protect his rights, those proceedings must be ended within 6 months from the date they started.

The employee's rights are also protected by the Employment Inspectorate. The performance of any activities by the employer shall be forbidden by the Employment Inspectorate if any of the following situations appear:

- The employer has not concluded an employment contract with any of its employees;
- Applications for social security have not been submitted;
- The employer has not paid salaries or minimum salaries although he had enough money in his account;

The prohibition shall remain in force until the employer corrects the defect.

### **Collective agreements**

As it has been mentioned, one of the most important innovations of this Law is that there is no longer an obligation to conclude a collective agreement. A collective agreement is concluded by the representative trade union and the employer or the representative association of employers. The Ministry of Employment is authorised, according to the Law, to decide that a collective agreement shall be applied to an employer, even if it did not take part in its conclusion. This will be done only in cases in which it can be justified by the interests of achieving particular goals of economic and social policy in the Republic of Serbia. This is the only exception to the rule that the conclusion of collective agreements is not obligatory.

### **Prohibition of competition**

For the first time the Law regulates that the employer has the right to protect his reasonable interests. In order to protect its interests it is possible to provide special terms in employment contracts, in relation to certain working positions. By those provisions it might be forbidden for some employees to perform certain activities on their own behalf or for a third party without the employer's consent.

The privatization process in Serbia is still not entirely implemented. In one part, the privatization has not been successfully implemented, i.e. the new company owners failed to meet the obligations assumed by them. Specifically during the crisis that shook Serbia in the 90's, many companies did not pay the mandatory social security contributions for the employees, which led to the fact that a large number of employees worked for years and have no pension experience for those same years. During privatization, the obligation of new owners of enterprises to pay debts of the old owners when the mandatory social security contributions for the employees are in question, were regulated by agreement. As the new owners failed to meet these obligations, strikes were organized throughout Serbia. The State entered the process of reviewing privatization, i.e. controlling agreements and their respecting, and at the same time has concluded agreements with employees to take upon itself the payment of debts, popularly called "linking the pension service".<sup>114</sup>

### **7. The Opinion of prof. Dragisa V. Vicentijevic**

Dr Vicentijevic is professor of Human Resources Management at The University of Novi Sad and his opinion about human resources in Serbia, especially in regards with the introduction of new technologies in production processes, could be summarized as follows:

Dr Vicentijevic starts his „lecture“ on human resources usually by saying that the possible impact of new technologies on work has been studied a lot in recent years and it relates to the issue of the lack of qualified people, so that the full productive capacity, new technologies cannot be fully exploited in the absence of highly qualified human resources, who should work on highly sophisticated equipment and service it, as well.

In Serbia, it is a fact that Employers in trade companies will be reluctant to introduce new technologies or if they introduce them, only a part of their potential will be realized. New technologies have to be followed by human resources with new knowledge, who participate in their introduction and development. Many facts show that most employees readily accept new technolo-

---

<sup>114</sup> The Labour Law, <http://www.serbianunity.net/projects/Economy/documents/labor.html>, 14th March 2010



gies. Additionally, the introduction of new technologies is most successful when human involvement is present in the process, in terms of participation, communication, security of employment. Human involvement is secured through trainings initiated by the management structures of business associations. Therefore, HR managers have to be acquainted with new technologies and to be in a position to insist that these "human" conditions are met before the implementation of new technologies starts.

According to Dr Vicentijevic, training of employees and their development are central approach to human resources management, and business associations that do not look at their employees as "assets" and fail to invest in their "property", will hardly monitor access to human resources management. In contrast, commercial associations, for which training and development are an integral part of organizational philosophy and practices, with the expressed policy that shows commitment to training, will monitor the access to human resource management much easier. Thus training and development of employees can be seen as an essential instrument for organizational goals of business associations.

#### *On Selection and Training - Quality and Accountability*

Good organization and efficient management emerge as factors that significantly contribute to the cohesion of business associations. These four words are linked in a circular chain, like a bracelet. Managers can wear a bracelet that represents the success and acceptability in a society, but they may also carry it like a prisoner wears the chains, as a sign that he/she is caught in a trap of a hardworking day. The first way represents a successful circle. The manager begins by selecting people who quickly respond to good training. They found that the job is good, that it brings money and that they could be promoted. This efficiency brings good money to the management, who thus can constantly modernize equipment and methods of work. Such work is relevant and attracts quality human resources, for whom this chain always has a starting point.

Dr Vicentijevic states that the reverse is accumulative in the negative sense. There is an old saying "money spent on the selection, saves the money spent for training". Therefore, if a manager lacks power or ability to attract good people, to achieve a barely satisfactory standard, he/she has to spend more on trainings: it lasts longer, there are more fallen candidates, and both the ability of instructors and their morale decline. The final product and/or services do not comply with the standards, insecurity and neglect are clearly visible, and there are costly accidents, etc. The manager has to remove inefficient people, and the morale in the business associations, organizations, and institutions is low. Because of this there is a large percentage of loss of human resources, particularly of that small number of good people, who he/she has managed to attract. Thus, the manager needs more trainees in order to close the system. Due to the resulting poor image, unattractive working conditions, and general morale, each next selection is less suitable for the special regimes of responsibility.

Therefore, he is of the opinion that the manager has to remove inefficient people – the morale in the business associations, organizations, and institutions is low. Because of this there is a large percentage of loss of human resources, particularly of that small number of good people, who he/she has managed to attract. It is a vicious circle, it is a spiral in downward trajectory for managers. There is a clear relationship between selection, training and quality. This connection is the responsibility, which can be read as a submission of accounts (to third parties) and as material responsibility in the legal sense, both the criminal and civil, for the consequences of work performed below standard. For a business association not to get into such situation, the management must take appropriate measures to avoid bad business activities, i.e. to make sure that the work is done by the prescribed standards. The management should insist on the following: quality selection that ensures good human resources and continuous training that gives competence and provides high quality products and/or services. The management should put the buyer in the first place, i.e. to take into account the "customer's satisfaction" and to insist on constant improvement of the quality of products and/or services. Dr Vicentijevic explains it very simply: "I shaved myself with razors of domestic production and I was not satisfied! I have not complained or wrote to the manufacturer that I'm not satisfied, instead I changed the manufacturer. "

Even in the basic principle of the economics of enterprises, which is reflected in the thesis "maximum results with minimum investment", there is a trace of the creative and rational request that men can only achieve. This is, of course, also the case with the principles of productivity, efficiency and profitability. Functionality, as the basic characteristic of business associations, as well as targeted orientation and clearly defined laws as conditions for achieving these goals, require the appropriate behaviour of men.

Appropriate behavior can be achieved by management methods and instruments for the design of the system and by promoting behavior, which is an integral part of a comprehensive management function, i.e. of targeted guidance of employees at all levels. Therefore, in the contemporary concept of human resource management the behavior is the basic postulate. Good organization and effective management emerge as factors that significantly contribute to the cohesion of business associations. Behavior of employees is planned and fine tuned in the function of general management concepts of economic society. That is why some of its parts must serve the whole, so that the idea could be realized. Hence, the need for hierarchy and subordination appear i.e. the obligation of an individual to carry out the tasks given by managers. Successful functioning of the management system depends on their knowledge and skills.

Dr Vicentijevic concludes by saying that scientific and technological progress, market, competition, international relations, etc. create permanent changes that primarily require for the management, i.e. the managers at all levels to adapt to changed circumstances and new challenges, to change their business and development strategies, organizational structure, skills, knowledge and secondly, in order to survive in a constantly changing environment. Business association must be

ready to manage the constant changes that occur, because only in this way it can ensure further existence and development.

## 8. Questionnaire Analysis

To get an image of the structure of employees in a number of Serbian companies I have created a questionnaire of fourteen questions. These questions are the following:

1. How many employees does your company have?
  - a) Up to 50
  - b) Up to 100
  - c) Up to 1000
  - d) Over 1000
2. What is the educational structure of your employees?
  - a) Primary education
  - b) Primary education plus vocational training for the position
  - c) Vocational secondary education
  - d) Vocational secondary education plus training for the position
  - e) College education
  - f) University and postgraduate education
3. What is the age structure of your employees?
  - a) Under 30 years on average
  - b) 30 years on average
  - c) Up to 40 years on average
  - d) Over 40 years on average
4. What is the number of women in management positions?  
Top management \_\_\_\_\_  
Middle management \_\_\_\_\_
5. In which ways do you hire employees?
  - a) Through inner ads (through recommendations)
  - b) Through public ads
  - c) We use outsource service (head hunting agencies)
  - d) In some other way
6. Do your employees have regular trainings and do they attend them?
  - a) Our employees are professional enough and they do not need additional trainings.
  - b) We regularly organize professional development trainings, but employees attend them reluctantly.
  - c) We regularly organize professional development trainings and employees attend them gladly.

7. Do the employees apply the newly acquired knowledge, after the trainings?
  - a) Employees reluctantly apply the newly acquired knowledge.
  - b) Employees are cautious in applying the newly acquired knowledge.
  - c) Employees entirely apply the newly acquired knowledge.
8. What motivation methods for employees do you use?
  - a) Regular team building activities
  - b) Job evaluation system
  - c) Some other way (please describe)\_\_\_\_\_
9. Do you create a social programme during labour rationalization? (If the answer is yes, please describe some characteristics of the programme.)
10. What is the employees fluctuation level in your company on annual basis?
11. What are the most common reasons for breaking an employment contract?
12. What do your employees lack?
13. Do your employees accept changes in forms of new procedures? (Quality management)
14. Do you have something to add to describe better your employees?

The questionnaire was distributed to 20 HR services in the following activities: five consulting companies, five NGOs, one insurance company, three banks, a commercial company, two transport companies, a travel agency and two catering companies. In due time, which is accentuated in the questionnaire's cover letter, ten HR services answered, and after the scheduled time, with the additional urging, five more HR services sent their replies. The questionnaires were delivered to the companies who in their vision and mission, i.e. published business policy, have pronounced willingness to actively cooperate with society and contribute to improving all kinds of standards (communication with the public, the development of social consciousness, corporate social responsibility).

## **The Replies**

### **1. How many employees does your company have?**

- a) Up to 50
- b) Up to 100
- c) Up to 1000
- d) Over 1000

One out of 15 companies has responded that it has engaged more than 1,000 employees and further explained that not all hired employees have permanent employment contracts, three banks have responded that they have 1000 employees, and the other eleven companies responded that they have up to 50 employees.

## 2. What is the educational structure of your employees?

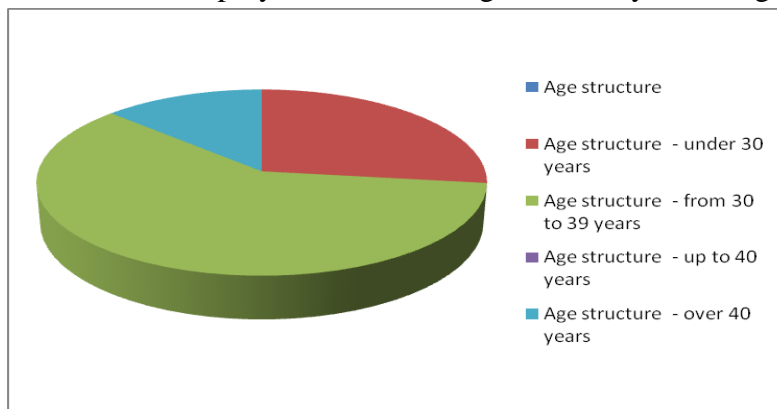
- a) Primary education
- b) Primary education plus vocational training for the position
- c) Vocational secondary education
- d) Vocational secondary education plus training for the position
- e) College education
- f) University and postgraduate education

This question was not clearly formulated, but nevertheless all respondents gave answers and the result is the following: ten subjects, i.e. five consulting houses and five NGOs have responded that their companies have only employees with higher and advanced higher education (MA and PhD degrees). Four subjects, i.e. two transport companies and two trade companies have responded that among their employees up to 10 percent have university degrees and the other ninety percent have secondary vocational education with additional trainings. At the end of this answer, it should be noted that activities of the companies that answered this question do not represent proportional picture of the Serbian economy, and consequently it could not be concluded that most employees in Serbia have higher education degrees.

## 3. What is the age structure of your employees?

- a) Under 30 years on average
- b) 30 years on average
- c) Up to 40 years on average
- d) Over 40 years on average

Ten companies responded that their employees, on average, are between 30 and 39 years old, three companies responded that their employees are on average under 30 years of age and two companies responded that their employees are on average over 40 years of age.





#### 4. What is the number of women in management positions?

**Top management** \_\_\_\_\_

**Middle management** \_\_\_\_\_

Five companies responded that in top management positions they have 30% of women and 70% of men, while the same companies have 50% of women and 50% of men in middle management positions. In three companies there are no women either in top or in middle management positions. In two companies there are 60% of women and 40% of men in the top positions, and the ratio is the when middle management positions are concerned. In two companies there are 15% of women and 75% of men in top management positions, while in one them there are 65% of women and 35% of men in middle management position and in the other this ratio is 70% of women and 30% of men. The remaining three companies have the same answer, and in their management teams there are 10% of women and 90% of men in top positions, and 55% of women and 45% of men in middle management positions.

The chart looks like this:

Top management				Middle management		
Number of companies	Number of women	Number of men		Number of companies	Number of women	Number of men
5	30%	70%		5	50%	50%
3	0	100%		3	0%	100%
2	60%	40%		2	60%	40%
2	15%	75%		2	65%	30%
3	10%	90%		3	55%	45%

From this response the phenomenon of glass ceiling can be clearly seen, i.e. that in most companies women have equal or higher representation, and still the top management positions are mainly reserved for men.

#### 5. In which ways do you hire employees?

- a) Through inner ads (through recommendations)
- b) Through public ads
- c) We use outsource service (head hunting agencies)
- d) In some other way

15 interviewees who responded to the question on recruiting, more precisely on sources of candidate recruitment, gave quite different answers. All five consulting companies responded that they search candidates for their members through "internal ads", i.e. through referrals. Mostly the candidates are recruited on the recommendation of university professors, of scientific institutes or on the recommendation of proven experts in a particular area. Three companies responded that they use services of headhunting agencies. Seven companies responded that they invite candidates to apply for the positions through public ads, and that they often have their own stand at job fairs, where they collect CVs of interested candidates, after which their HR staff creates database and recruits the candidates when needed.

