

## EUROPEAN PERSPECTIVES

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PROSPECTS FROM SOUTH-EASTERN EUROPE

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TOWARDS STRONGER EU MILITARY AND DEFENCE CAPABILITIES?

*Jelena Juvan, Vladimír Prebilič*



ISSN 1855-7694



9 771855 1769008

## EUROPEAN PERSPECTIVES

Journal on European Perspective of the Western Balkans

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European Perspectives is a peer-reviewed journal, published twice a year (in April and October) by Foundation – Centre for European Perspective (Mr Marcel Koproj, President of the Executive Board of CEP).

Manuscripts should be forwarded to the Assistant Editor for European Perspectives at the Foundation – Centre for European Perspective via e-mail on [info@europeanperspectives.si](mailto:info@europeanperspectives.si). For more information visit our website: <http://www.europeanperspectives.si>.

ISSN 1855-7694



Foundation - Centre for European Perspective

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# Letter from the Editor

Practically everything what we do in our lives turns out sooner or later to be a matter of a routine. The biggest challenge in our lives, therefore, is how to impregnate that routine with enthusiasm and excitement. It might easy be the case that is or at least could be the dividing line between those, who are successful, and the others, those, who are pleased with their lives and the rest. Flexibility, which one has to feel and exercise to be able to stand above daily routine, does not need to be linked with the age, but usually it is. Hence, one should always keep an eye on younger generations and try to learn from them what vitality and vibrations are and what they mean.

This updated credo arrives with our seventh issue in the row, practically speaking, on the front pages of our Journal. The reader will notice signature below this Guest View – undoubtedly a young person is in question. After having six prominent and well known scholars, former politicians and diplomats (Erhard Busek, Victor Jackovich, Jacques Rupnik, Jamie Shea, Süleyman Demirel and Helga Schmid), we now turn to successful, outstanding and proactive young people, who show with their examples how to look beyond, how to think and act forward.

Petra Kocjan from Ljubljana heads the Ypsilon Institute, founded by a group of friends three years ago and is now offering how to make with it a case and an example. In the next few issues we will continue presenting such cases, primarily from two points of view. Firstly, we would like to continue with pointing out persons who know and can, and secondly, this would be our contribution to an active social reflection of the current crisis, which hits primarily young generation. We are deeply convinced they can offer much to overcome and go forward. It is not just an isle of hope; it should be a network of social engagement, reaching across generations.

One does not dare to say that the rest of the Journal is a matter of routine, although we follow our usual structure. So, let us have a brief glance at the actual content and its current scientific attractiveness.

The main section brings again a variety of choice for the curious reader. There is a mixture of five papers dealing with economic, legal, financial, defense and diplomatic aspects, all of them focusing on either Western Balkans countries or topics, closely related to them, offering direct or indirect lessons learned as well as policy tips. They deal with general issues (like military and defense) or with highly specific (like cumulation of origin). Among them one should point out the case study of a national diplomacy with a reference to the European External Action Service (the case of Slovakia as a small member state), offering its experiences and possible advices for the aspirant countries of the region concerned.

This issue's Croquis moves eastwards from the previous one, to the Galičica National Park with Lake Ohrid at its heart. A highly complex, complementary and precious mixture of fauna and flora bears an everlasting message for each society: only heterogeneity produces meaning and advancement.

The Sarajevo 2014 section historically presents the attitude of the former socialist Slovenia/Yugoslavia towards the emergence of the European integration process. The author deals with presenting and commenting structures and aspects, drawing lessons from them and tries to find out what linked that country with the West.

At this point we should leave our readers with the offer of the following pages. While contemplating the papers, we already look at the next issue. It would be our pleasure if you would stay with us till then and beyond. We wish you a nice reading.

The Castle of Jable, October 2012

M. J.



P.S. As this issue went to print we learned that Franck Biancheri, who gave the idea for the *Sarajevo 2014* Section and contributed its Manifest, passed away. Franck was an outstanding person with a sharp analytical mind and an open, friendly approach. We will miss him.

**guest view**

**What the Youth Can Do for Our Common Future?**

*Petra Kocjan*



# What the Youth Can Do for Our Common Future?

Petra Kocjan<sup>1</sup>

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The story of the Ypsilon Institute started in late 2009, when a group of young people recognized a need among other young people in Slovenia for a crossroad and think tank of proactive, thinking and responsible individuals, aged between 20 and 30. It was born out of a need and deep wish to give young people a chance to express their full potential. Today it is a non-profit non-governmental organization based in Slovenia and we gather more than 150 representatives of the Generation Y active in very different fields, from arts to financial analyses.

Nowadays we often hear that the young are lost generation. The statistics show that young people in Europe, and especially in the Western Balkans, are struggling harder than ever before, where the unemployment rate is just the tip of an iceberg of problems youth is facing today. At moments we have a feeling that older generations do not really know what to do with us or how to deal with the challenges ahead. Therefore, we decided to take our future in our own hands, to our best knowledge and capabilities.

The mission of the Ypsilon Institute is to help in personal and professional development and awareness rising of our members in cooperation with other generations. With our activities we are trying to transfer knowledge and experience from other generations and confront views among them, thus jointly exploring new routes and integrating the Generation Y into society. One of the ways we have been trying to do so is by organizing educational events where we hosted prominent names from Slovenia and abroad: dr. Edward de Bono, Shoham Adizes, Jan Muehlfeit, Ricardo Illy, dr. Peter Kraljič and Emil Tedeschi, to name just a few.

I often say that I feel privileged to be able to know, work and cooperate with

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<sup>1</sup> Petra Kocjan, director of the Ypsilon Institute  
ISSN 1855-7694 © 2012 European Perspectives, UDK: 327 (4)

such amazing representatives of Generation Y. Our members are one of the rare isles of hope, enthusiasm and dreams left in our country. Although mainly the entrepreneurs recognize the benefits of networking, we have attracted members from really different spheres, which bring rich variety of projects we have been developing. Just to enumerate a few, we are establishing a positive medium, which will provide only positive news. Together with UNESCO Slovenia we have established a platform for young people being involved in UNESCO programs at schools all over Slovenia. We have formed a think tank of young people called ThinkY, a mentorship platform, for which we wish that it becomes a national project, so that each young person in Slovenia would be able to have a mentor. We are preparing a project for empowering young women to step out of the background and a foundation that would help best students from Slovenia to get scholarships at best Universities and social entrepreneurs to start their own social enterprise.

We have established an educational S AcademY, as a part of S project, project of social entrepreneurship started by one of our members, Matevž Slokar, who got inspired at one of our events listening to representatives of the Jamie Oliver Foundation, with whom he is now closely working. This is story of a young man from a small town Ajdovščina, starting his own restaurant at the age of 18, now employing 17 people and giving a chance to 7 young people who did not have as much luck and opportunity as he did, to be able to get education and vocation and start their lives anew. The first generation of S project is finishing its training these days and we are eager to try out their new skills at a dinner in few days. We are very proud of members such as Matevž, who show that although we are young we pay attention to our environment, care for others, can provide them with a chance they have missed and make changes happen.

In the Ypsilon Institute we care more about actions than words, we believe that we can make a difference with our little steps, and this is our *modus operandi*.

In the past three years we have been trying to change the way society looks at young people and we have been trying to make small positive changes. Although in the beginning some were looking at us as a bunch of youngsters wanting to become the elite, today many come to us, encouraging us for continuing on the right path and telling us that society needs proactive young people, who are aware of their environment and cherish values other than money and separation. We are trying not to be just numb spectators of the happenings around us, but are trying to make positive changes within

our capabilities. We know that we do not know everything. And we are always welcoming wisdom of other generations. We strongly believe that the combination of energy and enthusiasm of youth and wisdom of other generations can bring the best results.

One of our core values is cooperation. We try to be open for cooperation at all times, since we believe that it is better to unite our strengths than compete and try to defeat each other. Through cooperation we have built numerous positive stories. One of them is bringing politics closer to young people. This is how we started the World for Ypsilon project in cooperation with the Ministry of Foreign Affairs and other crucial state cabinets in Slovenia and University of Ljubljana, who generously opened its doors to host high rank official guests visiting Slovenia to address young people. This is the way to give young people a chance to meet leading politicians, have a short discussion with them and share their thoughts. This is a nice display of a non-governmental organization working closely with governmental institutions for the benefit of young people. And this is also how Slovenia could be promoted in international affairs, as a country that cares about its young people.

In Slovenia there are actors who are becoming aware of the importance of recognizing young people, giving them the possibility to discuss today's issues and participate in finding solutions, which will mainly affect us, the young. The Bled Strategic Forum (BSF) organized yearly by the Ministry of Foreign Affairs recently added an extra day for Young BSF, giving an opportunity to students and young professionals from different countries to meet, discuss the challenges and propose solutions. We have had the chance to be a part of it for the second year and it was exciting for our members to meet their peers from different countries, get to know the problems they are facing and debate on solutions. Moreover, young people had a chance to discuss the current political situation with high-level politicians from all over the world, exchanging their views, learning something new. This definitely is the way to go forward. In our opinion youth should be more represented and involved in the policy making. After all, it is our future the policy makers are deciding on. And we should have some say in it.

In the Ypsilon Institute we often take our right to have a say or to do something irrational, nobody else believes in. It was also the case with our biggest project so far – the project Simbioz@ (symbiosis in English). It is a project in which youth is teaching elderly people how to use computer on a voluntary basis. This year, for the second time in a row, we have managed

to connect more than 8000 people in Slovenia in a week's time. And what is more, this year more than 3200 young volunteers (800 more than last year) have taught more than 5000 elderly people the basics of computer at 300 locations all over Slovenia. In 2011 we thought this would be a one-time project. We repeated it because of the feedback we got from different stakeholders, but mainly from elderly people asking us to do it again.

Looking at the figures it is surprising, that this year 800 more young people joined the project to help as volunteers. Most people would say that the young are not ready to help, that we are apathic, not interested in anything and that we do not care about older generations. However, only last year, young people invested more than 20 000 voluntary hours in the project Simbioz@. These numbers prove just the opposite. And many were amazed by it, due to the negative atmosphere that can be felt in Slovenia during the last months.

Simbioz@ is a really nice act of intergenerational cooperation that was born from one talk among Žiga Vavpotič, the cofounder and program director of the Ypsilon Institute, and his grandmother at lunch, when she asked him: "Žiga, what does www mean?" This was when Žiga realized that we, as a society, are not acting discriminatory only to those who we do not like, but also to those we love the most. And this is how the journey started back in 2010. We started from the scratch; a good idea and a strong belief were our main supporters. We talked to the ministries, different associations, organizations connecting young, elderly people and the business. The first to support and believe in us was, by our surprise, the business sector. And Slovenian companies were in the end the ones who made it all possible in financial perspective. Despite the crisis, bad economic conditions and all other excuses we hear so often. Of course we could not do the project without the support of local authorities, libraries, schools, and NGOs who offered their locations and computers. We also got the honorary support of all four Slovenian presidents, the President of the Republic of Slovenia, President of the Parliament, Prime Minister and President of the National Council. Enumerating all the stakeholders, the project was so successful mainly due to readiness of us all to cooperate and do something different. Slovenia was able to unite in these difficult times, when all we can hear is separation, at least for one week.

However, all did not go so smooth, there were also hard times, objections, mostly by people, who should be glad that we are in a way giving this knowledge and opportunity to elderly people. However, nothing stopped

us in our belief, and we made it in 2011, with a pioneer project, no real point of reference to hold on to.

After the success, also recognition from various institutions followed. On the nomination of Tanja Fajon, Member of the European Parliament, the project got the European Citizenship award from the European Parliament. The European Commission named Simbioz@ as one of the best practices of intergenerational cooperation and the project also received the award of the Chamber of Commerce in Slovenia for social innovation, to enumerate some of them.

This year is also a European year of intergenerational solidarity and active ageing, which goes hand in hand with our project. Neelie Kroes, Vice president of the European Commission responsible of the Digital Agenda for Europe, supported the project at the very beginning. This year we held an international conference under her honorary patronage, where we gathered different international actors from private and public sector to discuss the future of project Simbioz@, which more than obviously has international potential. The discussion are taking place right now to do this project in Serbia, Montenegro and perhaps Bosnia and Herzegovina, where it could have another dimension of not only bringing together different generations, but also different nations. We know that our dreams can be bold, however, we dare to dream and hopefully can realize them one day.

What counts the most are the feelings, the real intergenerational cooperation being born out of it. Finally the young got a chance to teach their grandmothers and grandfathers. And all over Slovenia we were able to see elderly people twice a day strolling around their neighborhood with laptops in their hands, talking about how to use internet and that the mouse is difficult to use for them because their hands wouldn't listen. And this is what gave us strength to go forward. We showed that we, a group of young people with strong belief, can make changes.

As responsible young people we are not stopping here. We will repeat the project next year in Slovenia and are trying to spread it beyond our borders as a Slovenian product that can be exported. Why couldn't Slovenia be known in international relations as a country of good practices, projects of social and other innovation? Simbioz@ also has a sustainable path, our great desire is to make intergenerational centers around Slovenia where elderly people would be able to practice their computer skills and to establish Simbioz@ primary schools where pupils would teach elderly people from their neighborhood how to use computer effectively and safely.

To conclude, with our work we have proved that youth can make great change and that we can contribute to our common future. Times are not easy, disbelief and hopelessness seem to be prevailing emotions, with many people looking for problems, excuses and reason why not to do something. Some are even calling for youth to take over. We do not believe that this is the right way. Youth still needs to gain experience in order to be able to change the world. However, we are showing with our everyday actions, that we should start doing things we believe in, but we need everyone's help and cooperation. This is the only way we can move forward. And young people do not only wish, but want to be a part of today's decisions. Who, if not us? When, if not now?

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# Intra-Regional Trade in Transitional Economy: Prospects from South-Eastern Europe

Arsena Gjipali, Etis Jorgji, Elida Liko<sup>1</sup>

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## ABSTRACT

This paper addresses the issue of foreign trade of South-Eastern European Transitional Economies, focusing in their intra-regional trade. International trade is crucially related to the development of the region, which is why it is important to centre our attention on the variables that affect trade. Augmented gravity models were introduced to observe the trade patterns of the region for the period before the financial crisis and before the changing pattern of any of the Balkan countries towards the European Union. The gravity equation has been found to be efficient in explaining trade pattern of the region. At the same time, other variables testing the significance of historical, cultural, and political ties on trade have been found also to be important. South-Eastern European Transitional Economies have to work individually and together in achieving political stability in the region, in order to improve their bilateral trade relationships.

KEYWORDS: Trade, South-Eastern European Transitional Economies, Gravity Model

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## 1. INTRODUCTION

After the collapse of the socialist regimes at the beginning of the 90's, all the countries in the region underwent through an economic and political transition period. The transition period was also accompanied by many wars in the region such as Bosnia and Herzegovina Civil War (1992-1995), Albanian Civil War (1997), Kosovo War (1998-1999), and the Revolution in the Republic of Macedonia (2001), which did not help the developing process that the countries were undergoing through. Instead, these problematic periods made the transition period for these countries longer and harder to be surpassed. The difficulties presented by the market and political reforms, together with the military conflicts in the region led to deepening the challenges that countries had to face on their way through the transition.

The most common feature of the countries of the region is their European aspiration. Historically the South-Eastern European Transitional Economies (SEETE) countries were identified as European countries, so membership in the European Union is one of the main objectives of all the SEETE countries. The European Union (EU) on the other hand, offered its strongly support for the development and reformation of the countries in the region. One of the areas promoted by the EU is trade liberalization and establishing bilateral trade relationships between SEETE and the EU, and the countries of the region between each other. Trade liberalization is expected to yield economic improvement; according to Redding and Venables (2004) 1% market opening of one country, will increase its exports by 1%, and as a consequence increase its GDP per capita by 0.25%. In order to increase bilateral trade relationship between SEETE countries with each other, free trade agreements (FTA), strongly related to Central European Free Trade Area (CEFTA), were introduced. These agreements are expected to increase the intra-regional SEETE trade (Commission, 2003).

Intraregional trade patterns of the South-Eastern European Transitional Economies is very important for the economic development and the European future of these countries. Much emphasis has been put in this topic by individual countries, while not too much empirical work has been done to examine the pattern of trade. Most of the work has been focused in the description of trade figures, but not on the variables influencing it, which is why this paper will be focused mainly on the variables that affect trade in the SEETE region in the period 2000-2007, before the global financial crises which was spread in Balkan countries mainly through trade channels, and had a significant impact on export volume and growth slow down in all the countries under survey.

In this paper we only focus in the intra-trade process between Albania, and Ex-Yugoslavian Countries: Bosnia-Herzegovina, Croatia, Kosovo, Montenegro, Republic of Macedonia, and Serbia. Two are the motives for this rationale. First, even though these countries signed the Stabilisation Association Pact (SAP) in 1999, they delayed in their transition process not only related to developed economies but also to other transition economies in the region (such as Slovenia). The reason was that some countries were evolved in wars. Second, the above mentioned countries have a common feature, the lack of competitiveness in a larger international area, which is reflected by too high trade deficits. Share of foreign trade of the these countries with the EU is relatively low, raising importance to the intra regional trade for the developing of those countries.

The paper is structured as following. The second section gives a general overview on economic performance of the countries and the main features of trade between them. The third section will provides a closer look on the theory of international trade and also of the gravity model. The fourth sections presents the econometric model, the model itself, and the data used. The econometric results of the model together with the interpretation of the estimation are represented in the fifth section. The last section will be focused on the general conclusions; summary of the previous sections will be produced. Some policy implications and future research topics are as well raised in this last section.

## **2. AN OVERVIEW OF SEETE: ECONOMIC PERFORMANCE AND TRADE FEATURES**

SEETE are small economies and relatively underdeveloped and their regional integration in both political and economic fields has an important role in their transition to market economies and their European integration.

### **2.1. ECONOMIC PERFORMANCE**

Beside Albania, all the other countries were members of the political and economical union of Yugoslavia, but in the early 90's the federation was broken up, and consequently Bosnia-Herzegovina, Croatia, Republic of Macedonia, and Serbia and Montenegro<sup>2</sup> countries were created. During the federation period, Yugoslavia was economically more developed compared to the other countries of the region, but the transition to market economy faced all the emerging countries with the challenge of political

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<sup>2</sup> Kosovo at the time was an autonomous province of Serbia.

and economical reformation (Gross & Steinherr, 2004).

The opening of the countries in South East Europe (SEE) more than two decades ago has fundamentally altered the political and economic landscape of the European continent. The region has been transformed into a marketplace with dynamic growth, attracting a significant amount of foreign direct investment.

The political landscape in South East Europe is diverse and, for some of the SEETEs, constitutionally rather complex. The diversity is apparent not merely in the political sphere, but also in terms of economic development; in one end of the spectrum is Croatia, with GDP per capita similar to that of the Central European Countries, while Albania, in contrast, is basically typical developing economies with the lowest GDP per capita in the region. The economic performance of most of the SEETE up to date is very poor, and not as expected; an exception has to be made in the case of Croatia, where the economic reforms are more successful compared to other countries of the region.

Croatia, the candidate country for EU accession, is recording higher growth rates, higher FDI inflows, lower unemployment levels, and more stable short- and medium-term prospects for growth than the rest of the region. In the other countries of SEETE economic growth is slower, foreign direct investment lower, unemployment higher, and prospects for both GDP growth and FDI less clear. These slower results are partly attributable to deficiencies in the process of transformation and trade integration arising from unsettled security situations or constitutional setbacks.

In terms of population, Serbia is clearly the biggest country in this region, with a population of around 7.5 million. The remaining countries are relatively small, with a population size ranging between 0.7 to 4.4 million.

Growth remained sustained in the Western Balkans in the mid of 2000's. Between 2005 and 2007, the economies of the region have experienced growth rates at an average rate of around 5% of GDP. Growth dynamics were strong in Albania, Montenegro, Serbia, and Bosnia and Herzegovina with growth rates of between 5% and 7%, while in Croatia and the former Yugoslav Republic of Macedonia – growth was somewhat less strong at between 4% and 4.5%. The outlier in the region remains Kosovo, with an estimated negative growth of -0.2% of GDP in 2005, followed by a 3% growth in 2006, partly due to the downsizing of the international community's presence which represented a significant market for local services.

The countries of the region real GDP's growth rates have been similar with the previous tendencies during 2007 too.

The pattern of growth has been uneven. In 2005 high industrial growth was registered in some countries or areas, in particular in the former Yugoslav Republic of Macedonia and Bosnia and Herzegovina. In Serbia, growth was driven by services, while the manufacturing sector, which accounts for 75% of industrial production, recorded a decline of about 1%, reflecting the ongoing process of restructuring and adjustment in industry. Montenegro also recorded a negative industrial production trend, its GDP growth rate also being mainly driven by services (notably tourism) and the financial sector. Croatia's growth too is mainly explained by dynamic internal consumption trends and relied on services, with industrial production growing only moderately. Albania's growth was lower than in previous years owing to the effects of the energy supply crisis, which is expected to have weighed negatively – by around 0.5% of GDP – on growth, but remained strong overall, fuelled by strong internal demand (EU Commission, 2006).

*Unemployment levels remained high throughout the region;* reported unemployment levels (at the end of 2007) varied considerably, ranging from 43,2% in Bosnia and Herzegovina and 34,9% in the former Yugoslav Republic of Macedonia to 13,2% in Albania and 9,9% in Croatia. However, it is difficult to judge to what extent official figures reflect reality, because of the large alleged size of the informal sector. High unemployment remains a serious deterrent to growth and economic prosperity in these economies.

*External imbalances of SEETE remains high.* All the countries in the region have negative trade balance and current account deficit as a percentage of GDP in 2007, varies from 7,5 in Croatia and Macedonia to 12,2 in Bosnia and Herzegovina and 29,4% in Montenegro. Croatia's current account deficit also slightly increased from 6.4% of GDP in 2006; however, it remains the country in the region with the most sustainable source of external revenue owing to sustained and increasing tourism receipts, and substantial FDI inflows to finance its current account deficit.

Table 2.1: SEETE Economic Performance, 2007

<b>Macroeconomic Indicators</b>	<b>Albania</b>	<b>Bosnia and Herzegovina</b>	<b>Croatia</b>	<b>Montenegro</b>	<b>FYROM</b>	<b>Serbia</b>
Population (in million)	3,2	3,8	4,4	0,7	2,0	7,5
GDP per capita in USD	3.422,8	3.986,4	13.196,5	5.827,2	3.868,1	5.393,1
Unemployment (in percent)	13,2	43,2	9,7	16,8	34,9	29,9
Share of industry in GDP (in percent)	10,3	21	17,6	na	21,9	21,4
Share of agriculture in GDP (percent)	21,0	7,9	5,2	na	9,4	9,8
Current account/ GDP (in percent)	-10,6	-12,2	-7,5	-29,4	-7,5	-15,7
Share of trade in GDP (%)	46,7	95,3	64,9	94,7	105,1	65,9
Domestic credit to private sector (in percent of GDP)	28,9	50,6	67,1	83	36,8	35,3
Percentage change in real terms						
- GDP	6,0	6,8	5,5	10,7	5,9	6,9
- Industrial Gross Output	8,6	8,2	5,6	0,4	3,7	3,7
- Agricultural Gross Output	-1,9	-0,3	-3,3	na	-2,0	-8,0

Source: EBRD (2010); Transition Report, 2009.

The *overall competitiveness* of the economies is reduced by a combination of still large and not restructured state-owned enterprises and business environments that do not foster enough economic entrepreneurship. The private sector represents only around 50% of GDP in Bosnia and Herzegovina and 55% in Serbia, but is higher in Montenegro (60%) and relatively high in Albania (75%) and the former Yugoslav Republic of Macedonia (75%) (EU Commission, 2006).

## 2.2. MAIN FEATURES OF INTRA-REGIONAL TRADE

Trade figures of SEETE countries are not as promising as it was expected from the agreement signed and implemented. During the socialist regime until 1989, most of the countries of the region had very high trading volume between each other, with the exception of Albania which at the time was isolated not only to the SEETE region, but the entire outside world. During that period, trade within the Yugoslav republic was more important for its members than trade with countries outside the federation (Uvalic, 2006).

With the disintegration of Yugoslavia during the first half of the 1990s, traditional trade and production links were interrupted and new possibilities of economic integration started to emerge. The decade of the 1990s was dominated by the increasing orientation of SEETE countries towards the EU on the one hand, and a sharp economic disintegration of former Yugoslavia on the other hand. The transition period that these countries have been undergoing through after the collapse of the socialistic rule changed the traditional trade pattern of the countries. Now most of the countries of the region mainly trade with the European Union, while trade between the SEETE countries has decreased over time. For most of the countries of SEE<sup>3</sup>, trade within the region is only one-tenth of their trade with the EU, and the dominance of the EU in trade terms is not likely to diminish over time (Gross & Steinherr, 2004). Another reason behind the low bilateral trade within the SEETE region is that the countries have similar export and import structure, and most of them specialize in labour-intensive products (Skuflic & Botric, 2008). From the table 2.2. we notify that the free trade agreements haven't yet succeeded in a significant way the economic relations between the countries of the region. The data shows that the export inside the region goes from 7.8% in Croatia to 41.6% in Bosnia and Herzegovina. The biggest part of exports is oriented to EU countries. A characteristic for Kosovo is the fact of the decrease of the weight of the exports (2006 comparing with 2007) with Albania (from 20.1% to 8.1%) and Serbia (from 26.1% to 8.1%). In the total exports of countries, the exports inside the region weight about 23%, instead this ratio in EU that is about 64%. The total export-import within the region for the year 2007 has been around 4.800 million euro. For this year the exports of all the region countries toward EU is counted around 13 milliard euro, and the imports around 26.2 million euro, with a coverage index of 48%.

As can be seen in Table 2.2, the EU is by far the most important trading partner, with shares in total commodity exports ranging between 54.4% (Serbia) and nearly 83% (Albania). Interestingly enough, Italy seems to be the most important EU export destination for nearly all countries of South-Eastern Europe, followed by Germany, Greece, Austria, Slovenia and Hungary.

With respect to trade within the region, the historic pattern of economic integration appears to prevail. The successor states of the SFRY still appear to export a significant share of their trade within the territory of former Yugoslavia (e.g. between about 19% of total exports in the case of Croatia and

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<sup>3</sup> Denotes for South-East Europe and includes countries: Albania, Bosnia-Herzegovina, Croatia, FR Yugoslavia, FYROM (Republic of Macedonia).

38% in the case of Bosnia and Herzegovina), while trade with the Eastern Balkan or Albania is very low.

However, a closer look reveals a high bilateral trade concentration; for example, in 2007, about 50% of Croatia's exports towards the countries of the region were absorbed by Bosnia and Herzegovina, while the share of exports to Serbia and Montenegro was 5,9% only.

Another striking feature of regional trade is the low degree of regional integration of Albania, with exports to the Western Balkan amounting to 9.9% of total exports and 6.8% of total imports only. According to available data, the only significant regional export flows of Albania in 2007 were directed towards Kosovo and the former Yugoslav Republic of Macedonia.

From an economic point of view, this highly fragmented trade pattern is surprising, because in the absence of major differences in resource endowment or natural hindrances to trade, the economic theory would predict a more evenly distributed regional trade pattern.

Table 2.2: Exports and Imports within the region and with EU-countries, 2007

	<b>Exports within region, 2007</b>	<b>Exports with EU, 2007</b>	<b>Imports from region, 2007</b>	<b>Imports from EU, 2007</b>
Albania	9,9	82,9	6,8	62,8
Bosnia and Herzegovina	41,6	59	41	na
Croatia	7,8	71	2,2	65,1
FYROM	30,8	67,4	11,6	77,3
Montenegro	35,1	63,9	48,9	45
Serbia	35,1	54,4	10,1	55,1
Kosovo	27,7	60,1	36	36,5

Source: National Statistical Bulletins, own calculations

The commodity composition of total exports of SEETE is characterised by a relatively high share on intra-industry trade, mainly due to the relative similarity of South-Eastern Europe with respect to the resource endowments (natural resources, capital stock, and human capital). However, this pattern changes drastically, when analysing the trade composition of regional trade; in contrast to the overall pattern, trade between the countries of South-Eastern Europe appears to be dominated by inter-industry trade, such as exports of agricultural goods and imports of manufactured goods.

In view of the limited size of most of the SEETE, trade integration is a crucial instrument for promoting growth and development, because of various benefits such integration offer. Local companies have access to sufficiently larger markets and local or regional producers can maximise their integration into the production chain; openness to trade allows the import of new technologies and know-how, while the consumers benefit from the larger variety of available goods at lower prices, reflecting competition from abroad.

Trade policy thus became an important instrument not only to foster economic development in terms of realising necessary economies of scale and sufficient access to export markets, but rather as an avenue for realising existing synergies and in order to create a sufficiently large economic area, for example for increasing the region's attractiveness for FDI. Trade integration may also help to stabilise this region in political terms.

### 3. REVIEW OF LITERATURE ON INTERNATIONAL TRADE THEORY

The theory of international trade is yet developing, and there is no single theory used to explain the patterns of trade. Economists are still using the three waves of international trade theories, which are the so called "Old Neo-Classical Trade Theory", "New Trade Theories", and "New Economic Geography". All of them together are used in explaining the pattern of trade, and there is no consensus on which of the theories is a better predictor of trade flow. Understanding all the three waves is important in explaining and studying trade within a country, between countries, within a region, and of the entire world.

The "Old Trade Theories" assumes a simple perfect world where there is perfect competition, constant returns to scale, no market distortions, fixed supply of factors, and homogeneous preferences. Major contributions in the field are given by Ricardian comparative advantage model and by Heckscher-Ohlin model. According to these models, if assumed that at least one of the factors of productions is immobile and also perfect economic environment prevails, than the country will tend to specialize in the production of the products that use its abundant factor. In other words a country will specialize and export goods that use intensively the factor which the country richly possesses. Countries with different factors of endowments will trade between each other, while countries with similar factor endowments will have little trade volume occurring between them. As a result trade between countries will be prevailed by inter-industry trade, while there will

be no intra-industry trade. Empirical evidence is contradictory, but most of researchers believe that international trade pattern cannot be explained only by differences in endowments, but also by extensive technology differences (Krugman & Obstfeld, 2000). The inability of “Old Trade Theories” to explain only a part of international trade, namely the inter-industry and not the intra-industry trade, opened the path for the new theories in the field.

The “New Trade Theories” assume a monopolistic competition environment, characterized by increasing returns to scale, product differentiation, and also “love-of variety” of consumers (heterogeneous preferences). Beside these assumptions, in continuation with the old trade theories, it is assumed that there is no labour mobility between countries, or regions. The monopolistic environment, in accordance to Chamberlin (1933) and further advanced by Dixit and Stiglitz (1977), made the new trade theories to interpret another area of international trade, that of intra-industry trade. In order to take advantage of increasing returns to scale, most of the firms will decide to allocate their activities close to the factor of productions and consumer markets. This is true since the firms will take advantage of the low transportation costs, and as a consequence will achieve economies of scale. The result is what is called “home market effect”, which implies that a country will export goods that have a large domestically demand (Surico, 2003). The new trade theories emphasizing monopolistic competition environment, focusing on economies of scale, can be used in explaining intra-industry trade, or trade between countries with similar factor endowment. At the same time a drawback of the theories is that they are not able to explain trade between countries have different endowments, such as trade between North and South. According to Schott (2004), there is the need for new sets of theories that incorporate elements of old and new trade theories.

The “New Economic Geography” was mainly developed by Krugman, who added the new trade theories by assuming that there is labour mobility. In this context the geographic concentration of the production will be in accordance to the combination of the transportation costs and scale economies. These opportunities for producers and consumers, lead to a concentration of the producers close to consumers, and also for consumers to concentrate close to the production. The findings of the economic geography theory are the following:

“In an economy characterized by high transportation costs, a small share of foot-loose manufacturing, or weak economies of scale, the distribution of manufacturing production will be determined by the distribution of the ‘primary stra-

tum' of peasants. With lower transportation costs, a higher manufacturing share, or stronger economies of scale, circular causation sets in, and manufacturing will concentrate in whichever region gets a head start." (Krugman 1991, p.497)

In other words, Krugman argues that there is a historical path-dependency process in geographic concentration of production. According to Martin and Sunley (1996) the Krugman's economic geography is not able to explain why flourishing regions undergo to dramatic economic drawback, or why some regions are more successful than others in adjusting to negative shocks.

As mentioned above, the theory of international trade is still not fully developed. The three waves of the theory, "Old Neo-Classical trade theories", "New trade theories" and "The economic geography", try to explain the pattern of trade, but none of them are fully able to explain all aspects of international trade, which is why there is no "right" theory of international trade. While trying to explain trade, all three waves of the theory should be combined and dealt with, even though yet there is no econometric model that is able to combine all the elements of these theories into one.