From these responses one can conclude that employers in Serbia lean towards the conservative approach of finding candidates and that only in individual cases they ask for help from outsource specialized companies to find candidates. Transparent invitation to interested candidates is good because then the number of candidates among which one seeks future employees is more varied and bigger. The choice, of course, depends on the experience and knowledge of the person who is responsible for selecting candidates. Also, for certain activities a common way of finding new candidates is through internal channels, i.e. recommendations. Headhunting agencies, as already explained in this study, are relatively new in Serbia and their engagement has a future. It is assumed that in the future their services will be used more.

#### **6. Do your employees have regular trainings and do they attend them?**

- a) Our employees are professional enough and they do not need additional trainings.**
- b) We regularly organize professional development trainings, but employees attend them reluctantly.**
- c) We regularly organize professional development trainings and employees attend them gladly.**

When asked about the regularity or the possibility that their employees attend vocational trainings, the respondents gave the following answers: two transport companies responded that 90% of their employees are drivers who have not attended any training so far, but that due to the new legal obligation to pass an examination for professional driver's license they were required to attend specialized training and showed great interest in it. Seven other respondents answered that they regularly organize training for their employees, who attend them gladly.

Three respondents replied that their employees have enough expertise to perform their jobs and that consequently they do not need any additional training.

Three of the respondents replied that they regularly organize trainings, but that employees are reluctant to attend them.

**7. Do the employees apply the newly acquired knowledge, after the trainings?**

- a) Employees reluctantly apply the newly acquired knowledge.**
- b) Employees are cautious in applying the newly acquired knowledge.**
- c) Employees entirely apply the newly acquired knowledge.**

According to the responses obtained from HR offices/persons to this question on the application of acquired knowledge we get the following picture:

Six of the respondents answered that the staff fully apply the newly acquired knowledge, five of the respondents answered that their employees are cautious in applying the newly acquired knowledge and four of them said that their employees are reluctant to apply new knowledge, i.e. they show resistance to new knowledge.

**8. What motivation methods for employees do you use?**

- a) Regular team building activities**
- b) Job evaluation system**
- c) Some other way (please describe)\_\_\_\_\_**

All respondents answered to this question by circling the answer under C. As the non-financial motivational techniques they mentioned the following ones:

- All 15 respondents mentioned working conditions.
- Nine respondents mentioned the company's policy.
- Five subjects responded – the challenge.
- Six of them mentioned the liability.
- Advancement was mentioned by ten respondents.
- Five respondents said creating new contacts.
- The possibility of personal development was mentioned by seven respondents.
- Four respondents mentioned corporate social responsibility.

As financial motives the following were mentioned:

- Additional pension and life insurance was mentioned by five interviewees.
- Three respondents mentioned the possibility to increase their income.
- One respondent said housing credit.

**9. Do you create a social programme during labour rationalization? (If the answer is yes, please describe some characteristics of the programme)**

Four subjects answered this question and what they listed as the main characteristics of their social programs is as follows:

The program is developed in accordance with the law, and includes financial severance pay. When making a choice with which employee the contract will be terminated they take into account the age of the employee, so those who are old enough for early retirement receive higher severance pay and those who do not yet fulfill the retirement conditions or are not close to it, do not get fired. Also they take into account that if several family members are employed in the company, at least one will remain working. Single mothers also have certain privileges.

**10. What is the employees' fluctuation level in your company on an annual basis?**

Only seven respondents answered this question is answered. The two of them said that they had fluctuation of 10%, explaining that the employees who left the company were not strong enough to withstand the stress brought on by their workplace.

**11. What are the most common reasons for breaking an employment contract?**

Seven of the interviewees responded to this question by saying that during the last year there was no breach of employment contract in their companies. The others mentioned the following reasons for the termination of employment contracts: retirement, termination of the employment contract on the request of the employee due to transition to another job position/company, and two respondents also cited the violation of work discipline and not achieving anticipated objectives (i.e. performance).

**12. What do your employees lack?**

In replying to this question, respondents cited several observed shortcomings of their employees: 9 respondents cited motivation, 7 respondents the fear of change; 6 respondents mentioned resistance to acquiring new knowledge; 6 respondents said self-initiative; and two respondents stated that their employees are individuals who, after several team building trainings, failed to become sensible to teamwork.

**13. Do your employees accept changes in forms of new procedures? (Quality management)**

Twelve interviewees answered that during the last year they did not introduce any new procedure; three respondents indicated that their employees have not had any problems with introducing new procedures in the work process.

#### **14. Do you have something to add to describe better your employees?**

All respondents answered by "commending" their employees and said that they are: professional, accurate, disciplined, innovative, hard-working and successful.

### **9. An Interview with SIEPA's Mr. Dragan Pejic, Marketing and Research Advisor**

Mr. Pejic is Marketing and Research Advisor in the Serbian Investment and Export Promotion Agency (SIEPA) who is of the opinion that high productivity and low labor expenses are among most important Serbia's advantages. Mr. Pejic also claims that any further development of competitiveness requires new labor market reforms. In the following passages I will try and summarize his standpoints and views of human resources potential in Serbia.

First and foremost, he stresses the fact that human resources, with quality and price as their main attributes, are traditionally ranked high on the list of factors that dictate the choosing of locations for investment. Of course, it should not be forgotten that their relative importance varies from sector to sector (For example in labor-intensive industries, such as textiles or footwear, labor costs are of elemental importance, but, on the other hand, in more capital intensive sectors that utilize sophisticated knowledge, the quality of intellectual capital bears a considerably heavier weight).

The latest findings relate the global investment trends in the area of research and development, and show that the offer and quality of workforce rank second among investment determiners. In seconding this Mr. Pejic provides the data that in an annual poll conducted by the German Economic Association, almost 60 percent of German companies operating in Serbia said that productivity and the effort put forth by employees were the most crucial criteria, while similar percentages also noted legal security, political stability and functioning internal markets.

In Mr. Pejic's opinion when taking into consideration the aspect of making Serbia a competitive investment destination, the essential issue refers to perception of quality and price of domestic workforce. Generally speaking, the quality of workforce is a very complex category, but can be reduced to two basic components: offer and productivity. In other words, employers take into account the availability of work force and their measurable productivity levels. In recent 10 years, the official statistics in the Republic of Serbia reports high productivity growth, and in the industrial sector since 2001, growth has been recorded at more than 10 percent annually. Although

some might claim that this result can partly be explained by a growth in employment, Mr. Pejčić is of the opinion that strong economic growth suggests that there is still substantial real growth of produced value, especially in the privatized segment of the economy. Moreover, he says that unlike official quantitative data, which does not illustrate precisely the nuances in terms of productivity within the social or state sector, on the one, and private, on the other hand, a qualitative analysis of experience of foreign and domestic investors shows positive results. Thus it is not a surprise that, judging in terms of a universally recognized growth in productivity of domestic labor, Serbia ranks above the region average and continues to improve the business environment through various incentive mechanisms, subsidies and similar instruments.

Mr. Pejčić also tackles the data collected on unemployment, which currently is above 21 percent, and shows there to be a deficiency in the current offer of educational profiles (which do not correspond to the needs of a modern economy). When one takes into the account factors of so-called 'hidden-employment', the real unemployment rate drops by several percentage points, though the fact is that a substantial portion of the working age population is unable to find adequate employment for the simple reason that there is no demand for their skills. And precisely this is identified as the main problem of the today's youth in Serbia. Although the Serbian educational system has certain advantages, such as, for example, the quality in technical sciences education, to a great extent it is still shaped according to characteristics of economic structure from the industrialization period. Consequently, there is a chronic shortage of certain professions, especially managers of various profiles, as well as certain profiles from secondary vocational education. In contrast to this, the surplus of engineers leads to acute problem of skilled employee exodus, or brain drain, which is another huge problem of the Serbian society that continued as a negative trend from the 90's.

It is interesting to note that the above mentioned shortages, in the Serbian labor market are described in detail in 2006<sup>115</sup> study by the Organization for Economic Cooperation and Development (OECD)<sup>116</sup>, under the title "Investment Reform Index". This report states that in terms of the degree of human capital development, Serbia is on the average among the South East European countries, behind Croatia, Romania, Montenegro, Bulgaria and Macedonia. The dissatisfactory result comes, first of all, from a low assessment given to the quality of the system of education and training of the workforce. The OECD report suggested a series of measures for improving workforce performance, some of which have already been put into effect and it is expected for the results to be published in near future. The widest reforms were implemented in the area of education of managers as well as secondary vocational education. Nowadays, a number of well-known international business schools offer licensed graduate and post-graduate programs for business administration, thus an increase in local managers training to take positions in multina-

---

<sup>115</sup> This was the first study. The second is expected to be finished in March 2010.

<sup>116</sup> Investment Reform Index, OECD,  
[http://www.oecd.org/document/28/0,3343,en\\_2649\\_40340912\\_40349212\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/28/0,3343,en_2649_40340912_40349212_1_1_1_1,00.html), 27th February 2010



tional companies operating in Serbia is currently ongoing and is expected to continue. On the other hand, the secondary vocational school reform program is already entering its second phase; since 2003, experimental vocational programs have been introduced in over 70 schools, almost 30 educational profiles have been developed or re-defined, around 1,000 teachers completed training for new educational programs, while the school infrastructure has been significantly modernized.

Mr. Pejčić adds that, thanks to relatively competitive salaries, Serbia is, at this moment, perceived as an investment destination with quite low workforce cost. More precisely, the most drastic examples are sectors with a great share of manual work – production of yarn and textile, clothes, or furniture, in which average salaries range from 270 to 290 euros a month, and where already considerable foreign investments have been made, especially by Italian firms.

Nevertheless, cost competitiveness has been brought into question, as the country has significant salary growth in the past three years. In 2009, compared with 2008, the nominal increase of average annual net salaries cumulatively amounted to almost 54 percent, and an acute upward trend has continued up to 2010, with a growth rate of 29 percent, compared with the previous year. While average salaries are still nearly twice as low as in new European Union member states, such as Poland, the Czech Republic and Hungary, Serbia is already positioned second in the South East European region, right after Croatia. Therefore, Mr. Pejčić in a way concludes that the space for maintaining cost advantage should be sought in limitation of salary increase in the public sector as well as in additional tax incentives for employers. Moreover, part of the measures have already been implemented by reducing income tax and by introducing numerous tax incentives over the past years, and, according to earlier announcements, the medium-term objective should be reducing total payments for taxes and contributions to the level of 50 percent of net income.

Finally, as Mr. Pejčić strongly points out that competitiveness is a dynamic category in the economy. It is a fact that with a large influx of foreign investments, average salaries gradually grow, at the same time reducing costs advantage of investment location and putting it before the challenge of development of the qualitative component of competitiveness. Therefore, economies on a higher level of income have in common the promotion of their potentials in terms of quality of intellectual capital, degree of education and knowledge of local population, productivity of work and other non-price elements of the business environment. As a consequence of such orientation, these economies generate large projects in technologically intensive branches, based on sophisticated know-how, which is, as a rule, characterized by higher salaries, and which ultimately brings about an increase in living standards and well-being of the nation.

At the end, Mr. Pejčić concludes that in the context of the investment and economic policy in general, all these above mentioned lessons could be useful when creating appropriate planning

documents. If Serbia wants to reduce the difference on the developmental level, first of all, in comparison with new European Union member states, it needs new projects in branches that generate great additional value and high profit margins. The execution of this objective, as the experience of so-called „Asian tigers“ show, is not an issue of whether it is viable (or not), but is an issue of long-term strategic determination, which means further radical reforms, including labor market reform.

### Average salaries

The latest information on average salaries in Serbia, provided by the Republic Bureau of Statistics is as follows:

Average monthly salaries per employee in the Republic of Serbia in 2010						
Month	Description	Average monthly salary per employee			Average monthly salary without taxes and contributions	
		„The Official Gazette RS“	Gross earnings	Chain index	Net earnings	Chain index
January	Total	9/2010	41.651	81,5	29.929	81,4
	Economy		40.635	87,3	29.291	87,0
	Non-economy		43.741	72,4	31.240	72,4

Resource: National Statistic Office

According to recently published data of the Republic Bureau of Statistics:

- Fivefold the amount of average monthly gross earnings per employee (the highest base for contributions) amounted to 208,255.00 dinars (5 x 41.651,00), which means that above that level contributions are not paid, but only a tax of 12%. This amount applies from 1<sup>st</sup> to 31<sup>st</sup> March 2010.
- Net minimum wage is 87.00 dinars per hour, or 13,920.00 for February (87.00 x 160). This amount is valid until they publish the new minimum income per hour of work for the period January-June 2010.

## 10. Conclusions

Based on read literature references, research done through questionnaires and on interviews with Prof. Vicentijevic and Mr. Pejic, who have significant experience and proven expertise in the area of human resource potential in the Republic of Serbia, certain conclusion could be made.

First and foremost, Serbian prospective employees are highly motivated, well educated, very skillful, and at the same time not that expensive when compared with their colleagues from EU countries. Yet, it should be also mentioned that there is a need for application of new skills and modern technologies, in order to make the production more effective. It is true that Serbian workers reluctantly accept changes, but it is also clear to them that without these changes there is no improvement whatsoever.

Further on, employees' motivation is highly expressed due to the lack of good projects, especially in technologically intensive branches, and due to decreased demand for new employees. Although the need for education is certain and unquestionable, experts still claim that good selection means saving money on trainings.

Having all this in mind, when thinking about investing in Serbia and thus recruiting new employees, one should hire headhunting agencies in order to get the best candidates. And of course, not to forget to obey the rules and regulations proscribed by the Serbian Government and relevant European institutions, especially when applying affirmative action measures is in question.

To conclude with, to manage employees in Serbia it is highly necessary to know the local conditions and customs. It is necessary to encourage management to directly communicate to associates both the meaning and the application of new procedures and instruments and thus to increase their approval. Moreover, it is necessary to plan the development of human resources in Serbia, which is a common task of employers, the state, which manages the education system, and the individual, who should work hard to improve their own skills and market competitiveness. And, finally, the necessity that the entire community is acquainted with all these plans should not be forgotten.