During the decades that it has been used, the gravity model has been very successful as a tool for measuring trade empirically. The estimated coefficients of the general form of the gravity model have been able to explain the variation of trade, since in most of the studies where it is used the coefficients have expected signs and are significant. According to Bergstrand (1989), "The generalised gravity equation explains empirically 40% and 80% of the variation across countries in one-digit SITC<sup>4</sup> trade flow". The results of the gravity equations, even being accepted from most of the experts in the field, still do not have an economic theory to be explained from. The lack of the economic theory behind the gravity model has pushed many economists to find the relationship between trade theories and the gravity equation. Oguledo and Machphee (1994) mention the theories that were developed in order to explain the efficiency of the gravity model. The first theory lies in physics, where the gravity depends on the electrical forces (in the Gravity Equation is the country's GDP) and resistance factor (in the Gravity Equation is distance). The second theory is that of Walrasian general equilibrium, where the gravity equation is a reduced form of the equilibrium explaining trade volume. The third theory is based on the probability model, where suppliers and demanders meet randomly. All these theories are not able though to explain why the gravity model works, and at the same time link the gravity model to the theory of international trade.

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<sup>4</sup> Denotes for Standard Industrial Trade Classification

Other economists on the other side, while trying to find out the theoretical foundation behind the gravity model, look at the theories of international trade and test if those theories can explain the success of the gravity model. The trade theories that are generally used to test the success of the gravity model are mostly the constant-return to scale Heckscher-Ohlin Model, the increasing-return to scale of new trade theories, and the economic geography theory. The general belief is that GM can provide empirical evidence for the new trade theories, but this is not fully tested. While testing the theories that explain GM, Evenett (2002) concludes that: First, only if there is a big difference in factor endowments of the countries can the Heckscher-Ohlin model predict perfect specialization and as a consequence the gravity equation can work. Second, increasing returns to scale models of perfect specialization perform a little better than the H-O model. Third, the H-O model and new trade theories explain different components of the variation of trade volumes; as a consequence both of them might be used partially to explain the success of gravity model. Firduc (2004), also concludes that gravity models perform well in increasing returns to scale, with differentiated products (features of new trade theories), and comparative advantage (a feature of H-O Model). At the same time, while studying the outliers of his gravity equation results, Firduc concluded that peripheral countries trade flows were acting as exceptions of the estimation, which is something explained by the economic geography theory. To summarize, even though there is no single theory lying behind the gravity model, all the theories of international trade explain parts of the equation success in explaining variation of the trade volume.

The efficiency of gravity model in explaining the pattern of trade has lead researchers to add other variables to the traditional equation. In the case where other parameters beside the original ones are added to the equation, called the augmented gravity model, depending on the importance of the parameters to trade, the coefficient estimation might change, causing a better estimation of trade volume fluctuation or a worse one. The additional parameters of added to GM are such as per capita income, common border, language, currency, culture, religion, and ethnicity, exchange rate, etc (Kandogan, 2007). The importance of these parameters in predicting trade volume fluctuations depends on each parameter, and also on case to case bases, but some of them have proven to produce significant coefficient estimation, which is why they are used frequently from economists.

To conclude, the theory of international trade is still developing, and there is no consensus on which of the existing theories better explains trade in

the real world. The most important contribution is given by the three waves of the theory, “Old Neo-Classical Trade Theories”, “New Trade Theories”, and “Economic Geography”. As believed by researchers, a combination of these waves is the most efficient way to explain the international trade fluctuations. One econometric model that is able to yield successful results in explaining trade is gravity model. Even though this equation does not have an economic theory lying behind and explaining its success, the three theoretical waves might be used to explain parts of the gravity equation achievement on trade fluctuation explanation. According to Anderson (1979), it is very hard to find a model that explains trade flows, so we have to respect the models that are able to do so, “... *the gravity model may merit continued development and use*”.

#### 4. MODEL SPECIFICATION AND DATA

International trade is very important for a country’s growth and economic development. That is why trade patterns of countries, especially developing ones, is very important to be studied. For South-Eastern European Transitional Economies (SEETE) trade is a central key to development. These countries historically, (with the exception of Albania) have had very good trading relationships; those historical ties remain even in the recent trends.

In the empirical analysis the traditional gravity model variables will be included; GDP (accounting for country’s mass) and distance (accounting for transportation costs). At the same time, other variables explaining trade patterns will be included in the models.

For the model the data were constructed in a panel framework, since the data consisted of a combination of cross-sectional and time-series feature. The panel estimation is superior of cross-sectional and time-series ones, since it is able to give an estimation of a cross-sectional analysis during a time period (Wooldrige, 2002).

The main questions raised in the analysis are the following:

- What variables are important in explaining the trade pattern of SEETE countries?
- Does trade of SEETE countries follow the gravity model predictions?
- Do cultural, historical and political ties affect trade pattern of SEETE countries?

The main emphasis of this work will be dedicated to the effects of cultural, historical, and political ties of countries in the volume and pattern of trade that they have. This means that besides the traditional gravity model variables, a central importance will be given to variables such as common border, similar language etc.

Gravity models<sup>5</sup> (in many forms for different studies) have been the most successful empirical tools used to explain international trade flows. The gravity models have been applied to a wide variety of goods trade and factors moving between regions and across national borders, and the estimations produce good fit to the data. The models were developed during the 1950s and 1960s, and specifically sought to explain the volume of trade. The models predict that trade flows are proportional to the size of the economy of both trading partners and are inversely associated with the trade impediments between them.

The models can be derived from very different trade theories: the Ricardo's comparative advantage theory; the Heckscher-Ohlin's factor endowment and factor intensity theory; and monopolistic competitive theory with increasing return to scale. The gravity models are consistent with the Heckscher-Ohlin-Vanek factor service trade prediction, one of the most important results of trade flows (Evenett & Keller, 2002). The gravity models are useful tools in analysing the determinants of international trade flows, identifying and estimating export market potential and identifying "natural" trade blocs (Lung & Gunawardana, 2000).

The common feature of the gravity model is that it attempts to attribute flows from one region to another region depending on the relative attractiveness of the two regions. In relation to international trade, the model of Tinbergen (1962) proposes that flow of goods from one country to another is a function of a positive product of the size of economies of the two trading countries and an inverse function of trade resistance factors. The model attempts to explain the volume of trade as a result of the trading countries' ability to supply and demand tradeable goods when the trade resistance factors are removed. It appears as a reduced form of simultaneous equations of supply and demand in which prices are endogenous. The ability to supply and demand by trading nations is characterised by the trading countries' wealth (GDP), market sizes (population), and their average living standard (per capita GDP).

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<sup>5</sup> At the same time the gravity model (GM) is criticized for not having a strong theoretical background.

The original form of the model is the following:

$$trade_{ij} = A \frac{(GDP_i GDP_j)^{b_1}}{(distance_{ij})^{b_2}} \quad (1)$$

where  $trade_{ij}$  is the bilateral trade between country  $i$  and  $j$ ;  $A$  is a constant;  $GDP_i$  and  $GDP_j$  are the respective real domestic products of the countries;  $distance_{ij}$  is the distance in kilometres between country  $i$  and  $j$ .

Taking the logarithms of formula (1), we attain the gravity model estimation equation:

$$\text{Log}(trade_{ij}) = A + \beta_1 \text{Log}(GDP_i) + \beta_2 \text{Log}(GDP_j) + \beta_3 \text{Log}(distance_{ij}) + u_{ij} \quad (2)$$

where  $A$ ,  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$  are the coefficients that will be estimated from the econometric model, and the term  $u_{ij}$  is the error term that measures any other parameters that have an influence on the volume of trade between  $i$  and  $j$ . So explaining it in economic terms, the gravity equation links the volume of bilateral trade to the importer's demand, exporter's supply, and also their trade costs. The importer's demand and exporter's supply is measured by the country's gross domestic product, while the trade costs are measured by the distance between the economic centres of the countries.

The gravity model used to explore the trade pattern between the SEETE countries for the period of interest is defined as following:

$$\text{Ln}(M_{ijt}) = \alpha_0 + \alpha_1 \text{Ln}(Y_{it}) + \alpha_2 \text{Ln}(Y_{jt}) + \alpha_3 \text{Ln}(D_{ij}) + \alpha_4 CB + \alpha_5 SL + \alpha_6 EY + u_{ijt} \quad (3)$$

where:

- $M_{ijt}$  denotes country  $i$  imports from country  $j$  in year  $t$
- $Y_{it}$  Country  $i$  (importer) GDP in year  $t$
- $Y_{jt}$  Country  $j$  (exporter) GDP in year  $t$
- $D_{ij}$  Distance in km from country  $i$  to country  $j$  (distance between the two capital cities of those countries)
- $CB$  Common Border Dummy: 1 if common border between country  $i$  and  $j$ , 0 if otherwise

- SL      Similar Language Dummy: 1 if both countries have Similar Language (meaning same word root, understandable between each other), 0 if otherwise
- EY      Ex-Yugoslavian Countries: 1 if both countries are Ex-Yugoslavian countries, 0 if otherwise
- $u_{ijt}$     denotes for error term
- t        Year =2000.... 2007

As dependent variable we could have used the volume of trade between countries, bilateral imports or bilateral exports. In the model specified we are going to use bilateral imports during the period of interest, since each pair of countries will give two observations, where the country will be once an importer and afterwards an exporter. The data used for bilateral trade were acquired from different sources, since there is no statistical entity that provides trade data for the SEETE countries. The international statistics publications such as those from International Financial Statistics (IMF), does not cover trade between some of the SEETE countries, while European Statistical System (EUROSTAT) only provides trade data between SEETE and the European Union. This leaves us with the only choice of using national countries' trade data. These data were collected from the SEETE countries economic bulletins of their central banks and the ministry of finance; only in the case of Albania we used data from the Albanian Centre of International Trade, which is an institution that gathers all the existing data on Albania's trade from international sources and also from custom duties. Since there is no single source of data for the dependant variable, we might encounter problems with the data, but we put a lot of emphasis in making the data as accurate as possible. All the bilateral import was represented in thousand of US dollars.

The GDP of SEETE countries have been collected from the United Nations (UN) data from 2000 to 2006. The missing data from this source were filled by using other sources such as IMF. GDP of national countries were represented in current market price billions of US dollars. The independent variables  $Y_{it}$ , and  $Y_{jt}$  are expected to yield positive and significant effect on the dependant variable, imports of country i from country j at year t. (Bergstrand, 1989).

The distance variable, besides being one of the traditional variables of the general form of the gravity model, was used to approach in the model

transportation costs. Physical distance should not be used only to proxy economic transportation costs, but also cultural unfamiliarity, time concept etc. Distance is measured in kilometre, between the two economical centres of a pair of countries, which are assumed to be the capital cities of each country; an economic geography theoretical pattern. Saying this, it can be understood that the distance variable might underestimate or overestimate the real distance between a pair of countries, since capital cities are not always the trading centres, which is why another variable is introduced, common border dummy variable. This variable is going to be used to repair the error of the distance variable, and also to express some historical relations between countries, which is important in explaining trade volume and pattern (de Grott et al., 2004). The data on distance between pairs of countries were taken from <http://www.mapcrow.info/>, which measures kilometre air distance between two points in space. The expected sign of the distance coefficient is negative and highly significant, while common border dummy is expected to yield positive and significant coefficient.

The last two variables introduced in the model are SL and EY, both explaining historical and cultural ties between the countries. There are two main languages in the SEETE countries, Slavic language and Albanian language. Sharing of the same language, as expression of cultural similarity, is expected to increase the volume of trade between a pair of countries. EY dummy variable was introduced to study if historical and political ties of countries are important in explaining trade pattern. Besides Albania, all the rest of the SEETE countries were members of the political and economic union of SFR Yugoslavia. Before the beginning of 90's, when transition to the market economy started for the region, the countries of SFR Yugoslavia were trading mostly with each other. In order to examine if those economical ties of these countries continue to hold, the EY variable estimation coefficient is going to be observed, but it is expected that this variable is going to positively influence the dependant variable (Kandogan, 2007).

Table 4.1: Data Summary Statistics of Gravity Model SEETE Intra-regional Trade

<b>Descriptive Statistics</b>	<b>Imports (<math>M_{ij}</math>) in thousand USD</b>	<b>GDP in billion USD</b>	<b>Distance in kilometres</b>
<b>Average</b>	142643.2	12.2	308.6
<b>Median</b>	27609	7.4	287
<b>Maximum</b>	1836902	51.3	606
<b>Minimum</b>	100	1.9	77
<b>Standard Deviation</b>	272073.5	12	157
<b>Number of Observations</b>	158	158	158
<b>No. Cross-sectional Units</b>	31	31	31

## 5. EMPIRICAL FINDINGS

The models specified in the previous section were tested by using STATA (Statistical Data Analysis), an econometric program able to provide econometric estimation. The panel estimation was done by using Random Effect of GLS estimation, which is one where the individual effects are incorporated in the constant term, while the unobserved individual effects are incorporated in the error term. In order to respond to the problems posed by the estimation of the panel data, which can suffer from heteroscedasticity (dependence of residuals with the independent variables) a problem in most cross-sectional data, and multicollinearity, a problem of time-series data, the robust standard error were estimated. This allows us to rely on the t-statistic estimations.

The two models were analysed separately, and the results will be shown in different sections. Since the raised questions were intended to grasp different aspects of trade, there were different specifications made for each of the models. For both models the first specification will show the results of the importance of Gross Domestic Product, or the economic mass, on the pattern of trade. The second specification will answer the question of the importance of the traditional variables of the gravity model (importer GDP, exporter GDP, and distance) on explaining international trade flows. The third specification will test the augmented gravity model relevance on trade. The fourth specification will test the importance of variables representing cultural, historical, and political ties on trade.

As explained previously, different model specifications were made to the

gravity equation. The summaries of estimated results of all four different specifications are presented in Table 4.1.

Table 5.1: Gravity Model Estimation of intra-regional SEETE trade<sup>6</sup>

	Specification 1	Specification2	Specification 3	Specification4
<b>Ln importer GDP</b>	0.36 ** (1.84)	0.39 * (2.14)	0.36 * (2.73)	
<b>Ln exporter GDP</b>	1.37 * (6.45)	1.41 * (7.30)	1.41 * (10.27)	
<b>Ln Distance</b>		-1.70 * (-3.30)	-1.11 * (-2.71)	
<b>Common Border dummy</b>			1.10 * (2.25)	1.60 * (3.22)
<b>Sim-language dummy</b>			1.49 * (4.52)	1.54 * (3.39)
<b>Ex-Yugoslavian dummy</b>			1.62 * 3.56	1.66 * (2.76)
<b>R<sup>2</sup></b>	0.22	0.37	0.78	0.54
<b>Wald chi2</b>	117.92	130.23	154.61	30.10
<b>No observations</b>	158	158	158	158

The first specification is concerned in estimating the relevance of gross domestic products of the importer and exporter country on bilateral trade. The GDP, measuring the economic mass, are variables of the standard gravity model; and the first specification is measuring if SEETE trade is in line with the new trade theories, which assume that trade depends on the market size (de Groot, 2004). As seen from the results in the table, both GDP of exporter and importer country have a positive effect on the volume of bilateral trade. The economic interpretation of the estimated coefficient is the following: 1% increase in the importer GDP will increase the bilateral trade by 0.36%, while 1% increase in the exporter GDP will increase trade volume by 1.37%. Both the estimated coefficients are highly statistically significant in explaining bilateral trade, and as seen from the value of R<sup>2</sup> 22% of the variation of the dependant variable is explained by the variation of these two variables. Another important result in the first specification is the higher the variation of the level of imports is given by the GDP of the exporting rather than of the importing country, which could be explained economically, that higher GDP of the exporter country could mean higher quality products exported from the country, and as a result increase the volume of imports of other countries.

<sup>6</sup> The constant term is not included in the table, but was included in the estimation. The z value is included in the parenthesis below the estimated coefficients in order to show coefficient significance: \* denotes for significant at 5% level of confidence; \*\* denotes for significant at 10% level of confidence.

In the second specification the third standard gravity model variable was added, in order to test if the gravity model applied in the SEETE country's trade yields the same results as highly verified in the economic literature. All three traditional variables as seen from the results are highly statistically significant and have the expected signs. Importer and exporter country GDP have a positive effect on the volume of bilateral trade, while geographic distance yields negative effects. The economic interpretation of the geographic distance estimated coefficient is that 1% increase in the geographic distance between two countries will decrease their bilateral trade by more, around 2%. The importance of geographic distance is in line with the new trade theories and geographic theory, which expect that trade will be negative related to transportation costs and other trade costs such as time, unfamiliarity etc. The variation of the standard gravity model variables (importer and exporter GDP, together with distance) account for 37% of the variation of the dependant variable, bilateral trade ( $R^2 = 0.37$ ), which mean that adding up distance to the gravity model increased the proportion of trade explained by the three traditional variables.

The third model specification is an augmented gravity model where besides the standard variables, other variables were added. These are common border, similar language and ex-Yugoslavian country dummy. The three added variables were introduced in order to proxy for the effect of cultural, historical and political ties on the patterns of trade that countries develop. All the estimated coefficients in this specification have the expected signs and at the same time are statistically significant. These results imply that the variables taken into consideration do have an important role in explaining bilateral trade. All the three dummy variables added have positive signs, and their economic interpretation is as follows: 1) countries that share borders trade around twice more<sup>7</sup> than countries that do not have common border; 2) countries that have similar languages, that are understandable between each other, trade around three times more than countries that have different languages; 3) countries that were members of the Yugoslavian economic and political union trade around 4 times more than countries that were not both part of the union. The estimated results of the dummy variables are in line with the economic literature, and also the studies done in the SEETE region. According to Uvalic (2006), trade in the Southern Eastern Europe (SEE) region was influenced by ethnic lines during the second half of the 90s. Countries that were not part of the Yugoslavian federation, such as Albania, continued even in the late 90's to have the lowest share

<sup>7</sup> The way it is measured is the following: take the antilog of the coefficient, and then subtract one and afterward multiply by one hundred and get the percentage change in the dependant variable. Antilog of 1.1 = 3.00; Antilog -1= 2; (Antilog -1) \*100 = 200%.

of SEE regional trade. This is explained also by the results produced from our estimations, where both similar language and ex-Yugoslavian dummies positively affected bilateral trade. The augmented gravity model (specification 3) was more successful to explain trade pattern of SEETE than the traditional gravity model, since the proportion variation of the bilateral trade explained by the independent variables is higher (78%) in comparison to that of the standard gravity model variables ( $R^2 = 0.78$ ).

In the fourth specification we were interested only on the effect of cultural, historical, and political ties on trade. Taken alone, variables of common border, similar language and ex-Yugoslavian dummy all are found to have positive effects on trade, and at the same time are highly significant. Alone they were able to explain a little more than half of the variation of bilateral trade ( $R^2 = 0.58$ ), making them important variables in the case of SEETE trade.

## CONCLUSIONS AND POLICY IMPLICATION

After the fall of the communist regime in the early 90's, all the countries of the South-Eastern European Transitional Economies were faced with the challenges posed to them by the opening of their market to the outside world. The economic and political transformation that the countries had to undertake together with the military tensions that accompanied the region, made the transitional process longer and harder for those countries. Since economic development for the region is a crucial achievement that opens the way for the European membership, SEETE and the EU are focused in trade liberalization, as a tool in improving economic performance. The Stabilization Association Process together with the Free Trade Agreements were introduced in the region. These are expected to move forward bilateral relationships within SEETE and between countries of the region and the EU. Despite these facts, trade within the region is not in its expected figures. Focusing in the variables that affect trade in the region would be of great importance in achieving market openness, and as a consequence economic development.

Explaining the effects of the variables that influence trade in the international trade theories might be a challenge, since even today there is no one right theoretical framework for this issue. The three accepted waves of international theory are the "Old Neo-Classical Trade Theory", "New Trade Theory", and "New Economic Geography", and all the three give different

reasons behind the trade patterns developed between countries. The traditional trade theories focus on comparative advantages of countries in explaining trade; the new trade theories show that trade is dependent on increasing returns to scale, and are able to explain intra-industry trade; while the new economic geography relates trade to the geographic position of a country and at the same time trade pattern is considered as historically path dependent. Gravity models have been for years successful in testing the three waves of the international trade theories. Even though the gravity equation does not have a strong theoretical background lying underneath its success, the empirical evidence has been demonstrating its high ability in estimating bilateral trade flow. Its equation, just like the physic gravity law, illustrates the dependency of trade in proportion to the economic mass (GDP) of countries, and their geographic distance (transportation costs). In addition to these variables, the gravity model has been successful in estimating the effects of other variables introduced in the model. This is the case when dealing with an augmented gravity model type.

The model introduced to examine variables that influence trade between the SEETE countries was an augmented gravity model that besides the traditional GM variables, GDP and distance, included variables such as common border, similar language, and ex-Yugoslavian country dummy. These variables were introduced to observe the importance of cultural, historical and political ties in the development of trade patterns in the region. A problem encountered was the data reliability. There is no statistical office keeping records of trade and economic figures for the region. Hence the data used were gathered from different sources, such as EUROSTAT, UN Data, and national statistical data.

The estimated results of the models produced some important findings. While considering at the gravity model an important empirical tool to explain trade flows, in line with the literature, trade within the region was successfully estimated from the model. The traditional variables of GM were able to explain trade pattern of the region; the economic masses of both importing and exporting country had a positive and significant effect on trade, on the other hand, geographic distance negatively affected trade of the region. Since the gravity model was a successful tool in explaining the trade pattern of the SEETE region, we can conclude that the theoretical background of international trade can explain trade flows of the region. Together with these findings, the importance of cultural, historical and political ties on trade was tested. When looking at the model estimating intra-regional SEETE trade, countries that shared common border traded

twice more within the region compared to countries that did not; countries with similar language traded three times more than countries with different languages; while countries that were part of the economic and political Yugoslavian union traded four times more than countries that were not in the union. To conclude, when observing intra-regional trade within SEETE, history, culture, and politics are important in explaining trade patterns.

The policy implications gathered from the results of the model are the following. SEETE countries individually and in collaboration with each other have to work on the stabilization of the political climate in the region. Only by doing so can they benefit from their cultural and historical ties. Moreover, collaboration within the region should not be kept only in letter, but made an objective for every government of each country of the region.

Further research concerning trade patterns of SEETE region should be focused in defining variables of interest influencing trade. Other variables that may be expected to be significant could be exchange rates, institutional quality, corruption, non-tariff barriers etc. Besides evaluating variable influence on trade, other research should also be focused on the importance of trade liberalization in the region development. An important hypothesis to be explored is whether trade liberalization will result in trade diversion or trade creation? All these research topics could be of relevance in a region where the empirical evidence is small in number so far.

To conclude, South-Eastern European Transitional Economies are still working on their way through development. Trade within the region might help these countries to surpass the transition period sooner, but in order to benefit from trade there is the need to identify the variables that influence it and work on improving the economic and political climate of the region.

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# The Lisbon Treaty: Implications for Civil Society Democracy and Human Rights Promotion in the Eastern Partnership

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## ABSTRACT

The aim of this paper is to analyse the potential implications of the Lisbon Treaty for the European Union (EU)'s democracy and human rights promotion in its Eastern Neighbourhood. A principal change brought about by the Lisbon Treaty is the upgrading of justice and home affairs, along with foreign and security policy, to the level of an EU competence, and endowment of the EU with legal personality (Article 47 of the Treaty on European Union), together with the creation of the position of High Representative of the Union for Foreign Affairs and Security Policy.

To fulfil the aim of this paper, an analysis is made of the EU's policy on democracy promotion in its Eastern Neighbourhood, comprised of six countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). Since all these countries - except Azerbaijan and Belarus - are relatively open to this policy, the stalled democratisation in them potentially allows the shortcomings and/or restrictive factors of democracy promotion to be identified. To this end, document analysis of primary sources (legal texts, EU officials' communiqués, and non-governmental practitioners' public presentations in Brussels) is combined with analysis of secondary literature.

**KEYWORDS:** The Lisbon Treaty, Civil Society, Democracy, Human Rights

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## NOTE FROM THE AUTHOR:

The original version of this paper was presented at the 7th CEU Conference in Social Sciences 'What Follows after the Crisis? Approaches to Global Transformations' held at Central European University in Budapest, Hungary, on 27-29 May 2011. The author expresses her gratitude to one of the organisers of the conference, Sergiu Gherghina, and former colleagues of hers at the Open Society Institute-Brussels: Jacqueline Hale, Tika Tserts-vadze and Viorel Ursu for their expertise and consultations which contributed to development of this paper, as well as to Simon Drew for reviewing and proofreading it. Any errors, misunderstandings or misinterpretations of the material are, however, solely the author's.

## INTRODUCTION

Amongst the global changes triggered by the end of the Cold War was the start of conceptual work on democracy and human rights promotion by a number of international actors, one the most prominent being the European Union (EU) (Bicchi 2009: 61). The Treaty of Lisbon (hereafter the Lisbon Treaty), which resulted in the Treaty on the Functioning of the European Union (TFEU), has upgraded the practice of mainstreaming human rights into the EU's external policies to an unprecedented extent, as analysed in this paper. In an emerging body of literature, the innovations and complexities resulting from the Lisbon Treaty, starting with those of EU Member States (MSs) interrelationship in respect of competences and decision-making, are addressed (Balfour et al. 2010: 7-18; Kaczyński et al. 2010: 145-162; Emerson et al. 2011: 21-37). In particular, the underlying notion of 'shared values' is criticised as it is seen as being contested and difficult to evaluate. In this respect, 'value-based conditionality' as applied in the European Neighbourhood Policy (ENP) requires very strong incentives 'in order to compensate for the obvious losses to be suffered by the elites in the countries in question' (Kochenov 2009: 11-13), as demonstrated in the case-study of the ENP's impact on Ukraine (Solonenko 2010: 7-11). This problem is summed up in Tocci's argument: '[i]f democratisation and human rights call for a redistribution of powers, ... it is unclear how EU relations with states whose entire *modus operandi* often negates these developments, can meaningfully promote these values' (Tocci 2007: 23, 29, quoted in Kochenov 2009: 14).

This dilemma for the EU's mainstreaming of democracy and human rights in its foreign policy emphasises the importance of external relations with civil societies. The importance of civil society for good governance and democracy promotion (Schulz 2011) is well-known to its practitioners, through civil society transmitting public opinion, holding public authorities to account and providing local expertise for institution-building ('Ten Transition Lessons from the Work of the Open Society Foundations' 2011).

From the theoretical perspective, since the Central and Eastern European transitions, there has been a consensus in the literature on the importance of the external dimension of democratisation (Huntington 1991: 85-108; Whitehead 1996; Pridham 2001), particularly that of international organisations (Pevehouse 2001). Namely, it has become progressively acknowledged in transitology that focus on institutions (Linz and Stepan 2001) and agencies, i.e. political leaders' choices and subsequent consequences (Bunce 2003), which was its initial departure point (O'Donnell et al. 1986),

is not sufficient for studying democratisation; it should also take into account the regional context, which embraces, alongside historical legacies and external factors, a civil society.

This understanding of the crucial role of civil society for democratisation contrasts with the continuing weakness of civil society organisations in post-Soviet Eastern European countries in transition. However, according to the Open Society Institute-Brussels' estimate, the EU's financial support to civil society of the Eastern Partnership (EaP) countries - Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine - comprises only around 1.4% (for the period of 2007-2009)<sup>2</sup> of the total of EUR 1,698,460,000 allocated to them in 2007-2013. This is an average indicator, which in 2007-2009 varied from 0.3% of EU funding in Ukraine, 2% in Azerbaijan, Georgia and Moldova, to 3% in Armenia and Belarus ('Open Society Institute-Brussels Response to Draft ENP Communication' 2011: 1). This striking mismatch between the weakness of civil society and the EU's relative under-funding of civil society as compared to state actors is the puzzle that gives rise to this paper.

The aim of this paper is to analyse the implications of the Lisbon Treaty in respect of two factors crucial to the coherent external projection of the EU's justice and home affairs policy (JHA)<sup>3</sup>: first, the mechanisms of protection and promotion of human rights and democracy made available by the Lisbon Treaty, and, second, the specific weight of support for civil society.

The research question of this paper is: what are the post-Lisbon implications for democracy and human rights promotion in Eastern European countries, namely the respective mechanisms and the specific weight of support for civil society? It is raised against a backdrop of an overarching theoretical and legal/institutional question in respect of the impact of the Lisbon Treaty on the EU's set-up to work better (e.g., in terms of coherence and consistency) as an international actor in the field of democracy and human rights promotion, with cross-policy issues such as JHA.

To address the research question, an analysis is made of the EU's democracy and human rights promotion, as introduced by the Lisbon Treaty, in its Eastern Neighbourhood, comprised of six countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). Since all of them, except Azerbaijan and Belarus, are relatively open to this policy, the stalled democratisation in these cases potentially allows us to identify the shortcomings and/or restrictive factors of democracy promotion. To this end, document analysis of primary sources (legal texts, EU officials' communiqués, and non-gov-

ernmental practitioners' public presentations in Brussels) is combined with analysis of secondary literature.

EU reaction or inaction surrounding events in Belarus in December 2010, and Egypt, Tunisia, Libya and Syria in 2011, highlight the key issue - the EU's ability to promote its core values abroad, including in its neighbourhood. The Arab Spring has brought the importance of supporting civil society, in particular, to the fore. It is part of the old EU dilemma of denunciation of authoritarian tendencies and support for grassroots movements, set against the need for stability and economic reforms. It has recently been debated - and even denounced - in the mass-media and in academic work. It has been cited as the 'key political dilemma between transformation and stability', with 'the Neighborhood Policy devised to sustain the status quo in Eastern Europe and the Southern Mediterranean, in the belief that status quo equals stability'; this dilemma exposes the disagreement between individual MSs on the universality of human rights, "even in the realm of the values 'enshrined in the Treaty'" (Balfour 2011: 1-2).

According to the analysis of the EU's policy on the countries of Eastern Europe,<sup>4</sup> the latter have significant potential for grassroots democracy as witnessed by the mass protests against election fraud over the last decade, which 'took place in each of the countries on at least one occasion, some of which ended in blocking attempts at deepening authoritarian practices' (Pełczyńska-Nałęcz 2011: 8). The second reason for focusing on the EaP is that its aim of Eastern Europe's closer integration with the EU has, so far, turned out to be one of the EU's toughest challenges. During the last decade, the overarching characteristic of the region's political systems has been a further move away from EU standards (Pełczyńska-Nałęcz 2011: 27; 14). This paper contributes to the literature on the EU's democracy and human rights promotion in its Eastern Neighbourhood, because, to date, there has been no systematic account of the Lisbon Treaty's implications for this area. Most sources go back to 2005-6 and look into institutions and agreements rather than focusing on support of civil society through the EU's external democracy and human rights promotion. Moreover, recent sources focus on either human rights in the EU or on its foreign policy. Therefore, both the analysis of post-Lisbon implications for democracy and human rights promotion in Eastern European countries, carried out on the basis of the most recent sources (2010-2011), are topical.

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<sup>4</sup> In this paper, the term designates six post-Soviet European states, located in Eastern Europe and the Southern Caucasus: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It does not cover the Russian Federation. It corresponds to the definition of 'Eastern Europe' established at the first Eastern Partnership summit in Prague in 2009 (Pełczyńska-Nałęcz 2011: 6).

This paper also has relevance on a theoretical level. First, the indirect influence of the EU on transition within neighbouring states is still underexplored. It is contextualised in democratisation studies, namely on international relations (Whitehead 1996) and international organisations (Pevehouse 2002), and Europeanisation, i.e. the influence of European integration on domestic developments, particularly in the areas of democratisation and human rights, of non-member states, i.e. third countries. The ongoing problems in the political development of the Eastern European countries show the need to study the links between democratisation, on the one hand, and human rights protection, the development of civil society, and external assistance, on the other. Second, this paper might contribute to the development of optimal strategies of democratisation in the region which are still rare in the literature in contrast to optimal conditions (Bunce 2003).

This paper proceeds as follows. The introduction is followed by a theoretical framework outlining the EU's 'actorness' as well as the role of the nongovernmental sector in democratisation. In the third section, mechanisms for promotion and protection of human rights and democracy in the EU's external policies, with a particular focus on the EU's instruments, are reviewed. In the fourth and final section, an overview is made of the upgrade for democracy and human rights promotion provided by the Lisbon Treaty, as well as of the EU's financial instruments applied in the EaP to allow this upgrade and promotion. This includes support for civil society. This paper concludes with a brief discussion of the results and implications of its findings.

## **2. THEORETICAL FRAMEWORK**

Analysis of the EU's external policy, which includes areas of democracy and human rights promotion, is embedded in the theoretical framework of conceptualisation of the EU's 'actorness' on the international arena. Evaluation of the nature of the changes brought about by the Lisbon Treaty is based on EU foreign policy and EU 'actorness' literature. While an overview theorising on the EU's foreign policy-making would go beyond the scope of this paper, an overview of the theoretical basis of EU 'actorness' is justified, before empirical research of the post-Lisbon pre-conditions for EU democracy and human rights promotion is carried out.

## 2.1. CONTEXTUALISATION AND CONCEPTUALISATION

In the literature, the EU has often been defined as a ‘normative’, i.e. ‘civilizing’, and ‘civilian’ power in the international system (Whitman 2002: 19; Stavridis 2001: 9, quoted in Smith 2004: 18). The theoretical discussion of the EU as a normative power goes back to François Duchêne’s (1972: 19, quoted in Smith 2004: 3) conception of ‘civilian power’ focused on civilian and cooperative means of achieving civilian ends, or ‘milieu goals’, embracing ‘international cooperation, solidarity, the domestication of international relations (or strengthening of the rule of law...), ... and the diffusion of equality, justice and tolerance’ as core elements of the definition (Maull 1990: 92-93, quoted in Smith 2004: 2-3). In the literature to date, a core reference has become the concept of ‘normative power’ coined by Jan Maners that defines the EU as ‘being different to pre-existing political forms, and that this particular difference predisposes it to act in a normative way’ (2002: 242, quoted in Sjursen 2006: 235).