## Reference list

1. Buono, Anthony F., and James L. Bowditch: The Human Side of Mergers and Acquisitions: Managing Collisions Between People, Cultures and Organizations, San Francisco: Jossey-Bass Publishers, 1989
2. Bowin, Robert Bruce, Don Harvey: Human resource management: an experiential approach, 2nd ed.
3. Correa M. Carlos, Kumar Nagesh: Protecting Foreign Investment, Academic Foundation in India, 2003
4. Greer Charles R.: Strategic Human Resource Management, 2nd ed, Upper Saddle River, New Jersey, 2001
5. Internet: [http://www.managementhelp.org/hr\\_mgmnt/hr\\_mgmnt.htm](http://www.managementhelp.org/hr_mgmnt/hr_mgmnt.htm)
6. Internet: <http://www.srbija.gov.rs/>
7. Internet: <http://www.pks.rs/>
8. Internet: <http://webzrzs.statserb.sr.gov.yu/axd/drugastrana.php?Sifra=0014&izbor=odel&tab=53>
9. Investment Reform Index, OECD, [http://www.oecd.org/document/28/0,3343,en\\_2649\\_40340912\\_40349212\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/28/0,3343,en_2649_40340912_40349212_1_1_1_1,00.html), 27th February 2010

# *The Kibbutz in Israel: Democracy and Economic Efficiency*

By Philippe Broda



*Kibbutz – is this a social romantic place where Western Europeans from the 1968 generation (and later) could spend their “working holidays”, or is it a social or labour management experiment of a state in creation, like Israel was it around 65 years ago? It is worth while to discuss and analyze the Kibbutz phenomenon – without any ideologies, from its historical, social and theoretical aspects. The author, Philippe Broda, is professor and researcher in economics and strategy at the renowned Negocia Business School in Paris, France, where the Ph.D. and economist (who also researched extensively about game theory), who also has degrees in history and political science, is part of the permanent teaching staff. Founded in 1992 by the Paris Chamber of Commerce and Industry (CCIP) his school, Negocia, is one of the leading French business schools, where besides advocating a pluri-disciplinary approach he is also the coordinator of the teachers of economy. The subject here has been prepared for a colloquium on cooperative movements where the author examined the statutory impact on the efficiency and the organization of the management.*

## INTRODUCTION

From a historical point of view, the kibbutz constitutes one of the most advanced forms of economic cooperation. It has been defined as « an organization for settlement which maintains a collective society of members organized on the basis of general ownership of possessions. Its aims are self-labor, equality and cooperation in all areas of production, consumption and education. » (Cooperative Societies Register), it promoted absolute egalitarianism and total collectivism since its inception. In the kibbutz, which belonged to cooperativist and socialist movements in a broad sense, economic and political democracy were supposed to be equivalent. The first communal settlement, Degania, was established in 1910 when land owned by the World Zionist Organization was handed over to a group of pioneers. In current times, there are 270 kibbutzim. But, despite the apparent success, changes which bring into question its original philosophy occurred inside the kibbutz movement.

In 2007, a few years before celebrating one century of kibbutz life, the Israeli newspaper *Haaretz* announced that Degania resigned itself to imitating numerous other kibbutzim in their shift to-

wards privatization. Even if this decision is quite in accordance with the trend, its symbolic dimension induces an assessment of the reasons for the slackening of the collective discipline inside the kibbutz movement. Interestingly, the members of kibbutz Degania which voted in favor of the privatization in an overwhelming majority justified their choice in claiming it was the best way to save their socio-economic model based on solidarity. They had not changed values. This means *a contrario* that they had reached a conclusion: the premise of absolute egalitarianism unique to the original kibbutz is counter-productive in the end.

This paper will address the issue of the evolution of the relationship between democracy and efficiency in the kibbutz from the perspective of organizational and economic analysis. It will be divided into two parts: the first, the kibbutz model will be examined. In the first section, the ideological conditions which gave rise to its emergence will be portrayed. It will clarify why the kibbutz was in obsessive search of performance. It must be specified that the premise of absolute egalitarianism depended on this constraint of accomplishments. The second section will give an account of the economic evolution, from small to large communities. The positive outcomes rested on the division of labor and on returns on scale. The diversification of the kibbutz activities can be similarly explained.

In the second part, the encounter between the egalitarian values of the kibbutz and the complexity of modern economy will be approached. The first section will be dedicated to the social and organizational changes resulting from the economic development of the kibbutz. Democracy became less direct, more representative. An imposing bureaucratic apparatus accompanied this metamorphosis. The environment was conducive to growing manifestations of individualism. In the second section, economic analysis of political organization will be applied to the kibbutz case. With their respective theories, Mancur Olson and Gordon Tullock provide key elements for understanding *a priori* unexpected phenomena in a structure like the kibbutz.

## 1. THE KIBBUTZ MODEL

The kibbutz is not the unique cooperative form of Israeli agriculture. The *moshav* is a farmer's village where individualism and collectivism are juxtaposed in everyday life. Private property exists next to cooperative practices at the organizational level of land exploitation<sup>117</sup>. However, as soon as the uniqueness of Israeli agricultural institutions is mentioned, the word kibbutz automatically comes to mind.

Whereas **less than 3% of the population** lives there, the kibbutz is yet depicted as a prominent feature of the state of Israel. It is possible to explain such a paradox by underlining the extreme collectivism of its founding fathers, as well as their plans and achievements. Therefore, the origins of the kibbutz movement will be explored (1.1) followed by how this utopia became real in concrete terms (1.2).

---

<sup>117</sup> The *moshav chitoufi* represents the form where egalitarianism and cooperation are the most developed. Even accommodation is provided by the collectivity. Only earnings which are paid with money keep traces of individualism through consumption.

## 1.1 ROOTS AND WINGS

The concept of the kibbutz is based on two ideological sources, Zionism and socialism. Zionism aims to return the Jewish people, scattered all over the world for approximately two millennia, to the land of Israel. Zionism must be understood as a nationalist project as part of a wide-ranging movement that submerged the European continent during the nineteenth century<sup>118</sup>. From that perspective, Jews were similar, for instance, to Greeks, Hungarians, Italians or Poles. What makes their nationalist movement specific is that, first, their loss of independence lasted very long and, second, its expansion has been connected to threats and persecutions suffered by the Jews in the *Diaspora*, since they believed that genuine integration into the societies in which they lived would remain impossible.

Zionists expected to be emancipated from a painful history and create a « new Jew». In their country of origin, in a new environment, the Jews would cease being peddlers, small shopkeepers, moneylenders; professions that were reserved to them. They would transform themselves radically, which explains the strong attraction towards the regenerative power of the land. This concern about the living conditions in order to offer men better chances to express themselves and develop led to the establishment of a connection between Zionism and socialism. Considering environment as crucial is recurrent, indeed, in the socialist mindset. In fact, Gordon, who founded the party *Hapoel Hatsair* (Young Worker) in 1905, and is described as an emblematic figure of the kibbutz movement, was inspired by Tolstoï and Populist Socialism<sup>119</sup>.

Socialist matters of preoccupation are fundamentally different from those evoked by Zionists. Their dissatisfaction and anger are directed towards the functioning of economy and man's exploitation by man resulting from it. Even among authors who are classified as Utopian socialists, differences are sometimes obvious. The comparison between Buchez's « production cooperative », Blanc's « social workshop » and Fourier's « phalansteries » is a convincing illustration of that point. Similarly, Theodore Zeldin observes: « Owen (...) hoped to transform human nature by modification of his environment, Fourier wished to adapt environment to human nature » (1994, p. 98)<sup>120</sup>. This does not prevent them from agreeing on bringing about drastic changes in order to improve the living conditions of human beings.

This remark applies too for the scholars affiliated with the Marxist movement. They also insist on the elimination of exploitation and on the rise of a new society which must replace the old social order. Lyssenko's theories were considered as an authority in communist circles during Stalin's

---

<sup>118</sup> On the origins of the streams of thought which defended with enthusiasm the Right of the People, their connection to the French Revolution and to Human rights, see Kriegel (1998, p. 235-278).

<sup>119</sup> On Gordon, see Joubert (2006).

<sup>120</sup> In addition to Zeldin, Gueslin (1987) like Villey and Nême (1996), present a valuable synthesis on these authors.



rule. They are symptomatic of this state of mind: accepting the inheritance of acquired characteristics allowed the emergence of a new man to be attainable. His appearance only depended on putting an appropriate political system in place<sup>121</sup>. Without any doubt, Lyssenkoism is an awful exaggeration. Yet, for Lenin, Trotsky and their predecessors, liberating the human being from the yoke of capitalism and setting up the conditions for his advancement are truly present.

In other words, Zionist and socialist influences have caused the social standards of the kibbutz model to become very high. Its purpose was to contribute to building a new society. It is not identical with social economy which is generally characterized with power decision and distribution disconnected from capital ownership (Gueslin, 1987, p. 5). Cooperative strategies usually are intended to protect people devoid of means, to give them a possibility to organize themselves economically, not to be crushed by the economic system. This is why the cooperative phenomenon does not include only workmen and craftsmen. As Patricia Toucas points out, the existence of traders cooperatives expresses « an implicit recognition of the associative practices for the weakest actors of capitalism » (2005, p. 70). Then, compared to the kibbutz, the traditional objectives of cooperation are surely useful but they are also more restricted.

Ideology bears upon the kibbutz development all the more so since it is a *creatio ex nihilo*. In most cases, its founding fathers did not have any knowledge or experience in agriculture in their previous life. Unlike people belonging to Mexican *ejido*, for example, their love of the land and of agricultural labor was completely theoretical. They started from scratch. These ideological aspects must not be seen as kibbutz exclusivity. They have been commonly shared for a long time with structures, such as *kolkhoz* or *sovkhoz*, existing in the communist countries. Nevertheless, these models have a difference: kibbutz presupposes free will - nobody is forced to go, to live or to stay there - in addition to the fact that the kibbutz did survive<sup>122</sup>. Finally, it is certainly the combination of aspiration to collectivism and of individual consent that represents its real trademark.

However, since its early stages, this outstanding human experience aroused permanent intellectual interest coming from sympathizers as well as from onlookers. Thus, the first kibbutz, Degania, registered among his most famous visitors Albert Einstein, his wife and Ian Mazaryk, the Czech politician. The challenge to be undertaken was necessarily proportional to this craze. Taking into consideration that natural conditions were harsh for agriculture (lack of water, bad soil quality, hot climate...), the task was not simple at all. Besides, several other attempts of agricultural settlements in Palestine had been carried out since 1882 by Zionists immigrants. Each of

---

<sup>121</sup> See Buican (1978). More specifically, as to the fallacies of Marx and Engels on the theories of evolution, see D. Lecourt, (1983)

<sup>122</sup> For a worldwide survey of cooperative practices in the agriculture during the 1960s, see the proceedings of the international symposium organized at Tel Aviv in 1965 (Desroche (ed.), 1966). Part of the practices have disappeared but, although dated, the interpretations are challenging.

them failed, one after the other<sup>123</sup>. Would kibbutz succeed to grow? Would its performance be worth of admiration? Would it be deemed as really exemplary?

## 1.2 KIBBUTZ ACHIEVEMENTS

Strictly speaking, neither Zionism nor socialism is monolithic. Therefore, a movement issued from their intersection was unlikely to become undiversified. Yet, despite unavoidable conflicts in doctrine and a multiplicity of schools of thought, the similarities between kibbutzim are substantial<sup>124</sup>. This common denominator brings to light some shared characteristics and difficulties even if the answer provided by every individual kibbutz could be varied and idiosyncratic. Under these conditions, investigating the ideal type of the kibbutz in the Weberian sense can be relevant. The convergence is all the more remarkable since the building of the model has been rather matter-of-fact, in a decentralized and pragmatic way. Unless it is the confrontation with reality which actually explains why different kibbutzim did attain such similar questioning...

Kibbutz pioneers admit themselves: their first steps proceeded from an experimental approach, from a process of trial and error, more than from an preconceived plan. Entrusting the group with child education despite the inevitable destruction of the family cell could certainly be justified for the sake of community. But the first birth in Degania did not conform with any scheme of this kind. The mother brought the baby to work and everybody spontaneously took care of him (Delouya, 1982, p. 55). It could be easy to produce many similar illustrations. The conclusion is that the coordination between kibbutz members had been fulfilled through « mutual adjustment» more than through « standardization of norms» according to Henry Mintzberg's terminology. This point is significant because, when the situation became stable and normalized, the egalitarian principles were often set by rules drawn from the behavior of the founding groups.

The respect commanded by the first viable agricultural settlements belonging to the Zionist movement was so strong that it sometimes led the new kibbutzim to only replicate the formulae which were supposedly synonymous with success. If it worked once, why not again and again? Thus, some contended that the number of members in any kibbutz should be twelve for the unique reason that Degania had been founded by twelve people (Laqueur, 1973, p. 320). In the fierce controversies which caused opposition between supporters of small and large communities,

---

<sup>123</sup> Exploitations based on extensive culture of cereals, vineyards designed for export, etc. (W. Laqueur, 1973, p. 92-98)

<sup>124</sup> The kibbutzim assembled and formed federations which corresponded to their ideological orientation. Historically, The United Kibbutz Movement (Takam), prevailing and close to the Labor Party, was differentiated from another movement, Kibboutz Artzi, much more left-wing. Both movements have partly merged in 1999. The vast majority of the kibbutzim are comprised in the union. The Religious Kibbutz Movement (Hakibbutz Hadati) is minor. Its functioning is far from the general pattern on decisive points, especially the relationships between men and women.

the former camp seemed to have robust arguments. Darin-Drabkin discloses statistical data showing that the family net income in Degania and in some Galilean farms were equal whereas the utilized agricultural area in the kibbutz was half the size (Darin-Drabkin, 1970, p. 53). The higher productivity level could be explained by motivation and versatility among group members, knowing that these qualities could be diluted in larger communities<sup>125</sup>. On the other hand, the latter camp could expect to benefit from returns on scale and fixed costs per unit.

According to Robbins (1932, p.16), economics is defined as a domain which studies « human behavior as a relationship between ends and scarce means which have alternative uses». In tribes of hunters-gatherers, wants are limited. Consequently, the daily working time devoted to the quest for food, which represents most of the productive activities, does not exceed five hours per day (Sahlins, 1976, p. 56). The needs of kibbutz pioneers were modest too. From a material perspective, their starkness has even been considered as legendary. Yet, they never hesitated to work more than ten hours per day - since, as already indicated, their collective objective was especially ambitious. The dream to make the « desert bloom » and to hasten the appearance of a « new man » required huge economic efficiency. The question was not to merely survive but to grow. And factually the large communities turned out to be more economically efficient than the others.

The kibbutz population has regularly increased since 1910, apart from the period 1940-1950 owing to political events, and notwithstanding an indisputable settling during the crisis in the 1980s<sup>126</sup>. It must be recalled that the kibbutzim decided to break away from the traditional methods employed in local agriculture. They chose strategies based on intensive agriculture. The progressive introduction of mechanization was fostered by socialized means of production which brought the average production cost down. Thus, the wider the cultivated area was, the more modern and efficient the equipment needed to be. Mixed farming was complementary to that plan. But other factors also stressed the link between efficiency and size, such as the close collaboration between kibbutzim and Israeli research institutes. Innovation (crossbreeding, drip irrigation...) has been more stimulated in large size kibbutzim<sup>127</sup>.