This understanding of the EU’s nature and role in international relations is drawn from the Treaty on European Union (TEU). The TEU elevates democracy promotion from an aim of development cooperation policy (Article 130u(2) of the Maastricht Treaty) to one of the main objectives of the Common Foreign and Security Policy (CFSP) (Bicchi 2009: 64): ‘the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights’ (Article 2 TEU). In the EU’s foreign policy, this vision of democracy promotion has been implemented through the concept and mechanism of conditionality. The Lisbon Treaty further prioritises normative objectives in both internal and external policies.

Nevertheless, the concept of the EU as a ‘normative’ and ‘civilian’ power has been increasingly criticised. One of the most developed criticisms, enunciated by Helene Sjursen, addresses, first, the insufficient precision, i.e. a lack of established criteria and assessment standards for examining the EU’s international role and its ‘putative normative dimension’, and, second, the normative bias, or the impossibility of reaching ‘a rational agreement of universally acceptable norms’ (Sjursen 2006: 235; 246). Having reviewed the previous criticism of the concept of ‘normative’ power and its application to the EU by Richard Young (2004), Knud Erik Jørgensen and Katie Laatikainen (2004), Sjursen provides her own analytical assessment of the concept’s theoretical underpinnings. She concludes that the concept’s characteristics need to be distinguished from its evaluating criteria, one of which is the consistence between a policy’s internal and external stand-

ards. On this basis, she suggests a definition of 'normative', or 'civilizing', power as one that 'acts in order to transform the parameters of power politics through a focus on the international legal system', which in her view the EU does not quite fit (Sjursen 2006: 247; 253). Karen E. Smith, another respected scholar of the EU who has scrutinised the concept, supplements this definition with a criterion of foreign policy-making subjected to democratic accountability: 'a civilian power is an actor which uses civilian means for persuasion, to pursue civilian ends, and whose foreign policy-making process is subject to democratic control or public scrutiny' (Smith 2004: 5). In terms of the application of the concept to the EU, Smith emphasises that 'analysing the extent to which the EU promotes human rights, and with which instruments, and how consistently, is not enough' (Smith 2004: 15). She specifies that defining a 'normative power' against the background of the international protection of human rights is complicated by an absence of 'a common judicial order that would transform the parameters of power politics and redefine the concept of sovereignty', a point of criticism in line with Sjursen's criticism of the concept of 'normative power' for normative bias (see above), and the vulnerability of multilateralism – 'absence of possibility of sanctions' (Smith 2004: 16). Since a notion of 'actorness' is embedded within the system of international relations, as the modern era is based on the sovereignty of a state, or multilateralism, both scholars agree that it is important to analyse the EU's impact on this system (Smith 2004: 15; Sjursen 2006: 235-251).

In the light of the conclusion of a number of authors that the EU, in its current shape, is not a normative power, the above question concerning the EU's impact on, and potential for redefinition of, the international system, may shape the future debate. In this paper, a much narrower question on the post-Lisbon implications for the EU's democracy and human rights promotion in its Eastern Neighbourhood is addressed.

## **2.2. THE CIVIL SOCIETY AND NON-GOVERNMENTAL ORGANISATIONS**

With the end of the Cold War, democracy promotion, defined as 'aid explicitly designed to promote democracy abroad' (Carothers 2000: 200, quoted in Bicchi 2009: 61) has become an essential element of the EU's external policy. As pointed out by Věra Řiháčková, whereas the term 'democracy assistance' is characteristic of the US external democratisation discourse, 'promotion of human rights and democracy' is a mainstream term of the EU's. The EU's external assistance for democracy promotion is based on

financial instruments for which NGOs and other civil society actors are eligible, along with governments (Řiháčková 2011).

In the light of the wide range of target recipients of EU external assistance for democracy and human rights promotion, a wide definition of 'civil society organizations' (CSOs) is used for the purposes of this paper. Namely, according to the World Bank, CSOs broadly designate

'non-state entities, such as NGOs [non-governmental organisations – O. P.], trade unions and employers organizations, other social partners, business support organizations, charities, cooperatives, mutual societies, community groups, faith-based organizations, professional associations and foundations' ('Defining Civil Society' 2010).

In the democratisation literature, functioning civil society is conventionally considered to be one of the major preconditions for the consolidation and endurance of democracy: the others include a strong state with a functioning bureaucracy and institutions, political and economic societies and a rule of law (Linz and Stepan 2001). According to Wolfgang Merkel's multi-level model of democratic consolidation, civil society is a final level of the stabilisation of socio-political substructure of a democracy - after constitutional, representative and behavioural consolidations (2002).

The role of civil society is especially important in the context of post-socialist transitions with their weak state, institutions and rule of law, rendering them vulnerable to strong political actors and corruption, and hence to a regime's unaccountability, abuse of power and impunity. As Wolfgang Benedek notes, 'in Europe... NGOs have a very active role in the promotion and protection of human rights. They are in a position to lobby governments and build up a sophisticated network of civil society actors' (Benedek et al. 2010: 7). In particular, against the backdrop of such structural problems as poverty and illiteracy, NGOs can provide support to human rights defenders and help them seek justice by providing resources and expertise to the victims of human rights violations. Therefore, NGOs carry out functions vital for the protection and promotion of human rights where states are incapable or unwilling to do so (Benedek et al. 2010: 17; 36-37).

It has been argued that democratisation research, in particular transitology, has been biased in favour of domestic factors neglecting international ones (Pridham and Vanhanen 1994: 3; Pravda 2001: 1; Silander 2005: 61; 78). The common argument in the current literature is that along, and in conjunction, with internal factors the explanation of democratisation should

take into account external forces (Pravda 2001: 6). This is evident in transitions to democracy in Eastern Europe, where the role of civil society has been crucial to reviving the concept itself both in the region and in comparison with the previous major democratic transitions in Southern Europe and Latin America. In particular, the external funding from international donors such as USAID, the Soros Foundations Network, the Ford Foundation and the Swedish International Development Agency has become an important factor in the development of civil society in the region, supplementing the local pro-democratic changes and functionally changing the role of NGOs in post-socialist societies.

Nevertheless, the nature of most regimes in the European Neighbourhood, which include Eastern European countries, makes interstate cooperation on normative Lisbon Treaty objectives either impossible or insufficient. For example, according to the recent systematic estimation of the ENP's impact on Ukraine's domestic actors and structures, it varies from the weakest - in respect of the political elites and reform process, to the strongest - in respect of civil society and some parts of civil service (Solonenko 2011: 25-27). Hence, support for civil society is considered to be the most promising strategy to facilitate the EU's aims (Nichols 2011).

EU involvement can take the form of providing funding along with developing mechanisms of self-reliance, a greater interaction with society and firm support of civil society's opposition to authoritarian regimes (Pełczyńska-Nałęcz 2011: 7). For instance, in his statement on the EU's EaP, expressing 'particular concern... on the situation in Belarus', Herman van Rompuy referred to cooperation with Belarusian civil society as a partner for the EU, along with 'critical and conditional engagement with the Government', as 'the best chances of promoting [the EU's - O. P.] political priorities' (2011a).

### **3. THE MECHANISMS FOR DEMOCRACY AND HUMAN RIGHTS PROMOTION IN THE EU'S EXTERNAL POLICIES**

The EU treaties and secondary legislation provide two legal bases for external relations: the CFSP (Articles 23-46 TEU) and other external actions including commerce, cooperation and development (Articles 206-212 TFEU) (Benedek et al. 2010: 31). Consequently, mechanisms for the promotion and protection of human rights have been set out within either of those bases. They include financial instruments, cooperation and aid to development, diplomacy and commerce. However, as Benedek et al. conclude, 'despite the unavoidable fragmentation created by a divided regulation of

the EU's external relations,' there are several established mechanisms for the promotion of human rights across all EU external policies, in line with the aim for coherence between the CFSP and the rest of the EU external policies envisaged by the Lisbon Treaty (2010: 31).

One possible classification of these mechanisms is into instruments, financial and institutional, and partnerships - institutional and non-institutional. The institutional instruments embrace (i) the EU guidelines on human rights, (ii) human rights dialogues and consultations with other countries, which currently number around 40, and (iii) human rights clauses in all bilateral and some multilateral treaties. The financial instruments of the EU can be divided into either thematic, concerned with crisis management, or geographic. The instruments for human rights are 'thematic'. They embrace, inter alia, the European Instrument for Democracy and Human Rights, analysed below, and the Investing in People (IIP) thematic programme (Benedek et al. 2010: 31).

The EU's institutional partners for protection and promotion of human rights in its relations with third countries are: the National Human Rights Institutions and the UN and inter-parliamentary cooperation. Non-institutional partners are civil society, in particular, human rights defenders and educational institutions. It is EU instruments and non-institutional partners that are the focus of this paper, and they are briefly considered below.

### **3.1. THE EU'S INSTRUMENTS FOR DEMOCRACY AND HUMAN RIGHTS PROMOTION**

As Benedek et al. emphasise, even though EU mechanisms are conventionally classified and analysed separately, 'EU human rights policies aim to be unified and transversal within EU external relations' (2010: 39). Indeed, many of the mechanisms are interconnected, for instance human rights clauses, National Human Rights Institutions and human rights defenders (Benedek et al. 2010: 39).

There are eight EU Human Rights Guidelines. These embrace the death penalty; torture and other cruel, inhuman or degrading treatment or punishment; children and armed conflict; human rights defenders; promotion and protection of the rights of the child; violence against women and girls and combating all forms of discrimination against them; international humanitarian law; and human rights dialogues. Of these, only human rights dialogues concern third countries. Within that guideline, the EU raises individual cases in political dialogue with third countries (Gya et al. 2010: 40-41).

The human rights dialogues have been criticised for lacking impact on the human rights situation in most partner countries and being sidelined from high-level political dialogue. However, they can be strengthened with the inclusion of a follow-up mechanism on commitments and upgrading their status in political meetings followed up by communication to the public ('Open Society Institute-Brussels Response to Draft ENP Communication' 2011: 2-3).

In line with the EU's external policy concerning human rights and democracy, which has been evolving since 1989, respective human rights clauses have been inserted since 1992 'in all bilateral (and some multilateral) treaties signed with developing countries' (Bartels 2005: 5). Altogether, the EU has concluded agreements containing human rights and democracy clauses with around 150 countries (Bartels 2005: 5).

However, this does not permit the EU to 'hold a unitary position regarding breaches of human rights' for a number of reasons: first, asymmetry, i.e. clauses are contained in some but not all treaties, e.g., they are absent from the Association Agreement of 1964 with Turkey and from the Cooperation Agreement with China of 1985; second, optionality of a follow-up by a non-execution clause, e.g. non-execution clauses are absent from agreements with Brazil and India (Bartels 2005: 5; Benedek et al. 2010: 32-33). Moreover, human rights clauses in association agreements are criticised because non-compliance with a human rights clause is rarely penalised (De Keyser 2011: 3).

Nevertheless, human rights clauses are considered to be an effective mechanism and a format for a political dialogue between the EU and a partner country (Agnoletto 2006: 1). In particular, EU missions are an important means of informing the European Parliament about the 'human rights situation in each state party to an agreement' (Benedek et al. 2010: 33-34). Further functions of human rights clauses include: the basis for establishing working groups which may include 'non-executive actors such as representatives of the parliaments, regional organizations and civil society for benchmarking and monitoring of compliance with human rights and democratic principles'; the basis for a consultation procedure in the case of non-compliance; and in the same case, the basis for application of unilateral measures, including suspension of any cooperation (Bartels 2005: 3).

The European Instrument for Democracy and Human Rights (EIDHR) is a fundamental instrument for the EU's promotion of 'the rule of law and human rights worldwide, together with the recognition of civil society' (Ři-

háčková 2011: 8). It is a successor to the European Initiative for Democracy and Human Rights (1994-2006), which was criticised by local CSOs for its slow and rigid approach preventing them from acting appropriately in response to their countries' changing conditions.<sup>5</sup> Contrary to the calls to end that Initiative on the basis that democracy promotion was already streamlined into all the EU's policies, it was maintained as a result of the European Parliament's initiative – with 'an increased budget, an international focus and an emphasis on non-governmental actors' (Bicchi 2009: 74). The EIDHR was established by Regulation No 1889/2006 of the European Parliament and the Council of the EU of the 20 December 2006 in the process of transformation of the EU's foreign policy instruments and 'rationalization' of the budget for external relations. It regulates the budget for EU external assistance instruments and human rights policies within the Financial Perspective 2007-2013 (Benedek et al. 2010: 32), with EUR 1,104,000,000 allocated for the period 2007-2013 (Brady 2011: 23; 'European Instrument for Democracy & Human Rights (EIDHR)' 2012). The EIDHR's overarching aim is the reinforcement of democracy and the rule of law on a global level. In line with this, amongst its main mechanisms, which include providing election assistance (election observation missions) and sustaining regional and international frameworks for the protection and promotion of human rights, is support of CSOs, because civil society is considered another pillar supporting regional human rights (Benedek et al. 2010: 32; 36) and human rights defenders promoting democracy and human rights, 'without the EU requiring the agreement of the governments of the countries concerned' (De Keyser 2011: 5). Namely, the EIDHR's objectives presented in the Strategy Paper 2007-2010 include: 1) enhancing respect for human rights in countries where they are most at risk (10.1% of the EIDHR 2007-2010 budget); 2) strengthening the role of civil society in its efforts to promote human rights and democratic reform (36.7% of the budget); 3) supporting actions on human rights and democracy promotion pursuant to EU guidelines (14.1%); 4) strengthening the international and regional framework for the protection of human rights (10.5%); and 5) enhancing the reliability and transparency of democratic electoral processes (23.7%).

This approach is the result of a compromise between the initiative of the European Commission, focused on the funding of democracy and human rights promotion, i.e. election observation missions and strengthening the capacity of regional organisations, and that of the Brussels-based NGOs,

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<sup>5</sup> For a detailed explanation of the criticism of the European Initiative for Democracy and Human Rights and the reasoning behind the change to the European Instrument for Democracy and Human Rights, see: Řiháčková 2011: 12.

pursuing the scaling down of the EIDHR's missions in favour of strengthening the capacity of CSOs (Řiháčková 2011: 9). The principal differences between the EIDHR and the European Initiative for Democracy and Human Rights are first, the EIDHR's emphasis on civil society as the actor in, and not only the beneficiary of, human rights and democracy promotion in third countries - and hence a partner for the Instrument's implementation.<sup>6</sup> Consequently, the Instrument is principally implemented with NGOs in order 'to circumvent the restrictive approach of authoritarian regimes to formalize NGOs' (Bicchi 2009: 74) while involving governments if they cooperate with the EU (Gya et al. 2010: 78). This idea to allow the EU 'to operate without the need of the States concerned and thus to work directly with individuals, civil society and organisations that are key for the promotion and protection of human rights', i.e. usually local non-state actors, is key to the EIDHR, distinguishing it from regional programmes. The second innovation of the EIDHR is the introduction of a distinction between an authoritarian, i.e. unfavourable to democracy and human rights promotion, and transition countries, with potential for sustainable progress (Bicchi 2009: 74-75). Along with local non-state actors, the EIDHR is designed to 'support cooperation between the EU and IOs [international organisations - O. P.] such as the cooperation between the EU and the UN or OSCE' (Benedek et al. 2010: 32).

### **3.2. THE EU'S INSTITUTIONAL AND NON-INSTITUTIONAL PARTNERS FOR DEMOCRACY AND HUMAN RIGHTS PROMOTION**

An outline of the EU's institutional partners should start with the National Human Rights Institutions, created relatively recently. They are established and regulated by the UN 'Principles Relating to the Status [and Functioning] of the Network of National Institutions for the Promotion and Protection of Human Rights' (Paris Principles). Their status as institutions is 'independent from and functional within the structure of the state', i.e. upon agreement of a given government within the criteria of the Paris Principles (A-Status) (Benedek et al. 2010: 25).

At the UN Human Rights Council, established in 2006, MSs used to be represented separately, united by geographical groupings rather than EU membership (Emerson et al. 2011: 94). However, in the aftermath of the UN General Assembly resolution adopted on 3 May 2011, the EU has been recognised as a global actor on the basis of its collective external represen-

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<sup>6</sup> For an account of the other differences between the European Initiative for Democracy and Human Rights and the European Instrument for Democracy and Human Rights, see: Řiháčková 2011: 14-16.

tation as introduced by the Lisbon Treaty (UN General Assembly Resolution No. A/RES/65/276 'Participation Of The EU In The Work Of The United Nations' 2011). This will enable the EU's representatives to 'present and promote the EU's positions in the UN' (van Rompuy 2011b). The remainder of its cooperation with the UN is based on its actions at the regional level, treaty bodies and special procedures (Benedek et al. 2010: 26-30), the analysis of which goes beyond this paper's scope.

In terms of interparliamentary cooperation, the inaugural meeting of the Euronest Parliamentary Assembly took place on 3 May 2011 in Brussels, thus completing the institutional framework of the EaP ('Joint statement by High Representative Vice President Catherine Ashton and European Commissioner Stefan Füle on the occasion of the EURONEST Parliamentary Assembly's first meeting' 2011). It consists of 60 Members of the European Parliament (MEPs) and 10 MPs from each of the five EaP countries; Belarus is not included due to the post-electoral crack-down on opposition and mass-media in December 2010. By 'bringing together MEPs with elected representatives from the EU's eastern neighbour countries', it provides a parliamentary dimension to EaP ('Euronest Parliamentary Assembly Inaugurated' 2011). Out of four committees formed on the day it was founded, one is charged with political affairs, human rights and democracy; the others are charged with economic affairs, legal approximation and convergence with EU policies, energy security, and culture, education and civil society. Within the non-institutional partners, or civil society, two principal partners for the EU can be singled out: human rights defenders and educational institutions (Benedek et al. 2010: 36-37).

#### **4. THE LISBON TREATY: IMPLICATIONS FOR DEMOCRACY AND HUMAN RIGHTS PROMOTION IN THE EASTERN PARTNERSHIP**

In order to introduce the implications of the Lisbon Treaty for democracy and human rights promotion in the EaP, an overview of the changes of the EU's legislative basis and institutional structure of external relations is provided. With the adoption of the Lisbon Treaty, the EU's legislative basis for internal compliance and external coherence with principles of democracy and human rights was strengthened, inter alia, by the following acts:

- i. the European Parliament resolution of 15 December 2010 on the 'Situation of Fundamental Rights in the European Union (2009) – Effective implementation after the entry into force of the Treaty of Lisbon';

- ii. the Stockholm Programme (4 May 2010), which emphasises ‘the importance of the external dimension of the Union’s policy in the area of freedom, security and justice and underlines the need for the increased integration of these policies into the general policies of the Union’, as well as ‘a single external relations policy’ (‘The Stockholm Programme’ 2010: 33). As summarised in the Stockholm Programme, ‘[t]he Union is based on common values and respect for fundamental rights’ and the policies of the external dimension of the EU’s policy in the area of freedom, security and justice should be increasingly integrated into the EU’s general policies (‘The Stockholm Programme’ 2010: 8; 33; ‘Council conclusions on the role of the Council of the European Union in ensuring the effective implementation of the Charter of Fundamental Rights of the European Union’ 2011: 2);
- iii. the European Commission’s Communication on a ‘Strategy for the effective implementation of the Charter of Fundamental Rights by the European Union’ (20 October 2010) to guarantee, within its remit, that fundamental rights are fully taken into account when drafting legal acts and, indeed, throughout the legislative procedure.

A body of academic literature analysing the EU’s post-Lisbon external representation has already emerged (Benedek et al. 2010; Kaczyński et al. 2010; Brady 2011; Emerson et al. 2011). Since proper consideration of the institutional structure of the EU’s external representation would go beyond the scope of this paper, here it suffices to say that this representation is divided between: (i) the President of the European Council who replaces the hitherto rotating Presidency and has certain responsibilities for foreign and security policy (Article 15(6) TEU); (ii) the European Commission - for ensuring the EU’s external representation with the exception of the CFSP and other cases set out in the Treaties (Article 17(1) TEU); (iii) the High Representative of the Union for Foreign Affairs and Security Policy, Chairman of the Foreign Affairs Council and Vice-President of the European Commission (HR/VP) - for contributions to the development of the CFSP, ensuring implementation of the European Council’s and the Council’s decisions; (iv) representation of the EU in respect of the CFSP (Articles 27(1) and (2) TEU), traditionally considered as ‘the cornerstone of the new EU system in the domain of external action’ (Emerson et al. 2011: 29); and (v) the President of the Euro Group and the rotating Presidency (Kaczyński et al. 2010: 190). Consequently, instead of reducing the number of the EU’s external representatives to a ‘single voice’, the Lisbon Treaty has increased

their number (Balfour et al. 2010: 11). It is also worth mentioning that the potential of the European External Action Service, as detailed in Article 27 TEU and headed by the HR/VP, for EU foreign policy is considered as ‘very positive’ due to its potential of integrating ‘national and EU officials, tools and resources and... bridging... a political and institutional gap between supranational and intergovernmental institutions’ (Emerson et al. 2011: 48).

In order to reflect the support for civil society within the EU’s human rights and democracy promotion in the EaP, an overview of the EU’s financial instruments in the EaP and of funding for civil society is made before the changes introduced by the Lisbon Treaty are presented.

#### **4.1. AN OVERVIEW OF INNOVATIONS OF THE LISBON TREATY FOR DEMOCRACY AND HUMAN RIGHTS PROMOTION IN THE EU’S EXTERNAL POLICIES**

The EU’s record of mainstreaming human rights into its external policies began with a clause concerning the allocation of financial resources for the promotion of human rights in the 1989 Lomé Convention (Bartels 2005: vii). In the wake of the Central and Eastern European transitions, the aforementioned European Initiative for Democracy and Human Rights, the programme for democracy and human rights promotion, was launched in 1994 and obtained European Commission funding in 1999 (Bicchi 2009: 64-65). Democracy and human rights promotion has been reflected in the number of EU external cooperation documents, starting with the Council of the EU’s Resolution on human rights, democracy and development in 1991 (‘Resolution of the Council and of the member states meeting in the Council on human rights, democracy and development’ 28 September 1991, points 1.3.67 and 2.3.1, quoted in Bicchi 2009: 63), and human rights conditionality clauses introduced into the EU’s trade agreements with third countries since 1992 (Bartels 2008: 5). In terms of the involvement of civil society, it has included ‘side meetings’ between the European Commission and local NGOs, or joint seminars between the EU and local NGOs, usually before human rights consultations with third countries (Agnoletto 2006: 5).

According to the Lisbon Treaty, human rights are to be central to both internal and external EU policies, with consistency between the two being crucial (De Keyser 2011: 2). A shared evaluation in the literature is that the Lisbon Treaty ‘introduces the most significant institutional changes since the 1950s’ and offers an opportunity for more coordination and coherence of the EU’s external action (Kaczyński et al. 190; 158). In line with the amendments introduced by Article 8(1) TEU, addressing the EU’s rela-

tionship with its neighbourhood, the 'special relationship [is] founded on the values of the Union', including, inter alia, democracy, the protection of human rights, the free market economy and the rule of law (Emerson et al. 2011: 8).

Amongst principal changes introduced by the Lisbon Treaty are the endowment of the EU with legal personality (Article 47 TEU), thus enhancing its legal capacity to interact with international institutions (Emerson et al. 2011: 31-32; 13), and the enhancement of JHA matters, along with the CFSP. This implies that the competences of the EU in JHA, CFSP and external relations are legally embedded alongside former Community competences (Kaczyński et al. 2010: 141; Emerson et al. 2011: 32) as 'the external dimension of hitherto primarily internal common policies' such as the JHA (Kaczyński et al. 2010: 142). Although the Lisbon Treaty neither stipulates a single foreign policy, including democracy promotion, for all MSs, nor enlarges the EU's powers in foreign policy, it reorganises its foreign policy structure (Brady 2011: 15), which together with acquiring a legal personality, has the potential to qualitatively upgrade the role of the EU's foreign policy (Emerson et al. 2011: 47). In particular, the Lisbon Treaty modifies the way common foreign policies agreed upon by MSs are implemented through the creation of the new powerful position of representative for foreign policy and the head of the new body, the European External Action Service. This has already influenced control over the EU's aid programme, including the EIDHR (Brady 2011: 2; 23). In particular, in the area of human rights the EU will become 'a new type of actor' (Brady 2011: 11). In both the EU's external and internal human rights policies, the Lisbon Treaty offers new instruments to protect fundamental rights and freedoms ('The Stockholm Programme' 2010: 34). In particular, it makes the Charter of Fundamental Rights of the European Union legally binding and prescribes accession of the EU to the European Convention for Human Rights and Fundamental Freedoms (ECHR) within the Council of Europe structure, whose obligations will be legally binding for EU policies (Emerson et al. 2011: 8). According to EU legal experts' estimates, this innovation is likely to have the biggest implications for the EU's legal order in the future (Brady 2011: 11).

Thus, following the logic of the Lisbon Treaty, the EU is to become 'a more coherent and effective international actor' (Kaczyński et al. 2010: 141) with 'more unitary and homogenous' external relations (De Keyser 2011: 6). This includes matters of human rights, both through regional human rights mechanisms, and the EU's political dialogues on human rights and strategic partnerships. The latter mechanisms fall within the ambit of this paper.

Importantly, the challenges of enforcing the Lisbon Treaty have already become evident and constitute a growing political (Czarnecki 2010: 20)<sup>7</sup> and research agenda. However, addressing these challenges would go beyond this paper's remit.

#### 4.2. THE EU'S FINANCIAL INSTRUMENTS IN THE EASTERN PARTNERSHIP

The EaP constitutes the Eastern dimension of the ENP, covering 'countries... with which the European Union maintains particularly close links through association agreements' (Agnoletto 2006: 6). The EaP is the final phase of the evolution of the EU's policy towards Eastern Europe to date. The ENP, its predecessor, was launched in 2004 as a result of the EU's Eastern enlargement and faced extensive criticism by both the EU's Eastern neighbours and the academic community. As a result, in 2006 a debate on strengthening the ENP began and in 2009 the EaP was founded (Pełczyńska-Nałęcz 2011: 29). In contrast to the ENP's bilateral principle of relations between the EU and a respective government, the EaP is a multilateral framework for cooperation with the chosen countries. As Pełczyńska-Nałęcz notes, although this 'broadens the channels for communication and mutual dialogue', the consensual manner of the decision-making process characteristic of multilateral bodies reduces cooperation to the smallest common denominator, which can result in decisions not meeting EU criteria: for instance, exclusion of representatives of civil society from participation in the thematic platforms because of objections from Belarus (2011: 42).

The area known as the 'EU as a global actor', which promotes human rights along with foreign and security policy and aid to developing countries, has secured financing of EUR 8,458,000,000 under the EU budget. This area's budgets and instruments, with the exception of the European Development Fund and the Instrument for Stability (unless dealt with by the European External Action Service), are managed by the European Commission under the budget scrutiny of the European Parliament. Due to its increased post-Lisbon co-decision powers with the Council of the EU, the European Parliament is empowered to aid implementation of, inter alia, human rights guidelines through budget lines in relevant financial instruments. Following the changes introduced by the Lisbon Treaty, the European Parliament suggested 'extending the current financial perspectives to match the 5 year mandate for the current Parliament and Commission' (Gya et al. 2010: 74).

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<sup>7</sup> For respective explanations, see Emerson et al. (2011) and Pełczyńska-Nałęcz (2011).

There are human rights units in the European External Action Service and the strengthened EU delegations which can integrate human rights and political principles more deeply into the analysis of the political situation in third countries. The importance of aid and diplomacy, and also of MSs, being guided by the same principles is emphasised in the literature (Balfour 2011: 2).

The EU financial support for the EaP is institutionalised through human rights dialogues, human rights clauses in biand multilateral treaties and managed via the EIDHR. Specifically for the EaP, it includes the following mechanisms:

The thematic programme ‘Non-State Actors and Local Authorities in Development’ (NSA & LA), in force since 2005, aims to involve non-state actors and local authorities from both the EU and target countries in the Eastern Neighbourhood in cooperation on development issues (‘Non-state Actors and Local Authorities in Development’ 2012).

The Governance Facility (GF), allocated by the ‘Communication on Strengthening the European Neighbourhood Policy’ in December 2006-2009, aimed to further encourage Eastern partner countries in their reform processes by proposing

‘...to provide additional support, on top of the normal country allocations, to acknowledge and support the work of those partner countries who have made most progress in implementing the agreed reform agenda set out in their Action Plan...’ (‘Principles for the Implementation of a Governance Facility Under ENPI’ 2008: 1).

Examples of the GF’s application are ‘top-up’ allocations towards first, ‘Support to the implementation of Ukraine’s Energy Strategy’, in addition to the Annual Action Programme 2007 to Ukraine (‘Commission Decision [Annex II] on the ENPI Annual Action Programme 2007 in Favour of Ukraine’), and second, ‘Health Sector Policy Support Programme’, in addition to the Annual Action Programme 2008 for Moldova (‘Commission Decision C (2008) 7804 of 11 December 2008 on the ENPI Annual Action Programme 2008 in Favour of the Republic of Moldova’).

The European Neighbourhood and Partnership Instrument (ENPI), having in 2007 replaced the two geographical instruments of Technical Aid to the Commonwealth of Independent States (TACIS) for the post-Soviet space, with the exception of the Baltic States, and MEDA for the Medi-

terranean countries, it covers six Eastern European countries, the Russian Federation and North African countries and all EU partners within the ENP. The ENPI funds are divided regionally between Eastern and Southern neighbourhoods for bilateral, regional, and cross-border cooperation, and supra-regionally - for more technical projects such as the Technical Assistance and Information Exchange Instrument (TAIEX), Twinning and Support for Improvement in Governance and Management (SIGMA), the joint initiative of the EU and the Organisation for Economic Cooperation and Development, the Governance Facility and the Neighbourhood Investment Facility (see below).

The ENPI is based on the principle that an ENP country's government gives its consent and cooperates on a country programme, hence the ENPI's function as a tool of democracy promotion is controversial at best.<sup>8</sup> It is implemented through National Indicative Programmes, to guide planning and project identification in priority areas ('European Neighbourhood Policy: Funding' 2011).

As a result of a review of the ENP, presented on 25 May 2011 by the High Representative of the Union for Foreign Affairs and Security Policy and the European Commission, it was decided that from 2014 the ENPI is to be reformed into the European Neighbourhood Instrument (ENI). It will provide increased support to sixteen partner countries of the EU's Eastern and Southern neighbourhoods, with a 40% increase of the budget for the period 2014-2020 to EUR 18,200,000,000 ('About the ENPI: From the ENPI to the ENI').

The Instrument for Stability (IFS), which came into force on 1 January 2007, is 'a strategic tool designed to address a number of global security and development challenges in complement to geographic instruments' ('Instrument for Stability': 2012). Under the IFS, in 2008 and 2009, Georgia received support for confidence-building and people-to-people contacts, and such support extended to South Ossetia and Abkhazia. In 2009, Moldova also received assistance in response to its post-electoral crisis ('Instrument for Stability': 2012).

The Neighbourhood Investment Facility (NIF), launched in 2008, is 'an innovative financial mechanism aimed at mobilising additional funding to cover the investment needs of the neighbouring region for infrastructures in sectors such as Transport, Energy, the Environment and Social issues' ('Promoting Investment through the Neighbourhood Investment Facility'

<sup>8</sup> For an account of the ENPI's function in democracy promotion, see: Řiháčková 2011: 31-32.

2012). To date, only Georgia, Moldova and Ukraine have benefitted from the programme ('Promoting Investment Through the Neighbourhood Investment Facility' 2012).

In addition, the Civil Society Facility (CSF) was introduced in 2008 as part of the new Enlargement Strategy of the European Commission, which included support to civil society in the Western Balkans and is funded through the Instrument for Pre-Accession. Currently, the CSF is being redesigned as a separate programme to support civil society in the EU's neighbourhood (Hale and Ursu 2012: 9).

Since 2011, additional funding provided under the existing Indicative Programme (2011-13) is 'equally divided between the Eastern and Southern neighbourhoods' (Hale and Ursu 2012: 2). As Jacqueline Hale and Viorel Ursu note, the 'aims correspond to those spelled out in the ENP review Communication, namely strengthening CSOs, contributing to an enabling environment for their work, increasing CSO involvement in programming, implementation and monitoring of EU assistance and policies in the region and promoting involvement in policy dialogues (to increase interaction between CSOs and national as well as local authorities' (2012: 2).

Furthermore, the EU Strategic Framework and Action Plan on Human Rights and Democracy was adopted by the Council of the EU on 25 June 2012. Although it is global in scope, it restates the universality of human rights and reaffirms the EU's commitment to their promotion and protection in all the EU's external policies ('EU Strategic Framework and Action Plan on Human Rights and Democracy' 2012: 1-2). Within this framework, Stavros Lambrinidis was appointed as the first EU thematic Special Representative (EUSR) - for Human Rights - on 25 July 2012 ('EU Special Representatives' 2012).

Finally, the European Endowment for Democracy (EED) is being developed and may add new instruments for democracy and human rights promotion (Hale and Ursu 2011: 5) beyond those outlined above.

The following new and global-reaching instruments: the CSF; the EU Strategic Framework and Action Plan on Human Rights and Democracy; and the EED all contain the potential for funding and political support of CSOs in the EaP countries.

Further financial assistance for the EaP is provided by the European Bank for Reconstruction and Development and the European Investment Bank.

It is not considered here because the assistance is provided in the form of loans.

Likewise, although individual MSs are entitled to individual democracy promotion by the Lisbon Treaty, their funding does not fall under the scope of this research.

As this brief overview demonstrates, amongst the EU financial instruments in respect of the EaP mentioned above, apart from the EIDHR, only NSA & LA and CSF are targeted at civil society rather than at government.

### **EASTERN PARTNERSHIP: AN OVERVIEW OF FUNDING FOR CIVIL SOCIETY**

As Open Society Institute-Brussels noted on the eve of the 2011 ENP Progress Review ('Strategy 2011-13' 2010), EU policy towards its Eastern Neighbourhood has produced mixed results. Notably, economic and trade relations have progressed at a different pace to areas of governance and democracy. It is worth underlining that the political context of a country in question, as well as support by the separate MSs it enjoys, is important in respect of the political limitations - or opportunities - it has (Gya et al. 2010: xi; Pełczyńska-Nałęcz 2011: 6). However, for the purposes of this paper, only the EU-side of the policy, rather than that of MSs or partner states, is considered.

The EaP's institutional framework involves a biennial EaP summit, ministerial meetings, four thematic platforms (one on democracy and good governance), six Flagship Initiatives, the Euronest Parliamentary Assembly, an Assembly of Local and Regional Authorities, a Business Council and the Civil Society Forum. Launched in 2009, the Forum is organised along the lines of thematic groups 'corresponding to the four EaP intergovernmental platforms which co-ordinate non-governmental activities in the EU and partner states on the issues of high priority for societies, including human rights' (Pełczyńska-Nałęcz 2011: 41-45; 45).

Moreover, in line with EaP's institutional structure, cooperation at a societal level is considered important in all ENP documents. Since influence on governmental policies is prioritised by EU policy, the CSOs are allowed to join through consultations in conceptualisation and evaluation of EU policies, and to receive financial support (Pełczyńska-Nałęcz 2011: 44-46). Amongst problems of cooperation in this area are: limited access to information concerning both the European Commission's budgetary aid and

projects; the independent monitoring of ENP implementation being compromised by governments and financing multilateral non-governmental projects with EU funds; the top-down nature of the European Commission's tenders for projects and absence of other mechanisms of proposals for common civil activities on a grassroots level; and the uneven development of national civil society platforms across the EaP partner states as well as insufficient funding. The latter is within the focus of this paper.

Most of the funding for civil society purposes is allocated within the EIDHR and distributed through EU delegations to projects on human rights and democratisation. It is considered insufficient (Deva 2011), especially in the most advanced partners such as Georgia, Moldova and Ukraine (Pełczyńska-Nałęcz 2011: 45-46). In particular, as argued in this paper, the ratio of funding for governmental compared to non-governmental sectors presents a problem. Within the scope of New Financial Perspective 2007-2013, it has been provided as part of the ENPI.

On the one hand, the level of financial assistance to Eastern Europe has increased: within the ENPI, EUR 4,000,000,000 has been allocated to only six target countries and the Russian Federation in 2007-2013, in contrast to EUR 3,100,000,000 to the whole of the Commonwealth of Independent States (CIS) and Mongolia in 2000-2006 within TACIS. New financial facilities have been created for more diversified assistance such as direct budgetary support and [the] reinforcement of some state institutions (Pełczyńska-Nałęcz 2011: 49; 53). Kochenov underlines that the ENPI is better adapted to guarantee funds' absorption, which was problematic within the previous financial network, and points to the introduction of 'Governance Facility' and the 'Neighbourhood Investment Facility' (2009: 22).

On the other hand, the general criticism is that this level is still 'clearly lower' than that of the bilateral assistance to other neighbouring regions, i.e. 45% of Southern (and 50% (even 15% if calculated per capita) of that to the Western Balkans) (Pełczyńska-Nałęcz 2011: 49). Therefore, despite the increase in funds' allocation within the ENPI, those funds are still insufficient for its implementation; the policy is considered to be 'seriously under-funded' (Balfour and Missirolli, quoted in: Kochenov 2009: 22.). It is also criticised for diversifying funding within the region, e.g. Ukraine receives the largest part of the ENPI in absolute terms, but on a per capita basis Moldova is the largest recipient (with Ukraine second from bottom). Therefore, Pełczyńska-Nałęcz concludes that 'the funding logic is to some extent correlated to the progress made by a given country in [its – O. P.] relations with the EU' (Pełczyńska-Nałęcz 2011: 49).

Together with financial problems, Kochenov points out two principal political problems with the ENP financial assistance: “virtually any amount allocated will still not be enough to ‘buy’ the regime change in the countries concerned, since deep reform... of organisation of the state is likely to cost ruling elites infinitely more”; and ‘all the money allocated (including the money not going to the ENP partner governments directly) still ends up in the economies of the problematic regimes, making them stronger’ (Kochenov 2009: 22).

This criticism is especially relevant because despite some positive developments since the launch of the EaP, such as the development of contact networks and instruments for policy implementation, ‘the real integration process has been very limited. ... It appears that one of the main causes of this situation has been the lack of equality between policy ambitions, the challenges it needs to face and the instruments available to it’ (Pełczyńska-Nałęcz 2011: 53). In terms of policy ambitions,

‘the European Union’s policy towards Eastern Europe since 2004 has been to extend beyond ordinary co-operation between neighbors and to implement one of the most ambitious goals one can set in international relations: to lead to the building of modern states in the immediate neighborhood of the EU according to the model developed by Western European countries.’ (Pełczyńska-Nałęcz 2011: 53-54).

However, it is complicated by significantly fewer instruments being available compared to before: no prospect of membership; consequently, much lower financial support and limited application of conditionality mechanisms, including regular monitoring and progress evaluation; and the dilution of the offer of ‘sharing everything but institutions’ made under the presidency of Romano Prodi. As Pełczyńska-Nałęcz concludes, the EU has an ambivalent approach towards its Eastern neighbours. On the one hand, the EU promotes integration yet, on the other hand, it has taken a defensive approach towards opening up to its neighbours. It has de-Europeanised its policy towards Eastern Europe against the backdrop of their membership aspirations, as is evident from the avoidance of references to their ‘Europeaness’ and the idea of a united Europe in all relevant EU documents. It has also failed to adopt a consistent stance on the promotion of European values by being caught up in the dilemma of, on the one hand, supporting grassroots democratic movements and condemning authoritarian tendencies, against, on the other hand, prioritising stability and business benefits, and co-operating with governments regardless of their countries’ human

rights and democracy record (Pełczyńska-Nałęcz 2011: 54). Finally, an underlying issue is 'the deficiency in the political will for integration from both the partners and the European Union' (Pełczyńska-Nałęcz 2011: 55).

Therefore, it is of particular importance that the EU's financial support is directed in the most effective way, which, as far as democratisation and human rights are concerned, means active engagement with the non-governmental sector. That support remains the main guardian of democracy for most countries in the region with authoritarian tendencies on the rise. As the executive director of the International Foundation Renaissance commented recently on the intention of the main parliament party in Ukraine to outlaw international funding of social organisations, the local businesses neither finance the critics of authorities nor demand transparency from the latter, limiting themselves to charity projects (Bystryts'kyi 2011). This brings us back to the question of the implications of the Lisbon Treaty for democracy and human rights promotion, namely what mechanisms are provided.

## 5. CONCLUSION

This paper's principal findings are that the Lisbon Treaty has enhanced the EU's opportunities for democracy and human rights promotion in its external policies, including in the EaP. However, despite substantial academic and empirical evidence of the importance of civil society towards meeting those ends, the structure of financing has not changed in line with the expansion of these mechanisms.

All six countries in the Eastern Neighbourhood still lack fully functioning democratic systems, with constitutionally provided transparency, accountability, and checks and balances, as well as an understanding of democracy and human rights at the level of both the elites and the general public. According to an estimate by a member of the Delegation to the Euronest Parliamentary Assembly, 'The fairly new program of the Eastern Partnership, with its aim of promoting democratic reforms in the Eastern countries, has so far seen success in Moldova but also backlashes in Belarus and Ukraine' (Schulz 2011).

Therefore, the implications of these findings are that, in order to work towards human rights and democracy promotion, the EU's external policy, including institutionalised partnership with governments, parliaments and the local authorities, needs to consult with and involve civil society and

other non-state actors in a more proactive way. In particular, it appears that the EU's aim to strengthen the role of the civil society in the EaP by means of the Civil Society Forum and ongoing consultation on country progress reports needs to be facilitated by increasing financial assistance to local and regional civil society in the partner countries. On the basis of this paper, further research into an overarching theoretical and legal/institutional question of the impact of the Lisbon Treaty on the EU's set-up, in particular in terms of coherence and consistency as an international actor in the field of democracy and human rights promotion, is suggested.

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THE LISBON TREATY: IMPLICATIONS FOR CIVIL SOCIETY, DEMOCRACY  
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# Extension of the Diagonal Cumulation of Origin of the Goods for the Western Balkan Countries – Challenges and Opportunities

Zlatko Veterovski<sup>1</sup>

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## ABSTRACT

Origin is the “economic” nationality of the goods in international trade. There are two kinds, non-preferential and preferential rules of origin.

Preferential origin of goods confers certain benefits on goods traded between particular countries, namely entry at a reduced or zero rate of duty, which allows better market access and better allocation of resources.

The Western Balkan countries (WBCs) need a quick and feasible solution which would enable greater regional trade integration in the Western Balkans and its trade cooperation with other European countries (EU, EFTA, Turkey) in order to stimulate trade growth and economic development of the region. This could be established through full implementation of the diagonal cumulation of origin of goods<sup>2</sup>.

When some of the countries are not included in the same system of diagonal cumulation, they can not benefit from the preferential treatment of the products, enabled by the cumulation. This concerns import to and export from these countries, depending on the trading combination. Currently there are two handy, EU-run systems of diagonal cumulation in the area of EU, EFTA, Turkey and SAP countries.

The Western Balkan countries cannot fully benefit from diagonal cumulation, because they are not included in the same system as all of their most important trading partners (EU and indirectly EFTA). EU is the most important trade partner of the Western Balkans and since for the EU, Switzerland (EFTA) is second most important market for EU prod-

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<sup>2</sup> Database of Preferential Agreements and Related Rules of Origin (2010), World Customs Organization, Brussels, 2010

ucts, EFTA countries are indirectly important trading partner also for the WBCs (because of trading routes and origin). A lot of EU products are partially produced in Western Balkans, but under current system of diagonal cumulation, trading between EFTA and Western Balkans through EU states is not stimulated. Also EU companies are similarly limited in exporting to Western Balkans when manufacturing partly takes place in the EFTA states. Thus, non-inclusion in the same cumulation system means non-favorable conditions for the companies from WBCs as well as for the companies from EU, EFTA and Turkey.

Being aware of the limitations, a lot of EU and EFTA companies probably exactly out of these reasons decide for sale and extension of the production only to certain markets, which are part of the same system of diagonal cumulation and not to the Western Balkan market. Introduction of the SAP++ diagonal cumulation with EFTA would prevent further loss of the potential, which the region would have, if the states would be more trade-integrated among themselves and with other partners in Europe.

The full implementation of the PEM cumulation of origin shall bring enormous economic benefits for the Western Balkan countries. It shall boost conclusion of the FTA among WB countries and Mediterranean countries, providing increase of trade and benefits for the economy and possibilities to cumulate the origin of the goods and have better market access to EU market. The increased trade between the Republic of Macedonia and Turkey as shown in this article together with these figures suggests that the Western Balkan countries have to be included in the system of Pan-Euro-Mediterranean system of cumulation of origin as soon as possible.

KEYWORDS: Origin of Goods, Cumulation, Preferential Trade, Customs.

## 1. INTRODUCTION

The aim of this paper is to provide better understanding of the issue of the diagonal cumulation of the origin of goods in relation to the improved economic performances of the economies of the Western Balkans countries. Sometimes “neglected”, possibilities to cumulate the origin of the goods is directly linked to the full utilization of the tariff preferences and market access provided in the free trade agreements among countries of the Western Balkans and EU (CEFTA, SAAs).

Origin is the “economic” nationality of the goods in international trade. Whenever a trade involves a supply of goods between different states, it is necessary to determine the origin of those goods crossing the frontier. The reason for that is certainly commercial, but the “Made in xxx” marking has significant tax aspects just for customs matters. In fact, the origin of goods, along with the classification and the valuation, is one of indispensable means of ensuring a correct application of customs taxation. It is neces-

sary to determine the origin of goods for various purposes:

- uniform application of the customs tariff;
- implementation of anti-dumping rules;
- labeling of goods (e.g., the “Made in xxx“ marking);
- determination of export refunds where applicable.

For customs purposes, the origin of goods can be non-preferential and preferential origin.

It is proper to point out that traditionally, national legal systems distinguish between two different rules of origin:

- rules on preferential origin (contained in agreements or autonomous legislation);
- rules on non-preferential origin.

The rules of preferential origin apply to trading relationships between two or more states. Preferential measures may be contained in free trade agreements or other treaties conferring the preferential origin (e.g., Stabilization and Association Agreements (SAA)) or in autonomous legislation (e.g., the Generalized System of Preferences – GSP).

Whereas the rules contained in agreements result from complex negotiations between different countries, those contained in autonomous legislation derive from unilateral decisions. As previously pointed out, it is important to determine the origin of a product in order to apply commercial policy measures. The rules of preferential origin serve the purpose of limiting customs preferences (including other equivalent measures) contained in relevant agreements only to the originating products of Member States or of those States benefiting from a unilateral measure.

Consequently, the rules of preferential origin apply only to determine whether a specific product originates in a certain state and thus can benefit from preferential customs treatment. Conversely, the rules of non-preferential origin apply to the other commercial policy measures that are not aimed at applying preferential commercial measures, but discriminatory trade defense instruments<sup>3</sup>.

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<sup>3</sup> Timothy Lyons (2008): EC Customs Law, Oxford University Press, 2008

The rules of non-preferential origin are contained in each country national legal system.

## 2. WHAT IS PREFERENTIAL ORIGIN OF GOODS

Preferential origin is conferred on goods from particular countries, which have fulfilled certain criteria. In order to obtain preferential origin those criteria generally require that the goods be wholly obtained or have undergone specifically determined working or processing.

Preferential origin confers certain tariff benefits (entry at a reduced or zero rate of duty) on goods traded between countries which have agreed such an arrangement or where one side has granted it autonomously.

In order to have preferential origin goods must fulfill the relevant conditions laid down in the origin protocol to the agreement of whichever country is concerned or in the origin rules of the autonomous arrangements.

In effect it means that goods must either (1) be manufactured from raw materials or components which have been grown or produced in the beneficiary country or, should that not be the case, (2) at least undergo a certain amount of working or processing in the beneficiary country. Such goods are considered to be “originating”.

In all cases there is a list of the working or processing each product manufactured from non-originating materials or components must undergo in order to obtain originating status. These rules are often referred to as “the list rules”. They set out the least amount of working or processing required on non-originating materials in order for the resulting goods to obtain originating status. Further working or processing going beyond that is acceptable and will not affect the origin thus obtained.

The structure of the list of working or processing requirements is based on the structure of the Harmonized System (HS). So before being able to determine what processing a specific product must undergo it is necessary to know its HS classification.

### 3. CUMULATION OF ORIGIN AS A TOOL OF ECONOMIC INTEGRATION

Cumulation is the term used to describe a system that allows originating products of country A to be further processed or added to products originating in country B, just as if they had originated in country B. The resulting product would have the origin of country B. It can only be applied between countries operating with identical origin rules.

An important point is that in the case of cumulation the working or processing carried out in each partner country on originating products does not have to be 'sufficient working or processing' as set out in the list rules. There are four types of cumulation: bilateral, diagonal, regional and full.

#### *- Bilateral cumulation*

Bilateral cumulation operates between two countries where a free trade agreement or autonomous arrangement contains a provision allowing them to cumulate origin. This is the basic type of cumulation and is common to all origin arrangements. Only originating products or materials can benefit from it.

#### *- Diagonal cumulation*

Diagonal cumulation operates between more than two countries provided they have Free Trade Agreements containing identical origin rules and provision for cumulation between them. As with bilateral cumulation, only originating products or materials can benefit from diagonal cumulation.

Although more than two countries can be involved in the manufacture of a product it will have the origin of the country where the last working or processing operation took place, provided that it was more than a minimal operation. Diagonal cumulation operates between the Community and the countries of the so-called "pan-Euro-Mediterranean cumulation zone".

Currently three EU-run systems of diagonal cumulation exist, only two of which are operational. The Pan-European cumulation includes EU, EFTA and Turkey, while the Pan-Euro-Mediterranean cumulation<sup>4</sup> (PEM) expands the scope of the first system to EU, EFTA, Turkey, Faroe Islands and Mediterranean countries.

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<sup>4</sup> In 1995 the Barcelona declaration envisaged the idea of forming an Euro-mediterranean zone of free trade (so called Barcelona Process), following by decision on unifying rules of origin and establishment of diagonal cumulation zone amongst Pan-European cumulation zone and Mediterranean countries.

Unfortunately, when drafting the PEM system of cumulation of origin (1992 – 1995), much attention was not placed on the former Yugoslav countries, because of the war conflict on the Balkans in that time. In order to remedy the situation, following the conclusions of the EU Thessalonica Agenda (2003) and strong political pressure to open the diagonal cumulation for WB countries SAP<sup>5</sup> cumulation was proposed as a transitional solution. SAP or SAP+<sup>6</sup> cumulation system has been established, but is not fully operational yet. On the other hand, WBCs are part of the CEFTA cumulation, which operates among them and Moldova.

#### 4. ECONOMIC ASPECT OF DISCUSSION

When discussing economic integration in Europe, two important players come to mind – EU and EFTA, comprising Western, Central and Northern European state markets. However, not enough significance has been dedicated to the role and involvement of the Western Balkans (WB) in the context of European economic integration. EU is WB's most important trading partner, exporting 26,5 billion euros of goods to the Western Balkans in 2010 and importing 14,03 billion euros worth in the same period<sup>7</sup>. Western Balkan Countries' (WBCs) trade with the EU constituted 61,3% of their total trade in 2010; in addition, EU is the biggest donor in the region.

#### 5. PREVIOUS WB ARRANGEMENTS

As the EU-Western Balkans Summit Declaration<sup>8</sup> (Thessalonica 2003) extends the EU perspective to the countries in the region, activities focus on stabilization of the region and formation of a negotiations' framework for eventual accession. This is not only the sole objective of the Community, but an important goal for the WBCs as well. However complicated and long termed goal full membership might seem, current situation does not exclude other preliminary arrangements, which could even now significantly improve the region's pros-

<sup>5</sup> The Stabilisation and Association Process (SAP) is the framework for EU negotiations with WBCs all the way to their eventual accession. It has three aims: (1) stabilising the countries and encouraging their swift transition to a market economy, (2) promoting regional cooperation and (3) eventual membership of the EU. The countries covered by SAP (SAP countries) are Albania, Bosnia and Herzegovina, Croatia, the Republic of Macedonia, Serbia, Montenegro, including Kosovo as defined in UN Security Council Resolution 1244/99.

<sup>6</sup> SAP+ refers to SAP countries including Turkey.

<sup>7</sup> <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/balkans/>

<sup>8</sup> [http://ec.europa.eu/enlargement/enlargement\\_process/accesion\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/ap/thessaloniki\\_summit\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accesion_process/how_does_a_country_join_the_eu/ap/thessaloniki_summit_en.htm)

pect. Speaking of economic relations and foreign trade, much has been done. The WB countries are part of the Stabilization and Association Process (SAP), in this context bilateral agreements (Stabilization and Association Agreements - SAAs,) have been signed<sup>9</sup>. These documents include provisions and protocols defining trade relations between the EU and the signatory state.

Another important factor in the context of European free trade relations is CEFTA 2006<sup>10</sup>. It represents a logical step on the path of economic integration, since, owing to physical and cultural proximity, such integration usually occurs or starts at a regional level. The CEFTA 2006 agreement does not only simplify the regional trade regime but also considerably deepens regional integration by including provisions on trade in services, intellectual property rights, public procurement and investment. Within the scope of provisions on trade, diagonal cumulation of origin among the CEFTA Parties was established. However, this kind of economic integration does not provide for extended cooperation between WBCs, EU and EFTA, which is a next logical step on WBCs' path to full membership.

## 6. SAP+ CUMULATION OF ORIGIN

Furthermore, important step has been made by the European Commission, which has adopted the "Notice concerning preferential agreements providing for diagonal cumulation of origin between the Community, Western Balkan countries and Turkey" (2009/C 62/07) on 17.3.2009. This document extends the trade relations with WB by forming a diagonal cumulation comprising EU, Turkey and SAP countries<sup>11</sup> (SAP+ cumulation area). The SAP was in this respect supplied with a tangible result which will substantially effect and accelerate trade cooperation between the EU, WB and Turkey, as well as among WBCs themselves. EFTA countries are not included in the SAP+, since there is not yet political decision for their inclusion in SAP+ cumulation of origin and thus causing significant distortion to trade and investment potentials for Western Balkans.

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<sup>9</sup> SAAs are already signed and in force with Croatia, Macedonia, Serbia, Montenegro and Albania, for Bosnia and Herzegovina, Interim agreements arrange trading relations with EU. Kosovo under UN Security Council Resolution 1244 does not yet have an SAA/ Interim agreement in force and is therefore not a liable partner in the present discussion.

<sup>10</sup> The Agreement on Amendment of and Accession to the Central European Free Trade Agreement (CEFTA 2006) was signed in Bucharest on 19 December 2006. For all eight parties to the Agreement – Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo – the Agreement entered into force in 2007.

<sup>11</sup> Albania, Bosnia and Herzegovina, Montenegro, Croatia, Macedonia, Serbia and Kosovo under UN Security Council Resolution 1244/99.

SAP+ cumulation is therefore established, but not fully operational yet, since it does function on the principle of geometry variable and Kosovo (no SAA). In the framework of SAP cumulation, goods can be subject of semi-production in any of these countries without losing its preferential treatment when exported. Products, semi-products and materials that have undergone the manufacturing in different countries of the SAP cumulation are now justified to be imported into any of the countries in this region (EU, SAP countries) without customs duties.

Table 1 shows the principle of variable geometry, where EU publish Commission notice concerning the date of application of the protocols on rules of origin providing for diagonal cumulation (SEP) of origin between the European Union, Albania, Bosnia and Herzegovina, Croatia, Republic of Macedonia, Montenegro, Serbia and Turkey

Table 1 - Date of application of the protocols on rules of origin - providing for diagonal cumulation between the European Union, Albania, Bosnia and Herzegovina, Croatia, Republic of Macedonia, Montenegro, Serbia and Turkey<sup>12</sup>

	EU	AL	BA	HR	MK	ME	RS	TR
EU		01.01.2007	01.07.2007	01.06.2011	01.01.2007	01.01.2008	08.12.2009	(1)
AL	01.01.2007		22.11.2007	22.08.2007	26.07.2007	26.07.2007	24.10.2007	01.08.2011
BA	01.07.2008	22.11.2007		22.11.2007	22.11.2007	22.11.2007	22.11.2007	14.12.2012
HR	01.06.2011	22.08.2007	22.11.2007		22.08.2007	22.08.2007	24.10.2007	01.05.2012
MK	01.01.2007	26.07.2007	22.11.2007	22.08.2007		26.07.2007	24.10.2007	01.07.2009
ME	01.01.2008	26.07.2007	22.11.2007	22.08.2007	26.07.2007		24.10.2007	01.03.2010
RS	08.12.2009	24.10.2007	22.11.2007	24.10.2007	24.10.2007	24.10.2007		01.03.2010
TR	(1)	01.08.2011	14.12.2011	01.05.2012	01.07.2009	01.03.2010	01.09.2010	

(1) For goods covered by EU-Turkey customs union, the date of application is 27 June 2006

## 7. ECONOMIC BENEFITS IN THE CASE OF THE REPUBLIC OF MACEDONIA

Republic of Macedonia and Turkey were among the first countries to start to use SAP+ cumulation of origin as of 1 July 2009, since both countries had free trade agreement with EU, free trade agreement between them and identical rules of origin in the appropriate Protocols on Rules of origin. With the inclusion of Turkey in the SAP+ of diagonal cumulation of origin and providing for wider use of Turkish raw materials bilateral trade had increased by 42% percent for the period 2009 – 2011, comparing to the period 2005 – 2006, when total trade was increased by 8%.

<sup>12</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:215:0027:0028:EN:PDF>

EXTENSION OF THE DIAGONAL CUMULATION OF ORIGIN OF THE GOODS FOR THE  
WESTERN BALKAN COUNTRIES – CHALLENGES AND OPPORTUNITIES

Table 2 – Bilateral trade of Republic of Macedonia with Turkey, expressed in millions of Euro for period 2005 - 2011<sup>13</sup>

Year	Export	Import
2005	32,42	79,73
2006	35,67	85,76
2007	39,11	144,19
2008	21,19	184,96
2009	29,46	181,34
2010	38,52	197,76
2011	52,68	246,69
<b>Total</b>	<b>249,05</b>	<b>1.120,43</b>

Similar effects were also achieved with intra and extra CEFTA trade as well as with the EU countries.

Table 3 – Intra and Extra CEFTA Trade for the period 2009 - 2010<sup>14</sup>

INTRA AND EXTRA CEFTA TRADE						
Exports			Imports			
2009	2010	Δ%	Volume (000 EUR)	2009	2010	Δ%
			<b>Intra CEFTA</b>			
5.847.831	6.534.321	12	<b>Total</b>	5.426.441	6.061.678	12
1.610.426	1.787.437	11	<b>Agricultural products</b>	1.620.672	1.752.766	8
4.237.405	4.746.884	12	<b>Non-agricultural products</b>	3.805.770	4.308.912	13
			<b>Rest of the World</b>			
14.894.390	19.217.860	29	<b>Total</b>	40.390.700	45.955.428	6
1.917.514	2.469.314	29	<b>Agricultural products</b>	4.622.087	4.434.431	-4
12.976.876	16.748.546	29	<b>Non-agricultural products</b>	38.766.613	38.520.997	8

Volume of exports within intra CEFTA countries increased by 12% for the period 2009/2010. The same figure of 12% increase applies also to intra CEFTA imports.

## 8. PROPOSED FURTHER STEPS

Even if the SAP+ system would cover all WBCs, it would still be incomplete. Its major shortcoming is that it does not include EFTA countries. A planned flow of events in the future is therefore heading towards the inclusion of WBCs directly into PEM and thereby enabling them to cumu-

<sup>13</sup> Source – State Statistical Office of the Republic of Macedonia, <http://makstat.stat.gov.mk/rxweb2007bazi/Database/Статистика%20по%20области/Надворешна%20трговија/Стокова%20размена%20по%20земји/Стокова%20размена%20по%20земји.asp>

<sup>14</sup> CEFTA Trade Statistics 2010 – CEFTA, CEFTA Secretariat, <http://www.cefta2006.com/sites/default/files/statistic.pdf>

late origin with EU, EFTA, Mediterranean countries<sup>15</sup>, Faroe Islands and Turkey within the same system of diagonal cumulation. It is a system under construction, which allows its operationalization as soon as three of the involved partners share coordinated FTAs (system of variable geometry).

The political decision for including WBCs into PEM was taken on 21 October 2007 on Euro-Mediterranean trade ministerial conference in Lisbon, while the key decision was taken on 9 December when Euro-Med trade ministers endorsed the text of the regional convention on the Pan-Euro-Mediterranean system of rules of origin. To activate the provisions of the Convention, existing preferential trade agreements will need to be amended as well<sup>16</sup>.

The Commission proposes to replace the network of about 60 bilateral protocols on rules of origin in the Pan-Euro-Med zone and to base the diagonal cumulation of origin on a single legal instrument in the form of a regional convention. This Convention would allow for a more effective management of the system of Pan-Euro-Med cumulation, thus enabling the contracting parties (current participants of the cumulation zone) to better react to rapidly changing economic realities.

The participants in the European Union's Stabilization and Association Process will be included, through this Convention, in the Pan-Euro-Med system of cumulation of origin. This will develop trade by offering new opportunities within an enlarged trade area, thus promoting regional integration.

The crucial aspect of the Convention on the side of WBCs is the ability to cumulate origin with EFTA and Mediterranean countries as well. As simple and reasonable the inclusion of WBCs into PEM might seem, it is accompanied with a series of problems:

Difficult introduction of PEM: resulting in long process of harmonization of law (rules of origin) through Convention adoption and FTA amendment due to large number of involved partners; limited trade relations between WBCs and PEM.

Difficult use of PEM: introduction of EUR-MED movement certificate complicates existing practice of certification between EC and WBCs using EUR.1 (double certification); complicated use of EUR-MED certificate

<sup>15</sup> Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, West Bank and Gaza Strip.

<sup>16</sup> This can be achieved by referencing in the Origin Protocols to the PEM Convention provision.

(which, unlike EUR.1, requires full traceability of origin); use of EUR-MED requires vast administrative and IT adaptation, since current WBCs' systems use stock accounting and origin traceability according to EUR.1 requirements; complicated following of changes in PEM FTA matrix (which is a precondition for successful use of benefits of cumulation); due to high complexity of PEM there is limited possibility of control and proper implementation.

As an interim solution of this problem, might be introduction of so called SAP++ cumulation zone.

## 9. FROM SAP+ TO SAP++<sup>17</sup>

There is also a more practical solution available. The WBCs need a quick and feasible solution for enhanced trade integration with their important trading areas (EU, EFTA, Turkey) in order to stimulate trade growth and economic development in the region now. In this respect a win-win solution for enhancing the trade relations not only between EU and the region (as the SAP cumulation system implies) but in a wider context (encompassing also EFTA states) is implementation of SAP++ cumulation system<sup>18</sup>. The inclusion of EFTA states in the SAP process would fulfill the commitments set forth by the Thessalonica agenda and would boost trade cooperation amongst WBCs and EFTA, which is currently underperforming. However, due to the fact, that such an arrangement needs a fully operationalized matrix of FTAs, one missing link (EFTA at this point) disables the system to work.

### *Arguments for upgrading SAP to SAP++*

Reasons for expanding SAP cumulation to SAP+ are clear and simple. The EU has committed itself with a political declaration to expand the Pan-European diagonal cumulation to WBCs (see political justification below). The WBCs' trading relations are tightly connected to EU, EFTA and Turkey (see economic justification below), therefore SAP++ cumulation would enhance wider trading relations within a historically integrated economic area.

The tensions for inclusion of WBCs directly into PEM puts them on unequal footing with countries of Pan-European cumulation area, since it

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<sup>17</sup> SAP++ refers to SAP countries + Turkey + EFTA

<sup>18</sup> In other words, SAP++ represents an upgraded Pan-European cumulation system by including WBCs.

disables them to take advantage of the simple procedures concerning proof of origin (use of EUR.1 form) with EFTA countries (see practical justification below).

The idea of forming the SAP++ cumulation area is not a unilateral proposal of the WB states but is grounded on concrete commitments set forth by the European Commission. The above mentioned EU-Western Balkans summit endorsed the Thessalonika agenda, comprising measures drawn from the pre-accession process, and made a commitment to implement it jointly. At the summit conclusions the Council invited the European Commission “to prepare the extension of pan-European diagonal cumulation of origin to the countries of the region in a manner consistent with all relevant Community policies and dependent on their administrative capacity”<sup>19</sup>. Such extension would mean the establishment of the cumulation zone encompassing the EU, all Western Balkan states, EFTA states and Turkey, commonly referred to as SAP++.

Apart from the above explained interrelation of markets of EU, EFTA, WB and Turkey, economic justification of implementation of a diagonal cumulation amongst these parties can be explained through lost trade potential. If the system is to be used, it should be user-friendly.

Conversion to another, more complicated system would impose tremendous administrative and financial burden on companies. It is likely that companies decide to pay customs duties rather than introduce a new system. In addition, the use of a different system of traceability of origin between WBCs and EFTA could de-motivate trading opportunities on both sides. It is crucial to allow the companies to use the system which suits them best according to their market orientation (EFTA and EU or the Mediterranean).

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<sup>19</sup> [http://ec.europa.eu/enlargement/enlargement\\_process/accession\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/sap/thessaloniki\\_agenda\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/sap/thessaloniki_agenda_en.htm)

### *Establishment and operationalization of SAP++*

The EU is the most important player in the establishment of SAP++ in terms of compliance. Common approach of the WBCs in communication to the EU is therefore proposed as a tool for launching of SAP++ initiative. In order to make this possible, a regional coordinator would be useful, since it could act as a forum for gathering and unifying WBCs' opinions. One of the options is the Regional Cooperation Council (RCC), due to its orientation into focused regional cooperation in South East Europe through a regionally owned and led framework that also supports European and Euro-Atlantic integration<sup>20</sup>. In order to make SAP++ possible, some inevitable formal steps are necessary:

<b>SAP++ Cumulation</b>	
Establishment conditions	Notice of the European Commission providing for diagonal cumulation of origin between the Community, WB, Turkey and EFTA.
Operationalization conditions	Change of SAA origin protocols (i.e. inclusion of words "EFTA states" in Articles 3 and 4 of the Protocol 2 of the SAA between EC and certain SAP state).
	Change of concluded FTAs – inclusion of all SAP++ partners in articles defining cumulation.
	Conclusion of missing FTAs.