In this context, kibbutz industrialization occurred rather early and served simultaneously several goals. It is logical that the diversification strategy brought new economic opportunities. But it also provided with work the members deprived of activity following the agricultural mechanization - corresponding to the « spillover effect » due to Alfred Sauvy - likewise those with personal constitution insufficiently strong to carry out physical tasks - it must be remembered that elders continue to work in the kibbutz. Industrialization eventually facilitated the regulation of economic activities disrupted by seasonal work in agriculture. Factories appeared then in the kibbutzim,

---

<sup>125</sup> A charming anecdote highlights the alleged danger of large and impersonal communities for the group solidarity: Two men meet in town and then discover that they are living in the same kibbutz (Laqueur, 1973, p. 354).

<sup>126</sup> See the figures in appendix.

<sup>127</sup> Darin-Drabkin (1970, p. 110-116) scrutinizes all the advantages.

in the beginning in sectors characterized by relatively standardized methods of production (paper, plastic, textile industries...) and later in high tech industries (optical industry, medical equipment...). In any case, the industrial dimension confirmed that productivity and profitability increase with the size of production units<sup>128</sup>.

Adam Smith, who was the first to propose an economic investigation of the division of labor, argued that it was limited by the extent of market<sup>129</sup>. In a sense, the kibbutzim adhered to that assertion since they quickly abandoned their original plans to reach autarky. They raised their number of activities insofar as outlets were existing. In parallel, kibbutzim developed mechanisms of cooperation between themselves in order to encourage specialization. For Smith, the extent of the market was ending up breaking down the work into more simple tasks which were bringing about greatest skill for the workers. Put differently, the advantages in the division of labor were originating from man. In the kibbutz, on the contrary, gains came from size effects, mechanization and organizational aspects. This lack of differentiation in economic, social or productive terms complied with the ideology. But, with the economic modernization, the place of the worker had to change. Far from the simple structure resting on versatility, the economic complexity in part of the new activities was requiring specific talents, individual skills, that is professional specialization. Going back to Adam Smith or not, this has not been without influence on the overall evolution of the kibbutz.

## 2. DEMOCRACY TO THE TEST OF EFFICENCY

At the end of the 70s, with about 40 % of the agricultural production in the country, 5% of the industrial production and 5,5 % of the exports, kibbutz seemed to be an economic winning bet. It could be also described as a social model in the eyes of its tremendous contribution to public life in Israel: the high percentage of kibbutz members who held command positions in the army proves it. Yet, kibbutz got into trouble. In the following decade, the kibbutz plunged in existential crisis due political and economic causes. The decline of Labor State and of « constructivist socialism » - the kibbutz represented one of their common symbols - is a hint of this erosion. The governmental policy against inflation, which caused a rise in kibbutz indebtedness, accelerated the trend (Rosolio, 1999)<sup>130</sup>. Nevertheless, internal factors may also possess an explanatory power. Thus, describing the organizational changes that weakened solidarity inside the kibbutz (2.1) is a preliminary condition to understanding few pernicious and unintended effects related to the creeping individualization of the behaviors (2.2).

---

<sup>128</sup> The site of Kibbutz Industries Association ([www.kia.co.il](http://www.kia.co.il)) offers accurate information on that point (in *facts and figures / profitability according to size*).

<sup>129</sup> Smith's ideas expressed in the paragraph above can be found in Smith ([1776] 1999, Book I, Chapters 1 to 3) .

<sup>130</sup> For illustration, between the first and the thirteenth Knesset, the number of kibbutz delegates has decreased from 26 (out of 120) to 5.

## 2.1 MUTATION OF DEMOCRACY

As a place of meetings and conviviality, the dining hall is probably the most perfect embodiment of the collective life in the kibbutz. Then, it is logical that its future generates passionate debates among members<sup>131</sup>. The figure of the dining hall, accessible in free service, respectful of the principle « each according to his need », gradually becomes blurred to make way to personal calculus aimed at avoiding costly wastes. Henceforth, kibbutz members receive the most frequently a monetary income. The possibility to pay their meal at the dining hall or to eat at home is granted to them. According to a supporter of privatization in Netivim : « before, people brought home some food, sometimes up to seven chickens for the weekend. Now (...) the garbage cans are empty. The quantity of bread decreased by half » (D. Weiller Médioni, 2006, p. 164). This tendency testifies that efficiency constraints increasingly overcome the noblest aspirations of the community plan.

During the first decades, egalitarianism was radical in the kibbutz. Before coming back to the famous « each according to his need », it had been ordered that each member was to receive the same products - even bald men deserved a comb, it was said. It was forbidden to make a distinction between men and women to such an extent that a satirical tract dared to stigmatize « the unfortunate physical difference » existing between genders. The academic degrees were looked at with suspicion: some members were afraid that it could seed the notion of hierarchy<sup>132</sup>. The absolute egalitarianism of men striving to make disappear any individualist inclination and maintaining an ineffable contempt for owning wealth recalls inevitably Sparta. Adult male citizens were designated as the « Equals » or « Similar » (*homoïoi*). Collective education as well as communal meals consolidated the group. The hold of the public domain left no room for the family. The material needs which referred to an austere life were secured by the collectivity. Relieved of this concern, citizens could spend their time in promoting the general interest, military rather than economic in Sparta<sup>133</sup>.

Regardless, if the kibbutz model can be compared to any ancient Greek city, it is less to Sparta than to Athens. Whereas the functioning of Spartan society was based on constraint, Athens was giving value to liberty. The idea of free choice and the lack of coercion are two pillars of the kibbutz. These common characteristics to Athens and to the kibbutz can be also found at the organizational level. Basically, both are direct democracies. In Athens, the citizens were exerting a double sovereignty, political and judiciary, mainly in the periodic meetings of the Assembly and

---

<sup>131</sup> Weiller Médioni (2006, p. 136, 152, 155, 161-164) insists on the sensibility of the subject for the kibbutz members and on the details of the pro and anti-privatization arguments.

<sup>132</sup> On those points, see Bettelheim (1969, p. 39, 55) and Delouya, (1982, p. 25, 61-62).

<sup>133</sup> Finley (1984, p. 35-58) describes how the inequalities which survived nevertheless did not prevent the model from living on.

in taking part to the sessions of the Council. Officeholders were chosen by lot. A minority remained submitted to elective process, essentially responsibilities in military and foreign policy matters, but it was not the rule. Such a system was supposed to prevent the emergence of an elite made up of professional politicians, a class of permanent leaders in the city<sup>134</sup>.

In the early stage, the institutions of the kibbutz present striking similarities with the Athenian model. The general assembly of its members meets often, either in order to determine major orientations or to settle specific problems (to accept or not candidates for membership...). It elects the kibbutz representatives and ratifies the decisions of the other organs, the secretariat and the committees. It is the archetypal body for discussion. As for the secretariat, it manages the kibbutz in the everyday life. It plays the role of executive authority. On their side, the numerous committees, dedicated to economic or social questions, tackle with issues which come under their field of competence (culture, clothing...). Admittedly the members appointed as head of secretariat or of committee are elected instead of being chosen by drawing lots. In spite of this slight variation with Athens, the general outline of popular direct control is not affected at all. In addition, the offices are never held for long periods. Thanks to this precaution, no cast of professional administrator can rise, especially as speed turnover in management activities eases the access to these offices for almost any kibbutz member - hence a system dynamic enough where everybody continues to feel concern.

In a structure which did not reach a high level of economic development, that organization can work without being harmful. The interchangeability of individuals is bearable and evidently an advantage. In a more complex economic environment, it becomes a drawback and even a source of trouble. From the moment that the fulfillment of task requires a long training period, non specialization is responsible of productive inefficiency. Skilled work is opposed to versatility. Confronted with the reality, kibbutz succeeded to adapt. Some economic functions stopped to be considered as non strategic allocation. The length attached to them was stretched. Ability and experience were now indispensable qualities. It was the same for political or organizational tasks. As the kibbutz size increased, the terms of office holding followed this path of extension. Moreover, some members were employed in the kibbutz National Federation. A class of managers came to the fore.

In studying social stratification in the kibbutz, Arrik Delouya (1982, p. 69) used the expression « clique of managers »<sup>135</sup>. The individual differentiation is clear-cut but it does not come with economic gratification. Other safeguards hinder the establishment of a too pronounced hierarchy among members. Thus, the specialist has no right to compel a « friend » to obey with reference to any personal or technical power. Along these lines, he is not exempted from menial tasks. A

---

<sup>134</sup> Mossé (1986) studies the adequation between theory and reality.

<sup>135</sup> More generally, his analysis between the pages 68 and 77 deals with specialization, terms of office holding and their economic impact.



factory manager may deal with dish washing in the kitchen of the dining hall when it is allowed by his timetable. In other words, his expertness is not an acceptable excuse to lose contact with the realities of daily life. Meanwhile, this bureaucratization moves away the kibbutz from its original egalitarian model. It leads to a decline of the general assembly which is deprived from part of its prerogatives by technical committees or even can be replaced by a council, sign of a progressive shift towards a democracy more representative.

The adjustment of the principles of the kibbutz to economic imperatives manifests itself also elsewhere. The position on wage system, for example, did not provoke objection over long period. The kibbutzim were aware of the danger of introducing partly what they called logic of exploitation by this way. So they rejected unanimously the possibility to employ outside labor. However, the economic needs tipped the scales on the other side: today, more than two thirds of the workers in the kibbutz factories are outside wage earners<sup>136</sup>. The situation of women did not evolve either in the awaited direction. If their lot is still more enviable than outside the kibbutz, the division of labor dispatched them to activities - general and domestic services - considered as unproductive and subaltern for a long time. Such discrimination is not only a cause of discontent, it keeps them away from the mechanisms of political decision since the specialist of noble tasks - agriculture and industry - are those who hold the institutional power positions<sup>137</sup>.

In sum, the kibbutz has ascribed to itself two categories of objectives which, in their strictest meaning, turned out to be incompatible. Egalitarianism did not resist to the standards of economic performance. The collective values have been eroded. Personal development ceased to coalesce with integration inside the group. It took more autonomous manners. The individual differentiation spread to other domains than production. Customs and traditions are not immutable. Thus, the kibbutzim decided to stop insuring the supply of goods and services which were free and identical. They preferred to pay to members a monetary allocation. This measure allowed the individualization of consumption. The balance between the group expectations and those of the individuals is obviously not easy to detect.

## 2.2 CENTRIFUGAL FORCES IN ACTION

In favoring the dawn of individualist tropisms, didn't the organizational changes noticed in the kibbutz open a Pandora's box? The labor market case illustrates how complicated it is to conciliate individual and collective interests. In many kibbutzim, it has been announced that every member can work where he just wants - including outside the kibbutz. In the same time, the branch managers are entitled to refuse the presence of a member in their structure. Conflicts are

---

<sup>136</sup> Source : Yad Tabenkin - the Research and Documentation Center of the Kibbutz Movement. To make matters worse, the wage system reinforces the bureaucratic mechanisms of the kibbutz (Delouya, 1982, p. 75).

<sup>137</sup> On the place of women in the kibbutz, see also Palgi (1993).

conceivable. Previously, each one - worker or manager - accepted without balking the diktat of the collective interest which was supposed to regulate any serious disagreement. The power of the group was the strongest. It is not true anymore. The wage differentiation as well as the installation of a hierarchy, unthinkable for the pioneers but which became inescapable given the lack of consensus, raise questions. Thus, more and more members prefer to work outside the kibbutz where they believe that their skills are better appraised whereas - as it has been already said - the percentage of hired workers coming from outside is regularly increasing.

Menahem Rosner (2000, p. 6) enumerates 3 kibbutz models : one, the « conventional » is appropriate to the old structure, when there was a symbiosis between individual and group ; the other two, respectively called « communal re-institutionalization » and « de-communalization », correspond to the only possible ways that the kibbutz could choose in the future. The model « communal re-institutionalization » assumes that there is chance to keep a heavily united and cooperative basis. But that implies to offer noticeable room for manoeuvre to individuals, to grant to members place for autonomy. The model « de-communalization » goes one step further with the individualistic logic. It envisages to limit mutual liability of members to few domains related to social protection. The economic independence is almost integral. Such a model could end up with kibbutz privatization.

With regard to labor market, the disagreement of the models for the kibbutz future results in different proposals. The model « communal re-institutionalization » recommends to introduce incentives and sanctions mechanisms only, while the model « de-communalization » upholds a more radical solution: setting up differentiated wages.

The supporters of the former believe that deviant behaviors can be controlled by well-suited procedures. Although they refuse to make up their mind to hierarchy in the earnings which, would inevitably disrupt the inviolable solidarity among kibbutz members, their idea of imposing sanctions is equivalent to be admitting that individual strategies seriously interfere with the system efficiency. In that, they are in harmony with the devotees of the latter: opportunist attitudes enable to take advantage of the collective effort. The disagreement between both perspectives lies in the way to solve that issue: is the economic cooperation supposed to be maintained or to be diminished?

These behaviors that both models try to discard refer to the « free riding » problem. According to Olson (2002, p. 48), « the larger the group, the smaller the fraction of the total group benefit any person acting in the group interest receives, and the less adequate the reward for any group-oriented action, and the farther the group falls short of getting an optimal supply of the collective good, even if he should get some ». Olson applies his analysis to collective goods. Then it is entirely relevant to the kibbutz which has been built in a group-centered state of mind. Furthermore, in consequence of the asymmetry between large and small groups that Olson puts forward, the

« free rider » behavior is supposed to be observed in large communities. This is completely accurate for the kibbutz. Olson's theory does not come to a decision between « communal re-institutionalization » and « de-communalization ». The coercive measures that Olson calls for look like the mechanisms proposed by the former but, for him, nothing prevents from dismantling the collective good into individual plots, solution suggested by the latter.

This malfunctioning in terms of efficiency is not limited to the economic field. It is also reflected upstream, at the political level. In fact, even when economic equality was considered as an intangible asset of the kibbutz, social distinctions were already existing among members.

Eliezer Ben-Rafael (1997) identified 4 factors likely to influence the social status of a member:

- the responsibilities exercised within a branch of economic activity,
- the strategic importance of the branch,
- the responsibilities exercised within decision making bodies of the kibbutz,
- the importance of these bodies.

Different approaches or preferences, which result in conflicts, are derived from these gaps in social positioning. Finally, families in a broad sense are formed. They are composed of family units sharing common concerns and are similar to coalitions of interests. These families vote in accord at the general assembly.