Where changes are needed, presentation of the ongoing activities with reference to time aspect of such changes is welcome (i.e. what is a reasonable period for conclusion of changes in origin protocols).

## **10. CONCLUSION**

The Western Balkan countries (WBCs) need a quick and feasible solution which would enable greater regional trade integration in the Western Balkans and its trade cooperation with other European countries (EU, EFTA, Turkey) in order to stimulate trade growth and economic development of the region.

Regional Convention on preferential Pan-Euro-Med rules of origin is certainly the solution for this problem. But this shall not be fast, quick and

<sup>20</sup> RCC is the successor of the Stability Pact for South Eastern Europe. Its work focuses on six priority areas: economic and social development, infrastructure and energy, justice and home affairs, security cooperation, building human capital, and parliamentary cooperation as an overarching theme. The RCC is based in Sarajevo, Bosnia and Herzegovina.

easy. The Convention is in the process of ratification in the national parliaments and has been adopted by the EU parliament and entered into force since May 2012<sup>21</sup>. The process of defining product list rules is at early stage.

One of the possible fast, useful in practice and win-win solutions for all countries involved, facilitating supportive conditions for trade cooperation, is the inclusion of the Western Balkan countries into the existing system of Pan-European cumulation of origin (i.e. the establishment of the SAP++ zone, which would include EU, EFTA, Western Balkans and Turkey). The SAP+ diagonal cumulation zone would enable free trade among all countries involved, even when the products are partially produced in more than one country or when their trade route includes several states.

When some of the countries are not included in the same system of diagonal cumulation, they can not benefit from the preferential treatment of the products, enabled by the cumulation. This concerns import to and export from these countries, depending on the trading combination. Currently there are two handy, EU-run systems of diagonal cumulation in the area of EU, EFTA, Turkey and SAP countries.

The Western Balkan countries cannot fully benefit from diagonal cumulation, because they are not included in the same system as all of their most important trading partners (EU and indirectly EFTA). EU is the most important trade partner of the Western Balkans and since for the EU, Switzerland (EFTA) is second most important market for EU products, EFTA countries are indirectly important trading partner also for the WBCs (because of trading routes and origin). A lot of EU products are partially produced in Western Balkans, but under current system of diagonal cumulation, trading between EFTA and Western Balkans through EU states is not stimulated. Also EU companies are similarly limited in exporting to Western Balkans when manufacturing partly takes place in the EFTA states. Thus, non-inclusion in the same cumulation system means non-favourable conditions for the companies from WBCs as well as for the companies from EU, EFTA and Turkey.

Being aware of the limitations, a lot of EU and EFTA companies probably exactly out of these reasons decide for sale and extension of the production only to certain markets, which are part of the same system of diagonal cumulation and not to the Western Balkan market. Introduction of the

<sup>21</sup> <http://www.consilium.europa.eu/policies/agreements/search-the-agreements-database?lang=en&command=details&id=297&lang=en&aid=2010035&doclang=en>

SAP++ diagonal cumulation with EFTA would prevent further loss of the potential, which the region would have, if the states would be more trade-integrated among themselves and with other partners in Europe.

The full implementation of the PEM cumulation of origin shall bring enormous economic benefits for the Western Balkan countries. It shall boost conclusion of the FTA among WB countries and Mediterranean countries, providing increase of trade and benefits for the economy and possibilities to cumulate the origin of the goods and have better market access to EU market. The increased trade between the Republic of Macedonia and Turkey as shown in this article together with these figures suggests that the Western Balkan countries have to be included in the system of Pan-Euro-Mediterranean system of cumulation of origin as soon as possible.

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# The Impact of the EEAS on the National Diplomacy of Slovakia as a Case Study of Small EU Member States - an Advice Paper for the Aspirant EU Countries of the Western Balkans

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## ABSTRACT

The more the international plane has gotten interconnected, the more there was a need for a united voice and position from the European Union. The establishment of the European External Action Service as an EU diplomatic corps, headed by the post of the High Representative, is meant to improve the coherence of the EU's external representation. However, where do small Member States stand in this new set-up? Despite the early stage of the EEAS, this article demonstrates where changes have taken place and to thus make an impact on national diplomacies of small EU Member States and especially what are the potential benefits for the small national diplomacies. The article provides an in-depth analysis of Slovakia, as a prototype of the small EU Member States, of both its constraints and fundamental interests, its approach towards the Lisbon treaty and to the EEAS, recruitment efforts, analysis of the cooperation and diplomatic brain drain vs. added value of know-how. The so-far experience of Slovakia, illustration of its opportunities and perspectives shall provide the aspirant states of the Western Balkans with the particular assessment in order to make their national diplomacies be prepared to take full advantage of the new Europeanised diplomatic setting after the accession.

**KEYWORDS:** national diplomacy, EEAS, diplomats, impact, cooperation, EU delegations, the Western Balkans

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## INTRODUCTION<sup>2</sup>

Since the Lisbon Treaty came into force in 2009, the build-up and potential performance of the European External Action Service have earned a lot of attention from both the academic side and the authorities of Member States. The steps of Catherine Ashton, appointed as High Representative of the Union for Foreign Affairs and Security Policy, have been closely observed, continuously evaluated and gained multiple recommendations for future improvement as well as critiques of perceived missteps on the international plane. However, the more attention has been directed to the functioning of the EEAS as personified by Ashton, the less analysis has been dedicated to the implications, perspectives and challenges faced by the national diplomacies of the Member States. However, what is the impact of the EEAS on the national diplomacy of small EU Member States? Has the role and direction of the national diplomacy of small states been changing under the influence of the EEAS? Slovakia was chosen as a prototype of small states for this analysis due to various reasons. Apart from the logical personal interest involved, Slovakia is a typical small state, which entered the EU in 2004. Nevertheless, Slovakia turned out to be a valuable member of the EU that is actively participating in the work of the EU and the EEAS by sending national diplomats into the EEAS structures as well as expressing an interest in a strong and coherent EU supported by the united voice of the EEAS. The Slovak MFA is also not immune to the financial troubles on the one hand, but, on the other hand, national diplomacy has not faced a serious economic crisis as some other Member States have, which is why it provides the analysis with an objective background. The analysis is based on the combination of the contemporary trends and direction of Slovak national diplomacy as well as its reaction to the Lisbon Treaty and the various aspects of the EEAS.

The so-far experience of Slovakia and the demonstration of its opportunities and perspectives shall provide the aspirant states of the Western Balkans with the necessary information in order to make their national diplomacies be prepared to take full advantage of the new Europeanised diplomatic setting. The analysis of the lesson, which Slovakia has gone through so far might be taken as an advice paper for their diplomacies

<sup>2</sup> The article stems from the Master thesis with the title : The impact of the European External Action Service on the national diplomacy of small EU Member States (case study: Slovakia) written under the supervision of Dr. Monika Wohlfeld at Mediterranean Academy of Diplomatic Studies (MEDAC), University of Malta, 2012/2013.

In case of an interest in the full thesis, please, contact the author.

ISSN 1855-7694 © 2012 European Perspectives, UDK: 327 (4)

in order to understand deeper which opportunities the accession to the European Union will bring to the national diplomatic services.

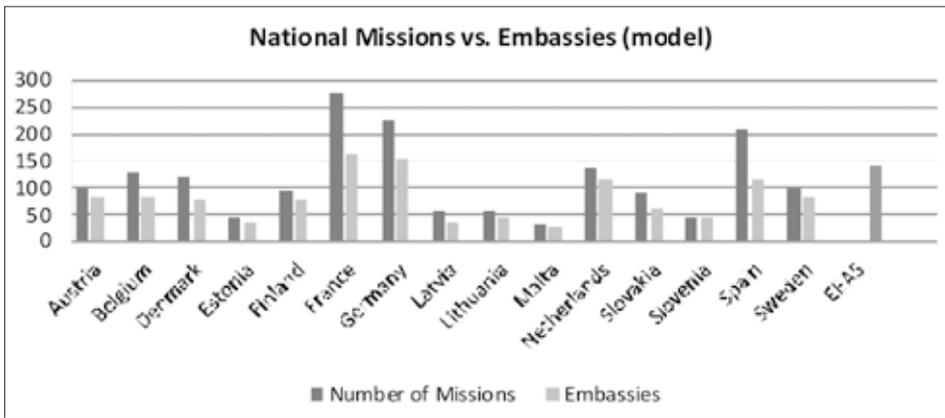
## 1. SMALL STATES

When we speak about the small states, which countries do we mean? Those of the Eastern Enlargement, those with less than 10 population or with some specific GDP? Since this paper focuses on the national diplomacy of small states exclusively, it is necessary to declare how small states are defined on the international plane as well as in the context of the European Union. Crowards (2002: 143) argues that no definition is ‚widely accepted‘. As it is further demonstrated, various analytics of state ‚smallness‘ tend to focus on multiple aspects and emphasized different attributes of states that not only shows a general lack of global consensus on the particular definition, but also a silent agreement with a notion that states do not have equal position on the international plane (Christmas-Moller 1983). One way how to define small states and avoid defining the specific attributes is a ‚negative way of defining‘ by claiming that a small state is a state, which is not a middle or great power (Neumann - Gstöhl 2006: 7). According to Steinmetz and Wivel, the most traditional way is to assess small states based on their capabilities - ‚the possession of - or rather the lack of - power resources in absolute and relative terms‘ (Steinmetz - Wivel 2010: 5). As Lee points out, apart from defining what small states are not, two traditional ways of focusing on different attributes of a state are usually upheld by academics: the quantitative and the qualitative approach. (Lee 2006). Taking into account that the self-perception of a state of its opportunities on the international plane is also influenced by its real capacities, this article upheld the quantitative approach, which is a conventional way of defining small states taking generally into consideration an absolute unimpugnable size of a state as geographic, demographic or economic aspect (Camilieri 2007). These attributes constitute the real capabilities of states. Features such as populations, size of territory or resources are important due to their explicitly informative contribution about the ‚absolute and relative limitations in these states‘ capacity to handle different types of challenges‘ (Steinmetz - Wivel 2010: 5). Having the ultimate interest to analyse the impact of national diplomacy, the bedrock for this research is build on the comparison of diplomatic power based on:

- number of national missions - number of embassies<sup>3</sup>
- budget expenditure of the Ministries of Foreign Affairs (MFAs)<sup>4</sup>
- number of external staff in comparison to the total staff of the national MFA
- number of diplomatic agents posted abroad.

Besides that the number of votes in the Council of Ministers proposes a framework of the Member State (MS) 's potential to influence the decision-making. These attributes together frame a valuable picture about the intensity of external representation of Member States as well as a space for diplomatic activities conducted by diplomatic agents.

Table 1: Comparison of the number of embassies to the total number of national missions



Sources: number of missions - Emerson et al. 2011:141; number of embassies - personal communication with EU foreign ministries

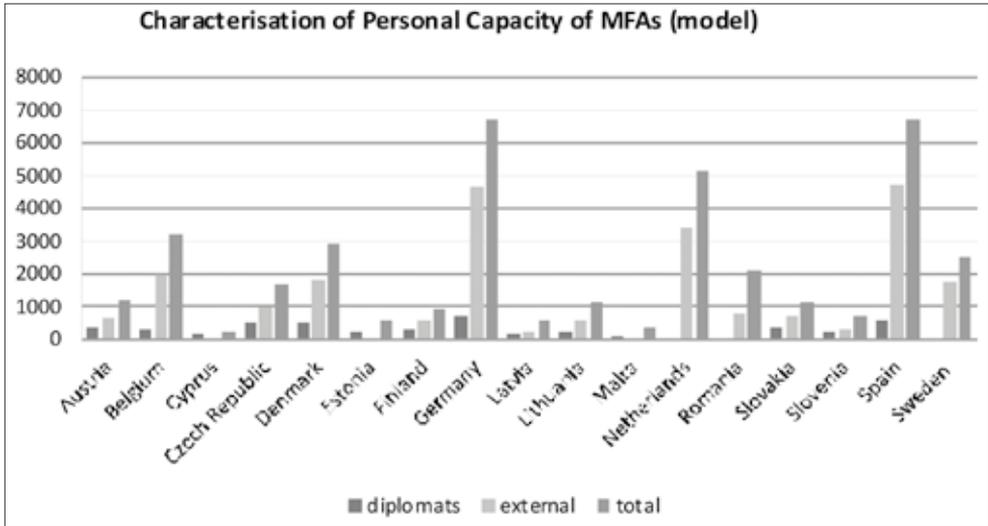
The figures of the UK, Germany, Spain, Italy and France show a significant network of national missions. The comparison with the number of embassies additionally shows a difference in a grouping division - in case of comparison of all national missions, Austria, Belgium, Denmark had a similar diplomatic network as did the Netherlands or even the number of

<sup>3</sup> Based on the answers personally received from EU MFAs (not an exhaustive list), I compared the number of embassies to the number of national mission based on the information from Emerson et al. (2011: 141). The number of embassies is relevant for this type of analysis as the level of the relation between states is on higher level when the embassy is established and resident.

<sup>4</sup> Data about the budget, number of national missions and proportion of own nationals within the number of staff per all MS might be find in Emerson et al. (2011: 141,142). The analysis of the figures showed that the expenditures of France, Germany, Italy, the Netherlands, Spain and the United Kingdom is over 400 million €, while Poland's is approaching this level. Despite the fact that there no proposed level of expenditures has been found which would be accepted as the deciding level between small and big states, I propose the level of 400 mil € (+Poland), due to the visible difference between this line and the rest of the EU Member States.

the EU delegations (EEAS in the graph) , however, the number of embassies is significantly lower.

Table 2: Comparison of personnel of national MFAs - the diplomatic agents posted at embassies, all staff posted abroad and the actual total number of employees of MFAs.



Source: personal communication with EU foreign ministries

Based on the answers I received from the EU MFAs, the following graph shows the structure of external representations of Member States and so suggests the potential diplomatic power. The graph compares the diplomatic agents posted at embassies, all staff posted abroad and the actual total number of employees of MFAs.

Taking into account proposed decisive attributes, states as the UK, Germany, France, Spain, Italy significantly differ with their diplomatic opportunities.<sup>5</sup> The Netherlands and Poland are also excluded from the group of small states regarding the differences in the budget opportunities for the former and the votes in the Council for the latter. Both Poland and the Netherlands demonstrate a similar level of diplomatic power in relation to the personnel to the EEAS. The rest of the EU Member States thus fall under the category of small states for this analysis.

<sup>5</sup> A deep analysis of the attributes and explanative charters are in the Master thesis: Barbora Ondejcikova, 2012. The impact of the European External Action Service on the national diplomacy of small EU Member States (case study: Slovakia). Malta: University of Malta. pp. 8-20.

## 2. NATIONAL DIPLOMACY IN THE NEW MILLENNIUM<sup>6</sup>

In order to prevent the methodological faults, before searching for the pure impact of the EEAS on national diplomacy, the other external elements which have modified the traditional national diplomacy shall be taken into account:

- The vector of diplomacy was influenced by new actors as international organisation and transnational corporations (Leguey-Feilleux, 2009: 57,58).
- Multilateralism, a new type of negotiating among states prompted by globalisation and global interdependence, has also made an impact on the new subjects of foreign policy. Issues which were considered to be within the purview of domestic foreign policy are nowadays dominant at international conferences due to their importance on the world politics (Jazbec, 2001: 81, 82; Kleiner 2012:14,15)
- The development of technology and a new form of a communication is considered to be one of the major transformers of the traditional form of diplomacy. New technologies developed higher interconnectedness, ever-faster travelling and exchange of communication, manageable logistic manageable, simultaneous translations and transcription of proceedings (Jazbec 2001: 81; Leguey-Feilleux, 2009: 85).
- The impact of the economic crisis and economic issues in general can be seen even in the broader context as a recent general development determining a trend in the structure of national diplomacy. Limited funds available for foreign ministries influence the calculation and limitation of the diplomatic personnel and missions abroad (Leguey-Feilleux, 2009: 146).
- The role of contemporary diplomats as a human factor of diplomacy has fundamentally changed as well due the impact of global developments. New technologies influence the fact that the informative task

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<sup>6</sup> There are various definitions and perceptions of national diplomacy which might be followed (Leguey - Feilleux (2009:1), Nicolson (1998:4-5); Berridge (1995:1), Kleiner (2010:1), Batora (2003:6), Roberts (2009:3) and this article does not discuss them here in detail however, it is crucial to emphasise that while speaking about the national diplomacy, we do not mean the foreign policy as such but rather the instrument for pursuing the interests laid down by the foreign policy maker. That is why the impact of the Common Foreign and Security Policy on foreign policy of Member States is not taken into account.

is much less exclusive since headquarters can obtain information also from other sources. Globalisation also influenced diplomats by requiring them to improve their language and IT skills as well as public speaking (Peško 2007: 191,192).

- A special and crucial impact was laid by the European Union as such. The European integration has been transformed under the pressure of global processes and needs as well. As European integration has changed, so to have the features of the European plane evolved (Adler-Nissen 2009: 140). In its infancy, the European community was perceived as being owned by the Member States, which has changed significantly.<sup>7</sup> National MFAs do not stand in a position of ‘gatekeeper’ (Spence 2009: 241)<sup>8</sup> anymore and it is the EU and its policies which influence the direction of MFAs of Member States. The development of European integration has significantly influenced the national foreign policies and so too national diplomacy. The fact that national foreign policy is in decline triggers also a decline of the national diplomacy (Spence, 2009). However, the question if the national embassies are needed at all does not seem to be actual. The bilateralism proved its added value in particular functions such as public diplomacy, economic and commercial interests and analytical reporting, for which states need a diplomatic presence and knowledge of the particular area. Even small states have kept a significant number of national missions in the EU area and some states like Ireland and Finland expressed their interest to in establishing missions in all Member States. EU integration also activated more intense cooperation and communication between Member States (Pajtinka 2006: 62-70).

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<sup>7</sup> Different views of liberal intergovernmentalism and multi-level governance on the role of Member States in the European integration. Compare i.e. :

Andrew Moravcsik. (1993). „Integrating International and Domestic Politics: A Theoretical Introduction“, in P. Evans, H. Jacobson -R. Putnam (eds), *Double Edged Diplomacy: Interactive Games in International Affairs*. Berkley CA: University of California Press.

Hooghe, L.- Marks.G. (2001):. *Multi-Level Governance and European Integration*. Boulder: Rowman & Littlefield.

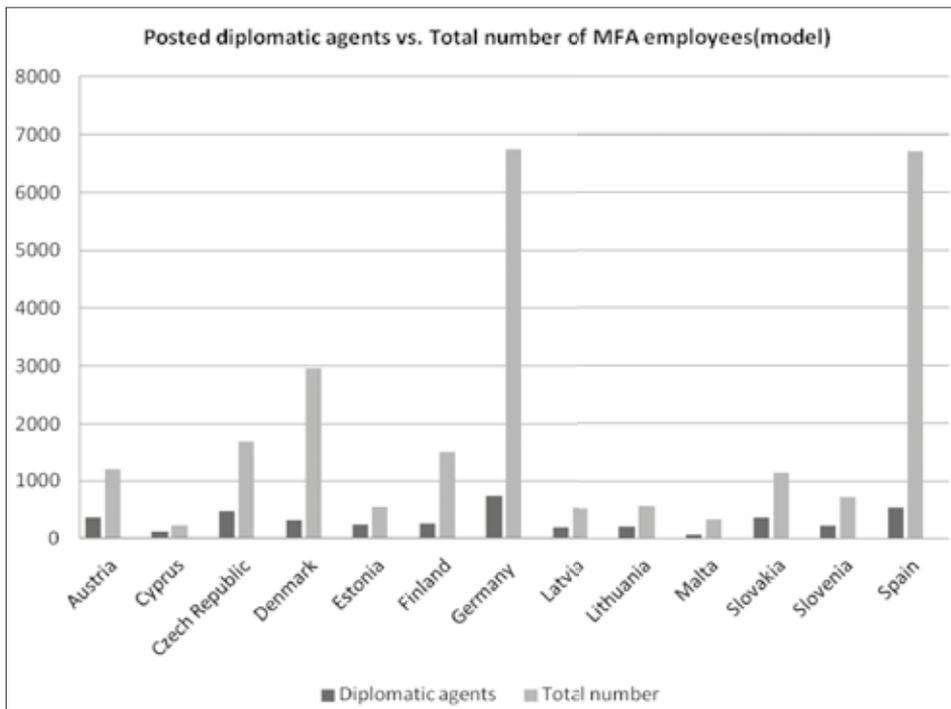
<sup>8</sup> A term of ‘gatekeeper’ is used also by Brian Hocking. See Hocking, B.-Spence, D. eds., (2003): *Foreign Ministries of the European Union: Integrating Diplomats*. London: Palgrave Macmillan.

or Hocking, B. ed., (1999):. *Foreign Ministries: Change and adaption*. London: Palgrave Macmillan.

While assessing diplomacy and the goals of small states, we have to take into account that they 'face a different set of challenges than major powers' (Bátora 2005: 6). According to Bátora, small states are mainly challenged by an attempt to receive 'recognition by the rest of the world [...]' (Bátora 2005: 6). Therefore diplomacy is a fundamental tool of the foreign policy of small states in order to stay active on the international plane. As ambassador Jazbec argued, 'diplomacy remains an indispensable tool for small states, but the way it operates and the substance it transfers, have changed significantly' (Jazbec 2010: 66). Despite the importance of the conduct of the diplomacy, small states generally face a lack of resources and constraints on their diplomatic corps abroad. (Jazbec 2010: 73). These are two basic pre-conditions, which determine the structure and organisation of diplomacies of small states.

The following model graph illustrates the proportion of diplomatic agents per total number of employees at the national MFA MS and signifies a much higher proportion of diplomatic agents posted at the embassies to the total number of employees of the national MFA than in the case of representations of bigger states (Germany, Spain) and shows that bigger states do employ a much wider scale of administrative-technical staff and local forces that enable diplomats to focus on diplomatic tasks. As is analysed in the case study of Slovakia, diplomats of small states are overburdened with other tasks such as administration or consular affairs limiting the scope of diplomatic activity.

Table 3: Comparison of posted diplomatic agents to total number of staff of EU MFAs



Source: personal communication with EU foreign ministries

Changes in diplomacy include also a sectoral expansion of diplomacy, including economic or cultural diplomacy (Kurucz 2007). Economic, cultural but also public diplomacy is very relevant especially for small states. Detail analysis, changes and character of cultural, economic and public diplomacy are shown in the case study of Slovakia.<sup>9</sup>

### 3. THE EEAS - INNOVATIONS, PERSPECTIVES & IMPACT

The European External Action Service is a young institution just ready to blow its second candle of the birthday cake. Based on the fact that the EEAS was just launched in 2010, it is still finding its path. However, I suggest that it is not reasonable for national diplomacies simply to wait multiple years and then focus on the past impacts and lost opportunities. The recruitment process, build up of the new diplomatic culture as well as the daily cooperation between the EU delegations and the national representations show a

<sup>9</sup> A detail analysis of evolution and current state of the modern diplomacy of small states in Jazbec (2001).

new shift which might be of the strong interests of the small national diplomacies with the limited resources as showed later on.<sup>10</sup> When it comes to relation between Member States and the EEAS, two essential basic rules shall be mentioned. One third of the EU diplomatic corps shall be recruited from the national diplomacies of Member States, while the rule of meaningful representation and the geographical balance shall be upheld (Council Decision 2010/427/EU (10)).<sup>11</sup> Besides that, based on the declarations 13 and 14, the EEAS as such also does not affect the right of Member States to decide on the directions, structure or work of their national diplomacies (Declaration 13 2010: (1-2), Declaration 14 2010: (1)). This indicates that it is up to Member States if they decide to modify their diplomatic structure based on the possibilities what the EU delegations propose them, or they maintain fully-established embassies in capitals.

The new diplomatic service was established as a *sui generis* autonomous institution (Council Decision 2010: 1(2)). The structure of the EEAS is divided into two main elements : a central administration with its headquarters in Brussels and EU delegations and offices established in receiving states or accredited to international organisations around the world (Council Decision 2010: 1(4)). EU Delegations are an important element of the EEAS representing the whole EU and constitute an integral part (Final Act 2010) of the new diplomatic service. Before the Lisbon Treaty, delegations worked under the authority of the European Commission. According to David O'Sullivan, Chief Operating Officer, this transition from delegations into the EU delegation with new role and tasks is considered to be a success, which is thanks in large part to the cooperation among the EEAS staff and also Member States (O'Sullivan 2012: 6). One year after launching of the EEAS, 140 EU delegations and offices are established around the globe employing 2060 personnel (European External Action Service 2011b: (21)). EU delegations also enlarged their tasking in political roles and established political departments or their reinforcement (EEAS 2011b: (16)). But what has it brought to the national diplomacies?

<sup>10</sup> The master thesis analysed also the Presidency of the Council of Ministers, however, this part is due to the space limitation excluded in this article.

<sup>11</sup> The fear of under-representation was shown by the joint letter of the V4 countries (Slovakia, Czech Republic, Hungary and Poland), who significantly strongly insisted on a proper representation for all countries by circulating a non paper to the EU headquarters stating that 'The eventual lack of [member states'] involvement in shaping and implementing policies could lead to the loss of their interest in EU foreign policy and could even result in a widening gap between EU and national policies.' The position was afterwards supported by Austria, the Baltic countries, Bulgaria, Cyprus, Greece, Malta, Portugal, Romania and Slovenia

The quotation of the letter originates from Rettman, A. (10 March 2010): New EU states make bid for more diplomatic clout. euobserver.com available at <http://euobserver.com/18/29651> (10 August 2012).

What appeared to be a very influential element laying an impetus specially to the cooperation between the EU delegations and national missions, despite being not very famous on the academic place, are non-binding *Guidelines for EU cooperation in third countries* and *Guidelines for EU Political Demarches*, which were accepted under the Polish Presidency and provide missions with practical guidance (EEAS 2011b: (16)). The Guidelines for EU cooperation in third countries specify more relevant elements. The following part showcases the adopted non-binding provisions.

- *Information Processing* define among others a task of the EU delegation to gather information and share them with the national missions on a regular basis (political, regular weekly reports, reports concerning sectoral policies, press clippings (EEAS 2011a: 1,2), to coordinate preparation of joint reports or develop a common EU calendar. Furthermore the sharing of reports and sensitive documents is supposed to be a part of the cooperation after creating a secure communication system. The guidelines also advice MS to share information and reports with the EU delegations (EEAS 2011a: 1,2).
- *Internal EU Coordination* should include regular meetings at various levels (Heads of Missions (HoM) - at least one a month, deputy HoM, Political Counsellors, Trade Counsellors, etc.). With respect to smaller national missions, it is explicitly recommended, that meetings should not overlap. Minutes are sent by EU DEL to all missions accredited to a country, non-residents included. Apart from formal meetings, informal specialist thematic groups shall be set up to support exchange of information. Both EU DEL and national missions shall come up with new opportunities and visions about potential synergies, i.e. infrastructure, pooling and sharing, etc. (EEAS 2011a: 2,3)

Furthermore, in order to improve the safe communication between EU DEL and national missions, the new communication system ACID has been installing. As outlined in the particular case studies, exchange of information faces challenges thanks to problems in sharing a sensitive information as a safe electronic communication system was not in use.

#### 4. CASE STUDY: SLOVAKIA<sup>12</sup>

Let's look now at the case of Slovakia and analyse the changes, perspectives and risks it faces while taking into account its real constraints and interests of contemporary national diplomacy. To understand the impact of the national diplomacy of Slovakia, general developments and trends need to be taken into account. Membership in the EU as such also made an impact on the national diplomacy. After successful accession to the EU, new importance was given to the need of a proper representation towards the media and the public (Ministry of Foreign Affairs of the Slovak Republic 2006) as well as the economic and cultural dimension of the foreign policy. One of the first impetuses was given to cultural diplomacy as membership created a new space for national representation and also increased demand for Slovak culture (MFA SK 2007). The attention must be though given to constraints of the national diplomacy as a burden standing in front of the national diplomacy being dedicated to the main areas of interest. The impact of the EEAS is then illustrated by the monitoring of the steps since the establishment of the EEAS.

Table 4: Structure of personnel at the MFA SK. Information is to the date: 30 June 2012.

<b>Amount of all personnel at the MFA (2012)</b>	<b>1138</b>	
	Headquarters	Abroad
	453	685
<b>Diplomats posted at diplomatic missions</b>	375	

Source: personal communication with the MFA SK

<sup>12</sup> Slovakia, an independent country since 1993 and a EU MS since 2004, with its 5 million population, 7 votes in the Council, 63 accredited embassies and 1138 total staff of MFA (2012) belongs to the group of small EU MS.

Table 5: Network of Slovak national diplomacy 2012

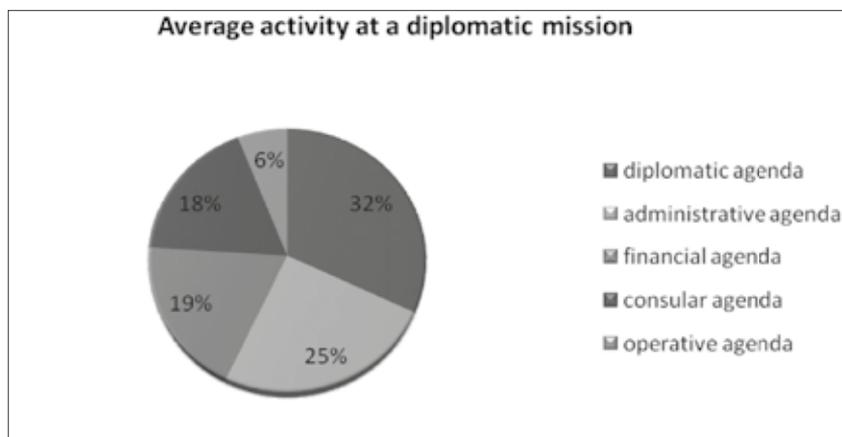
<b>Embassies</b>	<b>63</b>
<b>Consulate-General</b>	9
<b>Special missions</b>	7
<b>Slovak institutes (cultural representation)</b>	8
<b>Honorary Consulates</b>	166

Source: personal communication with the MFA SK

Slovakia, as a small state, tackles a general problems of the national diplomacies of the same kinds. The lack of personnel and their overburdening is demonstrated by the following figures.

### *Average activity at a diplomatic mission*

Figure 1: Average activity at a diplomatic mission



Source: Peško 2008: 25

### *Personnel per mission (Peško 2008: 31)<sup>13</sup>*

- 55-60% of all diplomatic missions employed 1-3 personnel
- 30-35 % employed 4-5 personnel
- 9-12% employed 6-8 personnel
- 15-18% employed 9-19 personnel
- 1-3% employed more than 19 personnel

<sup>13</sup> Figures are in the relative approximate terms due to the information taken from the graphs.

***Diplomatic agents per mission (Peško 2008: 31)***

- 36-38 % missions employed 2 diplomats
- 33-36 % missions employed 3-5 diplomats
- 12-15 % missions employed 1 diplomat
- 8-10 % missions employed 6-9 diplomats
- 2-4 % missions employed more than 9 diplomats

On average, one diplomatic mission in 2008 contained approximately 3.7 diplomats and 1.6 ATS (Peško 2008: 30). However, 1-2 diplomats worked at 45 embassies (so-called mini-embassies) which is 51.7%. This figure is considered to be a very low number based on the analyses which showed that small diplomatic missions should involve 3-5 diplomats in order to work effectively (MFA SK 2008: 45).

**4.1. CURRENT SECTORAL TRENDS OF NATIONAL DIPLOMACY**

New interactions with multiple actors, such as EU states, 3rd countries, transnational corporations and non-governmental institutions, as well as the evolution of technologies, the role of media and the abovementioned European integration and changing role of diplomacy also influenced the sectoral priorities of the diplomatic corps. Apart from the necessary obligatory services for citizens (consular activity), the three main sectors of the national diplomacy are economic, cultural and public.

***Economic diplomacy***

The centrepiece of the current government is economic diplomacy, which should support mainly international trade (export), attract foreign direct investment and tourism (Government of the Slovak Republic 2012: 8). This is also due to the fact that Slovakia is a small state with an open economy. Besides that, economic interests are more and more in the centre of the agenda because of the stable political surroundings guaranteed through membership of the EU and NATO (Pajtinka 2007: 77-84). The central role of economic diplomacy was enhanced through the integration of economic diplomats at the MFA. The fulfilment of the aims of economic diplomacy has become a day-to-day priority for all diplomats, who concentrate on providing services and effective support to entrepreneurial entities of SK

abroad' (MFA SK 2012).<sup>14</sup> This goal led to the strengthening of the economic representation in China, India, USA and Ukraine as well as the transfer of diplomats from EU missions to Argentina, Brazil, Iraq and Indonesia (MFA SK 2012). In order to improve the effectiveness of the processes of economic diplomacy, the Minister of Foreign Affairs of SK and the Minister of Economy of SK signed an agreement on 1 August 2012, where the clear division of competences and tasks was proposed (MFA SK 1 August 2012).

### *Cultural diplomacy*

General political stability supported the orientation of the national diplomacy and increased the attention given to cultural diplomacy. Cultural diplomacy is important especially for small states that do not have many other instruments to make themselves visible on the international plane. In harmony with instruments of public diplomacy, cultural diplomacy fosters the building of a brand name and identity for the country (Pajtinka 2007). An intensification of cultural diplomacy has been recognised especially during last 5 years fostered also by becoming a member to the National institutes for culture in 2007 (MFA SK 2008: 41). The cultural diplomatic dimension also complements the goals of economic interests, especially in promoting the country as a tourist destination, which features among the priorities of the Slovak foreign service. However, the activity of the cultural diplomatic department is limited due to financial constraints (Pajtinka 2007: 83).

### *Public diplomacy*

Since successful foreign policy nowadays cannot ignore public opinion, MFA lays emphasis on both communication with the Slovak public and the perception of external subjects. Despite the fact that public diplomacy is not a new invention on the diplomatic plane, the MFA started to dedicate more attention to this issue in 2008 following the inclusion of public diplomacy as an independent topic on the agenda during meetings of ambassadors in 2009 (Grivna 2010). The positive image was also further fostered by redesigning the website of the MFA (2009/2010) in a more attractive and interactive way (MFA SK 2009: 26). In order to support the coherent representation and name of Slovakia, MFA has been working on the building of 'the identity of Slovakia' and 'brand of Slovakia' (MFA SK 2009). One of the central priorities of public diplomacy is the 'creation of the functional

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<sup>14</sup> Translation provided by author. The part 'Fulfillment of aims of economic diplomacy has become day-to-day priority of all diplomats' is graphically emphasized in the original version of the document (in bold).

mechanism of coordination of projects or activities and territorial strategy including specific programmes for countries of priority interests' (MFA SK 2009). This idea was also engendered by the establishment of the Council of the government for the united representation of Slovakia whose secretary-general falls under the authority of the MFA (MFA SK 2010). In order to intensify communication with its own citizens, the MFA opened a profile on the social medium - Facebook on 12 April 2011 (MFA SK 21 April 2011).

#### 4.2. SLOVAK APPROACH TO THE LISBON TREATY AND THE EEAS

Slovakia considered the Lisbon Treaty to be a positive step towards the effective pursuit of its interests as it brings new options and instruments (MFA SK 2008: 30). Apart from the tools created by the Lisbon Treaty, Slovakia recognises the benefits of sending Slovak nationals within the EU structures, which is illustrated by the high effort and interest in their recruitment. The year of the Lisbon treaty - 2007 - was also considered to be a success for Slovakia not only due to the signing of the Treaty but also by reaching a level of 190 Slovak employees at the EU Commission (MFA SK 2008). The Slovak MFA prepared in 2008 specific academic material which should improve the preparedness of Slovak nationals for the recruitment process. The material features in the long-term interest of the Slovak MFA to increase the number of Slovak officials within the EU in order to improve the position of Slovakia within the union (MFA SK 2008: 35). This also implies an interest in having a high proportion of Slovak diplomats within the EEAS structure as subsequently mentioned. This was followed by the organisation of the international conference dedicated to the topic of the recruitment of Slovak nationals in the EU (MFA SK 2009: 42).

The Lisbon Treaty furthermore brought clear rules on the external relations which Slovakia welcomed due to their benefit to stabilisation of the international environment which is essential for small states (MFA SK 2009: 44). Slovakia also gave the highest importance to the establishment of the EEAS because of the cooperation and interaction with diplomacies of Member States introduced by the Lisbon Treaty. Slovakia like other small states supported the idea of the 1/3 proportion of national diplomats as well as the geographical balance and meaningful representation of all Member States (MFA SK 2010). In order to implement the Lisbon Treaty and set up the EEAS properly, the MFA conducted several videoconferences between the headquarters and the Permanent representation of SK to the EU in Brussels dedicated to the preparation of the EEAS (MFA SK 2010: 36). The MFA also expressed an

interest in 2009 to further improve the quality of potential candidates and support their sending to the institution of the EEAS (MFA SK 2010: 37).

2010, the year the EEAS was launched, was very relevant for Slovakia as the (then) former Minister of Foreign Affairs Miroslav Lajčák was appointed by Catherine Ashton as a Managing Director for Russia, Eastern Neighbourhood and the Western Balkans (December 2010 – April 2012). This was significant due to the added value seen by the Slovak MFA in better reaching its priority areas (Balkan and the Eastern partnership). Miroslav Lajčák was appointed after the national elections of 2012 as the vice-president of the government and the Minister of Foreign Affairs of SK and so left the post of the EEAS (MFA SK).

In order to improve the quality of knowledge of Slovak diplomats as candidates to the EEAS and other international organisations, MFA SK organised a preparation course consisting of 6 workshops and 2 lectures at the end of the year 2011. Apart from that, a database of potential well-prepared candidates was established (MFA SK 6 July 2012).

Furthermore, the new impetus given to the interest of the Slovak MFA to second national diplomats to the EEAS, the potential added value of the EEAS triggers reform thinking also in terms of more efficient external representation and potential seen in so-called Europe Houses. The establishment of Europe Houses is a widely discussed topic after the launching of the EEAS in order to enable states to decrease financial expenses as well as to be represented in areas of necessity but not the highest national interest. Secretaries-General of the MFA of the EU MS discussed in October 2011 a potential concept of *pooling and sharing* of expenses, which could be managed by the Europe Houses. Slovakia recognises the potential of the Europe Houses especially in places where Slovak diplomacy would need just 1-2 representatives. Currently, Slovakia considers to the possibility of sharing buildings with the diplomatic missions of the Czech Republic. Also, new steps towards a joint mission of the Visegrad Group took place (Ivan, M. 2012).

The analysis indicated a newly increased interest in the national representation in the EU thanks to the opportunity brought about by the EEAS. Despite the fact that Slovakia has had a long-term interest in a high proportion of representatives and officials within the EU institutions, the Lisbon Treaty and the EEAS gave an impetus to the thinking about further potential representation in the new diplomatic service. Slovakia also embraced the idea of the Europe House, despite the fact that it has not yet been concretised.

### 4.3. COOPERATION BETWEEN SLOVAK EMBASSIES AND EU DELEGATIONS

In order to illustrate the relationship between the national representations and EU delegations, I have evaluated the reports issued by the heads of Slovak diplomatic missions to the Ministry of Foreign Affairs of Slovak Republic.<sup>15</sup> The research conducted by the MFA in 2011 showed that there was a variety of relations between EU delegations and embassies in third countries up to 2011 in areas of ‘meetings of the Heads of Missions, exchange of information, coordination of positions, common statements’ (Ružička - Karvašová 2012: 229-232) in order to investigate the changes after the establishment of the EEAS and especially after the introduction of guidelines. In general, the majority of missions reported an improvement in the cooperation with the EU delegation,<sup>16</sup> especially in the field of exchange of information and coordination of events. In some cases, heads of national missions pointed to the added value of the briefings and information provided by the EU delegation which has better access than a small diplomatic mission does (Ivan, M. 2012). Furthermore, I directed the research on countries where cooperation had not worked well before the changes.

16 assessment reports from the Slovak embassies about the current cooperation (2012) were personally analysed. 12 out of 16 expressed satisfaction/improvement with the cooperation within one or more areas - exchange of information, regular meetings of HoMs and coordination of activities by the EU DEL. 4 missions cited problems which arose from greater bureaucracy or technological problems in exchange of information. In majority they declared that the processes should improve when installing the communication system ACID.

The following table shows a cases where an improvement was indicated.

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<sup>15</sup> National diplomatic delegations were asked by the MFA to assess the cooperation with the EU delegation in the receiving country, if there was a change after the setting up of the EEAS and specifically after the introduction of rules of cooperation by Guidelines for EU Political Demarches and Guidelines for EU cooperation in these countries which suggest cooperation between the mentioned units.

<sup>16</sup> Confirmed also by H.E. Peter Svitek, Slovak ambassador in Vietnam. (Svitek, P. 2012).

Table 7: Comparison of modifications of cooperation between the EU dEL and Slovak embassies before and after adoption of the non-binding guidelines.

Embassy/Year	2011	2012
Ottawa	<ul style="list-style-type: none"> <li>x the amount of HoD meetings is not sufficient,</li> <li>x exchange of information is on the level of the bare minimum, and coordination of positions is weak.</li> <li>✓ common statements were on a good level</li> </ul>	<ul style="list-style-type: none"> <li>✓ the cooperation with the EU delegation as significantly better in more areas: the EU delegation informs the mission on a regular basis, provides it with 'daily monitoring of local media' and 'weekly overview of the events in the country with a commentary'</li> </ul>
Tel Aviv	<ul style="list-style-type: none"> <li>x meetings of HoM on regular/ad hoc level,</li> <li>x exchange of information and coordination of positions weak, MS are informed about common positions too late and without previous consultation.</li> <li>x leakage of the exchange of information to the Israeli authorities.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The guidelines were accepted and used as rules for cooperation which led to a discussion about the exchange of experience (i.e. exchange of practical contacts as i.e. for catering), the possibility to coordinate sending of mails to the Israeli MFA due to the significant distance of 80km, sharing of cars.</li> <li>✓ A noticed improvement in the efficiency of electronic communication between the delegation and embassies. As in the case of Canada, the delegation started to provide missions with reporting twice a day.</li> <li>x despite the fact that changes indeed led to intensive cooperation, they did not bring a systematic change in work. It was expected that it will enable national missions to foster economic or cultural diplomacy, it has not proved to be the case so far though</li> </ul>
Beijing	<ul style="list-style-type: none"> <li>✓ satisfaction with the exchange of information, regular meetings of HoMs, joint statements were on a sufficient level.</li> <li>x the coordination of positions was weak</li> </ul>	<ul style="list-style-type: none"> <li>✓ improvement thanks to the guidelines in exchange of information and the development of the ACID system, information is provided on a regular manner and joint activities are coordinated.</li> <li>✓ HoM expects a further improvement with the installation of the ACID system</li> </ul>

Source: The information of 2011 originates from Ružička - Karvašová 2012: 230,231. The information of 2012 stems from the analysis of the evaluative reports - Embassy of Slovakia in Canada 2012, Embassy of Slovakia in Israel 2012. Embassy of Slovakia in China 2012

## FURTHER PARTICULAR CASES

Other specific cases of cooperation:

- Australia: New activity of regular lectures held by the ambassadors of the EU MS at a prestigious University in order to introduce European integration and provide further information (Embassy of Slovakia in Australia 2012).
- Malaysia: A potential exercise to share burdens of local services in order to decrease costs (Embassy of Slovakia in Malaysia 2012).
- Nairobi: In the case of Kenya, feedback shows an absolute inadequacy of the work of the EU DEL in comparison with the fact that EU is the biggest donor in Africa. Member States are uninformed, the group of consuls is led by an official of the EU DEL without any experience in this field and the EU DEL is overburdened with bureaucracy. Apart from that, the delegation cannot work with full efficacy due to the fact that bigger states (UK, DE, NL, SE) slow down the process of coordination (Embassy of Slovakia in Kenya).

Three case studies showed an improved cooperation between the EU DEL and embassies in terms of better coordination, communication, exchange of information as well as new ideas on the common sharing to decrease costs and wider space for bilateral cooperation of Slovakia as a small state.<sup>17</sup> Further examples, however, also illustrated the specific nature of particular countries and delegations, which is why nationalities of small MS shall not simply speed up the general accommodation to the new EU diplomatic structures as fast. In general, the exchange of information and coordination of activities is largely well set up.

Apart from general rules, how the delegations and Head of Missions shall exercise their competences, there are cases which show that it often depends on the personal approach. In the case of Russia, the Slovak mission reported that the Head of Delegation does not belong to the leading personalities and during the meetings and negotiations, the HoD often supports the Spanish opinion (his country of origin). Reports showed a completely different case in Mexico, where the Head of Delegation lays a high emphasis on cooperation with Member States and takes into account all opinions and positions in an equal manner (Embassy of Slovakia in Mexico 2012).

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<sup>17</sup> Confirmed also by H.E. Peter Svitek, Slovak ambassador in Vietnam. He explicitly mentioned wider space for activities in terms of time. (Svitek, P. 2012).

These cases indicate that despite the fact that the approach of the EU DEL should be based on the same rules and manners, there are differences emerging due to the personal characteristics of the leading personnel. It is also worth adding that in the case of EU DEL in Russia, complaints were also made on the inability of members of the delegation to speak Russian which constitutes a problem while negotiating with the national government (Embassy of Slovakia in Russia 2012). These relatively minor but very practical issues constrain the possibility of Member States to adapt to the new opportunity to exploit the added value of the EEAS.

#### 4.4. DIPLOMAT AS A HUMAN FACTOR OF DIPLOMACY

Personal changes are shown by the applications and acceptance of the Slovak candidates. The Slovak MFA had the ambition to send 14-17 national diplomats to the EEAS. So far, there are 9 diplomats, one of whom is the Head of the EU Delegation in Libya - Peter Zsoldos. The recruitment process<sup>18</sup> and the opportunity of the EEAS posts triggered the establishment of the educational course for diplomats as stated previously. Statistics also showed a relatively low acceptance of Slovak diplomats and national experts ( Permanent Representation of Slovakia to the EU 2012).<sup>19</sup> Currently, 9 Slovak citizens (3 personnel from the EU institutions, 6 national diplomats) are hired within the EEAS structures (MFA SR 6 July 2012).

The recruitment process showed a lack of managerial knowledge. Also the fact that emphasis is placed on experience with the financial aspect of the world, the diplomats from Slovakia (and other small states) were at a comparative disadvantage (Ivan, M 2012). Apart from that a skill to analyse a problem, presentation and communication skills, deeper knowledge of the EEAS as well as the ability to work in a team were also assessed to be at an insufficient level (Ružička - Karvašová 2012: 242 - 243).

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<sup>18</sup> Conditions of recruitment and the grading system are illustrated in Ružička - Karvašová, (2012: 252)

<sup>19</sup> Despite the fact, in comparison with other comparable states (Slovenia - 8 diplomats, Czech Republic - 22 diplomats, Hungary - 18 diplomats), the share is relatively acceptable. ( Permanent Representation of Slovakia to the EU 2012)

Figure 2: Examples of assessments by the EEAS

communicator and conveyed a solid personality. His presentation was somewhat longwinded and not always to the point. Although he provided a good overview of the current and future challenges facing the EEAS and the directorate in particular vis à vis Member States and the multiple interfaces with the Commission in the field of external relation policies, his statements lacked some vision how to tackle these challenges in the different political domains.

structured but not always to the point. He could give some stronger arguments with regard to his motivation. Although he provided a comprehensive overview about the tasks and challenges for the post in question, his statements on the different policies connected to the directorate and the EEAS as such were somewhat general and focused too much on CFSP and CDSP matters with regard to the Lisbon Treaty.

Source: Ružička - Karvašová 2012: 249

However, Slovakia is gaining new experience thanks to being chosen along with Austria as the representatives of Member States in the Consultative Committee on Appointments on the highest level. This experience improved the knowledge about the recruitment processes and the requirements on the diplomats (Ružička, F. 2012).<sup>20</sup> As the Head of the Permanent Mission of Slovakia to the EU recommended, it should improve the quality of the Slovak candidates to the service by the systematic studying of both the language and the EU agendas (Permanent Representation of Slovakia to the EU). The recruitment process lays emphasis on the languages - French and English, which is less advantageous for smaller states as Slovakia due to their relatively lower skills in this respect.

In the case of the change in the diplomatic culture and thinking, the deeper analysis will need more time, however, certain changes brought about by the experience are already being noticed. At the MFA of Slovakia it is registered that after the new experience from the EEAS headquarters of the current Minister of Foreign Affairs, the daily work at the Slovak capital is more flexible and better informed (Karvašová, I 2012). Maroš Šefčovič, vice-president of the European Commission also expected that national diplomats '*lent*' to the EEAS enrich the national diplomacy in the practical experience from the functioning of the EEAS, the EU as such and they bring a new European dimension to the national service (Šefčovič, M. 2012), which is also due to the specific nature of temporary agents, who do

<sup>20</sup> General director František Ružička was appointed as a Member of Consultative Committee on Appointments.

not become permanent personnel of the EU (Karvašová, Ľ. 2012). This can be also seen in the change in priorities of the current minister of foreign affairs Miroslav Lajčák. As he stated in an interview, in comparison with his first term as the Minister of Foreign affairs (2009-2010), after participating within the structure of the EEAS he sees a strong difference in his preferences. Despite the fact that he has worked for years as a national diplomat whose work was based on the classic diplomacy, he feels the change, especially the disappearance of the main importance of political negotiation. ‘Today, diplomacy of EU Member States, which is not interconnected with European policies and economic interests of the particular country, would be only an imitation of the real activity. There are two central activities, which dominate my agenda, European politics and economic commercial diplomacy’<sup>21</sup> (euractiv.sk 2012). This change in priorities and thinking illustrates the impact of the work environment within the EEAS structure, influence of new competences and work with wider range of information.

The Slovak MFA supports the employment of its diplomats in order to increase the opportunity of external representation in Slovakia within the structure of the EU and gain experience and knowledge in the new type of external relations. Slovakia has had two officials appointed to important posts of the EEAS. The abovementioned position of Miroslav Lajčák and the post of the Head of Delegation in Libya currently held by Peter Zsoldos. These two examples of distinguished personalities show a potential to have recruited diplomats at the postings of interest for small national diplomacy.<sup>22</sup> A chance of such a posting is supported by the fact that national diplomacies and its diplomats generally possess better expertise and knowledge within the areas of central interests which naturally gives a comparative advantage to the diplomats and higher chances of being posted at the location of interest. national diplomacies miss such distinguished and experienced diplomatic personnel, but the added value of Slovak representation and new experience and expertise to national diplomatic service outweighs the disadvantage of brain drain. (Karvašová, Ľ 2012).

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<sup>21</sup> Translation is provided by the author.

<sup>22</sup> see (Ondejčíková 2012: 130-132)

## CONCLUSION

As the article stipulated, Slovakia faces the constraints of Slovak national diplomacy due to the limited financial resources and personnel capacity especially in the overseas missions. In order to maintain an effective diplomatic work, the reform of the daily tasks of diplomats would need to be modified. The real limitations of diplomatic corps constituted the base of the further research. The European External Action Service gave though a further new impetus to the interest of Slovakia to be represented in this European diplomatic service and stimulated the educational workshops and awareness of a need to improve both the language and managerial skills of national diplomats. Diplomatic brain drain was not significant and relevant. Despite the fact that the recruitment of especially high-profile diplomats brings a temporary diplomatic loss, new expertise and knowledge bring added value to the diplomat itself as well as in return to the national diplomacy by better understanding the international relations on a different level. Diplomats also bring back new habits and routines influenced by the work in the European diplomatic structure. The example of the work of the current Minister of Foreign Affairs, Miroslav Lajčák, demonstrates this impact well. The most significant impact and mutual relation is already visible in the cooperation between the EU delegations and the national embassies. As the majority of Slovak evaluative reports recorded, and the examples from the embassies in Canada, Israel and China illustrated, a significant improvement in cooperation emerged after the adoption of the guidelines and a further step is awaited after the installation of the ACID system. The work of EU delegations gives added value to the embassies of Slovakia in terms of information and daily monitoring as well as a chance to participate in the joint events, which gives national diplomats a chance to promote Slovakia as well as enlarge the diplomatic network of contacts. On the other hand, case studies proved a need to pay attention to particular locations as certain burdens and constraints emerged in terms of both technological burdens and a role of different skills and approaches of Heads of Delegations based on a comparison of embassies' reports from Mexico and Russia. If a recommendation to Slovakia were to be given, new evaluative reports should be conducted in order to analyse not only the processes but also to consider new options seen by the diplomats on the ground, which is especially important due to the fact that headquarters realises changes thanks in large part to the feedback from overseas missions. This enables Slovakia to take greater advantage of the current and potential impact of the EEAS as well as to prevent hurried and broad evaluations of the benefits and limitations of the EEAS.

What shall the aspirant EU countries of the Western Balkans learn from the case of Slovakia? Example of Slovakia demonstrated an interest of small countries to send the national diplomats to the EEAS structures due to the benefits of the knowledge and experience than the temporary loss of brain drain. However, to do so, an increased personal abilities of candidates must be achieved in various aspects of the work. In order to succeed it is essential to include the educational courses in order to improve the quality of the potential candidates. Furthermore, the adoption of the guidelines and installation of the ACID communication system has enhanced the cooperation among the embassies and delegations and increased the 'services' from the side of the EU DEL. This brought an added value to the small embassies which face often the lack of personnel. As it was illustrated, some ambassadors have expressed a potential to restructure the overburdened work of diplomats, however, it has not taken place yet. Better and more intensive communication between the national diplomatic headquarter and embassies shall be conducted as it is diplomats on the ground who are able to assess the conditions objectively. Based on the particular examples when also the human element was decisive, before taking a unified measure, the needs and opportunities of individual cases would need to be evaluated. All in all, the EEAS has brought a new opportunities to small states and if the aspirant states of the Western Balkans succeed to pay attention besides the other essential aspects they have been already facing to, also on the needs of their diplomatic setting, the recognised impacts of the recruitment and changed cooperation, they might be able to take advantage of the Europeanised diplomatic setting rather than catch up with all potential modifications afterwards.

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# Towards Stronger EU Military and Defence Capabilities?

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## ABSTRACT

European Union (EU) has since the beginning tried to develop its military and defence capabilities independently from NATO. It was not until 1991 and with the deterioration of situation in the former Yugoslav republics when EU and EU's public was forced to face the truth and admit EU's incompetence and inability to play a more decisive role in securing peace and stability. With the development of Common Foreign and Security policy (CFSP), and Common Security and Defence Policy (CSDP) EU has started to become a more decisive actor also in the field of international peace and security. During the times, EU has learned its future is not in playing a competitive role towards NATO, but in strong partnership and cooperation. Article identifies and analyses current possibilities for EU as a strong(er) actor in international peace and security. To reach this goal, historical circumstances for the development of EU military and defence capabilities are analysed. Current situation and major defectiveness of EU's military and defence capabilities are identified, with emphasize on role of NATO. Article identifies some major obstacles for the development of stronger defence and military capabilities in the future.

**KEYWORDS:** European Union, Treaty of Lisbon, Common Security and Defence Policy, Military, Defence

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ISSN 1855-7694 © 2012 European Perspectives, UDK: 327 (4)

## INTRODUCTION

European Union possesses strong assets on the political, economic and diplomatic side. In some fields it has, during the last decade, exceeded United States' capacities and abilities. According to the Eurostat (European Union in the world) EU-27<sup>3</sup> has the highest proportion of world trade. EU-27 has been world's leading contributor to the development aid<sup>4</sup>. EU has a strong and well organized diplomatic presence in almost all corners of the world. However, according to Larsen (2002: 284) what diminishes EU's role compared to the USA is a fact EU is not a unitary actor, let alone it is a conglomerate of 27 different foreign policies. Foreign and security policy is one area where essential authority remains with the Member States' governments, although the European Commission and, to a lesser extent the European Parliament, are associated with the process. With the establishment of Common Foreign and Security policy (CFSP) with the Maastricht Treaty in 1992 and even stronger with the Treaty of Lisbon in 2009, EU has become a stronger actor in the international field. EU has developed a unique set of foreign policy instruments. However, what Larsen (*ibid.*) emphasizes are false expectations for EU's full global engagement, not only in the area of foreign policy, but also in the area of military and defence capabilities. "The puzzle is, however, that the EU has so far/.../downplayed the use of military means in its policies." What real reasons and motives lie behind the before-cited conclusion? Why EU cannot (or aspires not to) play a more decisive role as a military actor in securing and preserving international peace and security? When analysing current circumstances a historical perspective must be taken into account. And also role of the biggest international player in international peace and security, the role of NATO. It was not until EU has started cooperating with NATO, when its military role has also strengthened. EU has learned the solution is not in exclusion, but in cooperation with NATO, working together for a safer international community.

### 1. COMMON DEFENCE AND SECURITY POLICY (CSDP)

With the establishment of Common Foreign and Security Policy (CFSP), and even more with the Treaty of Lisbon, EU was given an identity in the

<sup>3</sup> EU-27 is used in the text to mark European Union with 27 member states, as compared to the past, prior to the EU's enlargements in 2004 and 2007.

<sup>4</sup> Official development aid spent in 2010 by the EU and its 27 Member States rose by about €4.5 billion from 2009, reaching a total of €53.8 billion, which confirms the EU's position as the largest and most generous donor of official development assistance, providing more than half of global official aid (ENPI Info Center).

world politics. Member states were obliged to harmonize their foreign policies. CSDP is an important integral element of the CFSP. Its main goals are the performance of crisis management operations and the development of new instruments and goals in order to implement the goals of CFSP. It is focused on the performance of military and civilian crisis management operations, not only as responses to armed conflicts, but also as a response to natural and humanitarian disasters. In 1999 Europe was shocked by the events in Kosovo, and also with the »European's lack of capacity to master that crisis« (Bailes 2008: 115). It was this momentum for the EU to seek for a new crisis management capabilities to use on its own ground and under its own control.

CSDP came into being at the 1999 Helsinki European Council, under the name of European Security and Defence Policy (ESDP). It was renamed to CSDP with the Treaty of Lisbon. The development of CSDP can be divided into two phases. First, the period from 1998 until 2002, during which institutional framework was established and its capabilities were defined; and second phase, after the year 2002, when CSDP became fully operational (Skubic 2010: 31). After a relative slow start in 2000-2002, CSDP launched its initial police and military interventions in the area of the Western Balkans, where many EU members have been active under the NATO umbrella. Two of the first EU operations<sup>5</sup> were actually taken over from NATO. EU's first non-European mission, Operation Artemis in Democratic Republic of Congo in 2003, was placed in a classic peacekeeping context involving a close cooperation with United Nations (UN) (Bailes 2008: 116).

Helsinki European Council in 1999 can be marked as a milestone for the establishment of the EU military capabilities. The Helsinki European Council stated: "The European Council underlines its determination to develop an autonomous capacity to take decisions and, where NATO as a whole is not engaged, to launch and conduct EU-led military operations in response to international crises." (Helsinki European Council). Among other decisions, member states have set themselves to establish a defence capability target called the Helsinki Headline Goal<sup>6</sup> (HHG). HHG called for the EU to be able to deploy a Rapid Reaction Force of up to 60,000 combat troops at sixty-day-notice for missions including crisis management, peacekeeping and peace-making operations. In June 2004 the HHG was reformed to replace large deployments with a series of European Battle groups of 1,500 troops, provided either by single nations or by groups of nations (The European Security and Defence Policy).

<sup>5</sup> Concordia in Macedonia and EUFOR Althea in Bosnia and Herzegovina.

<sup>6</sup> also known as Headline Goal 2010.

As another milestone for the development of EU's military capabilities Nice European Council in year 2000 can be identified. In order to be able to carry out crisis management operations, the EU had to create the relevant structures and develop the necessary procedures. The required structural decisions were made at the Nice European Council.

When identifying milestones for the development of CSDP and EU's military capabilities, the Berlin Plus Agreement from 2002 must be mentioned. With the Berlin Plus Agreement institutional cooperation between EU and NATO was formalized and has taken a more permanent form. Both organizations have developed institutional framework for cooperation, whose main goal was the complementary development of their capabilities (Skubic 2010:31).

EU's motives for the development of CSDP and giving more emphasize to its military capabilities are debatable. Undoubtedly, not only EU's desire to bring peace and prosper to war-thorn countries and regions lies behind these political decisions. Some authors are more realistic. As Bailes (2008: 119) believes, most of the EU's motives for adopting the EDSP were self-regarding in institutional and European political terms, rather than driven by an urge to help the suffering. "The pattern of missions has been driven by self-centred motives (competition or balance with NATO, testing of capabilities) as much as by the calculus of humanitarian impact" (ibid.).

## 2. CFSP AFTER LISBON

With the Treaty of Lisbon conditions for the further development of more effective EU's foreign, defence and security policies were established. The Treaty of Lisbon has brought a common and a clear understanding of the Petersberg tasks. With the Treaty of Lisbon "apart from collective defence, all kinds of military operations one can at present realistically invent in our global world can all be undertaken in a European context as an ESDP (or CSDP) operation" (Coelmont 2008:6).

Treaty of Lisbon is not a substitute for previous treaties; it amends and supplements the treaties who have established constitutional framework of the EU: the Treaty Establishing European community (also known as the Rome Treaty) and the Treaty on European Union (also known as the Maastricht Treaty). However, its amends are extensive and thorough, so The Treaty of Lisbon is also known as the Reform Treaty (Skubic 2010: 42).

Treaty of Lisbon entered into force on December the 1<sup>st</sup> 2009, after being ratified in all 27 member states. With this Treaty EU became a legal entity<sup>7</sup>, three-pillar structure of the EU was merged together, however special status of the foreign and security policy was preserved. In spite the structural changes, remains of the former three-pillar-structure are still strong, which undoubtedly diminishes the effectiveness of the EU as a whole (Bebler 2012).

Three very important provisions in the Treaty for the further development of the CSDP can be identified:

1. The Treaty contains a political solidarity clause, which is very similar to the political solidarity clause in the WEU Treaty.
2. Permanent structured cooperation will enable a group of member states to take further steps, under the auspices of the EU, towards integration in developing their military capabilities.
3. In addition, the coherence of the European Union's actions in the area of external relations will be decisively improved through the creation of a new post: the High Representative of the Union for Foreign Affairs and Security Policy. (The European Security and Defence Policy).

These amends were supposed to strengthen EU's consistency and continuity in the field of foreign affairs, in order to make EU play a more effective role in the international community. With the provisions of the Treaty of Lisbon, EU has indicated the gradual development of the defence policy, which might in the future lead to a common defence (Skubic, 2010:45). There is a clear determination to transform a common defence policy into an actual common defence as article 28A (2) states: "The common security and defence policy shall include the progressive framing of a common Union defence policy. This will lead to a common defence, when the European Council, acting unanimously, so decides" (The Lisbon Treaty and the militarisation of the European Union). For the common defence two important

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<sup>7</sup> Legal entity allows EU to sign international contracts, which is a novelty compared to the past.

clauses were introduced: Mutual Defence Clause<sup>8</sup> and Solidarity Clause<sup>9</sup>; however the use of military means is not explicitly defined. This marks the main difference compared to the common defence in NATO (Skubic 2010: 45). However, what must be emphasized is that for those EU member states who are also NATO members, NATO remains basis for their common defence (ibid.).

Solidarity Clause and the Clause on Mutual Assistance present a compromise solution, which should satisfy all of the opponents to the direct introduction of the common defence. Indeed, it is a compromise between the three streams, first those Member States, who aspired for EU's commitment for common defence, second those States who wished to retain their status of neutrality, and third those who see the common defence in the NATO's area of operations (Skubic 2010:46).

The introduction of Permanent Structured Cooperation in the field of defence is an important innovation in the Lisbon Treaty. The preamble to the Protocol attached to the Treaty that outlines the objectives of Permanent Structured Cooperation and the criteria for participation speaks of "a more assertive Union role in security and defence matters" and even of "embarking on a new stage in the development of the European security and defence policy" (Biscop 2008:5). According to Biscop (ibid.) the Protocol's Article 1 translates this into two objectives, one general, i.e. to proceed "more intensively" with capability development, and one specific, i.e. to supply (part of)

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<sup>8</sup> Article 28 A(7) states: "If a member State is the victim of armed aggression on its territory other Member States shall have towards it an obligation of aid and assistance by all means in their power, in accordance with Art.51 of the UN Charter. This shall not prejudice the specific character of the security and defence policy of certain Member States. Commitments in this area shall be consistent with commitments under the North Atlantic Treaty, which, for those states which are members of it, remains the foundation of their collective defence and the forum for its implementation" (The Lisbon Treaty and the militarisation of the European Union).

<sup>9</sup> Article 188R defines the Solidarity Clause: "The Union and its Member states shall act jointly in a spirit of solidarity if a Member State is the object of a terrorist attack or is the victim of a natural or man-made disaster. The Union shall mobilise all the instruments at its disposal, including the military resources made available by the Member States, to: a) prevent the terrorist threat in the territory of the Member States; protect democratic institutions and the civilian population from terrorist attack; assist a Member State in its territory at the request of its political authorities in the event of a terrorist attack; b) assist a Member State in its territory at the request of its political authorities in the event of a natural or man-made disaster" (Treaty of Lisbon).

a battle group by 2010<sup>10</sup>. Article 2 then states how these objectives are to be achieved, or in other words what the Member States willing to take part in Permanent Structured Cooperation should commit to:

- *To agree on objectives for the level of investment in defence equipment;*
- *To “bring their defence apparatus into line with each other as far as possible”,*
- *by harmonizing military needs, pooling, and, “where appropriate”, specialization;*
- *To enhance their forces’ availability, interoperability, flexibility and deployability,*
- *notably by setting “common objectives regarding the commitment of forces”;*
- *To address the shortfalls identified by the Capability Development Mechanism*
- *(CDM), including through multinational approaches;*
- *To take part, “where appropriate”, in equipment programmes in the context of the European Defence Agency (EDA). (Protocol on Permanent Structured Cooperation Established By Article 28 A of The Treaty on European Union)*

Main question regarding the Permanent Structured Cooperation is the effectiveness of the written. Biscop (2008:5) believes Permanent Structured Cooperation must be inclusive, allowing as many Member States as possible to participate, in order to be effective. *“PermStrucCoop between France, Germany, the UK, Spain, Italy and Poland,/...../, would not just ignore the potential of the other countries and the proportionately large contributions to ESDP operations of many of them, but, by pitting the “big six” against the smaller Member States, would be very divisive. Such an idea goes directly against the spirit of the European project”* (Biscop 2008:5).