The development of large families is rarer in small kibbutzim where the prevalence of the collective interest is better cultivated and where the method of secret ballot brings about an opposition in principle. There, transparency is not perceived as an obstacle. On the contrary, it allows to check the compliance of individual positions with the collective plans. Conversely, secret ballot became a rule in large communities under the pretext of protecting the kibbutz members from pressures at which groups do not hesitate to resort to. It is equally justified by feelings of resentment and hostility which are thus avoided. Actually, it is rather the reign of opaqueness.

A context in which all the « arrangements » are possible is not propitious to the optimization of political decisions in the sense of defense of the collective interest. According to Gordon Tullock (1978), « logrolling » represents an obstacle for the efficiency of democratic process. The situation when a man upholds the plan of another one in compensation of his support on his own plan may produce regrettable consequences; that is the adoption of non desirable decisions for the majority.

The economic development of the kibbutz, which was intensely hoped by its founding fathers, has lead to foremost upheavals. The closeness between the individuals and the group has been reduced in the course of time. The individual differentiations have increased as the consumer behaviors prove. The motivation of the second generation has decreased. The children of the pio-

neers do not have the same plans than their parents. It could be worse with the grand-children... Different prospective models exist. All of them agree about insuring a high level of social protection which does not exist elsewhere, especially concerning the elders. For the future, the question is to know whether cooperation can only subsist through this common basis - because of the unintended effects related to the emergence of individualization - or it can keep more ambitious forms. The « new man » seems to be really far...

## CONCLUSION

In a stimulating book, Jean-Paul Fitoussi (2004) refutes that democracy is analogous to a « luxury good », that only countries reaching a high level of economic opulence can acquire it, as if that political system was inevitably responsible for wastes and chronic inefficiency. He rather considers that the people's sovereignty, equality and mechanisms of redistribution of means are sources of economic progress.

The kibbutz case is in line with that view. Its founders dreamt of a harmonious, completely egalitarian, society, without relationships of domination which, despite unfavorable initial conditions, would display impressive economic realizations. Mirror of both cooperativism and the State of Israel, the kibbutz seemed to combine equality and economic success until the terrible crisis it faced in the 1980s.

The organizational changes that have been described in this paper were a condition for the economic rise of the kibbutz. At the same time, they led to a costly divergence between the interests of group and those of the individuals.

For the future, Uriel Leviatan (2002) advocates strengthening of adherence to collective values and reactivating solidarity among members by educational means. Then the productivity decline noted in the kibbutzim might be halted. He opposes the direction followed by the majority of the kibbutzim today. Albeit they do not wish to completely abandon the way of solidarity, they foster the development of new standards. The equity principle often replaces equality. Democracy transformed itself and not exclusively formally.

Finally, the slogan « each according to his ability » turns out to be more adapted than « each according to his need ». Basically, in trying to find a new balance between individual and society, the kibbutz takes part to the eternal debate on the essence of democracy and its economic viability.

## Appendix: Number of kibbutzim, years and kibbutz population

Year	Number of kibbutzim	Population total	average population/kibbutz
1910	1		
1920	12	805	67.1
1930	29	3 900	134.5
1940	82	26 550	323.8
1950	214	67 550	315.6
1960	229	77 950	340.4
1970	229	85 100	371.6
1980	255	111 200	436.1
1990	270	125 100	463.3
1998	269	116 500	433.1
2003	260	116 200	446.9
2006	267	119 800	448.7

Source: Yad Tabenkin - the Research and Documentation Center of the Kibbutz Movement

## BIBLIOGRAPHIE

- Askhenazi Eli (2007), « Degania A, first kibbutz in Israel, to undergo privatization », [www.haaretz.com](http://www.haaretz.com), February 17, 2007.
- Ben-Rafael Eliezer (1997), *Crisis and Transformation : The Kibbutz at Century's End*, State University of New York Press, Albany.
- Bettelheim Bruno (1969), *Les enfants du rêve*, Robert Laffont, Paris.
- Buican Denis (1978), *L'éternel retour de Lyssenko*, Copernic, Paris.
- Darin-Drabkin Haïm (1970), *Le kibboutz société différente*, Plon, Paris.
- Delouya Arrik (1982), *Le kibboutz ou l'utopie vivante*, Publications Orientalistes de France, Paris.
- Desroche Henri (ed.) (1966), *Coopération agricole et développement rural*, Mouton, Paris-La Haye.
- Finley Moses I. (1984), *Economie et société en Grèce ancienne*.
- Fitoussi Jean-Paul (2004), *La démocratie et le marché*, Grasset, Paris.
- Gueslin André (1987), *L'invention de l'économie sociale*, Economica, Paris.
- Joubert Jean-Marc (2006), « La nature selon Aharon David Gordon », in *Yod*, n°10, Editions de l'Inalco, Paris, p. 31-50.
- Kriegel Blandine (1998), *Philosophie de la République*, Plon, Paris.
- Laqueur Walter (1973), *Histoire du sionisme*, Calmann Levy, Paris.
- Lecourt Dominique (1983), « Aberrations marxistes » in *De Darwin au darwinisme : science et idéologie*, Conry Yvette (ed.), Vrin, Paris, p. 227-249.
- Leviatan Uriel (2002), « Is It the End of Utopia ? The Israeli Kibbutz at the 21<sup>th</sup> Century », *The Institute For Study and Research of the Kibbutz*, University of Haïfa, n°88, p. 1-37.
- Mossé Claude (1986), « La démocratie athénienne » in *La Grèce ancienne*, in Mossé Claude (ed.), Le Seuil, Paris, p. 115-129.
- Olson Mancur (2002), *Logic of collective action*, Harvard University Press.
- Palgi Michal (1993), « Kibbutz women : gender roles and status », *Israel Social Science Research*, vol. 8, n°1, p. 108-121.
- Robbins Lionel (1932), *An Essay on the Nature and Significance of Economic Science*, Macmillan, London.
- Rosner Menahem (2000), « Future Trends of the Kibbutz – An Assessment of Recent Changes », *The Institute For Study and Research of the Kibbutz*, University of Haïfa, n°83, p. 1-11.
- Rosolio Dani (1999), « The Rise and Fall of the Labour State in Israel and its Two Pillars : the *Histadruth* and the Kibbutz », *The Institute For Study and Research of the Kibbutz*, University of Haïfa, n°86, p. 1-26.
- Sachar Abram L. (1973), *Histoire des Juifs*, Flammarion, Paris.
- Sahlins Marshall (1976), *Âge de pierre, âge d'abondance. L'économie des sociétés primitives*, Gallimard, Paris.
- Smith Adam [1776] 1999, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Penguin Classics.
- Toucas Patricia (2005), *Les coopérateurs. Deux siècles de pratiques coopératives*, Michel Dreyfus (ed.), L'atelier, Paris.
- Tullock Gordon (1978), *Le marché politique : analyse économique des processus politiques*, Economica, Paris.
- Villey Daniel et Nême Colette (1996), *Petite histoire des grandes doctrines économiques*, Litec, Paris.
- Weiller Médioni Danielle (2006), *Revivim. Regards sur un kibboutz du Néguev*, Editions PC, Paris.
- Zeldin Theodore (1994), *Histoire des passions françaises*, Payot, Paris, tome 2.



## ***Coming from Sanskrit: The Romany Language as a Cultural Fact in Europe***

**By Bajram Haliti**

Roma revealed their language unwillingly, keeping it as an instrument for isolation and security within societies that were not friendly inclined to them. Yet in the sixteenth and seventeenth centuries appeared some studies, contemplation and speculations about this language. The first was a Greek language teacher Bonaventura Vulcanius, who published a list of 67 words and some grammar in 1597 in Leiden. He pointed out that the language is important for discovering the origin of the Roma nation.

The statement that the origin of the Roma nation can be discovered from their language was also a starting point for the German scientist Johann Christian Christoph Rüdiger. He compared a linguistic sample of Romany language to those of other languages (“mit allerlei Sprachen”), being impressed when he found out a similarity between Romany and Hindi. Quite reasonably, he concluded that the origin of Roma people has to be searched for in India (“aus Ostindien”) and published his findings in 1782. Another researcher, August Friedrich Pott in “Die Zigeuner in Europa und Asien” used, among others, a book of Heinrich M. G. Grellmann, “Die Zigeuner” from 1783, as main background. Pott found out that all Romany languages in all countries in which they were used were the same in their deep roots and that they were parts of the same, separate language. There is no doubt that this language originates from Northern India and it was surely one of numerous younger Indian languages. Pott delightedly called it a real Sanskrit idiom.

The fundamental roots in the Sanskrit group of Indian languages are apparent in grammar, vocabulary and general character of the language, despite many foreign supplements. A great successor of Pott's research in Romany philology was Franc Miklosic, slavist and researcher of Indo-European languages. His large contribution for the studies of Indo-European languages is the inclusion of Slavistic languages in comparative research. Miklosic, in a series of articles between 1872 and 1881, used Pott's materials, and he also collected a large number of new vocabulary lists from his numerous associates in the fieldwork, especially from Slovenia. A great deal of lexical material regarding Romany languages enabled him to do the analysis of vocabulary, studying the old Indian level, and to identify the levels of words borrowed from languages of nations in whose countries Roma people dwelled during migrations from India. It also enabled him to reconstruct directions and paths of Roma's migrations and to classify Romany languages in Europe.

As far as Asian Romany languages are concerned, it is known that they endured bigger and deeper linguistic changes than European ones, partly because Roma groups who stayed in Asia assimilated with local societies more closely than European groups did, and because they make up a less coherent collectivity of Romany languages than in Europe. Miklosic divided European Romany languages in 13 groups: Greek, Romanian, Hungarian, Czech, Polish, Russian, Finnish, Scandinavian, Italian, Basque, English and Spanish. He was especially interested in the issue which had not been much discussed in Romology before and wanted to find out what was the particular area in India hence Roma started their migrations and to find the Indian language that would be the most similar to Romany. On the grounds of phonological hierarchy and comparison with the new Indian and middle-Indian languages, he found out that Romany belongs to an old level of language, since it preserved some old groups of consonants.

This led him to the conclusion that Roma had separated very early, and he thought it had happened between the fifth and eleventh century. This thesis refers to emigration of Roma from India during the Mongolian invasion of Timour. As far as the Indian native country of Roma is concerned, he set up the thesis that they came from the furthestmost northwestern part of India, south



**Bajram Haliti**, lawyer, journalist and publicist was elected General Secretary of the International Roma Union at the VIIth World Congress of Roma, held in Zagreb on 23-25 October 2008. There were three hundred delegates from 29 states present at the Congress: Albania, Australia, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, the Czech Republic, Denmark, France, Germany, Hungary, India, Italy, Latvia, Macedonia, Montenegro, the Netherlands, Poland, Romania, Russia, Slovakia, Slovenia, Serbia, Sweden, Switzerland, Turkey, Ukraine and the USA. It should be emphasized that Roma representatives at the Congress were representing 15.000.000 million Roma.

Born in Gnjilane, Kosovo, in 1955, he is a real expert of Roma status in Europe and in the world. He entered journalism in 1985, passing all level of journalist development, from candidate to editor-in-chief of Roma programmes, but also in radio and TV programmes. A former Province Information Secretary in Kosovo and cabinet chief in the Government of the Republic of Serbia, he is now public relations officer of the National Council of Roma National Minority in Serbia. Recently he has been appointed the General Secretary of the International Roma Union. He is also the president of the news agency of Roma in Serbia and member of the Writers Association of Serbia.

Haliti published a great number of studies, articles, comments and documentaries, and spoke as a lawyer, journalist, writer, ethicist and essayist through his written work. He also pleaded for solving the crises in Yugoslavia and Kosovo through dialogue and in a democratic way, he pleaded for better life for all citizens and for erasing, once and for all, inequality, insecurity and poverty, and also to preserve all advantages of multi-ethnicity, multiculturalism and multi-confessionalism in the Western Balkans.

In April 2002, Haliti won the award "Slobodan Berberski" for literature and journalism in Yugoslavia, where he obtained several other medals and prizes in the cultural sector, and for the development of Roma culture in Serbia. Father of three sons and fluent in four languages, Bajram Haliti was also a winner of the award of the President of Italy for Literature in the World in 2009.

of Hindu Kush. Miklosic ended up a long period in Romany philology. Answers to important questions about the origin of Roma and their language were found. It turned out that Romany language is connected to northwestern languages by common preserving of ancient characteristics, but that it is also connected to languages from Hindi-Rajasthan area by common novelties. In accordance to these connections, Romany language can be defined as a language with surprisingly ancient qualities regarding phonemes, just as middle Indian languages, and qualities characteristic for new Indian languages concerning grammatical structure.

of Hindu Kush. Miklosic ended up a long period in Romany philology. Answers to important questions about the origin of Roma and their language were found. It turned out that Romany language is connected to northwestern languages by common preserving of ancient characteristics, but that it is also connected to languages from Hindi-Rajasthan area by common novelties. In accordance to these connections, Romany language can be defined as a language with surprisingly ancient qualities regarding phonemes, just as middle Indian languages, and qualities characteristic for new Indian languages concerning grammatical structure.

This was the base for Ralph L. Turner's conclusion ("The Position of Romani in Indo-Aryan", 1926) that the native country of Roma is in northern part of central India. He also thinks that they moved, not knowing when or how many times, toward northwest, and then stayed there for some time, surrounded by people who had spoken related, but different languages before they moved toward west. This thesis is acceptable until clearer insight in chronology of linguistic changes in India is achieved.

Romany language and culture in Serbia and Montenegro are subject to numerous scientific studies. In this respect is most important the collecting, linguistic and ethnographic work of Roma's great friend, academic Rade Uhlik from Sarajevo. His work has not been enough estimated yet, and even not entirely published. He is the author of the very valuable Serbocroatian-Romany-English dictionary "Romengo alavari", published in Sarajevo in 1983.