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<sup>10</sup> »have the capacity to supply by 2010 at the latest, either at national level or as a component of multinational force groups, targeted combat units for the missions planned, structured at a tactical level as a battle group, with support elements including transport and logistics, capable of carrying out the tasks referred to in Article 28 B of the Treaty on European Union, within a period of 5 to 30 days, in particular in response to requests from the United Nations Organisation, and which can be sustained for an initial period of 30 days and be extended up to at least 120 days.« (Article 1b, Protocol on Permanent Structured Cooperation Established By Article 28 A of The Treaty on European Union)

Treaty of Lisbon also provides the definition of the tasks to which the objectives of Permanent Structured Cooperation must be geared<sup>11</sup>. It defines the Petersberg Tasks in more detailed manner: basically all military operations, across the full spectrum – including ‘the most demanding missions’, as mentioned in the Protocol – except for collective territorial defence.

Permanent Structured Cooperation itself is only a mean towards deploying Europe’s forces in the service of global peace and security. However, even if the capabilities are available, political willingness to commit troops where necessary and to act as EU is the key. And roles and interests of the EU’s “super-powers” are to be crucial. France under President Nicolas Sarkozy France suggested the forming of a defence bloc within Permanent Structured Cooperation made up by the EU’s six largest members that would “pledge to meet defence-spending targets, to invest in up-to-date military hardware as well as work together on cooperation projects including common procurement and furthering operational interoperability” (Toje 2010: 68). However, according to Toje (2020: 69) the plan for a vanguard has so far proved unrealistic. Spending target was never likely to be met by Spain and Germany in the short to medium term. General budgetary requirements are not as effective as some believe (ibid.). Criteria designed to monitor spending patterns have a mixed track record for achieving concrete results within a practical timeframe.

### 3. EU’S MILITARY CAPABILITIES

The debate on European defence capabilities took a dramatic turn in December 1998 when, at a bilateral summit in St Malo, France and the United Kingdom agreed that the EU “needs to be in a position to play its full role on the international stage ... To this end, the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them, and a readiness to do so, in order to respond to international crises” (British-French Summit St-Malo, 3-4 December 1998: Joint Declaration). The St. Malo Declaration laid the political foundation between France and the United Kingdom, which in turn facilitated the launch of the ESDP and the formulation of the Headline Goal. Since St. Malo, the European Union has both developed a headquarters structure to direct its new military capacity and has also started to gain commitments of forces to meet the Headline Goal (Military Reform Project).

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<sup>11</sup> Article 28B paragraph 1.

At the European Council meeting in Cologne in June 1999 member states' Heads of State or Government declared their resolve "*that the European Union shall play its full role on the international stage. To that end, we intend to give the European Union the necessary means and capabilities to assume its responsibilities regarding a common European policy on security and defence. /.../ The Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them, and a readiness to do so, in order to respond to international crises without prejudice to actions by NATO*". (Cologne European Council 1999).

Six months after the Cologne summit, in December 1999, at the Helsinki European Council in December 1999 the EU has set a military target known as the Helsinki Headline Goal. The member states had agreed to by 2003 put at the EU's disposal, on a voluntary basis, forces capable of carrying out the tasks set out in Article 17(2)<sup>12</sup> of the Treaty on European Union in operations up to army corps level<sup>13</sup> with the necessary command, control and intelligence capabilities, logistics, other combat support services and additionally, as appropriate, air and naval elements. The forces should be able to deploy in full at this level within 60 days, with their deployment sustainable for at least a year.

In December 2003 European Security Strategy was adopted. In that time EU has decided to set a new Headline Goal 2010. Building on the Headline Goal 2003, it envisaged that the member states will "be able by 2010 to respond with rapid and decisive action applying a fully coherent approach to the whole spectrum of crisis management operations covered by the Treaty on European Union" (Headline Goal 2010).

Headline Goal 2010 changed the military focus of CSDP to a more flexible approach. Through battle-groups, the aim was to allow the EU to run more than one operation concurrently and tackle a number of different scenarios. Five illustrative scenarios, encompassing a wide range of military operations, were prepared:

- Separation of parties by force
- Stabilisation, reconstruction and military advice to third countries
- Conflict prevention
- Evacuation operation

<sup>12</sup> This Article was amended in 2009 with the Treaty of Lisbon.

<sup>13</sup> 50 000 to 60 000 troops

- Assistance to humanitarian operation (Development Of European Military Capabilities)

Giegerich has analysed all of the five above mentioned scenarios, and came to following conclusions. First scenario<sup>14</sup> involves combat forces undertaking crisis-management tasks, including peacemaking. It entails activities at the upper end of Petersberg-task spectrum (2008: 19). Second scenario<sup>15</sup> covers peacekeeping, election monitoring, institution building, security-sector reform and support to third countries combating terrorism. Third scenario<sup>16</sup> covers preventive engagement, preventive deployment and embargo, counter-proliferation and joint disarmament operations. Fourth scenario<sup>17</sup> covers the evacuation of non-combatants. And the fifth scenario covers both management of the consequences of disasters and atrocity prevention.

According to Giegerich (2008: 21) first scenario would be large-scale operation; second and third scenarios fall into the category of medium category, and fourth and fifth require small-scale deployments. "EU expects its troops to operate in demanding environments with little or no host-nation-support, a harsh climate and a challenging terrain" (Giegerich 2008:21). Taking into account all the scenarios, Giegerich (2008:22) comes to conclusions that the total personnel pool needed is considerably larger than those predicted in the Headline Goal 2003.

Headline Goal 2010 assumes EU being able to act before a crisis occurs and with the use of preventive engagement to avoid that a situation deteriorates. The EU must retain the ability to conduct concurrent operations thus sustaining several operations simultaneously at different levels of engagement (Headline Goal 2010).

Key element of the Headline Goal 2010 was the ability for the EU to deploy force packages at high readiness as a response to a crisis either as a stand-alone force or as part of a larger operation enabling follow-on phases. These minimum force packages must be military effective, credible and coherent

<sup>14</sup> Planning assumptions for the scenario are that the theatre of operations would be up to 10 000 km from Brussels and it would take up to 60 days to achieve full operating capability (Giegerich, 2008: 19).

<sup>15</sup> Planning assumption is that the mission would be conducted up to 10 000 km from Brussels. Full operating capability is to be reached in 90 days, the mission would be sustained for at least two years, which means it would require several personnel rotations (Giegerich 2008: 20).

<sup>16</sup> It is assumed operation would take place up to 10 000 km from Brussels, full operating capability would be reached in 60 days and it would last at least a year (Giegerich 2008: 20).

<sup>17</sup> Versions of this scenario are done for up to 10 000 km and for up to 15 000 km from Brussels. Initial operating capability is planned to be reached within 10 days after the decision to launch the mission was made. Mission is expected to be short (Giegerich 2008: 20).

and should be broadly based on the Battle groups concept<sup>18</sup>.

Deriving from above mentioned scenarios, focused military options were developed for how to deal with the relevant crises in the best possible manner. These options then led to a planning framework from which was derived a detailed list of the capabilities that the EU would need. Generic force packages were compiled, which identified the type of force groupings that the EU would require to solve the crises (Development Of European Military Capabilities). All this information was fed into a Requirements Catalogue, which detailed the actual types of units, resources and assets that were required in order to deal with the scenarios envisaged. A clarification dialogue was held between the EU Military Staff and member states in order to obtain a clearer picture of the capabilities being offered and the assessments of them. This process resulted in the compilation of the EU Force Catalogue, which describes, in qualitative and quantitative terms, the military capabilities which the member states could make available to the EU T

According to Biscop (2004: 513) the main problem seemed to be the voluntary, bottom-up nature of the process, especially with regard to those shortfalls that require long-term investment in the development of new capabilities, e.g. satellite observation or strategic lift. European Capability Action Plan remains an essentially intergovernmental process, with limited leadership and coordination, and with insufficient incentives for Member States to take action.

The Force Catalogue provided the basis for identifying the EU's shortfalls and the potential operational risks arising from them. This analysis resulted in the Progress Catalogue, approved by the Council in November 2007, which sets out recommendations to the member states on managing shortfalls. The Progress Catalogue, together with the EU Military Committee (EUMC)'s subsequent work on prioritising the shortfalls, is a key contribution to the Capability Development Plan (CDP) drawn up by the member states via the EDA and the EUMC. The CDP is not a 'Plan' in the traditional sense, describing the number of units or the amount of equipment Member States should have at their disposal. »Rather it 'pictures' the future capability needs, taking into account the impact of future security challenges, technological development and other trends« (European Defence Agency: Capabilities Development Plan). CDP is meant to be used as a tool to assist the Member States in their national defence planning and programmes. Full CDP is a classified document.

<sup>18</sup> This constitutes a specific form of rapid response, and includes a combined arms battalion sized force package with Combat Support and Combat Service Support.

In March 2011 the Steering Board of EDA has approved a set of prioritised actions that will be focal points for the Agency's activities in the years to come. The CDP Top 10 Priorities consist of: Counter Improvised Explosive Device; Medical Support; Intelligence Surveillance and Reconnaissance; Increased Availability of Helicopters; Cyber Defence; Multinational Logistic Support; CSDP Information Exchange; Strategic and Tactical Airlift Management; Fuel and Energy; Mobility Assurance (European Defence Agency: Top 10 Priorities).

No doubt EU is building up its credibility also as a military actor and its experiences through CSDP operations. However, there is still a contradiction between »the image of an increasingly self-confident actor and quantitative and qualitative limitations of CSDP operations« (Giegerich 2008: 32-33). Limited interest shown by governments of the EU countries to participate in international crisis management must also be considered. And as Giegerich also points out, CSDP missions have not yet been confronted with significant opposition in an area of operations »and there is a risk that their comparative success thus far could lure mission commanders and personnel into a false sense of security, leaving them unprepared for any major confrontation« (2008: 33). Gap between EU military level of ambition and military operational record can be seen in Table 1.

Table 1: EU military level of ambition versus military operational record

	<b>EU level of ambition</b>	<b>Operational record</b>	<b>Level of ambition met</b>
<b>Type of mission</b>	Separation of parties by force; Stabilisation, reconstruction and military advice to third countries; Conflict prevention; Evacuation operation; Assistance to humanitarian operation	Stabilisation, reconstruction and military advice to third countries; Conflict prevention;	No
<b>Distance from Brussels</b>	Up to 15 000 km	Up to 6 000km	No
<b>Reaction time</b>	As little as ten days, no more than 90 days	Rapid reaction not yet truly tested	No
<b>Duration</b>	120 days to two years	120 days to two years	Yes, although at lower levels
<b>Force requirement</b>	60 000	6 200 (August 2008)	No

Source: Giegerich, Bastian (2008). European Military Crisis Management – Connecting Ambition and Reality. The International Institute for Strategic Studies, Adelphi Paper 397. London / Oxon: IISS / Routledge. p 33.

According to Biscop (2004) and in terms of the Petersberg Tasks, and taking into account the combined armed forces of the Member States, the EU certainly had the capabilities to undertake low and medium intensity operations, including of large scale and long duration, such as military advice and assistance tasks, conflict prevention and peacekeeping tasks. The most important shortfall in this regard is strategic transport, so the further the distance, the more difficult are deployability and sustainability, especially for large-scale operations. The EU also is capable of undertaking substantial humanitarian and rescue tasks, which can be, or evolve into, high-intensity operations, usually of short duration; the same shortfall applies. With regard to tasks of combat forces undertaken for crisis management, the EU can mount combat operations, certainly of small and medium scale, but this is where the shortfalls have the greatest impact. The number of usable forces is smaller, so the needs of rotation come to bear more rapidly; insufficient strategic transport increases reaction time and renders sustainability more difficult; shortfalls in command and control, intelligence and precision-guided munitions increase the risk of casualties and collateral damage. In other words, if needs be the EU can undertake significant combat operations, but implementation will be less quick and less 'clean' than comparable US operations (Biscop 2004: 514, 515).

Toje (2010: 70-73) has done a comparison of the EU military capability statistics in 2009 with 1999, and has come to some interesting conclusions. »Of the over 2 million personnel in uniform in the EU-27, only roughly 5 per cent are actually deployable in offensive operations«. European defence industries are losing their competitive edge due to underinvestment in research and development, low European procurement rates and rising protectionism in external markets. According to Toje (ibid.) main EU's problem is money is not spent effectively. »Too much is spent on deployable assets; there is an overburden of certain capabilities and a debilitating lack of others; there is unnecessary capability duplication; there are shortfalls in projection capabilities (especially to strategic transport, command, control and communications) and using military budgets to further non-military objectives. « (Toje 2010: 70).

Of a crucial influence on EU's military capabilities is EU-NATO cooperation. In December 2002, NATO and the European Union issued a joint declaration regarding the strategic partnership development and since March 2003 have developed a series of documents on cooperation in crisis management and use of NATO capabilities in EU-led operation, known as "Berlin Plus", giving substance to this partnership and opening up oppor-

tunities for coordinated action. EU relies on the Berlin Plus agreement<sup>19</sup> to meet any military shortfalls, which allows the EU access to NATO planning and command structures and equipment during its operations. The Berlin Plus Agreement has marked a new era in the EU-NATO relationship.

Ratiu et al. (2009) have identified some areas where there is a shortage of capabilities. In the EU there are a set of critical capability shortfall areas such as: helicopter attack / support, strategic airlift, Early Warning and Distant Detection Strategic Level, deployable forces, Combat Search and Rescue, evacuation, Deployable Communication Modules, Medical Role. If deficiencies are limited to NATO mobility and fire support elements in the logistical elements. In also, the terms of cooperation between the two organizations, highlighted some common challenges in developing capabilities such as: Air-to-Air Refuelling, Combat Effectiveness, including Precision Guided Munitions and Suppression of Enemy Air Defences, Unmanned Air Vehicles, Surveillance and Target Acquisition units, Command, Control and Communications, Air-to-Ground Surveillance, Special Operations Forces.

Toje (2010: 64) characterizes the EU-NATO interaction as awkward. Their organizational cultures are simply not very compatible, and there is surprisingly little substantial cooperation between the two primary European Security frameworks. When NATO and EU ambassadors meet, they are only authorized to discuss 'joint EU-NATO operations'. Other important issues, such as anti-terror cooperation, Iraq, Afghanistan, Sudan, are simply not on the agenda. Relations between EU member Cyprus and NATO member Turkey undoubtedly have a negative effect of EU-NATO relations. While Toje (2010: 65) believes there is no obvious solution to the Turkey-Cyprus issue, there are other bottlenecks in EU-NATO relations that can be removed to allow for more effective EU-NATO interaction on a practical level. One such question is bridging differences in bureaucratic culture that have bred inter-organizational rivalry in the past, including differences over equipment procurement<sup>20</sup>. The gap between EU's European Capabilities Action Plan and NATO's Prague Capabilities Commitment has encouraged non-compliance on both counts. As an example Toje (2010: 65) gives a case that EU is not being helped by Member States who were afraid that if they pledge certain resources they will immediately be questioned in NATO as why these capabilities are not already deployed in Afghanistan. It seems like rivalry between EU and NATO is still very alive.

<sup>19</sup> Berlin Plus agreement is a short title for a comprehensive package of agreements between NATO and EU, based on conclusions of the NATO Washington Summit (Berlin Plus Agreement).

<sup>20</sup> This is in part because the EU and NATO have failed to synchronize the »capability goals« they set for their respective members, notably with the regard to priorities (Toje 2010: 65).

As possible answers to shortcomings in EU-NATO relationship, Ratiu et al. (2009) proposed a number of steps that must be implemented at Member State level or at the level of EU and NATO: a) the development of a national strategy or methodology to achieve rigorous military forces synchronization, especially to the forces deployed to avoid overlap in their employment-led operations under NATO command (NRF) or EU-led operations (e.g., EU Rapid Reaction Force); b) development of partnership projects with military technology providers and abroad; c) creating a wider range of cooperation, especially on the capabilities; d) acceleration and completion tools for pooling of infrastructure support operations; e) reconfiguring forces to increase cost-efficiency ratio; f) defence expenditure management through multi-annual plans and budgets. In order to strengthen cooperation between NATO and the EU, the activities should focus on developing key capabilities, increase interoperability and coordination on matters of doctrine, planning, technology, equipment and training (Ratiu et al. 2009: 36).

Reintegration of France in NATO's integrated military structure, announced at NATO's sixtieth anniversary summit in April 2009, was important as on symbolic as on practical level. "Concerns that CSDP is competing with NATO were eased". (Toje 2010: 65). Dispatching 500 French staff officers to the NATO structures could make EU and NATO organizational structures more complementary. However, the reintegration of France leads to new question wills the Berlin Plus Agreement be reopened and in what way the debate would go (Toje 2010: 66). Toje (ibid.) believes the first question should be over strategic dialogue and cooperation, and this would include the question which organization would take over the role of a primary security (global) organization and have the "first pick". American policy has operated under the assumption that, on the basis of 2003 agreement, NATO is the ranking institution<sup>21</sup>.

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<sup>21</sup> The EU's first military mission to Congo in 2003, irked some in Washington because it was launched without consulting NATO and is part of the reason why the EU and NATO later ended up launching separate missions to Sudan to assist the African Union in handling the Darfur crisis (Toje 2010: 66).

### 3.1. EUROPEAN BATTLE GROUPS

*»The Battle group (BG) Concept consists of highly trained, battalion-size formations (1,500 soldiers each) – including all combat and service support as well as deployability and sustainability assets. These should be available within 15 days' notice and sustainable for at least 30 days (extendable to 120 days by rotation). They should be flexible enough to promptly undertake operations in distant crises areas (i.e. failing states), under, but not exclusively, a UN mandate, and to conduct combat missions in an extremely hostile environment (mountains, desert, jungle, etc.). As such, they should prepare the ground for larger, more traditional peacekeeping forces, ideally provided by the UN or the Member States. « (The EU Battle Group).*

At the Le Touquet summit in February 2003, the British and French governments proposed that the EU should be able to deploy nine Battle Groups (BG), consisting each of 1,500 troops, and deployable within two weeks (Grevi et al. 2009).

EU defence ministers agreed to the battle group initiative at their informal meeting in April 2004, with the first units to be established by 2007. Each EU BG should be able to draw on extensive air and naval assets, including transport and logistical support. According to Grevi et al. (2009: 73) this has been envisaged in three ways. First, a government could put together a national battle group. Only France and Britain could do this easily. Second, some larger or more capable countries – such as Germany, Italy, Spain and Sweden – could become lead or 'framework' nations for a battle group. Smaller countries would then supply some troops or equipment to plug gaps that the lead country could not fill. The third option would be for several countries to come together to form truly multinational units, similar to the Strasbourg-based Eurocorps, which unites soldiers from Belgium, France, Germany, Luxembourg and Spain. For a smaller country which did not want to 'plug into' a particular lead nation, a multinational unit might be a politically more appealing option.

The EU's capability to deploy forces very rapidly is a key aspect of Headline Goal 2010. Member states conducted a review of the Military Rapid Response Concept from a joint perspective, taking into account the necessary global approach to crises. The revised concept, agreed by the EUMC in January 2009, newly defined the military rapid response time as a period from 5 to 30 days from the approval of the Crisis Management Concept

to the moment when operations commence in the Joint Operations Area (Development of EU Military Capabilities).

On January 1st 2007, the EU achieved full operational capability to conduct two concurrent rapid response operations of the size of a BG of around 1 500 men. Since then, member states have managed to make two BGs permanently available to the EU. BGs are a specific form of Rapid Response elements. They remain on standby for six months and can be ready to start implementing their mission within 10 days after the Council's decision to launch the operation and for a maximum of four months. BG is based on an infantry battalion of combat and support forces (ibid.).

#### 4. LOOKING AHEAD

Main question today in regard to the CSDP and EU's military capabilities lies in the growing scepticism as to whether the EU really has the political unity and the willingness to provide the necessary capabilities to foster CSDP's development with the same speed, enthusiasm and efficiency as in the aftermath of its establishment in 1999. First years after CSDP was established were marked with a strong enthusiasm, however, with the developments in field, reality struck. EU had to face lack of political will of Member States, lack of financial resources, and lack of military resources.... Due to the global economic crisis that has affected national GDPs of Member States, budgetary constraints pose a significant obstacle to the further development of CSDP and EU's military capabilities.

According to Toje (2010: 73) number of Member States is in the process of fundamental restructuring their own armed forces. »Other Member States are hesitant to emulate the lead given in the French White Paper published in June 2008, which directs more resources to fewer, more deployable forces« (ibid.). This, combined with the many out-of-area operations in which EU members are involved, will likely impose rigid constraints. »The return of territorial defence to domestic agendas all over Europe following the 2008 South Ossetia crisis is also an issue that must be expected to have implications for EU defence on tactical and strategic levels« (ibid.).

However, according to the Pirozzi et al. (2009) many important trends still show how the EU, within only a few years, has managed to expand its field of action in foreign and security policy, thereby allowing it to gain more credibility and political weight as a security actor with global reach. Un-

doubtedly positive overall assessment can be made of the operative CSDP actions having taken place. »No other security actor has the potential to provide security as comprehensive as the EU can due to the wide range of civil and military instruments at its disposal« (Pirozzi et al, 2009: 12).

Several important problems can be identified. The EU will not reach decisive influencing power neither in the Western Balkans nor in the Middle East and Africa as long as the limitedness of the operations will not be overcome. EU will only be publicly perceived as successful in crisis regions if its presence and actions are in line with the expectations of the actually influential powers. Too many activities are in danger of appearing superficial and some EU Member States are still more interested in the “image” of a mission instead of the concrete outcome in terms of security.

In general it can be considered that the EU and its Member States have focussed too much on the aspects of rapid response over the last years, thereby neglecting those aspects that are linked with the sustainability of its engagement. Despite this focus on rapid response, even the flagship of CSDP’s rapid response capability – the EU BG– has become an object of internal criticism and its future is increasingly uncertain. The fact that the EU BGs have been never used, has led to increasing scepticism concerning this asset. And the fact that the final decision to deploy their own forces to BG or not to deploy still lies in national governments raises even more doubts in its efficiency.

EU has not institutionally evolved enough to make the EU member states give up their national components for the sake of stronger common defence and security. National sovereignty is regarded the main obstacle to EU as stronger military actor.

Without a strong group of EU-member states who really want to advance the idea of a powerful and autonomous CSDP with efficient EU-institutions and a wide range of effective instruments at its disposal, the EU runs the risk of losing its spirit as an important and distinguished security actor in this field.

Further development of CSDP will mostly depend of the political will and interests of EU Member States, their unity and capability to finally determine what a common European defence-security interest is and to what extent they are willing to express it in a clear manner and to defend it. EU must be aware of the responsibilities coming along with the acceptance of a more independent European defence policy.

Historical analyses show that the strengthening of the EU's security and defence cooperation was possible only in the times of external security challenges and threats. CFSP was developed after the breakup of Yugoslavia and EU's comprehension of its incapacity to resolve the crisis. CSDP came into being at the 1999 Helsinki European Council, when EU was facing Kosovo crisis, and again NATO (and USA) was the one to play a decisive role. In 2003, with the US' invasion to Iraq, EU was left strongly divided. Maybe EU needs another serious international crisis in order to make the EU Member States cooperate more strongly in the field of common defence and security.

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# reviews

**A DECADE OF TURKEY'S FOREIGN POLICY UNDER THE JUSTICE  
AND DEVELOPMENT PARTY**

Kerem Öktem, Ayşe Kadioğlu, Mehmet Karlı (*Petra Trkov*)

**21ST CENTURY CONFLICTS: REMNANTS OF WAR(S) – FIELD REPORT FROM  
AFGHANISTAN, PAKISTAN, IRAQ, DR CONGO, SOMALIA AND SUDAN**

Boštjan Videmšek (*Tom Hashimoto*)

Petra Trkov

Kerem Öktem, Ayşe Kadioğlu, Mehmet Karlı (editors)

ANOTHER EMPIRE? :

A DECADE OF TURKEY'S FOREIGN POLICY UNDER THE JUSTICE  
AND DEVELOPMENT PARTY

Istanbul Bilgi University press, Istanbul, 2012

332 pages

ISBN 978-605-399-236-3

In the recent years, Turkish foreign policy has attracted ample international attention, in some instances in the form of condemnation, from several western countries. The two most common reproaches are that Turkey is changing axes and/or that Turkey is pursuing a policy of Neo-Ottomanism. Since the Arab Spring, another remark on the Turkish account emerged - Turkey should be a democratization model for the emerging democracies in the Middle East.

*Another Empire* is based on the proceedings of a conference with the title "Turkey's foreign policy in a changing world: Old alignments and new neighbourhoods" which was held in May 2010 at St. Antony's College in Oxford. In order to sufficiently respond to the changes caused in the Middle East and broader by the Arab Spring, the editors added in the book also the papers of other prominent academics.

The volume of the book consists of 12 papers and is divided into three parts, according to the focus of the

respective papers; *Turkey's Transformations: New Classes and Identities, New Actors and Networks; The Western Alliance and Turkey's Southeast European Neighbourhood; The Eastern Neighbourhood.*

The inceptive part explores the convergence between domestic transformation and change of Turkish foreign policy. The introductory paper, "Proactivism in Turkish foreign Policy" by E. Fuat Keyman, explores the global-local nexus of Turkish foreign policy. The author contends that in line with the "structure-agency debate" the socio-economic transformations of the country have created a new framework for the country's international activities, and therefore one cannot attribute recent proactive and multidimensional foreign policy (entirely) to the Justice and Development Party (AKP, *Adalet ve Kalkınma Partisi*).

In the second paper of the first part, "Limits of Conservative Change: Reform Choreography of the Justice and Development Party", Ayşe Kadioğlu

elucidates the creation of the AKP and the circumstances which influenced the party's evolution, especially its commitment to reforms. The party positioned itself as a conservative democratic party which promotes economic liberalism, and repulsed the Islamic identity. AKP's execution of the reforms in the domestic arena could be best described as "*an awkward dance of one step forward [...] and one step back*" (p. 55) while they proved themselves much more capable of "dancing" in the international arena.

While political pragmatism helped preserving AKP as the governing party through the last decade, it also caused the lack of "democratic depth", which, in the opinion of Nora Fisher Onar, the author of the third paper "*Democratic Depth: The Missing Ingredient in Turkey's Domestic/Foreign Policy Nexus*", is the main deficiency of Turkish foreign policy and the main obstacle on the way to a successful one. She argues that while "strategic depth" foreign policy doctrine is influential, Turkey could become an "*unprecedented and compelling beacon*" (p. 74) for its region, and maybe also beyond, in case she manages to enrich its domestic/foreign policy nexus with the democratic depth.

Kerem Öktem's paper, "*Projecting Power: Non-Conventional Policy Actors in Turkey's International Relations*", explores the new multitude of

actors, from governmental and non-governmental religious, humanitarian, and culture actors, to civil societies and popular culture - music and especially soap operas - which all represent soft power. Öktem argues that while Turkey's reputation in the international community has much improved in the past decade, there are two limitations to Turkey's soft power. The first one is the concentration of state soft power actors in the Prime Ministry, which creates the duality of foreign policy actors and a dissonance in the system. The second limitation to Turkish soft power is its conservative ideological component. On the basis of the empirical study the writer contends that non-conventional policy actors are capable only of creating a small leverage among conservative segments of Muslim majority countries, particularly in the Balkans.

The last paper of the first part, "*Discourse vs. Figures: A Reality Check for Turkey's Economic Depth*", written by Mehmet Karlı, is a critical assessment of Turkey's economic performance in the past decade. The analyses indicate that Turkey's economic influence and country's external economic relations were only following global trends, as opposed to having their own significant influence. Moreover, the inconsistencies between the discourse on the economic relations and country's economic reality may present credibility issues for Turkish foreign policy in general.

In the second part, authors explore Turkey's relations with her "traditional partners", the United States of America (US) and the European Union (EU), and also with her historically known partners, the Balkan states. In his paper, "*The United States and Turkey in a changing world*", Joshua W. Walker elaborates on the complex relationship between the two countries from the Cold War onwards. The Cold War period was perceived as the golden age of US-Turkish relations. The common threat, the communist regime of the Soviet Union, strengthened the relations between the two countries. The collapse of the Berlin wall brought worries to Ankara since their role as a Western ally became redundant. Considering the fact, that Turkey became "*a regional hub that is defining dynamic change in its neighborhood*" (p.161) the author concludes, that the country has a lot to offer to the US in terms of strategic cooperation and hence remains its crucial ally in the Middle East.

The next paper, "*What went wrong in the Turkey-EU relationship*", is a critical assessment of this long lasting relationship that seems to have reached a stalemate in the mid 2000s and has not ameliorated since. The authors, Nilgün Arısan Eralp and Atila Eralp, contend that the setback is the result of the EU's institutional crisis. The EU's enlargement policy firstly became the victim of the institutional and later also the finan-

cial and economic crisis. At the time when the EU became more introverted, Turkey failed to continue with the reforms, necessary for the accession to the EU, and the momentum for closer cooperation was lost. In the opinion of the authors, the EU-Turkey relationship could be improved by gradually integrating Turkey into the EU's Common foreign and Security Policy, the EU's Common Security and Defense Policy, and the EU's European Neighbourhood Policy.

The last two papers of this part elucidate Turkey's involvement in the Southeast Europe. Othon Anastasaki, the author of the first paper, elaborates on several possible explanations of Turkey's foreign policy in the post-communist Balkans. Among these, the first approach is the historical approach, which is based on the Ottoman legacy, and was rediscovered by Turkish politicians in the last twenty years. Ahmet Davutoğlu, Foreign Minister, and the mastermind behind the AKP's foreign policy in the opinion of some scholars, on his visit to Sarajevo, Bosnia and Herzegovina, said: "*During the Ottoman state, the Balkan region became the centre of world politics in the 16<sup>th</sup> century. This is the golden age of the Balkans. [...] The Ottoman centuries of the Balkans were success stories. Now we have to reinvent this.*" (p. 189). The second approach, the cultural one, based on Muslim solidarity, and the

economic approach are also important perspective focuses. However, the most promising explanation might be the pragmatic approach; the AKP government saw a window of opportunity for gaining more influence in the region, and seized it. In addition to issues of reconciliation, the external environment in the last years, particularly the fact that the region is not anymore a priority for the international community, and the bleak prospects of accession to the EU for the Balkan states, are enabling Turkey to become a key regional player without much risk.

good source of information for understanding the complexity of the Turkish foreign policy decisions, which are so often simplified by the West. Therefore, it is a must read material for students of international relations, interested in constraints influencing the foreign policy decision making, and for anybody intrigued by the Turkish growing international influence in its complex neighbourhood and broader.

*“The Eastern Neighbourhood”* is the final part of the book. The paper of Reem Aboul-El-Fadl investigates Arab perceptions of contemporary Turkish policy and examines to what extent Turkey can be described as an emerging middle power. In the last two papers Karabekir Akkoyunlu explores *“Turkey’s Iranian Conundrum”*, and Aybars Görgülü argues that the rapprochement with Armenia is *“The Litmus Test for Turkey’s New Foreign Policy”*.

To conclude, the book *Another Empire* is a well-designed, comprehensive, and interdisciplinary analysis of Turkish foreign policy under the Justice and Development Party. While focusing on the AKP, it also explores economic, domestic, and international factors shaping Turkish foreign policy decisions. It is a

Tom Hashimoto

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Boštjan Videmšek

21<sup>ST</sup> CENTURY CONFLICTS: REMNANTS OF WAR(S) – FIELD REPORT FROM  
AFGHANISTAN, PAKISTAN, IRAQ, DR CONGO, SOMALIA AND SUDAN

New York: Bookbaby

2012, 224 pages (including cover matter)

ISBN 9781623095918

For many observers of modern European history, the Balkans often spell out military conflicts. International forces have intervened in Bosnia and Herzegovina (BiH) as well as in Kosovo; even the basic domestic security seems to be provided by the outsiders as in the case during the Albanian unrest in 1997. Yet, the region has begun its transformation towards the role of a global security provider, most recently symbolised by the Croatian and Albanian accession to the North Atlantic Treaty Organisation (NATO). In this respect, our curiosity asks how the region perceives global security, and moreover, we wonder how such perspectives are communicated and constructed among the constituencies in South-eastern Europe. Thus, a prominent journalist Boštjan Videmšek's field report *21st Century Conflicts: Remnants of War(s)* provides us not only the information on various military conflicts in the world, but also a tool to analyse South-eastern European perspectives on global security.