Forming a standard language is not easy at all. A need for forming a common standard language flows in first place from some general needs and from considerable aspirations for national and cultural emancipation. Forming a standard Romany language is also needed because of education and media, since there are many schools and media in Romany language. Roma, just like people belonging to other civilised nations, should learn their standard language in schools, and not only dialects. Newspapers, radio and television should also publish news, articles and other works in standard Romany language, equally understandable and close to Roma all over the world. This situation and problems bring us to the following conclusions:

1. *Roma, Sints and Kale, after having been persecuted for thousand years and after the holocaust during Nazism, are today in the position to fight for their human, civil, national rights and for the right to create a standard language.*
2. *If this attempt will succeed and to which extent, depends on whether the rights to improvement of linguistic, cultural and general development of national minorities in Europe and in the whole world are respected and protected. These rights are defined in many documents, beginning with the UN General Declaration on Human Rights and many international acts that prevent discrimination and protect national minorities.*
3. *In many European countries, especially in those that were communist states<sup>138</sup>, there has been a growth of national-chauvinism and rightist and fascist groups and parties were to be established. Several millions of Roma, who live in Eastern European countries are exposed to pressure and threats of those ideological and political groups, and in some countries (Romania, former Yugoslavia, Slovakia, etc.), they were even threatened by people from authorities. These are the cases of obvious forms of racial discrimination. This form of discrimination increases, and unless it is stopped, Roma will be deprived of the possibility to exercise and realize their human and national rights and freedoms in politics, culture and social area and all other areas of public life. So there is the danger of making Roma suffer ethnic genocide in culture, as defined by the London Group for Minority Rights at the conference in Zurich on 17 May 1976.*
4. *Alarming situation in the countries of Eastern Europe and insufficient respect of Roma rights in other European countries is a reason for the UN and for the European Union to determine, as soon as possible, instruments for preventing discriminations, even genocide upon national and ethnic minorities, among whom Roma were, and still are, the most imperiled. It is also necessary to find adequate instruments and institutional ways for protecting the rights of national minorities.*
5. *Since Roma are confirmed as national minority in constitutions of only few European countries, the European Union and the European Parliament should launch an initiative for defining their status in a unique way, and accordingly, for regulation of their collective rights.*
6. *One of the fundamental rights is the right to free usage of native language and its development, and it is necessary to provide adequate conditions for this. Since a language is a*

---

<sup>138</sup> But also recently in France where Roma who are EU citizens were deported in their citizenship countries, and wild Roma camps have been destroyed; the Italian government has continued to dismantle Roma camps as well, and from Germany several thousands of Kosovo Roma are soon to be repatriated, however on legal grounds followed by several federal governments of different colour, although these Roma had been "tolerated" 10-13 years.

*part of cultural life and even infeasible part of cultural development, (as it was defined in the Convention Against Discrimination in Education, UNESCO Doc. 11 C, 144 XII 1960 - multilingual demographic dictionary), it is necessary to promote conditions for standardisation of Romany language in the way it was stipulated in the Resolution of the Fourth World Congress of Roma and Sints.*

7. *The Romany language, which is of invaluable national, cultural and historical importance for Roma, Sints and Kale, should be considered as a cultural good, which is constantly imperiled, and as such has to be under protection of UNESCO to the extent and in the way as other cultural goods are protected, historical monuments and natural rarities of different nations and in different countries. Since this nation has not a state, the international organisations, UNESCO in this case, should protect the most important cultural good – the language. The European Union as frontrunner for Human Rights should help in a prominent way, like it did with the European Union Charter of Fundamental Rights.*
8. *Creating standard Romany language is a long process. UNESCO and the European Union, which had already financially supported work of the Commission for Standardisation of Romany Language, should initiate to establish adequate institutions, such as Department for Romany Language and Romology, schools and scientific institutes.*

Without standard Romany language, Roma, Sints and Kale cannot achieve collective and national integration. On the other hand, their chances to be confirmed constitutionally and politically are worse, which means that they have less chance to realize their national and sometimes even human rights. It is the issue of the right to use the native language, and to found scientific and cultural institutions, publishing houses and media.



# ENERGY AND SUSTAINABLE DEVELOPMENT MANAGEMENT MBA

## ANTICIPATE THE FUTURE TO ACT



### A few words from the head of programme

*«Our modern societies have been shaped by fossil energies which have carried us to an unprecedented level of development. For the next decades those energies will carry on being important actors and mainsprings of the economic world. But it is necessary to start preparing an imperative transition for our future; furthermore efforts in the field of renewable energies will be leading to growth, wealth and employment »*

Olivier VEDRINE  
Head of the programme

### A unique partnership ....

#### First semester at ....

**IPAG PARIS**, an independent business school with a strong international network of more than 90 business schools and 5600 alumni. Its five-year diploma is accredited by the French Ministry



#### Second semester at .....

**KHAZAR UNIVERSITY**, the first private university in Azerbaijan and among the countries of the former Soviet Union. This university is one of the leading universities in Azerbaijan in terms of its relations with companies. Today the University has established effective relations with the leading local and international industry.



### ....for a unique training

#### Aim of program

Mastering a broader understanding of the global energy and oil industry infrastructure

- Studying energy production and procurement security issues
- Generating new energies and assuring long-term development alternatives, with reference to environmental hazards
- Assessing financial energy markets and reserves

### To learn more about the MBA

<http://www.khazar.org/>

[www.ipag.fr](http://www.ipag.fr)

#### **Head of the programme in Paris:**

Mr Olivier VEDRINE

[olivier.vedrine@gmail.com](mailto:olivier.vedrine@gmail.com)



## ***Documentation:***

### ***“State of the Union 2010” – EU Commission President Barroso’s Speech before the European Parliament from 7.9.2010***



*Due to the late appearance date of this issue we have been able to add a very topical text for our Documentation: the speech of José Manuel Barroso, European Commission President, to the European Parliament from 7<sup>th</sup> September, 2010, on the “State of the Union 2010”. This was a première as no other Commission did this ever before. In his speech Mr. Barroso underlined the accents and the situation and the accents of the EU in the years to come.*

President,

Honourable Members,

It is a great privilege to deliver the first State of the Union address before this House.

From now on the State of the Union address will be the occasion when we will chart our work for the next 12 months. Many of the decisions we will take this year will have long-term implications. They will define the kind of Europe we want. They will define a Europe of opportunity where those that aspire are elevated and those in need are not neglected. A Europe that is open to the world and open to its people. A Europe that delivers economic, social and territorial cohesion.

Over the last year, the economic and financial crisis has put our Union before one of its greatest challenge ever. Our interdependence was highlighted and our solidarity was tested like never before.

As I look back at how we have reacted, I believe that we have withstood the test. We have provided many of the answers needed – on financial assistance to Member States facing exceptional circumstances, on economic governance, on financial regulation, on growth and jobs. And we have been able to build a base camp from which to modernise our economies. Europe has shown it will stand up and be counted. Those who predicted the demise of the European Union were proved wrong. The European institutions and the Member States have demonstrated leadership. My

message to each and every European is that you can trust the European Union to do what it takes to secure your future.

The economic outlook in the European Union today is better than one year ago, not in the least as a result of our determined action. The recovery is gathering pace, albeit unevenly within the Union. Growth this year will be higher than initially forecast. The unemployment rate, whilst still much too high, has stopped increasing. Clearly, uncertainties and risks remain, not least outside the European Union.

We should be under no illusions. Our work is far from finished. There is no room for complacency. Budgetary expansion played its role to counter the decline in economic activity. But it is now time to exit. Without structural reforms, we will not create sustainable growth. We must use the next 12 months to accelerate our reform agenda. Now is the time to modernise our social market economy so that it can compete globally and respond to the challenge of demography. Now is the time to make the right investments for our future.

This is Europe's moment of truth. Europe must show it is more than 27 different national solutions. We either swim together, or sink separately. We will only succeed if, whether acting nationally, regionally or locally we think European.

Today, I will set out what I see as the priorities for our work together over the coming year. I cannot now cover every issue of European policy or initiative we will take. I am sending you through President Buzek a more complete programme document.

Essentially, I see five major challenges for the Union over the next year:

- **dealing with the economic crisis and governance;**
- **restoring growth for jobs by accelerating the Europe 2020 reform agenda;**
- **building an area of freedom, justice and security;**
- **launching negotiations for a modern EU budget, and**
- **pulling our weight on the global stage.**

Let me start with the **economic crisis and governance**. Earlier this year, we acted decisively when euro area members and the euro itself needed our help.

We have learned hard lessons. Now we are making important progress on economic governance. The Commission has put its ideas on the table in May and in June. They have been well received, in this Parliament, and in the Task Force chaired by President of the European Council. They are the basis around which a consensus is being developed. We will present the most urgent legislative proposals on 29 September, so as not to lose the momentum.

Unsustainable budgets make us vulnerable. Debt and deficit lead to boom and bust. And they unravel the social safety net. Money that's spent on servicing debt is money that cannot be spent on the social good. Nor to prepare ourselves for the costs of an ageing population. A debt generation makes an unsustainable nation. Our proposals will strengthen the Stability and Growth Pact through increased surveillance and enforcement.

And we need to tackle severe macro-economic imbalances, especially in the Euro area. That is why we have made proposals early on to detect asset bubbles, lack of competitiveness and other sources of imbalances.

I now see a willingness of governments to accept stronger monitoring, backed up by incentives for compliance and earlier sanctions. The Commission will strengthen its role as independent referee and enforcer of the new rules.

We will match monetary union with true economic union.

If implemented as we propose, these reforms will also guarantee the long-term stability of the euro. It is key to our economic success.

For the economy to grow, we also need a strong and sound financial sector. A sector that serves the real economy. A sector that prides itself on proper regulation and proper supervision.

We took action to increase bank transparency. Today we are better than one year ago. With the publication of the stress test results, banks should now be able to lend to each other, so that credit can flow to Europe's citizens and companies.

We have proposed to protect people's savings up to €100,000. We will propose to ban abusive naked short selling. We will tackle credit default swaps. The days of betting on someone else's house burning down are over. We continue to insist that banks, not taxpayers, must pay up front to cover the costs of their own risks of failure. We are legislating to outlaw bonuses for quick-wins today that become big losses tomorrow. As part of this approach, I am also defending taxes on financial activities and we will come with proposals this autumn.

The political deal on the financial supervision package just concluded is very good news. The Commission proposals based on the de Larosière report will give us an effective European supervision system. I want to thank the Parliament for the constructive role it has played and I hope it will give its final agreement this month.

We will also go further on regulation. Initiatives on derivatives, further measures on credit rating agencies and a framework for bank resolution and crisis management will soon be before you. Our goal is to have a reformed financial sector in place by the end of 2011.

Sound government finances and responsible financial markets give us the confidence and economic strength for sustainable growth. We need to move beyond the debate between fiscal consolidation and growth. We can have both.

Honourable Members,

Sound public finances are a means to an end: **growth for jobs**. Our goal is growth, sustainable growth, inclusive growth. This is our overarching priority. This is where we need to invest.

Europe 2020 starts now. We must frontload and accelerate the most growth-promoting reforms of our agenda. This could raise growth levels by over a third by 2020.

This means concentrating on three priorities: getting more people in jobs, boosting our companies' competitiveness and deepening the single market.

Let me start with people and jobs.

Over 6.3 million people have lost their jobs since 2008. Each one of them should have the chance to get back into employment. Europe's employment rates are at 69% on average for those aged between 20 and 64. We have agreed these should rise to 75% by 2020, bringing in particular more women and older workers into the work force.

Most of the competences for employment policy remain with Member States. But we won't stand on the sidelines. I want a European Union that helps its people to seize new opportunities; and I want a Union that is social and inclusive. This is the Europe we will build if Member States, the European institutions and the social partners move ahead on our common reform agenda.

It should be centred on skills and jobs and investment in life-long learning.

And it should focus on unlocking the growth potential of the single market, to build a stronger single market for jobs.

The opportunities exist. We have very high levels of unemployment but Europe has now 4 million job vacancies. The Commission will propose later this year a "European Vacancy Monitor". It will show people where the jobs are in Europe and which skills are needed. We will also come forward with plans for a European skills passport.

We must also tackle problems of poverty and exclusion. We must make sure that the most vulnerable are not left behind. This is the focus of our "Platform Against Poverty". It will bring together European action for vulnerable groups such as children and old people.

As more and more people travel, study or work abroad, we will also strengthen citizens' rights as they move across borders. The Commission will address persisting obstacles as early as this autumn.

Honourable Members,

***Growth must be based on our companies' competitiveness.***

We should continue to make life easier for our Small and Medium-Sized Enterprises. They provide two out of every three private sector jobs. Among their main concerns are innovation and red tape. We are working on both.

Just before the summer, the Commission has announced the biggest ever package from the Seventh Research Framework Programme, worth €6.4 billion. This money will go to SMEs as well as to scientists.

Investing in innovation also means promoting world class universities in Europe. I want to see them attracting the brightest and the best, from Europe and the rest of the world. We will take an initiative on the modernisation of European universities. I want to see a Europe that is strong in science, education and culture.

We need to improve Europe's innovation performance not only in universities. Along the whole chain, from research to retail, notably through innovation partnerships. We need an Innovation Union. Next month, the Commission will set out how to achieve this.

Another key test will be whether Member States are ready to make a breakthrough on a patent valid across the whole European Union. Our innovators are often paying ten times the price faced by their competitors in the United States or in Japan. Our proposal is on the table. It would reduce the cost fundamentally and double the coverage. After decades of discussion, it is time to decide.

We will also act further on red tape. SMEs are being strangled in regulatory knots. 71% of CEOs say that the biggest barrier to their success is bureaucracy. The Commission has put proposals on the table to generate annual savings of €38 billion for European companies.

Stimulating innovation, cutting red tape and developing a highly-skilled workforce: these are ways to ensure that European manufacturing continues to be world class. A thriving industrial base in

Europe is of paramount importance for our future. Next month, the Commission will present a new industrial policy for the globalisation era.

We have the people, we have the companies. What they both need is an open and modern single market.

The internal market is Europe's greatest asset, and we are not using it enough. We need to deepen it urgently.

Only 8% of Europe's 20 million SMEs engage in cross-border trade, still fewer in cross-border investment. And even with the internet, over a third of consumers lack the confidence to make cross-border purchases.

At my request, Mario Monti presented an expert report and has identified 150 missing links and bottlenecks in the internal market.

Next month we will set out how to deepen the Single Market in a comprehensive and ambitious Single Market Act.

Energy is a key driver for growth and a central priority for action: we need to complete the internal market of energy, build and interconnect energy grids, and ensure energy security and solidarity. We need to do for energy what we have done for mobile phones: real choice for consumers in one European marketplace.

This will give us a real energy community in Europe.

We need to make frontiers irrelevant for pipelines or power cables.

To have the infrastructure for solar and wind energy.

To ensure that across the whole of Europe, we have a common standard so that charging electric car batteries becomes as natural as filling up the tank.

Over the next year, we will bring forward an energy action plan, an infrastructure package and an energy efficiency action plan to put this vision in place. I myself will travel to the Caspian region later this year to promote the Southern Corridor as a means of enhancing our security of supply.

To build a resource-efficient Europe, we need to look beyond energy. In the 20th century the world enjoyed phenomenal resource-intensive growth. We saw in the 20th century globally a four-fold growth in population accompanied by a 40-fold growth in economic output. But in the same period



we also increased our use of fossil fuels 16 times, our fishing catches 35 times, our water use 9 times. And our carbon emissions increased 17 times.

That means we have to deliver on our climate and energy package, as a core driver for change. This means integrating the different strands of policy on climate change, energy, transport and environment into a coherent approach on resource efficiency and a low carbon future.

A forward-looking agricultural sector will play a major role in European measures to address some of the biggest challenges ahead, such as global food security, biodiversity loss and the sustainable management of natural resources. So will our maritime policy.

All of this will not only strengthen our economy tomorrow: it will provide new openings today. Jobs in the eco-industry have been increasing by 7% a year since 2000. I want to see 3 million "green jobs" by 2020, 3 million green collar workers that complement our blue and white collar workers.

We need sustainable growth, and we need smart growth. Half of European productivity growth over the last 15 years was driven by information and communication technologies. This trend is set to intensify. Our European Digital Agenda will deliver a single digital market worth 4% of EU GDP by 2020.

Honourable Members,

Everything we do is for the citizens of Europe. A fundamental dimension of our European project is precisely building an **area of freedom, security and justice**.

We are working hard to implement the Stockholm action plan. We will make a real push on asylum and migration.

Legal migrants will find in Europe a place where human values are respected and enforced. At the same time, we will crack down on the exploitation of illegal immigrants within Europe and at our borders. The Commission will make new proposals on policing our external borders.

And we will bring forward an internal security strategy to tackle threats of organised crime and terrorism.

Europeans will find that their fundamental rights and obligations exist wherever they go. Everyone in Europe must respect the law, and the governments must respect human rights, including those of minorities. Racism and xenophobia have no place in Europe. On such sensitive issues, when a

problem arises, we must all act with responsibility. I make a strong appeal not to re-awaken the ghosts of Europe's past.

An area of freedom, liberty and security, will create a place where Europeans can prosper.

Honourable Members,

Another challenge is sorting out the **future budget of the European Union**.

Next month, we will come forward with the Commission's first ideas for the budget review. It shall launch an open debate without taboos to prepare our legislative proposals that will be presented in the second quarter of next year.

We need to spend our money where we get most value for it. And we should invest it where it leverages growth and delivers on our European agenda. The quality of spending should be the yardstick for us all.

So it is not only important to discuss the quantity, but also the quality of spending and investment. I believe Europe offers real added value. That is why I will be pushing for an ambitious post-2013 budget for Europe.

I believe we should pool our means to back our policy priorities.

The issue is not about spending more or less, but spending more intelligently, by looking at European and national budgets together. The EU budget is not for Brussels – it is for the people that you represent: for the unemployed workers being retrained by the Social Fund; for the students that participate in the Erasmus programme; for the regions that benefit from the Cohesion Fund.

Energy interconnections, research, and development aid are obvious examples where a Euro spent at European level gets you more than a Euro spent at national level. Some Member States are seeing this logic even in areas of core national competence, like defence. They recognize that huge savings could be made if they pool some of their means and activities. Pooling money at the European level allows Member States to cut their costs, avoid overlaps and get a better return on their investment.

That's why we should also explore new sources of financing for major European infrastructure projects. For instance, I will propose the establishment of EU project bonds, together with the European Investment Bank. We will also further develop Public Private Partnerships.

As this Parliament has made clear, we must also address the issue of own resources. The present system is stretched to its limits – propped up by a byzantine set of corrections. Our citizens deserve a fairer and more efficient and transparent system. Some will not agree with all the ideas we will raise; I find it extraordinary that some are already rejecting them, even before knowing what they will be.

I know that one issue of interest to this Parliament is the duration of the next budget. Various options exist. I would like to look at a 10-year framework, with a mid-term review of the financial dimension after five years – a "five plus five" option. This will give us longer term planning and a clearer link with the mandates of both our institutions.

Of course, part of a credible European budget is the rigorous pursuit of savings. I am looking at the administrative costs within the Commission and other Community bodies like Agencies. We need to eliminate all pockets of inefficiency. We will build on recommendations from the Court of Auditors to improve financial management.

Honourable Members,

The final challenge I want to address today is how we pull **our weight on the global stage**.

When we deal with our every day problems, we sometimes lose perspective and forget our achievements. A peaceful and successful transition to a European Union that has doubled in size and is negotiating further accessions. A sound currency, the euro, that is a major currency of the world. A strong partnership with our neighbourhood that strengthens us all. If we act decisively, then we have nothing to fear from the 21st century.

As the strategic partnerships of the 21st century emerge, Europe should seize the chance to define its future. I am impatient to see the Union play the role in global affairs that matches its economic weight. Our partners are watching and are expecting us to engage as Europe, not just as 27 individual countries. If we don't act together, Europe will not be a force in the world, and they will move on without us: without the European Union but also without its Member States. This is why, in my political guidelines, I called for Europe to be a global player, a global leader – a key task and test for our generation.

Together with High Representative and Vice-President Ashton, I will present our vision of how we can maximise Europe's role in the world. With the European External Action Service, we have the means to match our aspirations.

In our globalized world, the relationships we build with strategic partners determine our prosperity. To be effective on the international stage, we need the weight of the European Union. Size matters, now more than ever.

A good example is the fight against climate change. Copenhagen showed that, while others did not match our ambition, we did not help ourselves by not speaking with one voice. Negotiations may have stalled but climate change has not. I want us to intensify our engagement with international partners to turn their press releases into credible commitments to cut emissions and push forward with fast-start funding.

The next two months will see crucial Summits with strategic partners. The more we are able to establish a common agenda with a clearly defined European interest, the more we will achieve. For example, I see huge potential in developing a transatlantic agenda for growth and jobs.

Where we are already punching our weight is the G20, the forum where the key economic global players address common challenges. When President Van Rompuy and I go to Seoul in November and represent the European Union, we want to see concrete results:

Further progress in global economic coordination.

More stable and responsible financial markets and agreement on reform of international financial institutions.

More effective global financial safety nets.

More progress on a G20 development agenda.

We will continue to show leadership in this forum and work closely with the French G8/G20 Presidency next year.

We also want to see support for the Doha Round. Trade boosts growth and prosperity. We will also pursue bilateral and regional Free Trade Agreements. In October, the Commission will present a renewed trade policy to drive new benefits for Europe.

Being open to the world also means standing side by side with developing countries, especially with Africa. When I go to the Millennium Development Goals High-Level Event in New York in 2 weeks' time, I intend to commit, with your support and on behalf of the European Union, an extra €1 billion to the Millennium Development Goals.

Being a global player also means standing up for our values. *Human rights are not negotiable*. I am shocked about how the rights of women are being infringed in many countries. I am appalled when I hear that Sakineh Mohammadi Ashtiani is sentenced to death by stoning. This is barbaric beyond words. In Europe we condemn such acts which have no justification under any moral or religious code.

Our values also mean that we must come to the aid of those facing a crisis situation, anywhere around the world.

Our humanitarian aid to Pakistan is the latest example of Europe's solidarity in action. It is a striking example of the need to present the different contributions of the Commission and the Member States as a truly European aid package. The Member States have the helicopters; they have the civil protection teams. We now need to pool them to create a real European crisis response capacity. This is what the Commission will propose in October. And I urge the Member States to show they are serious about the Union punching its weight in this area.

We are making progress on a common foreign policy. But let's be under no illusions: we will not have the weight we need in the world without a common defence policy. I believe now is the moment to address this challenge.

Honourable Members,

We are still bedding down the new institutional set-up of Europe created by the Lisbon Treaty. What really matters is what the institutions deliver to the people. What matters is the difference Europe makes in their daily lives.

The secret of Europe's success is its unique Community model. More than ever, the Commission must drive the political agenda with its vision and proposals.

I have called for a special relationship between the Commission and Parliament, the two Community institutions par excellence. I am intensifying my political cooperation with you.

Europe is not only Brussels or Strasbourg. It is our regions. It is the cities, towns and villages you come from. When you walk round your constituencies, you can point to the European projects that are so important for their prosperity.

At the end of the day, we are all in the same boat, the European institutions, the Member states, the regions. The Union will not achieve its objectives in Europe without the Member States. And the Member States will not achieve their objectives in the world without the European Union.

Honourable Members,

The citizens of Europe expect us to take the action needed to get out of this crisis.

We must show them that the common efforts we are making today will lead to new jobs, new investments, and a Europe fit for the future.

I am confident that Europe has what it takes. We will get the results we are reaching for.

One thing is certain, it is not with pessimism that we will win this battle. It is with confidence, with a strong common will.

Today, I have outlined how I see the European Union doing that.

I have committed to deliver the proposals to build our economic union.

I have made the case to fast-track our reform agenda.

I have set out how to modernise our social market economy to deliver growth and jobs in a smart, sustainable and inclusive economy through our Europe 2020 flagship initiatives.

I have set out how to achieve a common energy policy in Europe.

I have defended the need for an area of freedom, security and justice, where Europeans will find that their fundamental rights and obligations exist wherever they go.

I have made clear that the Commission will strive for an ambitious budget.

I have proposed to develop EU project bonds to finance major European projects.

I have announced our reinforced commitment to the Millennium Development Goals.

I have made the case clear of why we need a common crisis response capacity and a also a common foreign and a common defence policy.

And I have urged European leaders to act together if they want Europe to be a global player and defend the European interest.

It is indeed a transformational, an ambitious and challenging agenda.

For Europe to succeed, the Commission needs your support for a stronger, a fairer Europe for the benefits of our citizens. Thank you.





## *Réseau d'analyse et d'informationsur l'actualité internationale*

### *Présentation*

Multipol est un réseau international et interdisciplinaire de chercheurs et d'experts en droit international et relations internationales, provenant de milieux professionnels tels que la justice internationale, la diplomatie multilatérale et bilatérale, la recherche et la formation, la fonction publique internationale.

Sa première et principale réalisation est le site <http://www.multipol.org>, plateforme d'échanges, d'analyses et d'informations en temps réel sur l'actualité internationale. Ce nouveau media se positionne ainsi entre les publications journalistiques, qui manquent parfois de recul et de données précises sur les événements de la scène internationale, et les publications scientifiques, qui paraissent dans un délai souvent tardif.

Multipol est né à Genève, durant l'été 2006, de la rencontre de passionnés de relations internationales. Le réseau est régi par une association de droit suisse, apolitique, non religieuse et à but non lucratif. Il est composé d'une vingtaine de membres spécialisés dans les différentes branches des relations internationales (droit international, science politique, géopolitique, économie internationale, géostratégie, etc.).

### *Objectifs*

- Animer un réseau de chercheurs et de professionnels issus de cultures, de nationalités, de localisations, de formations et d'environnements professionnels différents.
- Proposer un support d'information innovant, rigoureux et gratuit, offrant à la fois des analyses de fond et des brèves d'actualité internationale, publiés par des chercheurs et des experts en relations internationales.
- Permettre aux membres de ce réseau de publier leurs analyses et les informations dont ils disposent dans un délai très court, et susciter des commentaires pertinents de la part des autres membres du réseau et des lecteurs.
- Organiser des colloques visant à diffuser la connaissance du droit et des relations internationales.
- Établir des liens avec des institutions et organismes poursuivant des buts analogues ou voisins.
- Proposer l'expertise scientifique des membres du réseau.

*Contacter Multipol :* [contact.multipol@gmail.com](mailto:contact.multipol@gmail.com)

## ***Georgia Should Not Forget What Zurab Zhvania Said***

### ***On a Book with Lectures of the Former Georgian Prime Minister***

**By Sára Modzmanashvili-Kemecsei**



*Sára Modzmanashvili-Kemecsei, Debrecen/Hungary, has worked in several projects in transitional and developing countries. She knows Georgia very well, as she has also a Hungarian-Georgian family. The author of this 'different book review' is an expert on minority issues, in particular Roma questions, in social science approaches, and also on Georgian social structures.*

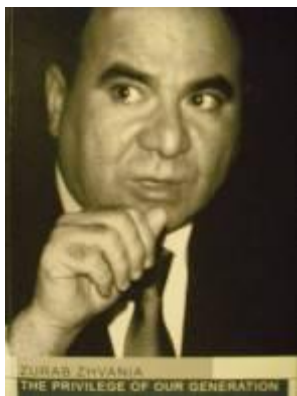
Zurab Zhvania's book, 'The privilege of our generation' provides an excellent insight into the political situation and social background of Georgian society in the transitional period, and explains also some of its positions today.

Zhvania was born in Tbilisi. He studied biology at the Javakhishvili State University. In 1992 he was elected to the first post-Soviet Georgian national parliament, where he became deputy chairman of the legislature's foreign affairs committee. In 1995 he became Speaker of the parliament. In the '90s he was a close ally to Shevardnadze (being also member of the President's party), but after watching the incapability of the government to tackle corruption and the economic problems of the country, he gradually had grown apart from Shevardnadze. In 2002, he established a new party, the United Democrats, and then played an important role in the Rose Revolution that took place in 2003. Zhvania, who went on to become prime minister in the wake of the Revolution in 2003, was the victim of gas poisoning in February, 2005.

Since the Georgian version of the book primarily served as educational material for Zhvania's students, it adopts the structure of the lectures he was holding at the Georgian Institution of Public Affairs (GIPA), consisting of ten chapters concentrating around three major topics: Namely democracy, Georgian politics and the international relations of the country. The annexes contain three speeches of Zhvania, each signing not only a milestone in his professional life, but also marking three significant moments in the modern history of the Georgian State.

The first part of the lectures, and so of the book, is devoted to the *main* principles of democracy, and to the development of nation states, providing the reader with a brief overview of the political setting in which Zhvania would place his country in the following chapters.

Although Zhvania had never formally pursued academic studies in the field of political sciences, his outstanding intellect and interest in politics drove him to examine thoroughly the works and thoughts of the most influential minds who ever contributed to both philosophy and social sciences. This knowledge together with the experience he gained in his various political roles enabled him to see very clearly how his country and nation could find its place and position on the newly forming world political map after the collapse of the Soviet Union, and what challenges modern Georgian society faces in its quest for ensuring the desired stability and prosperity of not only the country, but the whole Caucasus region.



To lead us to the more detailed introduction of Georgian international relations, in the next part of the book, Zhvania takes on the task of defining the cornerstones of Georgian society and nation, and to analyze the most important elements of Georgian politics throughout the '90s and early 2000s. Though he does not go deliberately into discussing then current political questions but he openly answered questions of the audience, and bluntly expresses his opinion on the mistakes Georgia had made in the early transitional years. Here it is necessary to note his remarkably progressive view on the role of minorities in shaping the future of Georgia.

As last part of his lectures, he discusses the prospects of Georgia to become an influential actor of the South-Caucasus region, drafts up the main goals Georgian international policy should aim at, and gives some interesting background information on certain regional and international issues Georgia was involved in. As Prime Minister of Georgia Zurab Zhvania has contributed to the inclusion of the South Caucasus countries Georgia, Armenia and Azerbaijan into the European Neighbourhood Policy (ENP), one of the success stories of the EU common foreign policy, these three Caucasus countries being added to the EU partners in 2004.