Perhaps, being aware of such implication, the author states:

In-depth investigative journalism was replaced by images [...] These photographs [of wars] were the best possible reflection of the new mediated spirit of communication – reality shows and social networks – which replaced the old-school approach of informing the public. Professional ethics and authenticity are what suffered the most. (p. 7)<sup>1</sup>

At the same time, the author continues that 'as a reporting witness I also reserved the right to prosecute and even pass judgment' (p. 8). The readers then assume the normative characteristics of the book and may even deny the added academic/epistemological value of the author's 'judgements'. The reviewer, while acknowledging the highly emotional and sometimes colloquial writing style of the author, expresses the contrary: the author's judgements

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<sup>1</sup> Quotations are from the electronic version of the book and page numbers may therefore not correspond exactly to the printed edition.

are the essential epistemological guidance of the book. In short, the reviewer argues that how the author becomes informed of the security situation in the world and how he reacts to the reality on the field can be a miniature of how South-east Europe becomes informed and reacts. Of course, there always is a danger of over-generalisation. Nevertheless, given its journalistic quality, the book should be counted as rather a representative sample of the informed citizens in the region.

As the title suggests, the book contains five field reports, namely Afghanistan and Pakistan (AfPak), Iraq, the Democratic Republic of Congo, Somalia and Sudan. The author admits that these regions are seemingly unrelated to each other, and that reporting them side-by-side seems inadequate, if not irrelevant. Yet, a war is a war. Irrespective to how media or the government informs people, Iraq is not the only war we are currently fighting. Thus, the subtitle 'Remnants of War(s)' – plural 's' – suggests that how each war influenced the local community differs war by war. The rest of this review therefore recites some of the stories in the book in order to highlight the above points. In particular, due to their rich contents, the reviewer would like to focus on the first two chapters (i.e. AfPak and Iraq) in this occasion.

Chapter One deals with Afghanistan and Pakistan (AfPak), subtitled as 'Graveyard of Empires'. The author does not immediately reveal which 'empires' he means. The chapter opens with the recent history of war in the region by the United States, alongside with a small reference to the Soviet Union, although neither superpowers are directly labelled as 'empire'. The author begins a rather well-known comparison between Afghanistan and Vietnam wars, then moves to his geopolitical understanding of the region. Those who take the subject from the scholarly perspectives will find the geopolitical and historical observations presented here short of analysis. Yet, for the general public, this is an adequate introduction to AfPak.

Nonetheless, a valuable insight of this chapter comes from the author's interview with a bookshop keeper. The author beautifully illustrates how the keeper is honoured – and even determined – to maintain the store in a time of difficulties. The then Taliban officials have raided the store and burned every books whichever seemed to be against their ideology or policies. Once the government was overthrown by the international force, the rebels can blow up the store any time as the symbol of resistance against the Western cultural invasion. Hope is held high by the keeper, but the risk never diminishes. This episode is concluded with the keeper's quote

which begins with '[y]es, the work I've chosen for myself is very dangerous' (p.24). Life-or-death risks are not common among bookshop keepers in Western Europe. Thus, realising the other side of Taliban ideology coin, i.e. denial of non-Islamic literature, becomes so real in the readers' mind almost to the point where it becomes surreal.

At the end of sub-chapter 'The Americans Have Watches, We Have Time', the author quotes the Marines who work at a checkpoint. The risk of suicide-bombing is high – that is something the readers are aware of. Then the story begins.

There could be no mistake: the car was coming straight at the Marines [...] Suddenly, the driver hit the brakes. Unleashing a cloud of dust, the car stopped mere five meters from the soldiers [...] At that moment the situation looked manageable enough to afford me the luxury of hoping none of the Marines would shoot. (p. 43)

The 'luxury' of hope – what a word choice! Then, a Marine was quoted: 'I really don't know why we didn't shoot! We definitely should have – rules are rules! [...] [The driver] got lucky!' To which the author replies: 'Yeah? He [the driver] wasn't the only one' (p. 43). Alongside with the story of the bookshop keeper, the reviewer strangely finds a humane side of the military conflict in Afghanistan and Pakistan.

In contrast, Chapter Two 'Iraq: The Unfinished War' illustrates the situation in Baghdad, full of confusion, chaos, anger and frustration, many of them are directed towards the Americans. Several people are quoted that the international force led by the United States has intervened in Iraq and killed Saddam Hussein without deeper understanding of domestic and regional affairs. In other words, the intervention made the situation worse: picturesque description of corpses and violence in the city enhances such impression. The author seems to agree with many locals that strong economic opportunity motivated the American operation in Iraq. There is no academic argument here in the sense that none of the claims are supported by empirical evidence; at the same time, how people feel regardless of rationality matters a lot in a military conflict.

Speaking of emotion, the author tells us a story when he was with a military medical helicopter. While the sub-chapter title 'Saving Private Carbajal' reminds us a popular film few years ago, the image of military medics trying to help the soldiers reminds us another side of the coin. Whatever the intention of the country is – from oil to humanitarianism, those soldiers have their own motivations and judgements. Once on the field, those soldiers try their best to survive, and geopolitics is not a matter of great concern. This is

something political scientists often forget. Citing an incident of civilian casualties in order to argue imperialistic attitude of the US is anecdotal, not analytical. Thus, journalistic approach to report and present as it is can be more comprehensive than mediocre analyses.

The chapter also contains three intriguing interviews. First, the author introduces an American soldier of Russian origin. He fought two years in Chechnya, won the US green card lottery, lost a job in the US, and then enlisted in the US Army. Chechnya was one of the bloodiest wars Russians fought since the World War II. The Russian-American soldier shows passionate affection towards a white dog during the interview, while he rather coldly admits his mass-killings in Chechnya. The order is the order: a harsh reality of the military personnel.

Second, the author tells a story of Saad al Dime Mohamed Ghieh, a 'retired' Iraqi insurgent who lives in Lebanon. The insurgent's belief in the Holy War is striking due to his clearly visible hatred, but it is equally shocking to learn from him that he disapproves Muslims fighting against each other among various sectors. As is mentioned above for the US, the motivations (i.e. the Holy War) of the Muslim fighters on the ground are not necessarily shared by the Islamic authorities – they can be equally economic

oriented like we generally observe from the US behaviours.

The chapter closes with the interview with Colin Powell. Powell admits that they were wrong in assuming the existence of the weapons of mass destruction in Iraq, but at the same time, he seems to be satisfied with the removal of Saddam Hussein. There was no regret we can observe from his replies. Then, the author questions the effectiveness of the so-called Powell Doctrine – absolute diplomatic emphasis with superior military power as the backup. The author further links the Doctrine with Afghanistan, and repeats the comparison between Vietnam and Afghanistan – the starting point of the Chapter One (AfPak). To which, Powell replies: 'We have to be much more careful: nobody has succeed to colonise Afghanistan, ever. And, throughout the history, there was no strong central government in the country' (p. 135). The subtitle 'Graveyard of Empires' flashes back in the readers' mind.

In essence, the interview with Colin Powell summarises the book's premise to highlight the additional difficulties we face in the 21st century military conflicts. Throughout the book, the readers are constantly reminded of past wars such as Chechnya and Vietnam in a form of comparison. Beyond ideology and religion, the author also casts a light on individual motivations to fight.

Complex mechanisms of the modern society is accurately reflected on the complexity of the modern warfare. Repeatedly, the American soldiers are quoted: we are not prepared for this. Perhaps, the world is not prepared for the complexity of the 21st century at all. Regardless of the author's intentions and motivations to write this book beyond his pure journalistic devotion, *21st Century Conflicts: Remnants of War(s)* makes the readers to think what security means in the contemporary world. This is, the reviewer believes, one of the core questions which the audience of this particular journal continuously asks within the context of South-eastern Europe and the Balkans. The book may not be suitable for citation in analysing Serbian geopolitics for instance. Although, it would be such a pity if that is the solo reason not to take a look at this emotional monograph.

**Sarajevo**  
**2014**

**Attitude of Socialist Slovenia/Yugoslavia to Emergence  
of European Integration Processes**

*Andrej Vrčon*



# Attitude of Socialist Slovenia/ Yugoslavia to Emergence of European Integration Processes

Andrej Vrčon<sup>1</sup>

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## ABSTRACT

This paper aims to examine the historical development of relations between the European Community and Slovenia/Yugoslavia, while exploring the extent to which ideological reasons and a need to rely on trade and assistance from the West defined relations of Slovenia/Yugoslavia with the emerging European integration processes. The paper presents the development of Yugoslavia's – and later Slovenia's – path toward European integration. It is clear that this path was heavily paved by economic motives, as the former Yugoslavia and Slovenia looked to the West in an effort to avoid reliance on the Soviet Union. In this respect, Slovenia's example is unique due to the role it played, as the most developed republic of the former Yugoslavia, in planting the seeds of closer relations between the EEC and Yugoslavia in the 1970s and 80s.

**KEYWORDS:** European Integration, Slovenia, Yugoslavia, History, EEC, Economic Cooperation

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## INTRODUCTION<sup>2</sup>

After the end of World War II, US financial aid enabled a new economic resurgence in Western Europe. At the same time, the Soviet Union had little difficulty in bringing Eastern European countries under its control. As a part of Yugoslavia, Slovenia found itself on the eastern side of the Iron Curtain. Following the dispute between Stalin and Tito (Informbiro) in June 1948, Yugoslavia retained the socialist order internally but attempted to realign its outward stance by adopting the role of an “outsider”, especially in the framework of the Non-Aligned Movement (e.g. Pirjevec, 2011, 318-320, 390-396, 438-445, 670-673; Jakovina, 2011). The conflicting nature of nurturing the socialist system internally whilst reaching out to the West and its completely different set of political ideals proved an obstacle to Yugoslavia in conducting its foreign policy and resulted in constant fluctuations in cooperation with the West. Yet despite the difficulties, the presence of a mutual interest and desire for progress in relations enabled disputes and disagreements to be forgotten quickly. Moreover, due to its development concept based on rapid industrialisation, Yugoslavia became dependent on financial and technical assistance from the West. As a result it was forced to increase trade with the West. What is more, in spite of its ideological doubts, it could not afford to ignore the European integration processes that were underway in its key trade partners (see Bogetić, 2000).

### EMERGENCE OF EUROPEAN INTEGRATION AND IDEOLOGICAL OBSTACLES TO YUGOSLAV PARTICIPATION

In the early 1950s, Yugoslavia's interest in building closer military and economic ties with the West stemmed primarily from its inability to find other means of resisting the pressure from the Soviet Union and its satellites. The complete suspension of economic ties with these countries pushed Yugoslavia to the brink of economic collapse.

The break with Stalinism and the introduction of a more flexible foreign policy became lasting political objectives, as Yugoslavia never returned under the Soviet Union's wing. Self-governing socialism was put forth as the centrepiece of Party ideology following the Sixth Congress of the Communist Party of Yugoslavia. The Communist League of Yugoslavia would pursue this goal for the next 40 years (Režek, 2005: 40-43). With these

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<sup>2</sup> This article is part of the doctoral study, which was partly co-financed by the European Union through the European Social Fund. Co-financing is carried out within the framework of the Operational Programme for Human Resources Development for the period 2007-2013, 1st development priority »Promoting entrepreneurship and adaptability«.

reforms the Yugoslav socialist regime shed elements of strict Stalinism, while by no means becoming democratic.

In economic policy, the political leadership would remain committed to one of the focal points of Stalinism – the myth of rapid industrial development – in spite of its decision to distance itself from the ideology.

Western aid was frequently used without regard to commitments given in return to form a comprehensive investment programme as a means of implementing the goal of establishing a self-sufficient economy with emphasis on the heavy and military industries. This development concept relied on imports of equipment from West which were financed by Western loans and subsidies. As a result Yugoslavia soon found itself in a position where it was forced to disregard its commitment to autarchy and export to the West to obtain foreign currency. Yugoslav economic policies were therefore in constant collision between the revolutionary ideals and the imperatives of development (Bogetić, 2000: 273). This collision hindered cooperation and the conclusion of economic agreements with the West. As a result the Yugoslav leadership on one hand closely monitored the emergence of European integration processes, while on the other refraining from officially commenting on the Schuman Declaration (of May 1950) and the subsequent creation of the European Coal and Steel Community (April 1951).

It was not until May 1959 that Edvard Kardelj assessed in an article for the *Borba* newspaper the establishment of the European Economic Community (March 1957) as a positive development, while adding that the community should have been founded on a “socialist programme” (Sirc, 2010: 168). Criticism of Stalinism also encouraged debate on the division of Party and state authority. This notion resonated loudly at the Sixth Congress of the Communist Party of Yugoslavia taking place in November 1950 in Zagreb. At the Congress the Communist Party of Yugoslavia renamed itself to the Communist League of Yugoslavia. The new name was supposed to symbolise the relinquishing of the Leninist concept of a central communist party. The Communists were to leave key offices and become merely “ideological guides” whose role would be to steer the political and ideological education of the masses. The bureaucratism, statism and centralism of the Soviet model would be abandoned in favour of a proper democratic system which would speed up the total withering away of the State and the transition to Real Communism (Režek, 2005: 45-47).

The Congress represented a radical break with Stalinism whilst enshrining Self-Governing Socialism as the fundamental goal that the Communist

League of Yugoslavia would pursue over the next 40 years. A significant part of the de-liberations at the Congress was dedicated to foreign policy, which had been thrown into disarray by the Yugoslav-Soviet dispute and the unresolved issue of Trieste. These open issues necessitated a redefinition of relations with the West.

In the foreign policy part of his address, the Secretary General of the Central Committee of the Communist Party of Yugoslavia Josip Broz Tito stressed that Yugoslav engagement in the world would be based on a principle of full equality and non-interference in internal affairs, whereby he made a special point of highlighting the good relations with Turkey and Greece.

The political leadership was concerned that Yugoslavia could not remain neutral in the event of a Soviet attack, which is why European military integration processes were viewed as a potential alternative (Režek, 2005: 47).

Due to the Soviet threat great emphasis was placed on examining the possibilities for Yugoslavia's inclusion in Western defence systems. Nevertheless, full integration in NATO remained out of reach, as this would require Yugoslavia to fundamentally change its political order, which was out of the question for the Communist Party. Furthermore, the US believed that Yugoslavia should serve as an example for other countries of the Eastern Bloc on how to loosen relations with the Soviet Union and that it could not perform this role as a member of NATO. European integration processes were raised as a possible alternative to NATO.

In early 1952 the prevailing view was in favour of a military alliance between NATO, Turkey, Greece and Yugoslavia. Negotiations ran until February 1953, when an Agreement of Friendship and Cooperation was signed between Greece, Turkey and Yugoslavia (Milošević, 2007).

Due to mounting global tensions (the start of the Korean War), the US demanded that Germany be rearmed. Faced with these demands French Prime Minister René Plevin proposed on 27 May 1952 the creation of the European Defence Community (EDC) following the example of the ECSC. The purpose of this initiative was to establish a pan-European defence force that would represent an alternative to West Germany's membership of NATO. After signing an Annex to the Balkan Pact on 28 February 1953, Yugoslavia was prepared to join such an initiative on tactical grounds related primarily to unresolved issue of Trieste, since Italy was opposed to expanded inclusion of Yugoslavia in defence agreements with the West (Dinian, 1999: 26; Pirjevec, 1995:196-201). But the French initiative would

eventually fail, as it was rejected by the French Parliament during ratification. Subsequently the focus of defence integration shifted to the Western European Union (WEU).

The international situation would go on to improve as a consequence of the conclusion of the Annex to the Balkan Pact on 28 February 1953 and the signing of the London Memorandum on 5 October 1954. Furthermore, the subsequent normalisation of diplomatic and trade ties with the Soviet Union presented Yugoslavia with new possibilities in relation to its inclusion in European defence integration (Pirjevec 1995:198). In its official declarations the Yugoslav political leadership began to support European integration that would not be based on military integration of Western Europe but rather on the surpassing of the bloc divisions in Europe.

Western countries held a dominant position in Yugoslavia's external economic relations. In the early 1960s, Yugoslav economic development was based predominantly on assistance from the US and other Western countries (see Jakovina, 2002). The primary purpose of this assistance was not to promote economic ties but to provide for Yugoslav autonomy from the Eastern Bloc. America and Britain believed that economic consolidation which would enable the political survival of the regime of Josip Broz Tito and an improvement in the standard of life of Yugoslav citizens was essential. As the biggest creditors, the Americans also sought to establish ties between Yugoslavia and the European Cooperation Administration (ECA) and the Organization for European Economic Cooperation (OEEC). The Yugoslav authorities meanwhile pursued their ideological goal of promoting cooperation with Non-Aligned countries in an effort to maintain economic independence. Nevertheless, trade with these countries did not grow as expected and remained fairly modest (KPR 1-3-b/31; Lampe 1996: 268)

All the while the role of the European Economic Community (EEC) grew. It was not based solely on growing trade but also on industrial and technical cooperation and closer financial ties, which significantly affected external conditions for economic cooperation. The members of the EEC represented an increasingly important market for Yugoslav products, ranging from agricultural produce to industrial goods. The EEC countries were becoming increasingly important foreign trade partners for Yugoslavia. Yugoslavia registered steady growth in trade with the EEC countries, primarily with Italy and the Federal Republic of Germany. But as a result of this exchange Yugoslavia built a trade deficit with Western European countries. The biggest problem was the structure of the deficit, stemming from the fact that imports were made up mostly of industrial products, whereas exports consisted of agricultural produce, textiles and raw materials (CEC PIGD: 1973: 4).

Due to a growing dependency on the Western European market, the implementation of a Common Agricultural Policy in the EEC and common external tariffs in 1962 represented a serious threat to Yugoslav exports and the economy as a whole. In order to neutralise the negative effects of such policies, Yugoslavia established its first contacts with the EEC. In January 1965 talks were launched at an expert level aimed at finding agreement on common solutions for boosting Yugoslav exports, especially in cattle and beef exports to the six member countries (CEC SG, 1970: 1).

The recognition of the EEC as a subject of international law and the accreditation of the mission to the EEC in 1968 created the basic conditions for launching official trade talks. The negotiations ran from October 1968 to February 1970 and concluded with the first trade agreement. The Yugoslav delegation was headed by Toma Granfil, whereas the EEC delegation was led by Jean Francois Deniau (CEC IM, 1970: 1).

This was the first concluded agreement based on the principle of a common trade policy. Implemented in early 1970, it would run for three years. The agreement was of a non-preferential nature based on the common recognition of a trade system with the greatest benefits. Given that the previous bilateral agreements between Yugoslavia and the other members contained significant differences in the import-export regimes, whereby the differences were greatest in respect to the removal of quantitative restrictions, the new agreement incorporated the principle of the highest degree of liberalisation achieved in the bilateral agreements (Vukadinovič R. 1997:65).

British sources labelled the agreement as the most important treaty since the assistance programme given to Yugoslavia following the Informbiro dispute. It was viewed as especially important in terms of efforts to reduce the Yugoslav balance of payments deficit, as it enabled the export of agricultural and animal products to key Yugoslav trade partners: Italy and Germany. The agreement was an important sign of the improving relations between the Federal Republic of Germany and Yugoslavia and served to solidify ties between Yugoslavia and the West (TNA FCO 30/586).

A new agreement was concluded in June 1973 for a five-year period. The agreement reaffirmed Yugoslavia's status as a state with the greatest benefits in relation to customs, duties and other trade-related taxes. Yugoslav products from young cattle were raised as a special issue in the talks on the new agreement and were eventually subject to a special import-export regime. A specialised standing committee was established between Yugoslavia and the EEC with the primary task of overseeing the implementation of the

agreement. The committee was also able to propose new means of promoting bilateral trade. The proposals were important primarily in the removal of various trade barriers. For the first time the agreement also dealt with the issue of Yugoslav workers in EEC countries (CEC PIDG, 100/1975:4).

Both agreements promoted and trade liberalisation and were particularly important due to the harmonisation of a common external tariff for Yugoslav agricultural products. While the agreements represented an important boost to trade for Yugoslavia, it soon became evident that the biggest challenge of the trade deficit was structural in nature. Yugoslavia's exports continued to consist primarily of agricultural products and textiles, with industrial products ranked third. The economic crisis only served to worsen this trend. Furthermore, the EEC introduced quotas for sensitive products in 1974. A restriction on the import of beef and beef products had significant effects on Yugoslav trade. The result was a persistent drop in trade between the EEC and Yugoslavia (CEC IM, 109/1977:2).

The enlargement of the EEC to Great Britain, Ireland and Denmark (in January 1973) represented a new blow to Yugoslav trade. Failed domestic economic reforms also contributed to a drop in trade to the developed markets of Western Europe. Searching for a way to balance trade, the EEC and Yugoslavia adopted on 2 December 1976 a joint declaration called the "Belgrade Statement" that expanded cooperation to the area of financial cooperation and the advancement of joint investments and projects and the promotion of Yugoslav goods in the EEC.

The Belgrade Statement was the foundation for a new round of talks lasting from 1978 to 1980, when the Cooperation Agreement was signed. The agreement was signed on 2 April 1980 and became a part of the Mediterranean Agreement of the EEC. Dealing with industrial, technological and scientific cooperation and agricultural, transport and social issues, in addition to trade, the agreement carried great significance. It also included a financial protocol valued at 200 million ECU (Dinian, 1999:82-90; CEC EI, 94/1988: 2-3).

In spite of obtaining such a favourable agreement, Yugoslavia's trade deficit continued to increase, something Yugoslavia blamed on EEC protectionism. A fresh blow to Yugoslav trade came with the expansion of the EEC to Greece (January 1981) and Spain and Portugal (January 1986), whose export structure was in many ways similar to that of Yugoslavia.

## ATTITUDE OF SOCIALIST SLOVENIA TO EMERGENCE OF EUROPEAN INTEGRATION PROCESSES

As the most developed and western-most republic in Yugoslavia, Slovenia attributed special importance to European integration and regional cooperation. In the early 1970s this position received an important boost with the arrival of the liberal Chairman of the Executive Council of Slovenia Stane Kavčič, who emphasised the importance of Slovenia's integration with Western and Central Europe for the achievement of »optimal economics of labour, whose power and value we will have to test on the international market and in international economic currents« (Repe 1999:31-51; Repe & Prinčič, 2009: 73-80).

The first ideas of a closer »quadrilateral» cooperation between Italy, Austria, Switzerland and Western Germany, which would subsequently include Yugoslavia, emerged in December 1971, when Austrian Chancellor Dr. Bruno Kreisky spoke of the possibility for such cooperation in an interview with a Zagreb-based television station (TNA FCO 33/1281). At the time the conditions for such cooperation were not yet ripe, but this would change with a drop in tensions in Europe and the signing of the Helsinki Final Act on Security and Cooperation in Europe in August 1975. Following the signing of the Osimo Agreements in November 1975, a new chapter in relations with Italy, a founding member of the EEC, was opened. On 20 November 1978, the Alps-Adriatic Working Community was established as a means of formalising regional cooperation in culture, science, transport and tourism.

The community brought together Slovenia, Croatia, Friuli-Venezia Giulia, Veneto, Carinthia, Upper Austria, Styria, whereas Lombardy, Trentino-Alto Adige, Bavaria and Hungarian provinces of Győr-Sopron, Vas, Somogy, Zala and Varvidék joined later (Bufon, 2011: 197).

The community aimed to develop economic, social and cultural multilateral cooperation among regions which had been linked in the past but saw their ties forcefully broken up after World War II. This form of regional cooperation also represented a modern approach to tackling national issues and the protection of ethnic minorities, adapted to the new reality in international relations (Bucarelli, 2008:78-79).

In its name and structure, the Alps-Adriatic Working Community in many ways mirrored the Working Community of Alpine Countries, which brought together the Italian regions of Lombardy, Trentino-South Tyrol, Austria's provinces of Salzburg, Tyrol and Vorarlberg and the Swiss canton

of Graubunden. All until the 1990s the community represented the only Euro-region surpassing the set divisions to East and West and as such played a broader geopolitical role in promoting integration (Bufon,2011:197).

It was also at this time that Slovenia began advancing its policy of running from the “poor club” and moving closer to rich Europe. By bringing together Slovenia, Friuli-Venezia Giulia, Croatia, Carinthia, Upper Austria, Styria and Veneto, the working community began a wave of regional bridge-building in the economy, environment, culture, tourism and minority protection. The importance of this form of cooperation would later reflect in Slovenia’s efforts to gain independence.

## CONCLUSION

High national indebtedness and politically motivated investments created an inefficient and highly bureaucratised economy. The death of long-time Yugoslav leader Josip Broz Tito in the spring of 1980 only further exposed the political and economic differences between the republics and the federation. At the same time Yugoslav policies to European integration processes became an increasingly important issue. The orthodox dogmatic political line refused to allow for any possibility of joining the EEC, instead promoting functional cooperation without integration. On the other side an increasing number of political leaders and economists from Slovenia and Croatia began calling for closer cooperation with the EEC, with some going as far as saying Yugoslavia should ask to become a full-fledged member.

In addition to the first protocol, Yugoslavia went on to sign two additional financial protocols to the Cooperation Agreement with the EEC. The second protocol, running from 1985 to 1990, was valued at 550 million ECU and was intended primarily for infrastructure development. The third protocol for the period from 1991 to 1995, valued at 870 million ECU, was broken off in mid-1991. In this time Yugoslavia also became a recipient of PHARE fund and the federal government launched exploratory talks for signing an Accession Agreement (Vukadinovič, 1997:71). This represented the peak of relations between the Socialist Yugoslavia and the European Community. Following its disintegration, Yugoslavia lost the status of a special and privileged EEC neighbouring country.

Irrespective of the development of relations with the European Community preceding its disintegration, it can be concluded that these were too little too late to change the flow of events, as Yugoslavia was essentially doomed to fail with the rise of the violent policies of Slobodan Milošević.

## LIST OF ABBREVIATIONS

AJ - Archives of Jugoslavia

CEC - Commission of the European Communities

KPR - Office of the President of the Republic

TNA - The National Archives

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CEC PIGD Commission of the European Communities, Press and Information Directorate General: Jugoslavia and European Community 36/73, 1973, p. 4

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CEC SG Commission of the European Communities, Spokemans Group: Non-Preferential Trade Agreement with Jugoslavia, P-14, Brussels 1970, p. 1.

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## CROQUIS



### NATIONAL PARK GALIČICA

Right between ocean blue coloured waters of Lake Ohrid and lake Prespa, mountain of Galičica is imposed with its towering limestone ridge. Due to its location, unusual natural beauty, scenery, aesthetic values, and exceptionally diverse and endemic flora and fauna, the Government of Republic of Macedonia declared Galičica National Park in 1958. It stretches over an area of 22 square kilometres.

Beside the mountain of Galičica the park encompasses areas of the shores of both Ohrid and Prespa lakes. Particularly distinctive are the relief characteristics of Galičica National Park: the high mountain peaks which often exceed 2000 m (the Magaro peak being 2.254 m), the afforested areas at the height between 1.564 m and 1.984 m and in the higher areas, the large pastures with numerous herds which are a special ornament of the mountain landscapes. The national park of Galičica also includes a large number of impressive caves – a geographical reminder of the Glacial Epoch, as well as a special attraction for the tourists.

Especially touristic attractive is the area surrounding the monastery St. Naum, where the springs of the river Crni Drim are located. With its lower slopes reaching the edge of the lake the mountain Galičica provides vistas of extraordinary beauty. Prespa lake with its clear water and the clean sandy

beaches also presents a very picturesque landscape. Especially attractive is the island Golem Grad and the shallow bays near the village Konjsko, with their small beaches.

However, the National Park Galičica is especially distinguished with the abundance of floristic wealth. The floral life represents over 1000 species, of which a large number of relicts and endems have the final frontier of its range exactly on the mountain Galičica. There is characteristically presence of up now 11 discovered local endems to be found exclusively on the slopes of Galičica and nowhere else. It is intensively worked on the flora of the National Park and there are indications that the number of endems will be even bigger.

What is typical mark of Galičica National Park? *Lynx lynx martinoi* or *Balkan Lynx* is indigenous to the Balkans with estimated population in Macedonia of around 30-35 individuals. Due to such small population, and various treats to its existence mainly resulting from human activities, in July 2006, *Macedonian Environmental Society* (MES) commenced a project for increasing the population of the *Balkan Lynx* in Macedonia titled »*Balkan Lynx* conservation project«.

Nevertheless, the park is also rich on monuments of great artistic and historical significance. Belonging to the group of famous cave churches, the following churches are under protection: »St. Bogorodica« in the village of Pestani from XIV century, the church »St Bogorodica« in the camping site Gradište, the church »St Stefan« dating from the beginning of IX century and has picturesque wall paintings.

Anja Fabiani



# GENERAL SUBMISSION GUIDELINES

## ARTICLES

European Perspectives is a scientific journal that publishes original, peer-reviewed manuscripts that provide scientific articles focusing on relevant political, sociological, social, security, economic and legal as well as ethnic, cross-cultural, minority and cross-ethnic issues related to European and Euro-Atlantic integrations and South-Eastern Europe.

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Ernest Petrič et al.

**Slovenski diplomati v slovanskem svetu  
(Slovene Diplomats in Slavic Countries)**

2010 / 472 pages / ISBN 978-961-92839-0-5

Price: € 40



This is an excellent and rare book which analyses and reflects the role of Slovene diplomats in the Slavic countries up till 1990. The main message of the book is that Slavic component is part of the Slovene diplomatic experience. It has contributed to enhanced diplomatic relations between the Republic of Slovenia and several Slavic countries. Contributions are published in Slovene, Czech and Russian languages. The book was published as part of the *Personae* series of the *Studia diplomatica Slovenica* collection.

Andrej Rahten

**Izidor Cankar – diplomat dveh Jugoslavij  
(Izidor Cankar – A Diplomat of Two Yugoslavias)**

2009 / 420 pages / ISBN 978-961-92173-8-2

Price: € 40



The biography *Izidor Cankar – A Diplomat of Two Yugoslavias* is an account of the diplomatic career of Izidor Cankar in the first and second Yugoslav states. The book outlines Slovenia's progress from the end of the 19th century to the late 1950s in broad social terms as part of the Austro-Hungarian Empire and the monarchist and communist Yugoslavias. Special attention is given to the international point of view – debates on the Slovenian issue in correspondence involving Slovenian diplomats serving at Yugoslav missions. The book was published as part of the *Personae* series of the *Studia diplomatica Slovenica* collection.

Franc Rozman

**Baron Josef Schwegel – spomini in pisma (Baron Josef Schwegel –  
Memories and Letters)**

2007 / 376 pages / ISBN 978-961-92173-0-6

Price: € 34



The book *Baron Josef Schwegel – Memories and Letters* contains an autobiography of Baron Josef Schwegel and his notes from the Congress of Berlin. The book sheds light on Schwegel's work in diplomacy and foreign affairs based on his memoirs and the letters he wrote his wife when he was a member of the Austro-Hungarian delegation at the Congress of Berlin. The book was published as part of the *Personae* series of the *Studia diplomatica Slovenica* collection.

Ernest Petrič

**Slovenci v očeh Imperija** - Priročniki britanskih diplomatov na Pariški  
mirovni konferenci leta 1919

**(Slovenes in the Eyes of an Empire – Handbooks of the British  
Diplomats Attending the Paris Peace Conference of 1919)**

2007 / 524 pages / ISBN 978-961-92173-1-3

Price: € 35



The book *Slovenes in the Eyes of an Empire – Handbooks of the British Diplomats Attending the Paris Peace Conference of 1919* includes a collection of handbooks prepared by the Historical Section at the British Foreign Office for the Versailles peace conference in 1919. Political analyses, texts containing historical and general information (Slovenes, the Yugoslav movement, the Austrian Primorska (Littoral) and Kansan (Carniola) regions, Koroška (Carinthia), Štajerska (Styria)) that were intended to help shape British policy on Central and Southern Europe following World

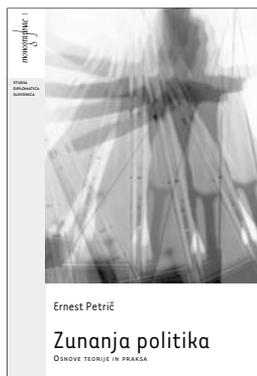
War I. The book was published as part of the *Fontes* series of the *Studia diplomatica Slovenica* collection.

Ernest Petrič

**Zunanja politika – Osnove teorije in praksa  
(Foreign Policy - Basic Theory and Practice)**

2010/509 pages/ISBN 978-961-92839-2-9

Price: € 45



The author, an experienced professor of international law, ambassador with remarkable career and currently the president of the Constitutional Court of the Republic of Slovenia, presents in this book a comprehensive overview of foreign policy. He combines in-depth theoretical expertise and long year experience both in foreign policy decision-making process and in its exercising through diplomatic means. This monograph is the first of its kind in Slovene language and represents a pioneering contribution to science.

Andrej Rahten, Janez Šumrada (ed.)

**Velikih pet in nastanek Kraljevine Srbov, Hrvatov in Slovencev  
(Les Grands Cinq et la création du Royaume des Serbes,  
Croates et Slovènes)**

2011/510 pages/ISBN 978-961-92173-0-6

Price: € 35



Book is based on the research in the archives of the Great Powers for the period 1918–1920, with a focus on the Slovenian role in re-defining the borders of Europe at the Paris Peace Conference. For the first time in one place and on the basis of primary sources, the research describes the policy of the “Big Five” – the United States, France, Great Britain, Italy and Japan – towards the establishment of the Yugoslav state.