He never became tired to underline: Georgia is a European state – not only because it belongs to the Council of Europe, but also for the main determinants of its political culture.

The book is definitely recommended to anyone interested in the development of the region, or generally desires to have a deeper insight into the political scene of transitional countries. But its public should mostly be Georgians – and there not only the “ordinary people”, but also political

opinion leaders, who sometimes leave the impression on European observers not to be committed to European democratic values and pluralism in the way Zhvania had been.

***Zurab Zhvania: The Privilege of Our Generation, edited by Jumber Titmeria, Giorgia Margvelashvili, Ilia Magalashvili, Tbilisi/Georgia 2005 (1<sup>st</sup> edition in Georgian), 2009 (1<sup>st</sup> English edition); 247 pages, published by Zurab Zhvania Georgian Institute of Public Affairs (GIPA), Tbilisi; ISBN 978-9941-9071-5-9***

## Reviews

### *Remarks:*

1. All non-English titles are translated also in English language (in brackets), however in an unofficial editorial working translation.
2. The country of the publisher is mentioned before the date of publication.

## *Business with the European Union*

### **Bernard Bishop: European Union Law for International Business. An Introduction.**

*Melbourne/Australia, September 2009, 239 pages, 45,00 GBP/70,00 USD. Cambridge University Press, ISBN 978-0-521-88144-9 (paperback)*

This is finally a practical book, although it is the product of a university man – Bishop is Senior Lecturer in the Department of International Business and Asian Studies at Griffith Business School, Griffith University in Australia. And in view of this effort and the big distance from down under to Ol’Europe all small errors and misunderstandings on the EU have to be forgiven, like when mentioning the Four Freedoms (p. 2), he didn’t mention services (but some lines later he did) but only freedom of establishment, which is no classical part of the Four Freedoms. Or when he writes without further explication (p. 3): ... some barriers remain to the internal movement of goods. Or isn’t it a bit too weak when it is written that the European parliamentarians “tend to divide themselves into informal political groupings”? Well, this may be right to some “technical” and non-biting groups, but the bigger ones form since decades a well-established landscape, which is also quite formal, not informal. Or if – p. 13 – it is written about the Schengen Agreement that “most of the continental European member states have accepted this but the UK and others have decided to maintain their own immigration laws”. First, all European countries have their own immigration laws, and second only the UK and Ireland are not part of the Schengen Zone – in contrary to states outside of the EU like Norway, Iceland, Switzerland (which has adopted Schengen since December 2008) and Liechtenstein. But this book is so good that one chases small spots like this, and some of them are relativated later. However, in the chapter on EU Directives there is a certain deficit as the author does not tell that e.g. if a Directive is not transposed (or too late, or badly, or partially) one has, if being affected by his company, the possibility to sue the relevant Member State of state liability (for which exists a proud enumeration of ECJ decisions).

But there is so much to tell and so little space – and the author manages to squeeze everything of importance into the book, including a valuable Index. There are also many time tables and case

studies in the text, which add to the value for any Aussie trader. While the ICC Incoterms and the CISG UN Law on the sale of goods are not a EU output, they exist and are relevant for any international trader. Chapter 3 gives an excellent overview about transport of goods to an EU importer, but maybe the table of seaports (European Seaports Organisation) can be taken from a newer statistics than five years ago (2004), in a next edition? Followed by chapters on customs law and procedures within the EU, payment and risk management in international sales and sales to the EU using an EU representative as well as on franchising as a tool to enter the EU market, chapters about establishing a permanent presence in the EU and about resolving a dispute with an EU company close the informative volume. A big compliment that a lot of information about mediation are mentioned at the end of the last chapter.

Of course this can be only a first introduction into the “theory” of exporting to the EU. But there are many misunderstandings and lack of information about the biggest single market in the world, if China and India are covered otherwise. In this context, this “I sell, you buy, or vice-versa” book is able to overcome fear or uncertainty – and this is what it is for. An excellent initiative, which should be made perfect in many details, if – and it should be hope for this! – there are any second and further editions.

## *Geographical Indications of Origin*

**Gunnar Rauffus: Der international Schutz geografischer Herkunftsangaben. Eine Neuaustrichtung durch die Reform der TRIPS-Bestimmungen (The international protection of geographical indications of origin. A new orientation by the reform of TRIPS<sup>139</sup> regulation)**  
*Jena/Germany 2010, JWV – Jenaer Wissenschaftliche Verlagsgesellschaft/Sellier European Law Publishers, 346 pages, 34,80 EUR, ISBN 978-3-86653-156-7. Original language of the publication: German*

A new doctoral dissertation on the issue of geographical indications (which have different names in international law) has been submitted in Freiburg/Breisgau in South Germany by the author, and the fact that it has been printed requires applause. Geographical indications are known in general in many countries, however not implemented as it had been done for example within the European Union. In particular developing countries could skyrocket their products and specialties to an unknown altitude – if only they knew how it should be managed. There are some guides by the IFC etc., however, there is not much of a problem conscience – or better said: awareness of chances and opportunities.

---

<sup>139</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, in Annex 1C to the Marrakesh Agreement establishing the World Trade Organisation (WTO)



However, an EU paper which is also quoted in this book says clearly that only in France which has 593 geographical indications protected within the EU annual revenues of 19 billion EUR have been generated, securing the existence of 138.000 farm and other enterprises. 45% of all Italian cheese, exported e.g. as Mascarpone, Mozzarella, Parmigiano-Reggiano or Gorgonzola, are protected under the relevant EU seals.

The author, after introducing into the subject and its terminology and the economic significance, but also in the dangers of geographical indications, then covers their international protection outside and within the TRIPS Agreement. He then writes about the future development of international protection of these indications by a reform of the TRIPS provisions. The book which should be a must for those in ministries or similar institutions working on these indications (e.g. also agricultural marketing associations), ends with detailed proposals how to include e.g. also wines and spirits, but also all other products. It criticizes the unprecise national protection systems as well as the level of protection. The present TRIPS Agreement does not seem to help much to cope with these problems, but the reform of TRIPS is pending within the Doha Round of WTO. In general, the author is in favour of the principle of the country of origin. Insofar, seen the speed of the Doha Round, there are parallels between the improvement of TRIPS ... and the V.A.T. within the European Union!



## ***Media in Democratic Society: International and National Experience***

*Olivier Védrine, Editor of EUFAJ, lives in Paris/France. Professor at the IPAG Business School where he is Director of an MBA programme, at IÉSEG/Université Catholique de Lille, and other universities. The Lecturer of the European Commission (TEAM EUROPE France) is President of the Collège Atlantique-Oural and Associate Research Fellow at UQAM (Université de Québec à Montréal)*

*This following essay is on the basis of a speech held in Baku, Azerbaijan on 12th March, 2010, within an international conference organized by the "Center for Strategic Studies under the President of the Republic of Azerbaijan" and of the "Joint Working Group on Implementation of International Standards on Human Rights". It was directed to the Azerbaijani public.*

This subject is insofar a very interesting subject as it can be discussed in all our democratic societies, we have a lot of debates around the links between democracy and the media. Those debates are influenced by national and international experiences. In the national area you have the debates with the social components of the nation, and in the international the debates with the international community. Those two aspects are very different and the results of the appreciation will be different.

Democracy is a political government directly supported by the people like the direct democracy or like the representative democracy support by elected representatives of the people. This political system was invited by the Greek philosophers and underlines the « rule of the people ». This system existed in some Greek city states like Athens. There are two principles that any definition of democracy includes: equality and freedom. These principles are reflected by all citizens being equal before the law, and having equal access to power, and freedom is secured by legitimized rights and liberties, which are generally protected by a constitution. Democracy has its origins in Ancient Greece. However other cultures have significantly contributed to the evolution of democracy such as Ancient Rome, Europe, and North and South America.

We must talk more about mass media than about the media. Since the 20s' the mass media designed a large audience with mass circulation, newspapers and magazines. Some forms of mass

media such as books and manuscripts had already been in use for centuries. Now mass media include radio and TV media and since some years also Internet media (like Internet newspapers, but also blogs, message boards, podcasts, and video sharing). Now individuals have a means to exposure that is comparable in scale to that previously restricted to a select group of media producers. This is also called “citizens’ journalism”. The term “public media” is less used and can be defined as “media whose mission is to serve or engage a public”.

Access to information is essential to the health of democracy, it ensures that citizens make responsible and informed choices rather than acting out of ignorance or misinformation.

Supporting the media as an institution requires an understanding of what represents this sector. After the definition of a democracy and of the sector of the media the goal is to use those informations to make the right way for all those elements to work for the interest of a nation and of the people under the law of a constitution.

>>>>At first we have to make a little study about the Media ethics, this is one of the subdivisions of applied ethics dealing with the specific ethical principles and standards of media, including broadcast media, film, theatre, the arts, print media, and the Internet. The media ethics and the law is a very important subject to develop. In most countries there are laws preventing the media from doing or saying certain things when this would unduly breach another person’s rights. For instance, slander and libel are forms of defamation. Slander occurs when a person’s good name is unfairly slurred. Libel is concerned with attacks on reputation through writing. A major area of conflict is between the public’s “right to know”, or freedom of the press, and individual’s right to privacy. This clash often occurs in a lot of countries regarding reporting into the private lives of public figures. In a lot of countries there are restrictions on the publication of obscene material, particularly where it depict nudity, desecration of religious objects or symbols (blasphemy), human remains or violent or sexual crime, etc...

In democratic countries, a special relationship exists between media and government. Although the freedom of the media may be constitutionally enshrined and have precise legal definition and enforcement, the exercise of that freedom by individual journalists is a matter of personnel choice and ethics.

Freedom of information is an extension of freedom of speech, a fundamental human right recognized in international law, which is today understood more generally as freedom of expression in all the media, be it orally, in writing, print, thought the Internet or thought art forms. This means that the protection of freedom of speech as a right includes not only the content, but also refer the means of expression. Freedom of information may also refer to the right to privacy in the context of the Internet and information technology. As with the right to freedom of expression, the right

to privacy is recognized human right and freedom of information acts as an extension to this right.

To conclude we can see that democracy and media is a very sensitive subject to manage. I want to underline two aspects, the first is the necessity of a ethic rules for the media to protect under the human rights the individual's right to privacy and at the same to maintain a strong link between democracy and media in protecting the liberty of expression under the law and the constitution.

*More ideas for Europe!*

## Ideas for a United Europe

Essays by Olivier Védrine

*On European citizens, the "peace dividend", reform possibilities of the EU, terrorist threats and democracy, the restructuring of "capitalism", governance, a thought for Europeans, cultural and religious dialogue, global warming, energy policy, journeys to Ukraine and Azerbaijan, Russia, Turkey.*

Available in every bookshop or from the publisher directly ([verlag@libertas-institut.com](mailto:verlag@libertas-institut.com)), against invoice or (without postage) pro-forma invoice against bank transfer

*ISBN 978-3-937642-19-2, 77 pages, 15,00 EUR (students: 10,00 EUR – please indicate your university/faculty, field of studies and immatriculation number or scan your student card)*

*LIBERTAS – European Institute GmbH, Lindenweg 37, D-72414 Rangendingen (Hechingen),  
Phone +49 7471 984996-0, Fax +49 7471 984996-19. More details on this book see Website  
[www.libertas-institut.com](http://www.libertas-institut.com).*



## LIBERTAS – Europäisches Institut GmbH

[www.libertas-institut.eu](http://www.libertas-institut.eu)

Aberystwyth - Accra – Aix-en-Provence – Albstadt - Almaty - Andorra la Vella - Astana – Athens – Atlanta – Augsburg - Bad Marienberg - Bad Urach - Baia Mare – Baku – Bakuriani - Banff – Bar - Beijing – Belize City – Belmopan - Beograd - Berlin – Bern – Biberach – Bilbao - Bishkek - Bitola – Bled - Böblingen – Bönningheim – Bonn – Bregenz - Bridgetown – Brno - Bruxelles – Bucharest – Budapest – Cairo – Calgary – Cardiff - Castries – Catania – Chemnitz – Chicago – Chisinau - Chita – Clermont-Ferrand – Copenhagen – Corozal - Crailsheim – Dangriga - Dinkelsbühl – Dublin – Düsseldorf - Durban - Edmonton – Ekaterinburg - Elabuga – Erfurt - Eschborn – Essen - Feldkirch – Frankenthal - Frankfurt/Main – Frankfurt/Oder – Freiburg/Breisgau – Fort-de-France – Füssen - Gärtringen - Genève – Gibraltar - Glasgow – Glauchau - Graz – Guangdong - Gudauri – Gulistan - Hamburg - Hannover – Heidelberg – Helsinki – Hongkong – Hull - Indianapolis – Innsbruck – Islamabad – Istanbul – Johannesburg – Karaganda – Kashka-Suu - Katowice – Kiev – Klaipeda - Köln – Kuala Lumpur – Kutaisi - Lahore – Lahr – Lauenburg - Leipzig – Lille – Linz – Lissabon – Ljubljana – London – Los Angeles – Luxemburg – Lyon – Madrid – Manchester – Marbella – Maribor – Marseille – Meerane - Milano – Minneapolis – Минск – Miskolc – Monte Carlo – Montreal – Москва – München – Nancy – Nanjing – Naumburg - Neuss – Nukuz - Oberhausen – Oberkirch - Ohrid - Oslo – Osnabrück – Ottawa – Padova – Palanga - Paris – Peshawar – Pforzheim – Pfronten – Pittsburgh – Podgorica - Pogradec - Port Louis – Potsdam - Praha – Pretoria - Prishtinë – Quebec – Quimper – Ravensburg – Regen - Rendsburg – Reutlingen - Reutte - Riga – Roma – Rostock - Salzburg – San Francisco - Sarajevo – Satu Mare – Saulgau – Shanghai - Sindelfingen – Skopje – Slubice – Sofia – Sopot – St. Anton - St. George's – St. Helier – St. Paul - Strasbourg – Straubing - Strumica - Stuttgart – Suceava – Taipeh – Tallinn – Tashkent - Tbilisi – Tetovo - Thessaloniki – Tirana - Torino – Toulouse – Trento – Trieste – Тюмень – Ulm – Usti n/Labem – Vaduz – Valletta – Vancouver – Venezia – Vilnius – Washington D.C. - Wesseling – Wien – Wuppertal - Yerevan – Zenica - Zürich – Zwickau - **RANGENDINGEN**

*Make thinking go. In European and international context, since 1992*